CELL AQUACULTURE LTD

ABN 86 091 687 740

Annual Financial Report
for the Year Ended 30 June 2012

C O N T E N T S

The Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Cell Aquaculture Limited and the entities it controlled at the end of, or during the financial year ended 30 June 2012.

Directors
The names of the Directors in office at any time during or since the end of the financial year are:

Perryman James Leach
Suresh Emmanuel Abishegam
Noel Patterson (appointed 4 May 2012, resigned 14 August 2012)
Peter Philip Bodycoat (resigned 4 May 2012)
Peter Gerard Burns (resigned 4 May 2012)
Paul Damian Price (appointed 2 May 2013)
KC Dennis Ong (appointed 2 May 2013)
Soo Tuck Yoon (appointed 2 May 2013)

Perryman J Leach M.I.E. Aust.
Chairman Non-independent, Executive Director

Perry Leach, the creator of the Eco-Cell ™ Recirculating Seafood Production System, is a Civil Engineer, project manager and builder. He has extensive experience in the intensive farming of poultry through the food chain to abattoirs, small goods processing, chiller and freezer works and pollution control. Mr Leach has an ongoing role in species development and the further advancement of Cell's unique technologies.

Mr Leach has not held directorships in any listed companies during the past three financial years.

Capt. Suresh E Abishegam
Independent, Non-Executive Director

Capt. Abishegam is a Malaysian based businessman with public company experience. He currently owns and operates companies in the Shipping and Information Technology industries. Capt. Abishegam has been associated with Cell for the past five years, making the introduction and providing the catalyst to complete the Joint Venture deal with the Malaysian Government. He is also a Director of the Malaysian subsidiary company, Cell-Aqua Malaysia Sdn Bhd and will play an instrumental role in driving the future expansion of this venture.

Capt. Abishegam has not held directorships in any listed companies during the past three financial years.

Dr Noel Patterson (resigned 14 August 2012)
Independent, Non-Executive Director until 14 August 2012

For the past 34 years Dr Patterson was the Senior Partner, Clinical Director and Chief Executive Officer of Stirling Health Professionals, which is a multi-disciplinary clinic of 34 staff and amongst the largest practices in Australia. Through this and his other commercial business activities Dr Patterson brings valuable business skills and experience to the Group.

Mr Patterson has not held any directorship in any listed companies during the past three years.

Mr Peter Philip Bodycoat B.Bus F.N.T.A.A. (resigned 4 May 2012)
Finance Director until 4 May 2012

Mr Bodycoat oversees all financial functions of Cell Aquaculture Ltd. Mr Bodycoat has owned and managed his own South Perth based accounting and financial advisory practice, Acute Management Services, for over 15 years. In that time he has advised clients in many industries including mining, transport, manufacturing and civil contracting. He is a fellow of the National Tax & Accountants Association and a registered tax agent. Mr Bodycoat holds a Bachelor of Business degree and is also a director of numerous private companies.

Mr Bodycoat has not held directorship in any listed companies during the past three financial years.

Mr Peter Gerard Burns B.Bus A.I.M.M. A.M.A.M.I. (resigned 4 May 2012)
Executive Director until 4 May 2012

Mr Burns has been involved with Cell Aquaculture Ltd for the past 10 years and has played a key role in the international development of the Company. He is actively involved in the day-to-day running of the Company's operations with a particular emphasis on the development of Cell's international markets and product branding. Mr Burns holds a Bachelor of Business degree with a double major in management and marketing and possesses over 15 years experience in these respective fields.

Mr Burns has not held directorships in any listed companies during the past three financial years.

Mr Paul Price (appointed 2 May 2013)
Director from 2 May 2012

Paul has extensive experience in corporate and commercial matters and has advised national and international clients on capital raising and structuring issues including Corporations Act and ASX Listing Rule compliance and governance issues. Paul's clients span numerous industry sectors, including resources and energy, manufacturing, professional services, industrial and technology. Paul has served as a director of a number of ASX listed companies and is a co-founder of corporate advisory firm Trident Capital. Paul is a member of the Australian Institute of Company Directors, AMPLA (the Resources and Energy Law Association) and the Association of Mining and Exploration Companies. Paul has a Bachelor of Jurisprudence, a Bachelor of Laws and a Masters of Business Administration, all from the University of Western Australia.

Directorships held in other listed entities during the past three years :

- Windimurra Vanadium Limited – Director – 30 July 2012

Mr KC Ong (appointed 2 May 2013)
Director from 2 May 2012

Mr KC Denis Ong is a Director of Trident Management Services. He is an alumni from Deakin University, Victoria, holding a Bachelor of Commerce degree and is a Certified Practicing Accountant. KC has over 25 years of diverse experience in financial management and business advisory to corporations in Australia and South-East Asia.

Directorships held in other listed entities during the past three years :

- Reclaim Industries Limited – Director – 13 March 2012;
- My ATM Holdings Limited – Director – appointed 23 July 2012
- Windimurra Vanadium Limited - Director – appointed 30 July 2012

Mr Richard Soo (Soo Tuck Yoon) (appointed 2 May 2013)
Director from 2 May 2012

Soo, Tuck Yoon (Richard Soo) is of Malaysian nationality and has a Bachelor of Arts Degree from the National University of Malaysia. Mr Soo has 34 years working experience and his experience has been in the areas of Hospitality, Gaming, Trading and Mining Industry. Mr Soo is currently a Director of Leisurematics Sdn Bhd and also Director of Sinomines (Hong Kong) Limited.

Mr Soo has not held directorships in any listed companies during the past three financial years.

Company Secretary

Ms Deborah Ho was appointed as Company Secretary on 2 May 2013. Deborah holds a Bachelor of Commerce from Curtin University and is a member of Chartered Secretaries Australia. Deborah has over 2 years experience in public practice including auditing of listed and unlisted companies. Deborah also has experience in company secretarial matters and financial accounting, including preparation of financial statements.

Mr Ian Gregory resigned as Company Secretary on 2 May 2013.

Principal Activities

The principal activities of the Company during the financial year were: Food Processing and the Development, Commercialisation & Marketing Technology relating to aquaculture farming.

No significant change in the nature of these activities occurred during the year.

Dividends Paid or Recommended

No dividends were paid during the year and no recommendation is made as to dividends.

Operating and Financial Review

The consolidated operating result for the year ended 30 June 2012 is:

	Financial Year 2012 $	**Financial Year 2011 $**
Revenue from continuing operations	499,001	535,127
Net Loss for the year	(3,499,875)	(2,194,051)

Review of Operations and Significant Changes in Affairs

During the year ended 30 June 2012 the Group continued efforts to grow and develop its operations to achieve profitable levels. However, tough market conditions combined with a shortage of capital delayed progress.

Trading in the Company's securities were suspended in December 2011 until capital was sourced. In April 2012 the Company raised $600,000 by the issue of 30,000,000, shares at 2 cents each. Trading on ASX recommenced in May 2012.

In June 2012 the Group signed a contract for the construction of a large high density fish-growing plant for the Malaysian Government at Pagoh in the country's south.

Events occurring after the reporting date

On 1 October 2012, the securities of the Company were suspended from official quotation on the Official list of the ASX at the request of the Company after it was clear it was unable to raise further capital at this time.

On 19 November 2012, by resolution of the directors of the Company pursuant to section 436A of the Corporations Act, Christopher Williamson and David Hurt were appointed as the administrators of the Company ("Administrators").

Pursuant to the resolution at a meeting of Creditors on 15 February 2013 held under section 439A of the Corporations Act, the Creditors resolved pursuant to section 439C of the Corporations Act that the Company enter into a Deed of Company Arrangement to approve a Recapitalisation Proposal. On or about 26 February 2013, the Company, the Administrators and Trident Capital executed the DOCA and the Administrators became the administrators of the DOCA ("the Deed Administrators"). The DOCA was wholly effectuated on the 2 May 2013. The Recapitalisation Proposal remains subject to meeting certain conditions as at the date of this report.

As a result of the appointment of Administrators, the Group operations were suspended in October 2012 with the exception of continuation of the construction contract in Malaysia.

Purpose of the Recapitalisation Proposal

The purpose of the Recapitalisation Proposal is to:

(a) restructure the Company's issued capital and net asset base;

(b) provide working capital to finalise and complete the Recapitalisation and terminate the DOCA;

(c) allow the Company to continue its existing activities and pursue new projects by way of acquisition or investment; and

(d) facilitate the reinstatement of the Company's Shares on the ASX

Principal features of the Recapitalisation Proposal

The principal features of the Recapitalisation Proposal are as follows:

(a) **Capital Consolidation**: Consolidation of the existing issued capital of the Company on a 1 for 10 basis .

(b) **Reduction of capital**: Reduce the capital of the Company by applying an amount of up to $19,872,740 being a proportion of the accumulated losses of the Company, against the share capital of the Company which is considered permanently lost.

(c) **Issue of New Shares**: The Company will issue a total of 100,000,000 New Shares at 0.5 cents per share to raise $500,000.

(d) **Issue of New Shares under the Prospectus**: The Company will issue up to 250,000,000 New Shares under the Prospectus at a price of 1 cent per share to raise up to $2,500,000.

(e) **Appointment of New Directors**: Three new directors of the Company have been appointed to join the two continuing directors, and the company secretary has also been replaced.

(f) **Payment to the Deed Administrator**: Under the terms of the DOCA, a total of $600,000 is to be transferred to the deed administrators to be applied to the Creditors Trust.

(g) **Forgiveness of claims**: Under the terms of DOCA, all existing Claims against the Company will be released, extinguished and barred, with Creditor's Claims only able to be met from the Creditors Trust in accordance with the terms of the DOCA and the Creditor's Trust Deed.

Environmental Regulations

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a State or Territory.

The *Energy Efficiency Opportunities Act 2006* requires the group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the group intends to take as a result.

