AUSTRALIS

June 4, 2007

The Manager
ASX Operations

Shareholder Notice of Meeting - attached

Australis Aquaculture Limited ("Australis", ASX:AAQ)

This notice was posted to all Australis shareholders on Friday June 1st, 2007

The meeting is to be held at 3pm on July 2nd at the Celtic Club, 48 Ord Street, West Perth, Western Australia.

Notice lodged by;

AUSTRALIS AQUACULTURE LTD

Stewart Graham
Chairman

AUSTRALIS AQUACULTURE LTD
ACN 098 236 938

NOTICE OF GENERAL MEETING

PROXY FORM

EXPLANATORY MEMORANDUM

Date of Meeting
2 July 2007

Time of Meeting
3 pm

Place of Meeting
The Celtic Club
48 Ord Street
WEST PERTH WA 6005

AUSTRALIS AQUACULTURE LTD
ACN 098 236 938
NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of the members of Australis Aquaculture Ltd ACN 098 236 938 ("**Australis**" or "**Company**") will be held at 48 Ord St West Perth on 2 July 2007 at 3 pm, for the purpose of transacting the following businesses referred to in this Notice of General Meeting.

AGENDA

Resolution 1 – Authorisation and ratification in respect of the Yellowtail Kingfish Proposal.

To consider and, if thought fit, to pass with or without amendment, the following Resolution as an **ordinary resolution**:

> "*That, for the purpose of section 208 of the Corporations Act and all other purposes:*
>
> a. *the Directors be authorised to forego the Yellowtail Kingfish Proposal as set out in the Explanatory Memorandum accompanying this Notice;*
>
> b. *Mr Garth Stewart Graham be and is hereby authorised to offer the Yellowtail Kingfish Proposal to Western Kingfish Limited and all his actions in that regard be and are ratified;*
>
> c. *any breach of employment restrictions or directors duties by Mr Garth Stewart Graham that could arise in respect of current or future, direct or indirect participation by Mr Graham in the Yellowtail Kingfish Proposal is authorised and ratified by the Australis shareholders; and*
>
> d. *Mr Garth Stewart Graham be and is hereby authorised to act as a director of and be a substantial shareholder of Western Kingfish Ltd.*"

The Company will, in accordance with section 224 of the Corporations Act, disregard any votes cast on Resolution 1 by Mr Garth Stewart Graham or any associate of Garth Stewart Graham. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 2 – Authorisation for Australis to enter into the Western Kingfish Agreements

To consider and, if thought fit, to pass with or without amendment, the following Resolution as an **ordinary resolution**:

> "*That, subject to the passing of Resolution 1, for the purpose of section 208 of the Corporations Act and all other purposes, the Directors be and are hereby authorised on behalf of the Company to enter the Western Kingfish Agreements on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.*"

The Company will, in accordance with section 224 of the Corporations Act, disregard any votes cast on Resolution 2 by Mr Garth Stewart Graham, Western Kingfish Limited or any associates of Mr Garth Stewart Graham or associates of Western Kingfish Limited. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 3 – Ratification of Issue of Shares

To consider and, if thought fit, to pass with or without amendment, the following Resolution as an **ordinary resolution**:

> "*That pursuant to Listing Rule 7.4 of the Listing Rules of ASX Limited, the Company approves and ratifies the allotment and issue of 3,000,000 Shares in the capital of the Company at a price of AUD$0.50 per Share to institutional and private stockbroker clients as specified in, and on such terms and conditions referred to in the Explanatory Memorandum accompanying this Notice.*"

The Company will disregard any votes cast on Resolution 3 by a person who participated in the issue or any associates of them. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Other business

To deal with any other business which may be brought forward in accordance with the constitution of the Company and the Corporations Act 2001 (Cth).

By order of the Board

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Mr Gabriel Chiappini
Company Secretary
Dated: 21 May 2007

DEFINED TERMS

Terms defined in the Explanatory Memorandum accompanying this Notice of Meeting have the same meaning where used in the Notice of Meeting and the Proxy Form.

PROXIES

A Shareholder entitled to attend and vote at the above meeting may appoint not more than two proxies to attend and vote at this meeting. Where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion of the Shareholder's voting rights.

A proxy may, but need not be, a Shareholder of the Company.

Proxy forms must reach the Registered Office of the Company at least 48 hours prior to the meeting. For the convenience of Shareholders, a Proxy Form is enclosed.

VOTING ENTITLEMENTS

For the purpose of regulation 7.11.37 of the Corporations Regulations 2001, the Directors have set a snapshot date to determine the identity of those entitled to attend and vote at the meeting. The snapshot date is 3 pm 28 June 2007.

AUSTRALIS AQUACULTURE LTD
ACN 098 236 938

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the Notice of General Meeting of Australis Aquaculture Ltd ("**Australis**" or "**Company**") accompanying this Explanatory Memorandum.

The Directors recommend that Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

RESOLUTION 1 – AUTHORISATION AND RATIFICATION IN RESPECT OF YELLOWTAIL KINGFISH PROPOSAL

Background

Since listing on the ASX in 2004, Australis has, and continues to be, focused on growing its business in the United States of America ("**USA**") and in particular, expanding its Turners Falls Barramundi facility in Massachusetts and increasing it presence in the Barramundi market in the USA in accordance with the current strategic business plan of Australis adopted in January 2006.

The major initiatives, strategies and statements adopted by the Board in this plan are set out below.