The *National Greenhouse and Energy Reporting Act 2007* requires the group to report its annual greenhouse gas emissions and energy use.

The Group has not yet fully reviewed the reporting requirements under the *Energy Efficiency Opportunities Act 2006* or the *National Greenhouse and Energy Reporting Act 2007*, but believes it has adequate systems in place to ensure compliance with these Acts having regard to the scale and nature of current operations.

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2012, and the numbers of meetings attended by each Director were:

	Directors Meetings	
	A	B
PJ Leach	5	5
S E Abishegam	5	5
N Patterson	5	5
P Bodycoat	3	3
P G Burns	3	3
P D Price	-	-
K C Ong	-	-
Soo Tuck Yoon	-	-

Notes
A - Number of meetings attended.
B - Number of meetings held during the time the Director held office during the year.

Being a small executive Board, the Directors are in contact virtually on a daily basis, minimising the requirement for numerous formal Board meetings throughout the year.

Share Options

Shares under Option
Unissued ordinary shares of Cell Aquaculture Limited under option at the date of this report are NIL.

Directors' Share and Option Holdings
As at the date of this report the interests of the Directors in the shares and options of the Company were:

Director	Ordinary Shares	Options over Ordinary Shares
P J Leach	16,007,501	-
S E Abishegam	1,293,816	-
N Patterson	1,125,490	-
P D Price	-	-
K C Ong	-	-
Soo Tuck Yoon	-	-

Note that SE Abishegam owns 10% of the issued capital of Cell Aqua Malaysia Sdn Bhd, a subsidiary of Cell Aquaculture Ltd.

Remuneration Report (Audited)

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001.* The key management personnel of the Company during the financial year were Directors, and General Manager.

(A) Principles used to determine the nature and amount of remuneration

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered and set to attract the most qualified and experienced candidates.

Remuneration levels are competitively set to attract the most qualified and experienced Directors and senior executive officers, in the context of prevailing market conditions.

The Company embodies the following principles in its remuneration framework:

- the Board seeks independent advice if required on remuneration policies and practices including recommendations on remuneration packages and other terms of employment for executives; and
- in determining remuneration, advice is sought from external consultants on current market practices for similar roles and the level of responsibility, performance and potential of the executive and performance of the Group.

The Directors are responsible for determining and reviewing compensation arrangements for the Directors and the executive team. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

The Australian resident executives who receive a base salary also receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. All remuneration paid to Directors and executives is valued at the cost to the Company and expensed. Options are valued using the Binomial methodology. The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting (currently $200,000). Fees for Non-Executive Directors are not linked to the performance of the economic entity.

Executives
All executives, with the exception of the Executive Chairman and Directors, receive a base salary (which is based on factors such as length of service and experience) and superannuation. The Board reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries. The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Service agreements are in place for the Executive Director which provides for a fixed base fee per annum. External remuneration information provides benchmark information to ensure the base pay is set to reflect the market for a comparable role. Base fees are reviewed annually to ensure the level is competitive with the market. There is no guaranteed base fee increases included in the Executive Director contract.

The Executive Chairman receives a fixed fee for his services as a Director, and is remunerated on an hourly basis for services provided in excess of a base number of hours.

The Company does not offer any variable remuneration incentive plans or bonus schemes to the Executive Director or the Executive Chairman or any retirement benefits, as such there is no performance related links to the existing remuneration policies. The fixed remuneration plan is adequate for the Company whose focus at this stage is on development of the business. The adequacy and appropriateness of the current remuneration policy will be reviewed when the Company moves into the next stage of the business cycle.

The following table shows the gross revenue and losses and the share price of the Group at the end of the respective financial years.

	30 June 2008	30 June 2009	30 June 2010	30 June 2011	30 June 2012
Revenue	1,567,104	385,003	538,717	535,127	499,001
Net loss	(4,050,190)	(1,992,927)	(1,022,654)	(2,194,051)	(3,499,875)
Share price	12.5 cents	8.3 cents	14.5 cents	8 cents	2 cents

Non-Executive Directors
Fees and payments to the Non-Executive Directors reflect the demands which are made on, and the responsibilities of the Directors. Non-Executive Directors' fees and payments are reviewed annually by the Board.

The current base remuneration for Non-Executive Directors was last reviewed in August 2009.

The Company's Non-Executive Director's remuneration package contains the following key elements:

- primary benefits – Director's fees paid monthly; and
- equity – share options.

In addition, Non-Executive Directors are remunerated on an hourly basis for services provided in excess of their roles as Non-Executive Directors.

(B) Details of remuneration
The Key Management Personnel of the Group are as follows:

(i) Directors

Perryman James Leach	Chairman (Executive)
Suresh Abishegam	Director (Non Executive)
Noel Patterson	Director (Non Executive) – appointed 4 May 2012 - resigned 14 August 2012
Peter Bodycoat	Director (Executive) – resigned 4 May 2012
Peter Gerard Burns	Director (Executive) – resigned 4 May 2012

(ii) Other Key Management Personnel

Christopher Bolger	General Manager – resigned 15 February 2012

Details of the remuneration of the Directors and Key Management Personnel and other executives of the Group are set out below:

Year ended 30 June 2012	**Short-Term**		**Post employment**		**Share-Based Payments**		**Total**	**Remuneration consisting of options %**
	Salary & Fees	*Consulting*	*Termination payments*	*Super-annuation*	*Options*	*Shares*		
Directors								
PJ Leach	40,000	-	-	-	-	-	40,000	-
PG Burns	173,555	-	-	-	-	-	173,555	-
SE Abishegam	43,793	-	-	-	-	-	43,793	-
P Bodycoat	26,667	-	-	-	-	-	26,667	-
N Patterson	12,000	-	-	-	-	-	12,000	-
Other Key Management Personnel								
CM Bolger	119,766	-	-	9,687	-	-	129,453	-
	415,781	-	-	9,687	-	-	425,468	-

Year ended 30 June 2011	**Short-Term**		**Post employment**		**Share-Based Payments**		**Total**	**Remuneration consisting of options %**
	Salary & Fees	*Consulting*	*Termination payments*	*Super-annuation*	*Options*	*Shares*		
Directors								
PJ Leach	39,996	-	-	-	-	-	39,996	-
PG Burns	129,107	-	-	338	-	-	129,445	-
SE Abishegam	39,996	-	-	-	-	-	39,996	-
P Bodycoat	40,000	-	-	-	-	-	40,000	-
Other Key Management Personnel								
IE Gregory	-	-	-	-	-	-	-	-
	249,099	-	-	338	-	-	249,437	-

(C) Service agreements

On appointment, the Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter outlines the Board policies and terms, including remuneration relevant to the office of Director.

Remuneration and other terms of employment for the Executive Director and Executive Chairman are formalised in letter agreements. The major provisions relating to remuneration are set out below.

Perryman Leach, Executive Chairman

- Term of agreement – no specified term.
- Base fee of $40,000 pa as at 30 June 2012 in relation to his Directorship, to be reviewed annually. In addition an hourly rate of $100 is payable in respect of his executive duties.
- Long service leave does not accrue.
- Statutory superannuation is not payable under the agreement.
- No post employment or termination benefits are payable.
- There is no notice period required for termination of the contract.

Suresh Abishegam, Non-Executive Director

- Term of agreement – no specified term.
- Base fee of $40,000 pa as at 30 June 2012 in relation to his Directorship, to be reviewed annually. In addition an hourly rate of $100 is payable in respect of his executive duties.
- Long service leave does not accrue.
- Statutory superannuation is not payable under the agreement.
- No post employment or termination benefits are payable.

There is no notice period required for termination of the contract

Noel Patterson, Non-Executive Director (appointed 4 May 2012)

- Term of agreement – no specified term.
- Base fee of $40,000 pa as at 30 June 2012 in relation to his Directorship, to be reviewed annually. In addition an hourly rate of $100 is payable in respect of his executive duties.
- Long service leave does not accrue.
- Statutory superannuation is not payable under the agreement.
- No post employment or termination benefits are payable.
- There is no notice period required for termination of the contract.

Peter Bodycoat, Finance Director (resigned 4 May 2012)

- Term of agreement – terminated in February 2012.
- Base fee of $180,000 pa (Fees for taxation, finance and business advice, compliance services, bookkeeping, all other statutory reporting , corporate headquarters registered office, and Rent - $140,000 pa, Directors Fees - $40,000 pa) as at 30 June 2011, reviewed annually.
- Long service leave does not accrue.
- Statutory superannuation is not payable under the agreement.
- No post employment or termination benefits are payable.
- There is no notice period required for termination of the contract.

Peter G. Burns, Executive Director (resigned 4 May 2012)

- Term of agreement – terminated in February 2012.
- Base fee of $40,000 pa as at 30 June 2011 in relation to his Directorship, to be reviewed annually. In addition an hourly rate of $80 is payable in respect of his executive duties.
- No performance based benefits payable under the agreement.
- Long service leave does not accrue.
- Statutory superannuation is not payable under the agreement.
- No termination benefits are payable. No notice period is required for termination of the contract.

Christopher Bolger, General Manager (resigned 15 February 2012)

- Term of agreement – terminated 15 February 2012.
- Base fee of $146,000 pa (Salary - $140,000 pa, Motor Vehicle Allowance - $6,000 pa) as at 30 June 2011.
- Statutory superannuation is payable under the agreement.
- All statutory leave provisions apply.
- No other termination benefits are payable.

(D) Share-based compensation

Options over shares in the Company are granted under the Cell Aquaculture Employee Share Option Plan ('ESOP') which was approved by shareholders on 31 October 2007. The Plan is used to reward Directors and employees for their performance and to align their remuneration with the creation of shareholder wealth. There are no performance requirements to be met before exercise can take place. The Plan is designed to provide long-term incentives to deliver long-term shareholder returns. Participation in the Plan is at the discretion of the Board and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The issue of options is not linked to performance conditions because by setting the option price at a level above the current share price at the time the options are granted, it provides incentive for management to improve the Company's performance.

Options granted under the ESOP carry no dividend or voting rights.

The Company has not issued any performance bonus options during the financial year ended 30 June 2012.

No shares have been issued to Directors as a result of the exercise of any Plan options in the current financial year (2011: Nil).

All options affecting remuneration in the previous reporting period have expired.

(E) Use of remuneration consultants

The Company did not employ the services of remuneration consultants during the financial year.

(F) Voting and comments made at the Company's 2011 Annual General Meeting

The approval of the remuneration report was passed as indicated in the results of annual general meeting dated 30 November 2011. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

The Company received more than 70% of "yes" votes on its resolutions to re-elect Mr Perryman Leach and Mr Peter Burns as Directors.

This is the end of the Audited Remuneration Report.

Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract of insurance insuring the Directors and officers of the Company against certain liabilities specified in the contract. The contract prohibits disclosure of the nature of the liabilities insured and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company against a liability incurred as such an officer or auditor.

Non-Audit Services

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor or a related practice of the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are also satisfied that the provision of non-audit services by the auditor if any, as set out in note 20 to the financial statements, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor's independence as set out in APES 110 Code of Ethics for Professional Accountants.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included in this Annual Financial Report.

Details of amounts paid or payable to the auditor, BDO Audit (WA) Pty Ltd, for audit and non-audit services provided during the year are set out in note 20 to the financial statements. No fees were paid or payable to the auditor for non-audit services.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

The Company was not a party to any such proceedings during the year.

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

PERRYMAN LEACH
Chairman

Dated at Perth this 26th day of June , 2013.

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38 Station Street
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Australia

26 June 2013

The Board of Directors
Cell Aquaculture Ltd
Level 24, 44 St Georges Terrace
PERTH WA 6000

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF CELL AQUACULTURE LTD

As lead auditor of Cell Aquaculture Ltd for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Cell Aquaculture Ltd and the entities it controlled during the period.

Phillip Murdoch
Director

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CELL AQUACULTURE LTD

Report on the Financial Report

We have audited the accompanying financial report of Cell Aquaculture Ltd, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Cell Aquaculture Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Cell Aquaculture Ltd is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies *with International Financial Reporting Standards* as disclosed in Note 1(a).

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 (y) in the financial report, which indicates that the consolidated entity incurred a net loss of $3,499,875 during the year ended 30 June 2012 and, as of that date, the consolidated entity's current liabilities exceeded its total assets by $1,355,081. These conditions, along with other matters as set forth in Note 1 (y), indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Cell Aquaculture Ltd for the year ended 30 June 2012 complies with section 300A of the Corporations Act 2001.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch
Director

Perth, Western Australia
Dated this 26th day of June 2013

Cell Aquaculture Ltd
ABN 86 091 687 740

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2012

The Directors of the Company declare that:

1. The financial statements, comprising the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statements of Changes in Equity, accompanying notes, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (b) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the consolidated entity.

2. In the Directors' opinion, there are reasonable grounds to believe, upon successful recapitalisation of the Company as detailed in Note 24 to the Financial Statements, Cell Aquaculture Ltd will be able to pay its debts as and when they become due and payable.

3. Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

4. The Directors have been given the declarations as required by Section 295A of the Corporations Act for the financial year ending 30 June 2012.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

____
PERRYMAN LEACH
Chairman

Dated at Perth this 26th day of June , 2013.

Cell Aquaculture Ltd
ABN 86 091 687 740

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Revenue from continuing operations	**5(a)**	499,001	535,127
Foreign currency gain/(loss)		19,433	(1,970)
Gain on derivative financial instrument	**16**	545,236	-
Raw materials and consumables used		(447,385)	(390,647)
Legal expenses		(52,866)	(16,714)
Marketing expenses		(20,656)	(58,986)
Communication expenses		(17,209)	(7,561)
Consultancy expenses		(974,591)	(1,022,504)
Employee benefits expense		(333,146)	(218,334)
Insurance expenses		(33,896)	(21,179)
Occupancy costs		(127,212)	(65,817)
Professional costs		(272,385)	(738,870)
Travel costs		(51,663)	(53,968)
Depreciation and amortisation expense	**5(b)**	(31,276)	(21,202)
Finance costs	**5(b)**	(21,984)	(26,380)
Interest Expense		(566,233)	-
R&D expenses		(95,000)	-
Other expenses		(170,014)	(175,212)
Provision for impairment of receivable	**8(a)**	(380,595)	-
Provision for impairment of buildings	**13**	(416,000)	-
Provision for impairment of property, plant & equipment	**13**	(323,411)	-
Provision for impairment of inventories	**9**	(257,173)	-
Provision for impairment of biological assets	**10**	(10,621)	-
Default Fee		(64,706)	-
Loss from continuing operations before Income Tax Benefit		**(3,604,352)**	**(2,284,217)**
Income tax benefit	**6**	104,477	90,166
Loss for the year		**(3,499,875)**	**(2,194,051)**
Other comprehensive loss			
Exchange differences on foreign currency translation		12,130	(59,859)
Total comprehensive loss for the year		**(3,487,745)**	**(2,253,910)**
Loss is attributable to:			
Owners of Cell Aquaculture Ltd		(3,250,068)	(2,014,417)
Non-controlling interests		(249,807)	(179,634)
		(3,499,875)	**(2,194,051)**
Total comprehensive income for the year is attributable to:			
Owners of Cell Aquaculture Ltd		(3,237,938)	(2,074,386)
Non-controlling interests		(249,807)	(179,524)
		(3,487,745)	**(2,253,910)**
		Cents Per Share	**Cents Per Share**
Basic (loss) per share	**27**	**(1.52)**	**(0.99)**

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Cell Aquaculture Ltd
ABN 86 091 687 740

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
CURRENT ASSETS			
Cash and cash equivalents	**7**	29,674	977,893
Trade and other receivables	**8**	-	157,575
Inventories	**9**	-	190,707
Biological assets	**10**	-	92,651
TOTAL CURRENT ASSETS		**29,674**	**1,418,826**
NON CURRENT ASSETS			
Receivables	**11**	-	500,149
Property, plant and equipment	**13**	-	462,645
TOTAL NON CURRENT ASSETS		**-**	**962,794**
TOTAL ASSETS		**29,674**	**2,381,620**
CURRENT LIABILITIES			
Trade and other payables	**14**	663,148	319,570
Borrowings	**15**	721,607	113,686
Derivative financial instrument	**16**	-	615,493
TOTAL CURRENT LIABILITIES		**1,384,755**	**1,048,749**
TOTAL LIABILITIES		**1,384,755**	**1,048,749**
NET ASSETS / (DEFICIENCY OF ASSETS)		**(1,355,081)**	**1,332,871**
EQUITY			
Contributed equity	**17**	19,138,441	18,344,635
Accumulated losses	**18(b)**	(20,789,514)	(17,539,446)
Reserves	**18(a)**	734,299	722,169
Capital and reserves attributable to owners of Cell Aquaculture Ltd		(916,774)	1,527,358
Non-controlling interests		(438,307)	(194,487)
TOTAL EQUITY		**(1,355,081)**	**1,332,871**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Cell Aquaculture Ltd
ABN 86 091 687 740

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Contributed equity	Accumulated losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	Total	Non-controlling Interest	Total
Balance at 1.7.2010	**18,194,635**	**(15,525,029)**	**820,715**	**(38,577)**	**3,451,744**	**(20,958)**	**3,430,786**
Loss for the year	-	(2,014,417)	-	-	(2,014,417)	(179,634)	(2,194,051)
Exchange difference on translation of foreign operations	-	-	-	(59,969)	(59,969)	110	(59,859)
Total comprehensive income/ loss for the period	**-**	**(2,014,417)**	**-**	**(59,969)**	**(2,074,386)**	**(179,524)**	**(2,253,910)**
Transactions with owners in their capacity as owners:							
Issue of shares	150,000	-	-	-	150,000	-	150,000
Non-controlling interests	-	-	-	-	-	5,995	5,995
Share based payments	-	-	-	-	-	-	-
Balance at 30.06.2011	**18,344,635**	**(17,539,446)**	**820,715**	**(98,546)**	**1,527,358**	**(194,487)**	**1,332,871**

	Contributed equity	Accumulated losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	Total	Non-controlling Interest	Total
Balance at 1.7.2011	**18,344,635**	**(17,539,446)**	**820,715**	**(98,546)**	**1,527,358**	**(194,487)**	**1,332,871**
Loss for the year	-	(3,250,068)	-	-	(3,250,068)	(249,807)	(3,499,875)
Exchange difference on translation of foreign operations	-	-	-	12,130	12,130	-	12,130
Total comprehensive income/ loss for the period	**-**	**(3,250,068)**	**-**	**12,130**	**(3,237,938)**	**(249,807)**	**(3,487,745)**
Transactions with owners in their capacity as owners:							
Issue of shares	793,806	-	-	-	793,806	-	793,806
Non-controlling interests	-	-	-	-	-	5,987	5,987
Share based payments	-	-	-	-	-	-	-
Balance at 30.06.2012	**19,138,441**	**(20,789,514)**	**820,715**	**(86,416)**	**(916,774)**	**(438,307)**	**(1,355,081)**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Cell Aquaculture Ltd
ABN 86 091 687 740

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		339,272	589,013
Interest received		2,154	64,205
Payments to suppliers and employees		(1,810,371)	(2,906,755)
Income tax refund		104,477	90,166
Net cash outflow from operating activities	**25**	**(1,364,468)**	**(2,163,371)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for business acquisition – plant and equipment		-	(36,400)
Payment for business acquisition – inventories		-	(21,918)
Purchase of Property, Plant and Equipment		(308,042)	(323,122)
Net cash outflow from investing activities		**(308,042)**	**(381,440)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues (net of share issue costs)		568,806	154,443
Proceeds from convertible note issues		143,355	711,766
Net cash inflow from financing activities		**712,161**	**866,209**
Net increase (decrease) in cash and cash equivalents		**(960,349)**	**(1,678,602)**
Cash and cash equivalents at the beginning of the financial year		977,893	2,656,495
Effects of exchange rate changes on cash and cash equivalents		12,130	-
Cash and cash equivalents at end of year	**7(a)**	**29,674**	**977,893**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Note 1: Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Cell Aquaculture Limited and its controlled entities.