The Company's mission statement is as follows:

Australis' mission is to be the leader in the global commercialization of barramundi. We will build on our position as the first to mass market barramundi in the US, and establish a leading brand in the sustainable seafood sector. Employing state-of-the art, scalable production and processing methods, we will satisfy the growing demand for a sustainably-raised, consistently healthy, and delicious table fish. We are committed to maintaining the highest standards for quality, and with each fish we sell, we will deliver the message that responsible aquaculture can, and should, play an important role in feeding our world.

The Company's vision statement is as follows:

Over the next 5 years, we plan to grow our base production to 5,000 tons of barramundi annually by offering a diversity of product forms and sizes, and by employing low-cost modular grow out methods. Our barramundi will become the new sustainable fish sensation, increasingly replacing Chilean sea bass and other over-fished premium species. We seek to make Australis Barramundi universally recognized by chefs and consumers as the standard bearer for healthy, delicious and sustainably-farmed fish.

The Directors believe, the addressable USA market for barramundi is significant when you combine relevant restaurant, retail and food service sectors.

Due to the capital and management intensive nature of the aquaculture business and the Company's current position in the USA barramundi market, the Independent Directors have determined that in their view it is in the best interests of the Company for management focus, in the short to medium term, to be on Barramundi operations rather than in the development of new areas of aquaculture business.

In pursuing this strategy, the Company has acquired an option for additional land at West Mineral Road, Millers Fall, Massachusetts, USA and has commenced studies to develop a new facility. If shown to be viable, this facility is expected to more than double the existing operational capacity of the Company at its Massachusetts facility. If these studies are positive, the Company expects to focus its existing capital resources and use future capital raisings in the short term to pursue this or other Barramundi related opportunities.

The key future strategies of the Directors for future focus on Barramundi operations are:

Accelerate Market Dominance

- *Pursue All Relevant Markets* – Capture a large share of the white table cloth restaurant business while establishing a strong presence within the retail, casual dining and food service sectors.
- *Diversify Product Offerings* – Integrate processing capacity and expand product offerings to include fresh and imported frozen barramundi in various forms (whole, live, scaled & gutted, fillets) to meet the needs of a broad range of customers.
- *Maximize Revenue at Ideal Product Size* - Continue to focus on current product size of 650 grams, which satisfies market demand for portion-sized fish and fillets while meeting the requirements of regional live markets. This strategy will maximize the productivity and return on equity from existing assets, without added production risk.
- *Implement Aggressive Pricing Strategies* – Set pricing levels to accelerate broader market acceptance and establish positions within all relevant markets.
- *Be Unrelenting on Quality* – Develop and maintain the highest standards for product quality & environmental performance. Flavor, texture, moisture and oil content are key attributes we will need to optimize in order to clearly differentiate barramundi in the market.

Implement Marketing Action Plan (MAP)

- Build market dominance by moving quickly to capitalise on the Company's market position in key sectors. Increase demand and revenue by expanding sales, marketing and public relations activities in four key driver areas:

  (i) Increase sales with existing distributors
  (ii) Secure new, high-volume customers
  (iii) Build the frozen business
  (iv) Generate consumer awareness and demand

Production Volume

- Undertake continuous staged expansion to establish a dominant cost and market position. By focusing on increasing production volume, we expect to create barriers to competition and build a valuable trade brand.

Control Product Life Cycle

- Maintain full control of the product's life cycle through exclusive fingerling contracts and integration of an on-site hatchery, in addition to the exclusive supply contracts that have already been established

Maintain Strong Management Structure

- Maintain a strong management structure by hiring and promoting the best people to make our vision a reality.

Vietnam Project

Further to Australis's ASX announcement on 15 May 2007, the company has entered into a Memorandum of Understanding (MOU) with a Vietnamese aquaculture group to produce barramundi in Central Vietnam. The company believes that its Vietnamese operations have the potential to contribute as much as a six-fold increase in revenues from fish sales within three years and up to a twenty-fold increase within five years.

Australis will be establishing a wholly-owned subsidiary to undertake its Vietnamese activities and will be working cooperatively with its local partner to develop vertically integrated production, sourcing and processing operations. Under the terms of the agreement, Australis' Vietnamese partner will provide production support on the proposed site, which is believed to be of sufficient scale to produce up to 10,000 tonnes per annum.

Australis spent more than a year evaluating a wide range of options to accelerate supply creation in response to growing North American demand. Selection criteria included product quality, the ability to incorporate world-class sustainable aquaculture practices, opportunities to leverage Australis' proprietary aquaculture technology and know-how, and the speed with which additional product could be available for market. The Vietnamese option was also distinguished by its very competitive capital and operating costs.

Subject to funding, Australis expects its Vietnam operation to produce at an annualized rate of 3,500 tpa within two years of start-up and is targeting achievement of 10,000 tpa of output within five to seven years.

The majority of the operation's output will be directed toward serving the Company's North American and European markets. Given the proximity to Australia, Australis also intends to use a portion of its output to supply fresh barramundi fillets into the lucrative Australian market. The Australian market has become heavily reliant on imported barramundi, much of which is freshwater-reared product from other locations in Asia. With higher prices being paid for high-quality saltwater barramundi, Australis anticipates that a significant ready market exists in Australia for its Vietnam produced fish, allowing the Company to leverage its successful US *"The Better Fish"* marketing program in Australia.

Yellowtail Kingfish Proposal

In the Company's IPO Prospectus in May 2004, the Company stated that following the establishment of commercial relations with buyers in the United States of America ("**USA**"), the Company may also introduce other Australian fish species to Australis' facilities, such as Murray Cod and Yellowtail Kingfish. It has since been established that Yellowtail Kingfish are not a suitable species for the Turners Falls plant.