(a) Basis of preparation

This annual financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Interpretations.

Compliance with IFRS
The annual financial report of the Group also complies with International Financial Reporting Standards (IFRS).

Historical cost convention
The annual financial report has also been prepared on an accrual basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

New Standards and interpretations for current year
None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, the adoption of AASB 1054 *Australian Additional Disclosures* and AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* enabled the removal of certain disclosures in relation to commitments and the franking of dividends.

(b) Principles of consolidation

Subsidiaries
Subsidiaries are entities controlled by the Company. The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Consolidated Entity, being Cell Aquaculture Limited ("Company" or "Parent Entity") and its subsidiaries as defined in AASB 127: *Consolidated and Separate Financial Statements*. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of the subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity. Acquisitions of entities are accounted for using the acquisition method of accounting.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions are eliminated in full.

Investments in subsidiaries are accounted for at cost in the annual financial report of Cell Aquaculture Limited.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position respectively. Total comprehensive income is attributable to the owners of Cell Aquaculture Limited and non-controlling interests even if this results in the non-controlling interests having a debit balance.

Changes in ownership interest
The Group treats transactions with non-controlling interests that does not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interest and any consideration paid or received is recognised in a separate reserve within equity attributable to the owners of Cell Aquaculture Limited.

Associates
The Company's investments in associates are accounted for using the equity method of accounting in the financial statements. The associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the Statement of Financial Position at cost plus post-acquisition changes in the Company's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Company determines whether it is necessary to recognise any additional impairment loss with respect to the Company's net investment in the associate. The Statement of Comprehensive Income reflects the Company's share of the results of operations of the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Where there has been a change recognised directly in the associate's equity, the Company recognises its share of any changes and discloses this in the Consolidated Statement of Comprehensive Income.

Although the reporting date of the associates is 31 December 2011 results have been calculated to 30 June 2012 based upon the latest available management information. The associate's accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Cell Aquaculture Ltd.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency
The financial statements are presented in Australian dollars, which is Cell Aquaculture Ltd's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- income and expenses for each Statement of Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the Statement of Comprehensive Income, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

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

(f) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the Statement of Comprehensive Income over the expected useful life of the relevant asset by equal annual instalments.

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 Comprehensive Income in the year of receipt.

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.
Deferred income tax is provided in full, using the liability method, on temporary difference arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the Statement of Financial Position date and are expected to apply when the deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.
Cell Aquaculture Limited and its Australian controlled entity have implemented the tax consolidation legislation.

(h) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:
• when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
• receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(i) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.
Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. Lease incentives are recognised in the Statement of Comprehensive Income as an integral part of the total lease expense.

(j) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at a fair vale or at a non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets required is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted at their present value as at the date of the exchange. The discount rate used is the entity's incremental borrowing rate, being the rate in which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(k) Cash and cash equivalents

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(l) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

(m) Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(n) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets, investment property and non-current biological assets that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

(o) Investments and other financial assets

(i) Recognition
Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

(iii) Financial liabilities
Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(iv) Fair value
Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

(v) Impairment of financial assets
At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Comprehensive Income.

(p) 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, and is included in the Statement of Comprehensive Income. Any realised revaluation increment relating to the disposed asset which is included in the revaluation reserve is transferred to retained earnings.

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated over their useful lives commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to a depreciation charge.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings on leasehold land	25%
Plant and equipment	5 – 40%

(q) Intangibles

(i) Patents, technology and licences
Patents, technology and licences are valued in the accounts at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents, technology and licences are amortised over their useful life, estimated at 5 years.

(ii) Research & development
Expenditure during the research phase of a project is recognised as an expense when incurred.

Development costs are capitalised only when technically feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Capitalised development costs are recorded as intangible assets and amortised from the point in which the asset is ready for use on a straight line basis over its useful life, estimated at 3 years.

Where a grant is received or receivable in relation to research costs which have been charged to the Statement of Comprehensive Income during this or a prior financial year, the grant shall be credited to the Statement of Comprehensive Income.

Where a grant is received in relation to the tax benefit of research and development costs, the grant is credited to income tax expense/benefit in the Statement of Comprehensive Income upon receipt.

(r) Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(s) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

(t) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(u) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(i) Convertible note liability and derivative
Convertible note issued by the Company comprise a convertible note that can be converted to ordinary shares at the option of the holder and a convertible note derivative whose fair value changes with the Company's underlying share price.

The liability component of a convertible note is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The embedded derivative component is firstly recognised at fair value and the liability component is calculated as the difference between the financial instruments as a whole and the value of the derivative at inception. Any directly attributable transaction costs are allocated to the convertible note liability and convertible note derivative in proportion to their initial carrying amounts. The fair value of the derivative portion has been valued using a valuation technique including inputs that include reference to similar instruments and option pricing models. Subsequent to initial recognition, the liability component of the convertible note is measured at amortised cost using the effective interest method. The convertible note derivative is measured at fair value through profit or loss.

The convertible note liability and derivative are removed from the Consolidated Statement of Financial Position when the obligations specified in the contract are discharged. This can occur upon the option holder exercising their option or the option period lapses requiring the Company to discharge the obligation. Both the convertible note liability and derivative are classified as current liabilities as the option holder has the right to convert at any time.

(v) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in Statement of Comprehensive Income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(w) Employee benefits

(i) Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments
The Company provides benefits to employees (including Directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (‘equity-settled transactions’).

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Binomial option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired; and (ii) the number of options that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted the cancelled and new award are treated as if they were a modification of the original award.

(x) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(y) Going Concern

As disclosed in this report, the Group recorded a loss of $3,499,875 and net cash outflows from operating activities of $1,364,468 for the year ended 30 June 2012. The Group had a net current asset deficiency of $1,355,081 at 30 June 2012.

On 19 November 2012, by resolution of the directors of the Company pursuant to section 436A of the Corporations Act, Christopher Williamson and David Hurt were appointed as the administrators of the Company (“Administrators”).

Pursuant to the resolution at a meeting of Creditors on 15 February 2013 held under section 439A of the Corporations Act, the Creditors resolved pursuant to section 439C of the Corporations Act that the Company enter into a Deed of Company Arrangement to effect a Recapitalisation Proposal. On or about 26 February 2013, the Company, the Administrators and Trident Capital executed the DOCA and the Administrators became the administrators of the DOCA (“the Deed Administrators”). The DOCA was terminated on 2 May 2013 however the Company remains subject to the Creditors’ Trust Deed and is required to pay an amount to the Trustees to fully satisfy the Claims of Creditors and the costs of the Trustee.

These financial conditions indicate significant uncertainty whether the Group will continue as a going concern and, therefore, is contingent upon successful recapitalisation which includes the successful raising of capital. If the proposed recapitalisation is not successful, the Company may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and in amounts different to those stated in the financial report.

The Directors believe that the Company will be successful in being reinstated to the ASX in order to raise additional capital to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial statements.

(z) Earnings per share

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

Diluted earnings per share is calculated as net profit attributable to members, adjusted for:
- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(aa) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013*).

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013* but is available for early adoption. When adopted, the standard will affect in particular the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair valued gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The Company has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The group has not yet decided when to adopt AASB 9.

(ii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013).

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities.* The core principal that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.
AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the

joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The group's investment in the joint venture partnership will be classified as a joint venture under the new rules. As the group already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The group is still assessing the impact of these amendments.

The group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(iii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013).
AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(iv) Revised AASB 119 *Employee Benefits*, AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* and AASB 2011-11 *Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (*effective 1 January 2013).
In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. The Group does not have any defined benefit plans and so is not impacted by the amendment. The Group has not yet decided when to adopt the new standard.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Note 2: Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed.

Risk management is carried out by the Board of Directors with assistance from suitably qualified external advisors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and liquidity risk. Further policies will evolve that are commensurate with the evolution and growth of the Company.

The carrying values of the Group's financial instruments are as follows:

	Consolidated	
	2012	**2011**
Financial assets		
Cash and cash equivalents	29,674	977,893
Trade and other receivables	-	657,724
	29,674	1,635,617
Financial liabilities		
Trade and other payables	663,148	319,570
Borrowings	721,607	113,686
Derivative financial instrument	-	615,493
	1,384,755	1,048,749

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising for the Group are foreign exchange risk, interest rate risk, price risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Market risk

(i) *Foreign exchange risk*

Although the Group operates internationally, all material financial assets are denominated in the respective entity's functional currency except for the US dollar cash account held by the parent entity. In terms of financial liability, the Group has issued a convertible note that is denominated in the US dollar. Therefore its exposure to foreign exchange risk arising from currency exposures is limited to (i) the transfer of funding from the Australian head office to some of its overseas operations (ii) conversion of US dollar from its US dollar cash account into Australian dollar for working capital purpose and (iii) changes in value of convertible note liability and convertible note derivative.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

	30 June 2012	**30 June 2011**
	USD	**USD**
Cash and cash equivalents	1,145	464,536
Borrowings – convertible note liability	(721,607)	(113,686)
Derivative financial instrument – convertible note derivative	-	(615,493)
Net exposure to foreign currency risk	(720,462)	(264,643)

Sensitivity
Based on the financial instruments held at 30 June 2012, had the Australian dollar weakened/strengthened by 10% against the US dollar while all other variables remain constant, the Group's net loss for the year would have been $72,046 (2011: 26,464) higher/lower, as a result of foreign exchange losses/gains on translation of US dollar denominated financial instruments as detailed in the above table.