In or around October 2006 Mr Garth Stewart Graham, a current director and Chairman of Australis was informed of an opportunity to acquire an interest in a breeding facility and in aquaculture licences in Jurien Bay, Western Australia ("**Jurien Bay Assets**") and to develop the business of Yellowtail Kingfish and crustacea production utilising these assets ("**Yellowtail Kingfish Proposal**").

The Jurien Bay Assets comprise:

1. an aquatic life support and tank facility of 1,380 square metres built on an area of approximately 6,040 square metres on the Jurien Boat Harbour which is leased from Department of Transport pursuant to the Marine Harbours Act under a 21 year lease which expires in 2025 ("**Facility**");

2. equipment, including tanks, a workshop, heat/cool water chillers which are contained in the main building the Facility, together with broodstock slipper lobsters and spiny lobsters and other general items of aquaculture equipment ("**Equipment**"); and

3. two aquaculture licenses issued by the Department of Fisheries - Licence Number 1335 covering sea based aquacultural activities of 29.8 hectares, 4.5 nautical miles South of Jurien Harbour endorsed to hold 40 tonnes of fish; and Licence 1417 covering the activities conducted within the onshore land based shed of 1,380 square metres situated on a land area of 6,040 square metres, endorsed to hold no more than 1 tonne of biomass ("**Aquaculture Licences**").

The owner and operator of the Jurien Bay Assets is Summermor Pty Ltd ("**Summermor**"), which is controlled and managed by Mr Merv Collinson. Summermor and Mr Collinson have previously developed a plan for aquaculture operations and have invested capital in the development of the necessary infrastructure. However further capital funding is required in order to develop and commercialise the Yellowtail Kingfish Proposal. After discussions with Mr Collinson, Mr Graham developed a business plan to develop Yellowtail Kingfish, a fish not grown in this area before, and crustacea aquaculture at Jurien Bay utilising the Jurien Bay Assets.

In November 2006, Garth Stewart Graham and Mr Collinson incorporated Western Kingfish Limited ("**WKL**") and became the sole directors and shareholders. The current directors of WKL are as follows:

- Garth Stewart Graham

- Robert Charles Gould

- Simon John Lawrence Stone

- Mervyn Edward Collinson
- Alan Savage

There are currently 23,150,000 shares on issue in WKL with a further 8,160,000 expected to be issued in the short term (including the shares to Australis pursuant to the Subscription Agreement (subject to the approvals in this Notice)). Mr Graham is currently holding 7,500,000 shares (32.4%) of the issued share capital of WKL.

In an agreement between WKL and Summermor dated 15 March 2007, WKL agreed to:

1. take a sub-lease of the Facility from Summermor for a period of 5 years with an option to renew for a further 5 years at an annual rental of $175,000;
2. enter into a lease of the Equipment for a period of 5 years with an option to renew for a further 5 years with an annual rental of $25,000; and
3. take an assignment of the Aquaculture Licences and equipment attaching to those Aquaculture Licences in consideration for the payment of $1.00 in respect of Licence 1417 and $50,000 in respect of Licence 1335 (which includes payment for the attaching equipment).

This agreement is subject to the following conditions precedent:

1. Summermor being in a position to sub-lease the whole of the Facility to WKL;
2. the consent of the Minister for Transport to the sub-lease of the Facility to WKL; and
3. consent of the Minister to the assignment of the Aquaculture Licences.

In addition, Summermor is required to make applications on behalf of WKL in respect of:

1. a sea bed aquaculture lease or licence in respect of the area adjoining the sea bed lease and jetty licence granted to Summermor pursuant to the head lease applicable to the Facility;
2. 400 hectares of Crown Reserve land located to the north of the Facility area;
3. off-shore ocean sea bed aquaculture licences known as "Seaward Ledge"; and
4. proposed aquaculture licence in an area of the Shark Bay region.

WKL has an option to take an assignment of the head lease in respect of the Facility and to purchase the Equipment.

Yellowtail Kingfish are an open ocean marine fish that require pristine seawater conditions to survive and grow. Successful breeding of this fish in Australia, Japan and other countries has been via the use of offshore sea cages. The fish require a temperature range of 18-24 degrees celsius which is the temperature profile of the ocean waters at Jurien Bay. The fish is predominantly sold as a sashimi (eaten uncooked) product, thus its popularity in Japan but it also makes a palatable cooked offering. The fish grows to 96kg in the wild but is best harvested before 5kg.

A fish of 3-5kgs is anticipated to be harvested following a 15-24 month growth period based on South Australian aquaculture experience. Common challenges to this are the periods of low temperate and the level of infestation of parasites common to this species. These two variables determine the greatest costs or benefits to the species' success.

The Jurien Bay operations are currently licenced to hold 40 tonnes of fish. To date no Yellowtail Kingfish have been bred in Jurien Bay.

The premises and licences will be used to produce Yellowtail Kingfish, and further develop an understanding in Western Rock Lobster and Moreton Bay Bugs at Jurien Bay, Western Australia. The Facility is currently holding a small quantity of Western Rock Lobsters and Slipper Lobsters and the current owners are rearranging the existing tankage to allow for the future holding of broodstock Yellowtail Kingfish and or their eggs or larvae.

The primary focus of Summermor and Mr Collinson over the past 3 years has been on crustacea, an area in which WKL has advised the Independent Directors that it believes there may be future opportunities. Research has been undertaken by Summermor in the holding and breeding of the Western Rock Lobster (*Panulirus cygnus*) and Moreton Bay Bugs (also known as Slipper Lobster or *Thenus orientalis*). The Independent Directors have been advised that it is the intention of WKL to undertake further research and development to determine the commercial opportunities for crustacea production. Such opportunities will be dependent on future Western Australian Government policy for the development of the aquaculture industry to allow collection of juvenile lobster and grow them out.

Subject to appropriate funding and resources, the successful growth and production of Yellowtail Kingfish in this location, and the Government of Western Australia allowing for the development of a commercial scale aquaculture operation within the Jurien Bay Marine Park, then the Independent Directors are advised by WKL that WKL believes the proposed business can be developed into a significant future commercial opportunity.

The risks are similar to all aquaculture facilities. The other key risks which are believed by the Independent Directors to be applicable to a new aquaculture venture of this type are:

- Yellowtail Kingfish species are known to be susceptible to gill and skin flukes (which can be managed but incurs additional costs);
- it is not yet known whether the Yellowtail Kingfish will grow in this environment;
- whether the product will be successful in the proposed sale markets;
- government support for the development of new aquaculture ventures;
- obtaining access to sufficient low-cost financing to fund the capital investment necessary for the establishment of an aquaculture production facility;
- production risk associated with a new aquaculture facility;
- uncertainty as to the amount and source of future funding that will be required to commercialise the Yellowtail Kingfish Opportunity;
- environmental issues and risk;
- existence of an established competitor in Australia in Yellowtail Kingfish production;
- availability of brood stock; and
- whether the necessary approvals and licences can be obtained to support a commercial project.

WKL has advised the Independent Directors that it believes it would have saleable Yellowtail Kingfish for the USA and other markets in approximately 18 months time. Any opportunities for the development of crustacea are believed by the Independent Directors to be dependent on further research and development outcomes and government policy.

The Independent Directors believe the initial investment to develop the Yellowtail Kingfish Proposal towards commercial production would be in the order of $6 - 8 million. Given the risks and uncertainties regarding production of the Yellowtail Kingfish and crustacea, the Independent Directors do not believe they would have a reasonable basis to forecast future earnings because the proposed operations of both WKL and the development of the Yellowtail Kingfish Proposal are inherently uncertain. Accordingly, any forecast would contain such a broad range of potential outcomes and possibilities that it would not be possible to prepare a best estimate forecast or projection.

Australis and the Yellowtail Kingfish Proposal

Mr Graham presented the Yellowtail Kingfish Proposal to the Independent Directors of Australis (comprising Messrs Goldman, O'Sullivan and Cohen) in October 2006 at the time of becoming aware of the Yellowtail Kingfish Proposal.

In considering the Yellowtail Kingfish Proposal as presented by Mr Graham, the Independent Directors determined:

- exploitation of the Yellowtail Kingfish Proposal is at an early stage and successful commercialisation of the business will require, based on the advice of Mr Graham, extensive government lobbying and capital investment in order for it to be successful;
- the commercialisation of the Yellowtail Kingfish Proposal will require, pursuant to advice of Mr Graham and on the basis of their own due diligence, capital investment of between $6 and $8 million;
- the Independent Directors do not believe that Australis is in a position to make a substantial investment in a new business – either in capital funding or a commitment of staff and resources;
- Australis currently has no employees in Australia and its focus is currently, and is intended in the short to medium term, to be on the production and sale of Barramundi in the USA;
- Australis could participate in the Yellowtail Kingfish Proposal in a manner that would provide the Company with a participating interest in the WKL business, the ability to capitalise on its existing marketing arrangements and the opportunity to participate more extensively in future, through the WKL Agreements;
- holding shares in WKL would be a means of creating a formal relationship between Australis and WKL; and
- given the resources that would be required to be committed by the Company to pursue the Yellowtail Kingfish Proposal from this early stage, it is not in the best interests of the continuing growth and development of the Company's existing Barramundi business to do so.

The Company's strategic business plan, as outlined above, expressly defines the business focus of Australis as being in Barramundi in the USA.

In the event the company's shareholders do not approve Resolutions 1 and 2 contained within this Notice of Meeting, the Independent Directors of Australis do not intend to pursue the Yellowtail Kingfish Proposal for the reasons described above.

The Independent Directors of Australis have, for these reasons, resolved that it is in the best interests of the Company for it to pursue the Yellowtail Kingfish Proposal through the transactions contemplated by the WKL Agreements rather than acquire the Jurien Bay Assets in the manner in which they are proposed to be acquired by WKL.

The Independent Directors therefore recommend that Australis Shareholders approve the Company to forego the Yellowtail Kingfish Proposal, authorise Mr Garth Stewart Graham and WKL to pursue the Yellowtail Kingfish Proposal and ratify all their actions in that regard.

Mr Garth Stewart Graham makes no recommendation to Australis Shareholders as he has a material personal interest in the outcome of Resolution 1.

Directors Duties and Ratification

Directors owe duties to the company of which they are directors pursuant to the common law and the Corporations Act.

At law, the directors of a company owe fiduciary obligations to the company. These fiduciary obligations of directors can be summarised as follows:

(a) company directors must not, in any matter falling within the scope of their service, have a personal interest or inconsistent engagement with a third party, except with the company's fully informed consent;
(b) company directors must not misuse their position for their own or a third party's possible advantage, except with the company's fully informed consent and therefore they must account to the company for any gain which they make in connection with their fiduciary office; and
(c) company directors must not misappropriate the company's property for their own or a third party's benefit.

At common law a director must not take up an opportunity which is in the area of the company's business or in the same line as the company's present or prospective business. The opportunity is required only to be "of concern and relevance" to the company. The obligation is on that director to present the opportunity to the company to consider whether or not it wishes to pursue the opportunity for its own benefit.