(ii) *Cash flow and interest rate risk*
The Group is exposed to interest rate risk due to variable interest being earned on its interest-bearing bank accounts and the value of the convertible note derivative being dependent on both the risk free interest rate and the underlying Company share price.

As at the end of the reporting period, the Group had the following interest-bearing financial instruments:

	30 June 2012		**30 June 2011**	
	Weighted average interest rate	**Balance $**	**Weighted average interest rate**	**Balance $**
Cash and cash equivalents	3.50%	26,674	2.89%	770,651
Convertible note derivative	4.75%	-	4.75%	(615,493)
Net exposure to interest rate risk		26,674		155,158

Sensitivity
A sensitivity analysis has not been disclosed as it is deemed to have an immaterial impact on the financial statements.

(iii) Price risk
The Group is exposed to equity securities price risk on its financial liabilities.

The Group has no policy for mitigating potential adversities associated with its own equity price risk given its dependence on market fluctuations.

As at the end of the reporting period, the Group had the following equity price risk profile in relation to its financial liabilities:

	30 June 2012 $	**30 June 2011 $**
Convertible note derivative	-	(615,493)

Sensitivity
The company is not exposed to equity price risk on the derivative as the exercise price on derivative moves in equal proportions with any movement of the company's share price.

(b) Credit risk

Credit risk is managed by the Board and arises from cash and cash equivalents as well as credit exposure including outstanding receivables and committed transactions.

All cash balances held at banks are held at internationally recognised institutions.

For the Group, the majority of receivables are from associated companies.

There are no formal credit approval processes and risk management in place. However, the Company reviews management information for subsidiaries or associates to ensure early detection of risks.

The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised at the start of Note 2. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about default rates.

Financial assets that are neither past due and not impaired are as follows:

	Consolidated	
	2012	**2011**
	$	**$**
Financial assets - counterparties without external credit rating		
Existing customers with defaults in past that have been fully recovered	-	-
New customers (less than 6 months)	-	-
Other receivables – no defaults in the past	-	130,482
	-	130,482
Cash and cash equivalents		
AA S&P rating	29,674	977,893

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash balances and access to equity funding.

The Group’s exposure to the risk of changes in market interest rates relate primarily to cash assets and floating interest rates. The Group is not materially exposed to changes in market interest rates.

The Directors monitor the cash-burn rate of the Group on an on-going basis against budget and the maturity profiles of financial assets and liabilities to manage its liquidity risk.

The financial liabilities the Group had at reporting date were trade payables incurred in the normal course of the business, borrowings and derivative financial instrument related to the convertible note. Trade payables were non-interest bearing and were due within the normal 30-60 days terms of creditor payments. Interest is payable on the outstanding principal amount of the convertible note at the rate of 4.75% per annum in arrears on a quarterly basis.

The following table sets out the carrying amount of the financial instruments by maturity:

Consolidated

Year ended 30 June 2012	<1 year $	1 - 5 Years $	Over 5 Years $	Total contractual cash flows $
Financial Liabilities:				
Trade payables and Advance deposits	663,148	-	-	663,148
Convertible note liability	721,607	-	-	721,607
	1,384,755	-	-	1,384,755

(c) Liquidity risk (continued)

Year ended 30 June 2011	<1 year $	1 - 5 Years $	Over 5 Years $	Total contractual cash flows $
Financial Liabilities:				
Trade payables and Advance deposits	234,367	85,203	-	319,570
Convertible note liability	34,636	818,334	-	852,970
	269,003	903,537		1,172,540

(d) Fair value measurements

(i) Cash and cash equivalents
The carrying amount is fair value due to the liquid nature of these assets.

(ii) Other receivables
The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

(iii) Convertible note liability
The convertible note liability is recorded at its fair value, and subsequently measured at amortised cost using the effective interest rate method.

(iv) Convertible note derivative
The convertible note derivative is recorded at its fair value.

(v) Fair value measurement hierarchy
AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets and liabilities;
(b) Level 2 – a valuation technique is used using inputs other than quoted prices within Level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices); or
(c) Level 3 – a valuation technique is used using inputs that are not based on observable market data (unobservable inputs).

The table below classifies financial instruments recognised in the Consolidated Statement of Financial Position according to the fair value measurement hierarchy stipulated in AASB 7 *Financial Instruments: Disclosures*.

Year ended 30 June 2012	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Fair value through profit or loss				
Convertible note derivative	-	-	-	-
Total liabilities	-	-	-	-

Year ended 30 June 2011	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Fair value through profit or loss				
Convertible note derivative	-	(615,493)	-	(615,493)
Total liabilities	-	(615,493)	-	(615,493)

The fair value of financial instruments traded in active markets is based upon quoted market prices at the end of the reporting period.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group makes a number of assumptions based upon observable market date existing at each reporting period. The fair value of the convertible note derivative is determined using an option pricing model based upon various inputs at the end of the reporting period. These instruments are included in Level 2.

(e) Capital risk

The Group determines capital to be the equity as shown in the Statement of Financial Position plus net debt (being total borrowings less cash and cash equivalents).

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2012, the Group's strategy was to keep borrowings to a minimum. The issue of convertible note allowed the Group to raise the funds, which were required to undertake its development activities and meet its corporate and other costs, while maintaining borrowings at a minimum level.

Note 3: Critical accounting estimates and judgements

In the process of applying the accounting policies, management has made certain judgements or estimations which have an effect on the amounts recognised in the financial statements. The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(a) Convertible note derivatives

The fair value of the convertible note derivative has been determined by firstly computing the fair value per convertible option feature multiplied by the number of outstanding options. The fair value of option is computed using a Black Scholes option pricing model that takes account of the exercise price, the term of the option, the Company's share price at reporting period, the expected volatility of the underlying share price and the risk-free interest rate (based on government bonds). The expected volatility is based upon historic volatility (based on the remaining life of the options) adjusted for abnormal spikes in the Company's share price.

(b) Impairment of receivables, inventories and property plant and equipment

The recoverable amounts of the above stated assets have been based upon the Company's best estimate based on value in use calculations. These calculations require the use of assumptions. Changes in these assumptions have the potential to impact the recoverable amounts recorded.

Note 4: Segment information

(a) **Description of segments**

The Board of Directors consider the business from both a product and a geographic perspective and has identified four reportable segments. The Board firstly separate the Group's operations into Fish Farming and Food Processing divisions and then divide these two divisions into geographic segments. Fish Farming division consists of Australia, Malaysia and Thailand segments. Food Processing division has operations only in Australia.

The Australian Fish Farming segment incorporates the Company's hatchery and fabrication activities. The Malaysian Fish Farming segment incorporates corporate office, Terengganu based facility and any future Malaysian based projects. The Thailand Fish Farming segment is comprised of Phuket based facility and any future Thailand based projects. The Australian Food Processing segment consists of processing, value adding, branding and distribution of produce.

(b) **Segment Information provided to the strategic steering committee**

In AUD	**Fish Farming**			**Food-processing**	**Total**
2012	**Australia**	**Malaysia**	**Thailand**	**Australia**	
Total segment revenue	55	-	2,541	494,251	496,847
Inter-segment revenue	-	-	-	-	-
External Revenues	**55**	**-**	**2,541**	**494,251**	**496,847**
Adjusted EBITDA	**(1,175,849)**	**(405,084)**	**(372,506)**	**(176,632)**	**(2,130,071)**

In AUD	**Fish Farming**			**Food Processing**	**Total**
2011	**Australia**	**Malaysia**	**Thailand**	**Australia**	
Total segment revenue	-	35,699	-	435,223	470,922
Inter-segment revenue	-	-	-	-	-
External Revenues	-	35,699	-	**435,223**	**470,922**
Adjusted EBITDA	**(1,459,178)**	**(106,768)**	**(643,791)**	**(115,064)**	**(2,324,801)**

Total segment assets					
30 June 2012	1,071,801	156,634	158,486	344,247	1,731,168
30 June 2011	2,967,369	821,979	596,536	306,785	4,692,669
Total segment liabilities					
30 June 2012	160,393	1,025,737	1,294,859	671,120	3,152,109
30 June 2011	111,271	1,262,267	951,756	440,398	2,765,692

(c) **Other segment information**

(i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the strategic steering committee is measured in a manner consistent with that in the Statement of Comprehensive Income.