Provided he has the informed consent of the shareholders of the company, a director may proceed in a transaction where he would otherwise have a conflict of interest.

An opportunity to participate in the development of Yellowtail Kingfish could be regarded as "of concern and relevance" to Australis as the development of a Yellowtail Kingfish business is one that was contemplated by the Company at the time of its listing and is a business synergistic with Australis' current Barramundi operation. The Independent Directors believe that in the circumstances, and to avoid any question of a breach of directors duties which may give rise to remedial actions, the prudent course of action is to obtain the approval of the

Australis Shareholders to Mr Graham proceeding with and actioning the development of the Yellowtail Kingfish Proposal through WKL.

By granting approval to Resolution 1, the Australis shareholders will waive any rights the Company may have against Mr Graham for any possible breach of his fiduciary duties to the Company in respect of the Yellowtail Kingfish Proposal.

Mr Graham was, until June 2006 the Managing Director of Australis. Pursuant to the terms of Mr Graham's employment as Managing Director and his subsequent resignation, Mr Graham has contractual obligations to the Company not to undertake prescribed activities which might otherwise be in competition with the business of Australis. If Shareholders approve Resolution 1, this may have a detrimental impact on the ability of the Company to enforce these contractual obligations or pursue any remedies in the future in respect of these contracts.

Sections 182 and 183 of the Corporations Act provide that a director must not improperly use their position or information gained as a result of their position to gain an advantage for themselves or someone else or cause a detriment to the corporation. There is conflicting legal commentary as to whether shareholders in general meeting can ratify any breach of section 182 or 183 of the Corporations Act, if any such breach has occurred. Shareholders should therefore note that any approval given under Resolution 1 may impact actions under the Corporations Act in respect of breaches of statutory duty.

Related Party Transactions

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

(a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or

(b) Shareholder approval is obtained prior to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E, Mr Graham and WKL are both related parties of the Company. Mr Graham is a director of Australis. WKL is an entity controlled by Mr Graham and is also therefore a related party of Australis.

Resolution 1 provides that the Company will forego an opportunity it is otherwise entitled to pursue and, in so doing, permit Mr Graham and WKL to benefit from the Yellowtail Kingfish Proposal. Section 229 of the Corporations Act provides that in determining whether there is a financial benefit for the purposes of Chapter 2E, a broad interpretation is to be given, the economic and commercial substance of conduct is to prevail over its legal form and any consideration given for the benefit is to be disregarded.

Mr Graham will benefit from the exploitation of the Yellowtail Kingfish Proposal through:

1. his participation as a major shareholder of WKL and therefore through the participation in dividends and any capital growth in the value of WKL shares; and
2. as the managing director of WKL.

WKL has been established by Mr Graham and Mr Collinson for the purposes of development of the Yellowtail Kingfish business and the generation of a profit. WKL will benefit from the exploitation of the Yellowtail Kingfish Proposal through the generation of potential profits derived from the development of the Yellowtail Kingfish business.

In accordance with section 219 of the Corporations Act, the following information is provided to Shareholders:

(a) The related parties to whom the proposed Resolution would permit the financial benefit to be given are as follows:

 (i) Mr Garth Stewart Graham; and
 (ii) Western Kingfish Limited.

(b) The nature of the financial benefit proposed to be given:

 The nature of the financial benefit proposed to be given is the granting to WKL of the right to exploit the Yellowtail Kingfish Proposal and the granting to Mr Graham of the right to be a director of, and substantial shareholder in, WKL.

(c) Directors' recommendation:

 All Directors were available to consider Resolution 1.

 Messrs David O'Sullivan, Josh Goldman and Michael Cohen (who do not have an interest in Resolution 1) recommend that the Shareholders approve Resolution 1 for the reasons outlined above.

 Mr Graham declined to make a recommendation to Shareholders in respect of Resolution 1 as he has a material personal interest in the outcome of the Resolution by virtue of his association with WKL as a major shareholder and as the managing director of WKL.

(d) Other information that is reasonably required by Shareholders to make a decision whether it is in the best interests of the Company to pass Resolution 1 that is known to the Company or any of its Directors:

 (i) The proposed Resolution would have the effect of granting the right to exploit the Yellowtail Kingfish Proposal as described in this Explanatory Memorandum to WKL and Mr Graham.

 (ii) The Independent Directors believe that it is not possible to value the Yellowtail Kingfish Proposal due to the early stage of its development and the inherent uncertainties as to its viability. The success or otherwise in raising any capital funding for the exploitation of the opportunity will also have a significant impact on its value. The Independent Directors believe that any valuation of the Yellowtail Kingfish Proposal and the associated benefits would be subjective and open to manipulation and of such uncertainty as to be of minimal or no benefit to Shareholders.

(iii) Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by the proposed Resolution.

RESOLUTION 2 – ENTRY INTO THE WESTERN KINGFISH AGREEMENTS

Subject to Shareholders passing Resolution 1, the Independent Directors propose to enter into the Western Kingfish Agreements.

For the reasons set out above, the Independent Directors believe it is in the best interests of the Company to participate in the Yellowtail Kingfish Proposal by entering into the Western Kingfish Agreements.

The Western Kingfish Agreements provide for the following transactions to occur:

1. Australis will grant a non-exclusive licence to WKL to use its patented aquaculture technology for Yellowtail Kingfish and crustacean production ("**Licence**") (pursuant to the terms of the Licence Agreement);

2. in consideration for the grant of the Licence by Australis, WKL will:

   a. issue to Australis 2,500,000 WKL ordinary shares of WKL (pursuant to the terms of the Subscription Agreement); and

   b. grant an option to Australis to acquire up to a 49% interest in any future North American facility developed by WKL or a related body corporate for the production of Yellowtail Kingfish ("**Option**") (pursuant to the terms of the Option Deed); and

3. Australis and WKL will enter into an exclusive marketing agreement pursuant to which Australis will be appointed WKL's exclusive marketing agent to market WKL's products in North America (pursuant to the terms of the Marketing Agreement).

A summary of the Licence Agreement, Subscription Agreement, Option Agreement and Marketing Agreement is set out below. Resolution 2 seeks the approval of Shareholders for the Company to proceed with the WKL Agreements.

In consideration for the grant of the Licence, the Company is receiving the benefit of the Option and the 2,500,000 WKL ordinary shares.

The Independent Directors regard the investment in WKL as speculative. The US patented technology which is the subject of the Licence Agreement has no current carrying value in the financial accounts of Australis. Whilst use of the Licence may have value for WKL in the development of the Yellowtail Kingfish and crustacea business, the Independent Directors believe that as the patents have no value in the accounts of Australis, together with the terms of the Licence Agreement, the value of the Licence being granted by Australis has little or no value. The rights granted by the Option Agreement are regarded by the Independent Directors as a further advantage of the WKL Agreements for the Company. The Independent Directors therefore believe that there is little or no value in the financial benefit being given to Garth Stewart Graham or WKL in respect of the WKL Agreements.

The Independent Directors regard the most advantageous element of the WKL Agreements to be the Marketing Agreement which is on commercial terms.

Based on an issue price of the WKL shares of $0.125, being the issue price attaching to shares in WKL issued to seed capital investors in WKL, the value of the consideration being received by Australis for the grant of the Licence is $312,500 plus the value of the Option. At 31 December 2006, the Company had total equity interests of $9.37 million. Accordingly, the value of the consideration being received for the grant of the Licence is less than 5% of the total equity interests.

The Independent Directors believe the advantages of participating in the Yellowtail Kingfish Proposal through the Western Kingfish Agreements are:

- it requires no management input;
- it requires no financial investment;
- it provides for a possible future value in an Australian public company without financial risk; and
- it provides for a possible future opportunity to participate in a Yellowtail Kingfish facility in North America in future.

The Independent Directors believe the risks of this participation are minimal for the Company and the financial investment required by the Company is negligible.

Western Kingfish Agreements

The following is a summary of the Western Kingfish Agreements. This summary is not and is not intended to be an exhaustive outline of all of the terms of these agreements.

<u>Licence Agreement</u>

This agreement, dated 14 May 2007, provides that Australis will grant a non-exclusive royalty-free licence to WKL use, exploit and develop Australis' US patents No 5,330,652 titled "Fluidized Bed Reactor and Distribution System" and No 6,117,313 titled "Method and Apparatus for Aquaculture and for Water Treatment related thereto" and all information and rights arising out of these patents.

The Licence may be used in Australia for the development of a commercial production facility for Yellowtail Kingfish and crustacea. The Licence will continue until the Licence Agreement is terminated in accordance with its terms.

The grant of the Licence is conditional upon:

1. Australis obtaining such regulatory and shareholder approvals as may be required, including the approval of Shareholders pursuant to Resolutions 1 and 2 in this Notice;
2. completion of due diligence by Australis in respect of WKL;
3. Australis being satisfied as to WKL's title and ability to develop and exploit the Jurien Bay Facilities for the purposes of the business of WKL; and
4. satisfaction of the conditions precedent to the Marketing Agreement, Option Deed and Subscription Agreement; and
5. completion under the Subscription Agreement.

WKL will grant an exclusive royalty free licence to Australis in respect of any rights, improvements or developments developed by WKL from or in connection with the Licence.

It is a term of the Licence that WKL is restricted from entering into the business of Barramundi production. The Licence may be terminated in the event of a breach which is not remedied or not capable of remedy.

<u>Subscription Agreement</u>

This agreement, dated 14 May 2007, provides that, in partial consideration for the grant of the Licence and the payment of $25.00, WKL will issue 2,500,000 ordinary WKL shares to Australis.

The Subscription Agreement is conditional upon:

1. Australis obtaining such regulatory and shareholder approvals as may be required, including the approval of Shareholders pursuant to Resolutions 1 and 2 in this Notice;
2. completion of due diligence by Australis in respect of WKL;
3. Australis being satisfied as to WKL's title and ability to develop and exploit the Jurien Bay Facilities for the purposes of the business of WKL; and
4. satisfaction of the conditions precedent to the Marketing Agreement, Option Deed and Licence Agreement.

The WKL shares held by Australis may be required to be escrowed for a period of 12 – 24 months upon admission of WKL to the ASX.

Option Deed

This agreement, dated 14 May 2007, provides that in partial consideration for the grant of the Licence and the payment of $1.00, WKL shall grant to Australis an option to participate in the future development of an aquaculture production facility in North America for the commercial production of Yellowtail Kingfish in which WKL or a related body corporate proposes to participate or be involved.

WKL has advised the Independent Directors that it wishes to develop such an aquaculture production facility in North America and Australis and WKL have agreed that this may provide an opportunity for a joint operation in future.

The grant of the option is conditional upon:

1. Australis obtaining such regulatory and shareholder approvals as may be required, including the approval of Shareholders pursuant to Resolutions 1 and 2 in this Notice;

2. completion of due diligence by Australis in respect of WKL;

3. Australis being satisfied as to WKL's title and ability to develop and exploit the Jurien Bay Facilities for the purposes of the business of WKL;

4. satisfaction of the conditions precedent to the Marketing Agreement, Subscription Agreement and Licence Agreement; and

5. completion occurring under the Subscription Agreement.