Segment revenue reconciles to total revenue from continuing operations as follows:

	Consolidated	
	2012	**2011**
	$	**$**
Total segment revenue	**496,847**	**470,922**
Intersegment eliminations	**-**	**-**
Interest revenue	2,154	64,205
Total revenue from continuing operations (note 5(a))	**499,001**	**535,127**

(ii) Adjusted EBITDA

A reconciliation of adjusted EBITDA to operating loss before income tax is provided as follows:

	Consolidated	
	2012	**2011**
	$	**$**
Adjusted EBITDA	**(2,306,240)**	**(2,324,801)**
Intersegment eliminations	-	-
Interest revenue	2,154	64,205
Finance costs	(30,126)	-
Depreciation	(31,276)	(21,202)
Share-based payments	-	-
Gains on derivative financial instruments	545,236	-
Default Fee	(64,706)	-
Interest expense	(588,217)	-
Provision for impairment of buildings	(416,000)	-
Provision for impairment of receivables	(123,971)	-
Provision for impairment of inventories	(257,173)	-
Provision for impairment of biological assets	(10,621)	-
Provision for impairment of property, plant & equipment	(323,411)	-
Other	-	(2,419)
Loss from continuing operations before tax	**(3,604,351)**	**(2,284,217)**

(iii) Segment assets

The amounts provided to the strategic steering committee with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Reportable segments' assets are reconciled to total assets as follows:

	Consolidated	
	2012	**2011**
	$	**$**
Segment assets	**1,731,168**	**4,692,669**
Intersegment eliminations	(1,086,326)	(2,600,521)
Unallocated:		
Cash and cash equivalents	29,674	271,699
Corporate headquarters assets	32,543	12,773
Other assets	37,791	5,000
Provision for impairment of assets	(715,176)	-
Total assets as per the statement of financial position	**29,674**	**2,381,620**

(iv) Segment liabilities

The amounts provided to the strategic steering committee with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	Consolidated	
	2012	**2011**
	$	**$**
Segment liabilities	**3,152,109**	**2,765,692**
Intersegment eliminations	(2,897,049)	(2,446,122)
Unallocated:		
Other liabilities	408,088	**-**
Derivative financial instruments / convertible note	721,607	729,179
Total liabilities as per the statement of financial position	**1,384,755**	**1,048,749**

Note 5: Revenue and Expenses

	Consolidated	
	2012	**2011**
	$	**$**
(a) Revenue from continuing operations		
- Sale of produce and goods	496,847	470,922
- Interest received	2,154	64,205
Total revenue	499,001	535,127
(b) Expenses		
Cost of Sales	447,385	390,647
Depreciation of non-current assets		
Building	1,502	1,502
Plant and equipment	29,774	19,700
Total depreciation	31,276	21,202
Finance costs		
Interest paid – Convertible notes	566,233	-
Interest paid – Other	21,984	26,380
Total Finance Costs	588,217	26,380

Note 6: Income Tax

(a) Income tax benefit

	Consolidated	
Current tax benefit	**2012**	**2011**
Previous year tax benefit not previously brought to account (Refer Note 6(e))	104,477	90,166
	104,477	90,166

(b) The prima facie income tax expense on the pre-tax accounting loss reconciles to the income tax benefit in the financial statements as follows:

	Consolidated	
	2012	**2011**
	$	**$**
Loss from continuing operations before Income Tax	(3,604,352)	(2,284,217)
Income tax benefit at 30%	(1,081,305)	(685,265)
Permanent Differences:		
Non-deductible expenses – Other	16,635	81,066
Foreign losses not deductible	363,736	-
Provisions for impairment - buildings	126,105	-
Provisions for impairment – receivables	141,995	-
Provisions for impairment – property, plant & equipment	97,023	-
Provisions for impairment – biological assets	3,186	-
Provisions for impairment – inventories	77,152	-
	(255,473)	(604,199)
Movements in unrecognised temporary differences	59,645	(24,036)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	195,828	628,235
R & D Cash Rebate Claimed (see note 6(e))	(104,477)	(90,166)
Income tax benefit	(104,477)	(90,166)

(c) The franking account balance at year end was $nil (2011: $nil).

(d) Unrecognised temporary differences

	Consolidated	
	2012	**2011**
	$	**$**
Deferred Tax Assets (at 30%)		
On income tax account		
Carry forward tax losses	2,302,578	2,116,062
Capital losses	937,331	1,363,992
Other	67,548	10,162
Net deferred tax assets	3,307,457	3,490,216

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

(e) During the year ended 30 June 2012, the Company applied for and received a rebate from the Australian Taxation Office of $104,477 (2011 $90,166) representing the tax value of research and development costs for the year ended 30 June 2011. This amount is shown as an income tax benefit in the Statement of Comprehensive Income for the year ended 30 June 2012. The Company intends claiming the same rebate in respect of expenditure for the year ended 30 June 2012. The rebate applied for is estimated at $50,000. If this is successful, the refund will be shown as an income tax benefit for the year ended 30 June 2013.

Note 7: Current assets - Cash and cash equivalents

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position, as follows:

	Consolidated	
	2012	**2011**
	$	**$**
Current Assets		
Cash at bank and in hand	29,674	977,893
Net Cash	29,674	977,893

(b) Interest Rate Risk Exposure

The Group's exposure to interest rate risk is discussed in note 2.

Note 8: Current assets: Trade and other receivables

	Consolidated	
	2012	**2011**
	$	**$**
Current		
Trade receivables	83,054	71,408
Other receivables	40,917	86,167
Provision for impairment of receivables	(123,971)	-
	-	157,575

(a) Foreign exchange risk
Information about the Group's exposure to foreign currency risk in relation to trade and other receivables is provided in Note

(b) Fair value and credit risk
Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

(c) As detailed in Note 24, Administrators were appointed to the Company in October 2012, and as a result, operations of the Group were suspended . Due the uncertainty of its future operations, the Directors have prudently impaired the carrying value of its receivables as at 30 June 2012.

Note 9: Current Assets - Inventories

	Consolidated	
	2012	**2011**
	$	**$**
Raw materials – at cost	48,906	130,200
Finished goods	103,143	60,507
Work in progress*	105,124	-
Provision for impairment - inventories (Note 24)	(257,173)	-
	-	190,707

*Work in progress represents materials acquired for a construction contract which is being undertaken by Cell Aquaculture Malaysia Sdn Bhd (a 90% owned subsidiary of Cell Aquaculture Ltd).

As detailed in Note 24, Administrators were appointed to the Company in October 2012, and as a result, operations of the Group were suspended. Due the uncertainty of its future operations, the Directors have prudently impaired the carrying value of its inventories as at 30 June 2012.

Note 10: Current assets – Biological assets

	Consolidated	
	2012	**2011**
	$	**$**
Fish	10,621	92,651
Provision for impairment - biological assets	(10,621)	-
	-	92,651

As detailed in Note 24, Administrators were appointed to the Company in October 2012, and as a result, operations of the Group were suspended. Due the uncertainty of its future operations, the Directors have prudently impaired the carrying value of its biological assets as at 30 June 2012.

Note 11: Non-current assets – Receivables

	Consolidated	
	2012	**2011**
	$	**$**
Receivables – TRG Cell Sdn Bhd*	343,179	500,149
Less provision for impairment	(343,179)	-
	-	500,149

* Receivables from TRG Cell Sdn Bhd (an associate). On 29 September 2011, Cell Aqua Malaysia Sdn Bhd received the first payment of RM 500,000 ($154,778) from TRG Cell Sdn Bhd. Given delays in receipt of the balance of these monies, the Directors have provided for its impairment. The receivables continue to be pursued.

Note 12: Non-current assets – Investments accounted for using the equity method

	Consolidated 2012 $	Consolidated 2011 $
Interests in associated entities	-	-

(a) Interests are held in the following associated entities:

Name	Principal Activities	Country of Incorporation	Shares	Ownership Interest 2012	Ownership Interest 2011	Carrying amount of Investment 2012 $	Carrying amount of Investment 2011 $
TRG Cell Sdn Bhd	Aquaculture	Malaysia	Ordinary	30%	30%*	-	-
						-	-

* Shares in TRG Cell Sdn Bhd are owned by Cell Aqua Malaysia Sdn Bhd, a subsidiary of Cell Aquaculture Limited.

(b) Share of unrecognised losses

The share of unrecognised losses of the associate as at reporting date is as follows:

	Consolidated 2012 $	Consolidated 2011 $
Groups share of losses to reporting date	75,750	75,750
Less: amounts recognised	-	-
Balance of unrecognised loss	75,750	75,750

Note 13: Non-current assets - Property, plant and equipment

	Consolidated		
	Buildings $	Plant and equipment $	**Total** $
At 1 July 2010			
Cost or fair value	36,032	100,389	136,421
Accumulated depreciation and impairment	-	(12,096)	(12,096)
Net book value	36,032	88,293	124,325
Year ended 30 June 2011			
Opening net book value	36,032	88,293	124,325
Additions	247,952	111,570	359,522
Depreciation charge for the year	(1,502)	(19,700)	(21,202)
Closing net book value	282,482	180,163	462,645
At 30 June 2011			
Cost or fair value	283,984	211,959	495,943
Accumulated depreciation and impairment	(1,502)	(31,796)	(33,298)
Net book value	282,482	180,163	462,645
Year ended 30 June 2012			
Opening net book value	282,482	180,163	462,645
Additions	188,832	119,210	308,042
Depreciation charge for the year	(1,502)	(29,774)	(31,276)
Impairment charge for the year*	(469,812)	(269,599)	(739,411)
Closing net book value	-	-	-
At 30 June 2012			
Cost or fair value	443,869	331,169	775,038
Accumulated depreciation and impairment	(443,869)	(331,169)	(775,038)
Net book value	-	-	-

***** As detailed in Note 24, Administrators were appointed to the Company in October 2012, and as a result, operations of the Group were suspended . Due the uncertainty of its future operations, the Directors have prudently impaired the carrying value of its property, plant and equipment as at 30 June 2012. The carrying value of buildings based in Thailand have been impaired to the extent of $416,000 pending a decision on the future of this project.

Note 14: Current liabilities - Trade and other payables

	Consolidated	
	2012	**2011**
	$	**$**
Trade payables (i)	414,601	255,988
Advance deposits	50,000	50,000
Accrued expenses	196,436	-
Other payables	2,111	13,582
	663,148	319,570

(i) Trade payables are non-interest bearing and are normally settled on 60-90 day terms. Their carrying value approximates their fair value.

Note 15: Current liabilities - Borrowings

	Consolidated	
	2012	**2011**
	$	**$**
Convertible notes (Note 15 (a))	721,607	113,686
	721,607	113,686

(a) Convertible Notes

On 27 January 2011, a funding agreement was executed with U.S. based institutional investor, La Jolla Cove Investors, Inc. to provide US$6 million financing to the Company by means of convertible notes. In January 2012, La Jolla Cove issued a conversion notice and in June 2012 issued a default notice to Cell Aquaculture Ltd in relation to this facility. Due to the default position of the facility, the company received notice that the holder, La Jolla Cove Investors Inc have rescinded all rights under the convertible note entered into on 27 January 2011. Consequently, the company has accelerated all amounts owing under this agreement. As a result, the company has recognised a gain during the year relating to the derecognition of the convertible note derivative of $545,236 and accelerated interest of $566,233 in the statement of comprehensive income.

	Consolidated	
	2012	**2011**
	$	**$**
Carrying amount of liability at beginning of financial year	113,686	-
Drawdown during financial year*	24,196	113,686
Conversions during financial year	(35,583)	-
Default fee **	64,706	-
Interest expense ***	566,233	-
Foreign exchange gain	(11,631)	
Carrying amount of liability at end of financial year	721,607	113,686

* The face value of the drawdown for the financial year was $143,357.
****** The default fee has become payable due to the Group breaching an event of default of the original funding agreement during the period.
*** The interest expense has accrued due to the funding agreement being in a default position. An accelerated effective interest rate has therefore been recognised reflecting the issue of the default notice dated 30 April 2012 as opposed to the original contractual maturity date of 25 January 2015.

Note 16: Derivative Financial Instrument

	Consolidated 2012 $	Consolidated 2011 $
Convertible note derivative	-	615,493

Pursuant to accounting standards, the option component of the convertible note is classified as liability (Refer to accounting policy note 1(u)). The value of the derivative fluctuates with the Company's underlying share price.

As the convertible note is denominated in the United States dollars, the change in the exchange rate with the Australian dollar is also taken into account in deriving the fair value of the convertible note derivative.

	Consolidated 2012 $	Consolidated 2011 $
Carrying amount of derivative	615,493	-
Conversions during the year	(148,528)	-
Foreign exchange translation	(40,890)	-
Drawdown during the year	119,161	-
Derivative on convertible note issued	-	615,493
Derecognition of derivative liability*	(545,236)	-
Carrying amount of derivative	-	615,493

* Due to the default position of the facility, the company received notice that the holder, La Jolla Cove Investors Inc have rescinded all rights under the convertible note entered into on 27 January 2011.

Consequently, the company has accelerated all amounts owing under this agreement. As a result, the company has recognised a gain during the year relating to the derecognition of the convertible note derivative of $545,236.

Note 17: Contributed equity

	Consolidated 2012 $	Consolidated 2011 $
(a) Ordinary shares*	19,138,441	18,344,635
Total consolidated contributed equity	19,138,441	18,344,635

* Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Note 17: Contributed equity (continued)

(b) Movements in ordinary share capital

	Issue Price	No.	$
Balance as at 1 July 2010		203,272,551	18,194,635
Shares issued in February 2011*	$0.092	543,479	50,000
Shares issued in April 2011*	$0.059	1,706,485	100,000
Closing balance as at 30 June 2011		205,522,515	18,344,635
Balance as at 1 July 2011		205,522,515	18,344,635
Shares issued in July to September 2011*		5,631,779	225,000
Shares issued in April to May 2012 at 2 cents each		30,000,000	600,000
Share issue cost		-	(31,194)
Closing balance as at 30 June 2012		241,154,294	19,138,441

*Shares issued on conversion of convertible note.

(c) Share Options

There are no unissued ordinary shares of Cell Aquaculture Ltd under option as at 30 June 2012.

Note 18: Reserves and accumulated losses

	Consolidated 2012 $	Consolidated 2011 $
(a) Reserves		
Foreign Currency Translation Reserve (Note 18(a) (i))	(86,416)	(98,546)
Share Based Payment Reserve (Note 18(a) (ii))	820,715	820,715
	734,299	722,169
(i) Movements - Foreign Currency Translation Reserve		
Opening balance	(98,546)	(38,577)
Currency translation differences arising during the year	12,130	(59,969)
	(86,416)	(98,546)

	Consolidated 2012 $	Consolidated 2011 $
(ii) Movements – Share Based Payment Reserve		
Opening balance	820,715	820,715
Grant of employee options	-	-
Cancellation of employee options	-	-
Closing balance	820,715	820,715

(iii) Nature and purpose of reserves

Foreign Currency Translation Reserve

Exchange differences arising on translation of the investments in foreign controlled companies are taken to the foreign currency translation reserve. The reserve is recognised in the Statement of Comprehensive Income when the net investment is disposed of.

Share Based Payment Reserve
The Share Based Payment Reserve is used to recognise the fair value of options issued but not exercised.

	Consolidated 2012 $	Consolidated 2011 $
(b) Accumulated Losses		
Balance as at 1 July	(17,539,446)	(15,525,029)
Net loss for the year	(3,250,068)	(2,014,417)
Balance as at 30 June	(20,789,514)	(17,539,446)

Note 19: Key Management Personnel disclosures

(a) Compensation of Key Management Personnel

	Consolidated 2012 $	Consolidated 2011 $
Short-term employee benefits	415,781	395,099
Termination benefits	-	-
Share based payments	-	-
Post employment benefits	9,687	13,478
	425,468	408,577

(b) Options Holdings of Key Management Personnel

30 June 2012
Options for Key Management Personnel expired in the year ended 30 June 2011. During the year ended 30 June 2012 and to the date of this report, there are no options on issue and therefore no options held by Key Management Personnel.

30 June 2011	Balance 1.7.10	Granted as Remuneration	Options Exercised	Options Expired	Balance 30.6.11	Total Vested 30.6.11	Total Exercisable 30.6.11	Total Unexercisable 30.6.11
Directors								
P J Leach	-	-	-	-	-	-	-	-
P G Burns	1,500,000	-	-	(1,500,000)	-	-	-	-
S E Abishegam	2,500,000	-	-	(2,500,000)	-	-	-	-
P Bodycoat	-	-	-	-	-	-	-	-
Other Key Management Personnel								
C Bolger	-	-	-	-	-	-	-	-
	4,000,000	-	-	(4,000,000)	-	-	-	-

(c) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the audited Remuneration Report in the Directors Report.

(d) Shareholdings of Key Management Personnel

30 June 2012	Balance 1 July 2011	Received as Remuneration	Balance held at appointment	Allotted	Net Purchased/ (Sold)	Balance 30 June 2012	
Directors							
P J Leach	16,007,501	-	-	-	-	16,007,501	
P G Burns	1,335,395	-	-	-	(261,146)	1,074,249	**
S E Abishegam	1,293,816	-	-	-	-	1,293,816	
Peter Bodycoat	1,720,000	-	-	-	-	1,720,000	**
N J Patterson	-	-	1,125,490	-	-	1,125,490	
Other Key Management Personnel							
C Bolger*	139,358	-	-	-	-	139,358	**
	20,496,070	-	1,125,490	-	(261,146)	21,360,414	

30 June 2011	Balance 1 July 2010	Received as Remuneration	Balance held at appointment	Allotted	Net Purchased/ (Sold)	Balance 30 June 2011
Directors						
P J Leach	16,007,501	-	-	-	-	16,007,501
P G Burns	1,250,395	-	-	-	85,000	1,335,395
S E Abishegam	1,293,816	-	-	-	-	1,293,816
Peter Bodycoat	1,640,540	-	-	-	79,460	1,720,000
Other Key Management Personnel						
C Bolger*	139,358	-	-	-	-	139,358
	20,331,610	-	-	-	164,460	20,496,070

*C Bolger holds his interest in shares indirectly.
** Represents balance held at date of resignation.

(e) Other transactions with Key Management Personnel

Other Transactions with Key Management Personnel and their related entities:

Transactions between Key Management Personnel and their related entities are on commercial terms no more favourable than those available to other parties unless otherwise stated.

	Consolidated	
	2012 **$**	**2011** **$**
(i) Management fees and reimbursements paid to Azimuth Shipping Corporation, a related company of S E Abishegam.	-	-
(ii) Consulting fees paid to Jarq Holdings Pty Ltd, a related company of P Leach	159,113	150,479
(iii) Consulting fees paid to P Burns Pty Ltd, a related company of P Burns	-	192,634
(iv) Consulting fees and rent paid to Acute Management Services, a related entity of P Bodycoat	135,333	140,000

(e) Other transactions with Key Management Personnel (continued)

	Consolidated	
	2012	**2011**
	$	**$**
(f) Amounts outstanding at reporting date		
Aggregate amounts payable to Key Management Personnel and their Key Management Personnel -related entities at reporting date:		
Current liabilities		
Payables	108,270	-
Unsecured loans	-	28,746
Non Current liabilities		
Unsecured loans	-	-

Note 20: Remuneration of auditors

The auditor of Cell Aquaculture Limited is BDO Audit (WA) Pty Ltd.

	Consolidated	
	2012	**2011**
	$	**$**
Audit and other assurance services		
Amounts paid or payable to the auditor for:		
- auditing and reviewing the financial statements	66,579	48,750
- other assurance services	-	-
Total remuneration for audit and other assurance services	66,579	48,750

Note 21: Contingencies

Contingent liabilities

The directors of the Company are not aware of any contingent liabilities which require disclosure in the full year financial statements.

Note 22: Commitments

Operating lease commitments	**2012**	**2011**
	$	**$**
Not later than 1 year	29,822	23,853
Later than 1 year and not later than 2 years	8,579	31,804
Later than 2 year and not later than 5 years	-	31,804
	38,401	87,461

Note 23: Related party transactions

(a) Parent entity

The parent entity within the Group is Cell Aquaculture Ltd. The ultimate parent entity and ultimate controlling entity is Cell Aquaculture Ltd which at 30 June 2012 owns 90% (2011: 90%) of issued ordinary shares of Cell Aqua Malaysia Sdn Bhd, 100% of issued ordinary shares of Cell Aqua Foods Pty Ltd, 49% of issued shares of C Aquaculture Holdings Limited and 74% of issued shares of C Aquaculture (Thailand) Limited.

(b) Transactions with related parties

There were no transactions with related parties during the financial year (2011:nil)

(d) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties, and no interest is payable on the loans. Outstanding balances are unsecured and are repayable in cash.