The option extends to any commercial arrangement in respect of a Yellowtail Kingfish facility in North America whether the involvement or participation of WKL or a related body corporate arises as a result of a review or study prepared by WKL or through investment or acquisition or otherwise.

When an opportunity for involvement in a facility is presented to Australis and Australis elects to participate, it may elect to participate for an interest of between 10% and 49%. The nature and structure of any participation by Australis will be determined at the time of exercise of the Option.

If WKL fails to present an opportunity to Australis in accordance with the terms of the Option Deed, then WKL or its related body corporate will be deemed to hold 49% of any interest in such an opportunity on trust for Australis. Australis shall then determine if it wishes to exercise its rights under the Option Deed to participate.

Marketing Agreement

This agreement, dated 14 May 2007, provides that WKL shall appoint Australis as its exclusive marketing agent in North America for the marketing of WKL's products.

This agreement is conditional upon:

1. Australis obtaining such regulatory and shareholder approvals as may be required, including the approval of Shareholders pursuant to Resolutions 1 and 2 in this Notice;

2. completion of due diligence by Australis in respect of WKL;

3. Australis being satisfied as to WKL's title and ability to develop and exploit the Jurien Bay Facilities for the purposes of the business of WKL;

4. satisfaction of the conditions precedent to the Subscription Agreement, Option Deed and Licence Agreement; and

5. completion occurring under the Subscription Agreement.

The agreement is for an initial term of two and a half years commencing from the date on which WKL first provides products to Australis for sale in North America. The agreement may be extended for a further term of two and a half years by mutual agreement between WKL and Australis.

Australis is required to:

1. act as WKL's exclusive marketing agent;

2. make routine sales calls;

3. coordinate the logistics of product transport to customers;

4. use reasonable endeavours to sell WKL's product on commercial terms;

5. prepare a marketing plan every 13 months; and

6. provide ongoing marketing advice as mutually agreed by WKL and Australis.

In consideration for providing these marketing services, WKL will pay Australis a fee of 6% of net sales and all direct costs (marked up by 10%).

The Marketing Agreement shall terminate in the event of default which is not remedied or capable of remedy. Australis is also entitled to terminate the agreement if:

1. there is a material breach by WKL of the Licence Agreement, Subscription Agreement or Option Deed;

2. conduct of WKL damages or could reasonably be expected to damage, Australis' commercial reputation or otherwise adversely affect Australis' business in the sale or production of Barramundi; and

3. WKL or a related body corporate directly or indirectly commences or becomes involved in the production and/or sale of Barramundi.

Australis is also entitled to terminate the Marketing Agreement if it determines it is unable to resolve a conflict between its interests as a Barramundi producer and seller and its appointment as agent of WKL pursuant to the Marketing Agreement.

Australis may appoint a sub-broker to perform the services required by the Marketing Agreement.

Related Party Transactions

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

(a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or

(b) Shareholder approval is obtained prior to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E, Mr Graham and WKL are both related parties of the Company. Mr Graham is a director of Australis and therefore a related party of Australis. WKL is an entity controlled by Mr Graham and is also therefore a related party of Australis.

Section 210 of the Corporations Act provides that shareholder approval is not required to give a financial benefit on terms that would be reasonable in the circumstances if the Company and the WKL were dealing at arm's length or are less favourable to the related party than arm's length terms.

Resolution 2 provides that the Company will enter into the WKL Agreements with WKL. If the Shareholders approve Resolution 1 the Independent Directors believe they would be able to resolve to enter into the WKL Agreements pursuant to section 210 of the Corporations Act.

The Independent Directors believe that the terms of the WKL Agreements are and would be reasonable if the parties were dealing at arm's length terms. However, given the nature of the relationship between the parties and the approvals being sought for the purposes of Resolution 1, the Independent Directors have determined it is appropriate to seek shareholder approval to enter into the WKL Agreements for the purposes of Chapter 2E.

Section 229 of the Corporations Act provides that in determining whether there is a financial benefit for the purposes of Chapter 2E, a broad interpretation is to be given, the economic and commercial substance of conduct is to prevail over its legal form and any consideration given for the benefit is to be disregarded.

In accordance with section 219 of the Corporations Act, the following information is provided to Shareholders:

(a) The related parties to whom the proposed Resolution would permit the financial benefit to be given are as follows:

   (i) Mr Garth Stewart Graham; and
   (ii) Western Kingfish Limited.

(b) The nature of the financial benefit proposed to be given:

The nature of the financial benefits proposed to be given to Mr Graham in his capacity as a shareholder and managing director of WKL, are the benefits of:

(i) providing the Licence to WKL;
(ii) becoming a substantial shareholder of WKL;
(iii) being a potential participant in a future North American aquaculture development; and
(iv) providing the marketing support of Australis,

which, in the opinion of the Independent Directors, given Australis' existing strong market reputation, will enhance the value of the WKL shares and its prospects for a public offering and admission to the ASX.

The nature of the financial benefit proposed to be given to WKL are:

(i) the benefits of the Licence;
(ii) the opportunity to enter the Yellowtail Kingfish market in the USA utilising the marketing expertise of Australis;
(iii) links to an experienced, well managed and funded partner in North America with the potential to develop a joint aquaculture operation under the terms of the Option Agreement; and
(iv) the benefit of the services to be provided pursuant to the Marketing Agreement.

(c) Directors' recommendation:

All Directors were available to consider Resolution 2.