Note 24: Events occurring after the reporting date

On 1 October 2012, the securities of the Company were suspended from official quotation on the Official list of the ASX at the request of the Company.

On 19 November 2012, by resolution of the directors of the Company pursuant to section 436A of the Corporations Act, Christopher Williamson and David Hurt were appointed as the administrators of the Company ("Administrators"). At that time substantially all operations of the Company were suspended.

Pursuant to the resolution at a meeting of Creditors on 15 February 2013 held under section 439A of the Corporations Act, the Creditors resolved pursuant to section 439C of the Corporations Act that the Company enter into a Deed of Company Arrangement to approve a Recapitalisation Proposal. On or about 26 February 2013, the Company, the Administrators and Trident Capital executed the DOCA and the Administrators became the administrators of the DOCA ("the Deed Administrators"). The DOCA was terminated on 2 May 2013 however the Company remains subject to the Creditors' Trust Deed and is required to pay an amount to the Trustees to fully satisfy the Claims of Creditors and the costs of the Trustee.

Purpose of the Recapitalisation Proposal

The purpose of the Recapitalisation Proposal is to:
(a) restructure the Company's issued capital and net asset base;
(b) provide working capital to finalise and complete the Recapitalisation and terminate the DOCA;
(c) allow the Company to continue its existing activities and pursue new projects by way of acquisition or investment; and
(d) facilitate the reinstatement of the Company's Shares on the ASX.

Principal features of the Recapitalisation Proposal

The principal features of the Recapitalisation Proposal are as follows:
(a) **Capital Consolidation**: Consolidation of the existing issued capital of the Company on a 1 for 10 basis.

(b) **Reduction of capital**: Reduce the capital of the Company by applying an amount of up to $19,872,740 being a proportion of the accumulated losses of the Company, against the share capital of the Company which is considered permanently lost.

(c) **Issue of New Shares**: The Company will issue a total of 100,000,000 New Shares at 0.5 cents each to raise $500,000.

(d) **Issue of New Shares under the Prospectus**: The Company will issue up to 250,000,000 New Shares under the Prospectus at a price of 1 cent per share to raise up to $2,500,000.

(e) **Appointment of New Directors**: Three new directors of the Company have been appointed to join the two continuing directors, and the company secretary has also been replaced.

(f) **Payment to the Deed Administrator**: Under the terms of the DOCA, a total of $600,000 is to be transferred to the deed administrators to be applied to the Creditors Trust. A non refundable deposit of $30,000 was paid to the Deed Administrator on the 29 April 2013, leaving a balance of $570,000 to be paid.

(g) **Forgiveness of claims**: Under the terms of DOCA, all existing Claims against the Company will be released, extinguished and barred, with Creditor's Claims only able to be met from the Creditors Trust in accordance with the terms of the DOCA and the Creditor's Trust Deed.

Note 25: Reconciliation of loss after income tax to net cash flow from operating activities

	Consolidated	
	2012	**2011**
	$	**$**
Operating loss after income tax	(3,499,875)	(2,194,051)
Depreciation of non-current assets	31,276	21,202
Provision for impairment of buildings	416,000	-
Gain on derivative financial instruments	(545,236)	-
Interest on convertible notes	566,233	-
Provision for impairment of receivables	659,724	-
Provision for impairment of inventories	190,707	-
Provision for impairment of biological assets	92,651	-
Provision for impairment of property, plant & equipment	323,411	-
Default fee	64,706	-
Share based payments	-	-
Increase/ (decrease) in foreign currency reserve	-	-
Other	(70)	(18,976)
Changes in net assets and liabilities:		
(Increase)/decrease in assets		
- Current receivables	-	25,440
- Stock on hand	-	(100,707)
- Non-current receivables	-	81,639
Increase/(decrease) in liabilities		
- Current trade creditors and payables	343,577	22,082
- Borrowings	(7,572)	-
Net cash used in/ generated from operating activities	(1,364,468)	(2,163,371)

Note 26: Non-cash investing and financing activities

There is no non-cash investing and financing activities during the financial year ended 30 June 2012.

Note 27: Loss per share

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.
The Company's potential ordinary shares, being its options granted, are not considered dilutive as the conversion of these options would result in a decrease in net loss per share.

The following reflects the income and share data used in the basic loss per share computations:

	Consolidated	
	2012	**2011**
	$	**$**
Loss attributable to ordinary equity holders	(3,250,068)	(2,014,417)
	Number	**Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	214,426,785	203,836,540
	Cents/share	**Cents/share**
Basic loss per share	(1.52)	(0.99)

Note 28: Parent entity information

The following detailed information is related to the parent entity, Cell Aquaculture Ltd, at 30 June 2012. The information presented here has been prepared using consistent accounting policies as discussed in Note 1.

	2012	**2011**
	$	**$**
Current assets	7,615	1,280,550
Non-current assets	-	1,988,212
Total assets	**7,615**	**3,268,762**
Current liabilities	529,881	123,221
Non-current liabilities	721,607	729,178
Total liabilities	**1,251,488**	**852,399**
Contributed equity	19,138,441	18,344,635
Accumulated losses	(21,203,059)	(16,748,987)
Reserves	820,715	820,715
Total equity	**(1,243,903)**	**2,416,363**
Loss for the year	(4,454,042)	(1,314,490)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	**(4,454,042)**	**(1,314,490)**

Note 29: Dividends

No dividends have been declared or paid during the year.

Note 30: Variation from Preliminary Final Report

Subsequent to the release of the company's preliminary final report to the Australian Securities Exchange, Administrators were appointed to the Company and operations were suspended.

As a result of this, impairment charges were recorded to writedown the value of receivables, biological assets, inventories, and plant & equipment to their recoverable values. Furthermore, additional creditors were also identified as part of the Administration process.

The variations are reconciled as follows:

Net loss as per preliminary final report	$2,596,399
Impairment charge on plant & equipment	323,411
Impairment charge of inventories and biological assets	267,794
Impairment charge of receivables	123,972
Additional creditors	176,169
Revised net loss	3,487,745

Shareholder Information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is as at 24 June 2013.

Shareholdings as at 24 June 2013

Substantial shareholders

Name	Number of ordinary shares held	Percentage of capital held
STRAITS CONSULTANCY PTE LTD	30,000,000	12.44
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	26,330,000	10.92
JARQ HOLDINGS PTY LTD <P J LEACH FAMILY A/C>	16,007,501	6.64
HYFLASH HOLDINGS PTY LTD <THE CLINTON INVESTMENT A/C>	15,101,679	6.26
MR JOHN OAKLEY CLINTON & MRS LILIAN ACHIENG CLINTON <CLINTON S/F A/C>	13,306,054	5.52
TOTAL	**100,745,234**	**41.78**

Distribution of security holders

Category	Number of Holders
1 – 1,000	11
1,001 – 5,000	109
5,001 – 10,000	150
10,001 – 100,000	337
100,001 and over	175
	782

Unmarketable parcels

The number of shareholders holding less than a marketable parcel is 373.
There is only one class of share and all ordinary shareholders have equal voting rights.

On-market buyback

There is no current on-market buy-back.

Securities subject to escrow

The Company has securities that are subject to escrow.

Twenty largest shareholders – Ordinary Shares

Name	Number of ordinary shares held	Percentage of capital held
STRAITS CONSULTANCY PTE LTD	30,000,000	12.44
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	26,330,000	10.92
JARQ HOLDINGS PTY LTD <P J LEACH FAMILY A/C>	16,007,501	6.64
HYFLASH HOLDINGS PTY LTD <THE CLINTON INVESTMENT A/C>	15,101,679	6.26
MR JOHN OAKLEY CLINTON & MRS LILIAN ACHIENG CLINTON <CLINTON S/F A/C>	13,306,054	5.52
MR PETER JOSEPH BURNS & MRS YVONNE BURNS <PETER BURNS FAMILY S/F A/C>	9,988,335	4.14
MR BRIAN FEATHERBY & MRS MARY FEATHERBY <KALNARE SUPER FUND A/C>	6,407,335	2.66
CAPE RIVIERA PTY LTD <PORTOFINO EQUITY A/C>	5,663,667	2.35
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	5,284,337	2.19
GILMORE PTY LTD	5,166,667	2.14
MR JOHN OAKLEY CLINTON <CLINTON TRADING A/C>	4,267,494	1.77
BOWOOD PTY LTD <TACHBROOK FAMILY NO 2 A/C>	3,550,000	1.47
NEFCO NOMINEES PTY LTD	3,521,592	1.46
DOUBLE SEVEN LIMITED <CO INCORPORATIONS NO 490713>	3,333,333	1.38
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	3,189,750	1.32
BENJAMIN LIM KEONG HOE	3,000,000	1.24
NELSON & FAMILY PTY LTD <THE PANTON INVESTMENT A/C>	2,729,373	1.13
PHILLIP SECURITIES PTE LTD <CLIENT ACCOUNT>	2,024,573	0.84
MR ROSS WILLIAM FORD & MRS RUTH ELIZABETH FORD	2,000,000	0.83
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	1,841,003	0.76
P BODYCOAT PTY LTD <BODYCOAT FAMILY A/C>	1,820,000	0.75
TOTAL	**164,532,693**	**68.21**

Offices and Officers

Company Secretary

Miss Deborah Ho

Principal Registered Office

Cell Aquaculture Ltd
c/o Trident Management Services Pty Ltd
Level 24
44 ST George's Terrace
Perth, WA 6000

Principal Place of Business

Cell Aquaculture Ltd
Level 24
44 ST George's Terrace
Perth, WA 6000

Location of Share Registry

Advanced Share Registry Services
150 Stirling Hwy
Nedlands WA 6009
Telephone: (08) 9389 8033

Stock Exchange

The Company is listed on the Australian Securities Exchange. The Home Exchange is Perth.

Other Information

Cell Aquaculture Ltd, incorporated and domiciled in Australia, is a publicly listed company limited by shares.