Messrs David O'Sullivan, Josh Goldman and Michael Cohen (who do not have an interest in Resolution 2) recommend that the Shareholders approve Resolution 2 for the reasons outlined above.

Mr Graham declined to make a recommendation to Shareholders in respect of Resolution 2 as he has a material personal interest in the outcome of the Resolution by virtue of his association with WKL as a major shareholder and as the managing director of WKL.

(d) Other information that is reasonably required by Shareholders to make a decision whether it is in the best interests of the Company to pass Resolution 2 that is known to the Company or any of its Directors:

(i) The proposed Resolution would have the effect of granting the rights and benefits under the WKL Agreements to WKL and, indirectly, to Mr Graham.

(ii) For the reasons stated above, the Independent Directors believe there is little or no value attributable to the financial benefit being offered pursuant to the WKL Agreements. The US patents the subject of the Licence have no carrying value in the financial statements of the Company and any value in the shares of WKL is believed to be speculative and indeterminate due to the early stages and uncertainties surrounding the viability of the project.

(viii) Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by the proposed Resolution.

RESOLUTION 3 – RATIFYING THE ISSUE OF 3,000,000 SHARES

On 16 January 2007 the Company announced the placement of 3,000,000 Shares at an issue price of AUD$0.50 cents to institutional and private stockbroker clients to raise $1.5 million.

ASX Listing Rule 7.1 provides generally that a company may not issue shares or options to subscribe for shares equal to more than 15% of the company's issued share capital in any 12 months without obtaining shareholder approval.

Listing Rule 7.4 enables shareholders to ratify previous issues by the Company in order to refresh the Company's ability to issue 15% of its issued capital under Listing Rule 7.1. This will leave the Company with the flexibility to issue equity securities in the future up to the 15% threshold.

Under this Resolution 3, the Company seeks from Shareholders approval for, and ratification of, the issues of securities set out below so as to limit the restrictive effect of ASX Listing Rule 7.1 on any further issues of securities in the next 12 months.

Information requirements

The following information is provided to Shareholders for the purposes of Listing Rule 7.5:

a. the number of Shares issued was 3,000,000;

b. the Shares were issued at $0.50 per Share.

c. the issued Shares are fully paid ordinary shares in the Company and rank equally with the existing Shares in the Company.

d. the Shares were issued to various Australian institutional and private broker clients managed by State One Stockbroking Limited; and

e. the funds are being allocated to the development of an automated fish processing line at the US Turners Falls operations, barramundi hatchery upgrades, completion of the expansion to 1,000 tonnes per annum at the Turners Falls Operations and working capital.

Directors' Recommendation

The Board recommends Shareholders vote in favour of this resolution as it allows the Company to ratify the above issue of Shares and retain the flexibility to issue further equity securities representing up to 15% of the Company's share capital during the next 12 months.

GLOSSARY

"**ASX**" means ASX Limited ABN 98 008 624 691, and where the context permits, the Australian Securities Exchange operated by ASX Limited;

"**Australis**" or "**Company**" means Australis Aquaculture Ltd ACN 098 236 938;

"**Aquaculture Licences**" means Western Australian Aquaculture Licence 1335 and Western Australian Aquaculture Licences 1417 which authorise the holder to conduct aquacultural activities in compliance with Western Australian law;

"**Corporations Act**" means Corporations Act 2001 (Cth);

"**Director**" means a director of the Company;

"**Equipment**" means equipment at the Facility including a workshop, heat/cool water chillers and broodstock slipper lobsters and spiny lobsters;

"**Facility**" means an aquatic life support and tank facility of 1,380 square metres built on an area of approximately 6,040 square metres on the Jurien Bay Boat Harbour which is leased from the Department of Transport pursuant to the *Marine Harbours Act* under a 21 year lease which expires on 31 July 2025;

"**General Meeting**" means the general meeting of shareholders convened by the Notice;

"**Independent Directors**" means Messrs Goldman, Cohen and O'Sullivan;

"**Jurien Bay Assets**" means the Facility, the Equipment and the Licences;

"**Licence**" means the licence granted pursuant to the Licence Agreement;

"**Licence Agreement**" means the licence agreement dated 14 May 2007 between WKL and Australis for the grant of the Licence by Australis to WKL to use Australis' patented aquaculture technology;

"**Listing Rules**" means the Listing Rules of the ASX;

"**Marketing Agreement**" means the marketing agreement dated 14 May 2007 pursuant to which Australis is appointed WKL's exclusive marketing agent to market WKL's products in North America;

"**Notice**" means the Notice of General Meeting accompanying this Explanatory Memorandum;

"**Option**" means the option granted pursuant to the Option Deed;

"**Option Deed**" means the option deed dated 14 May 2007 for the grant of an option by WKL to Australis to acquire up to a 50% interest in any future North American aquaculture facility developed by WKL or a related body corporate for the production of Yellowtail Kingfish;

"**Resolution**" means a resolution contained in the Notice;

"**Shareholder**" means a shareholder of the Company;

"**Shares**" means fully paid ordinary shares in the Company;

"**Subscription Agreement**" means the subscription agreement dated 14 May 2007 between WKL and Australis for the issue of 2,500,000 ordinary WKL shares to Australis;

"**Summermor**" means Summermor Pty Ltd ACN 009 031 814;

"**WKL**" means Western Kingfish Limited ACN 122 711 880;

"**WST**" means Australian Western Standard Time; and

"**Yellowtail Kingfish Proposal**" means the opportunity to acquire an interest in the Jurien Bay Assets and develop the business of Yellowtail Kingfish and crustacea production and sales.