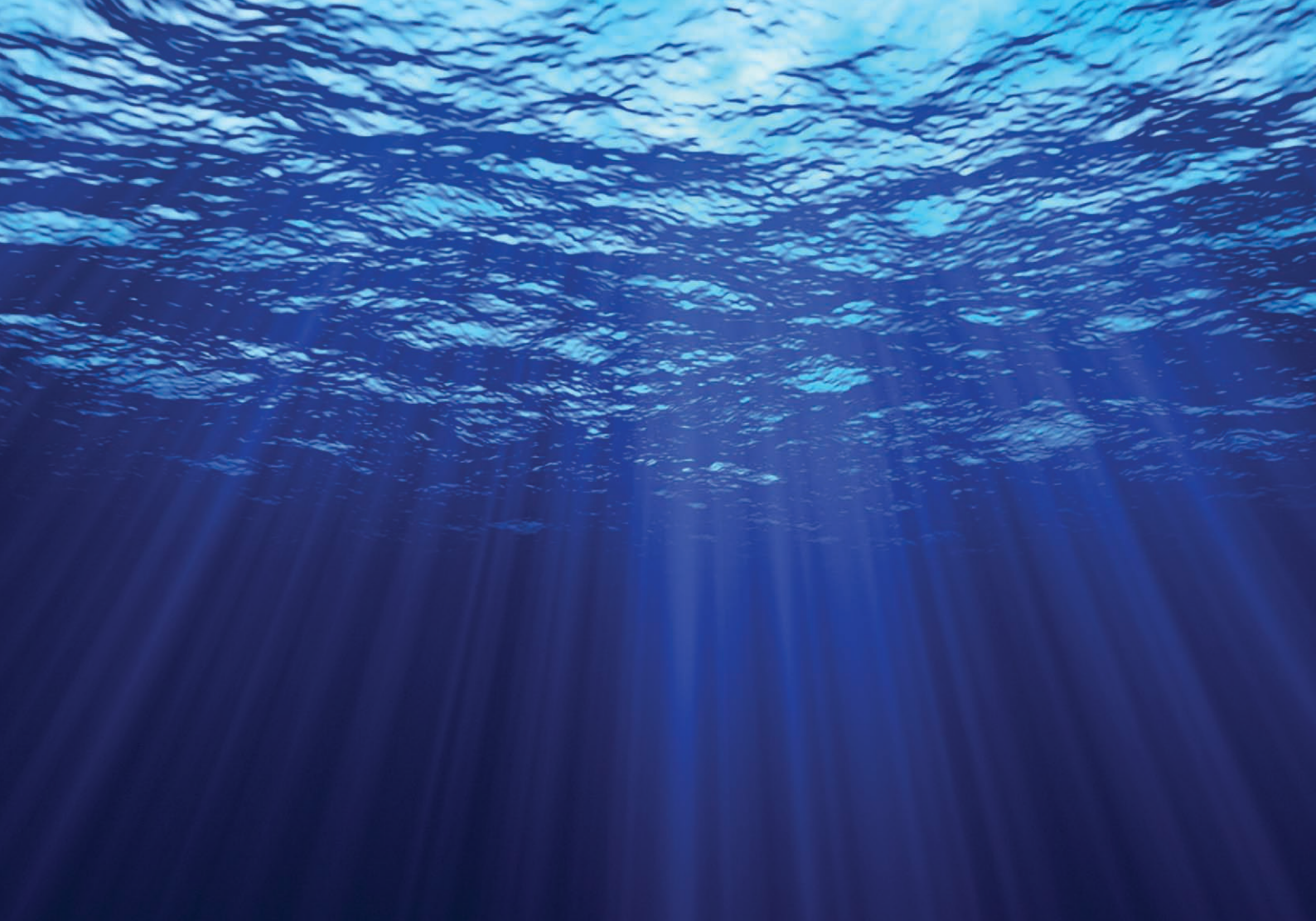


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AQUACULTURE LTD

ANNUAL REPORT 2011





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chairman's report

Dear Fellow Shareholder,

On behalf of the Board of Directors and management of Cell Aquaculture Limited (CAQ), it is my pleasure to present a brief review of your Company's activities.

The 2011 financial year saw CAQ focus particular attention towards further commercialising its proven "Hatch to Dispatch" business model and the commencement of progressive revenue growth. Subsequent to the reporting period, the Company has recently realised a number of exciting new projects which are now under development.

Demand for CAQ's newly launched, innovative Eco-Star™ product range has been overwhelming, with demand significantly outstripping current supply, in newly developed markets. Subsequent to the reporting period, the Company realised record revenues in the September Quarter, with continued revenue growth anticipated from national market development of the Eco-Star™ product range and as a result of a number of new projects coming on-stream.

Continued pressures on natural seafood and fish stocks, along with the development of the opportunities outlined, offer an exciting Growth Outlook for the Company.

A brief summary of the Company's activities follows:

Cell Aqua Foods Pty Ltd

During the year, CAQ placed a strong emphasis on the rapid development of its wholly owned, value adding, packaging and distribution, subsidiary company - Cell Aqua Foods Pty Ltd. The development of Cell Aqua Foods now provides 'ready-made markets' for fish produced from all CAQ's various fish farming operations.

The Cell Aqua Foods facility is Fully Certified and has now developed strong trading relationships with a number of major Supermarket Chains, offering potential national distribution of the Company's unique range of retail seafood products, which are marketed under the Eco-Star™ Brand. The Company has developed trading relationships with numerous Food Service/Catering clients also.

To date Cell Aqua Foods has focussed its efforts on the West Australian marketplace, but has recently received approval to distribute the unique Eco-Star™ product range nationally throughout a major Supermarket Group, with approximately 1,300 stores nationwide. The Company is strongly focussed on advancing its various international fish farming production projects to develop enough supply to meet the significant national demand now created for the Eco-Star™ product range.

As previously outlined, Cell Aqua Foods realised record Revenue Growth during the September 2011 Quarter – this was achieved from supplying the Western Australian marketplace only. Significant further revenue growth is anticipated as the Company's various production projects develop and Eco-Star™ distribution develops nationally. Once national demand is fulfilled, a number of key identified Export markets will then be targeted for the Eco-Star™ product range.

'Chef Inspired Eco-Star™ Barramundi Meal Range

During the year, CAQ developed and launched a unique retail range of 'value-added' Eco-Star™ Barramundi products. The key attributes of these Chef-Inspired 'Ready-to-Cook' Eco-Star™ Barramundi meals revolve around 'Quality and Convenience' cooking at home. The Company is also in the process of developing a number of further new unique Eco-Star™ products which will soon be launched to the market.

Feedback on the Eco-Star™ product range has been outstanding to date, which is evidenced by growing demand, expanding 'word of mouth' sales and increasing revenues for the Company. The development and branding of the value-added product range offers CAQ exceptional margins on all produce.

CAQ's unique ability to develop a 'Reliable and Consistent' supply of High Quality Barramundi from its various farming operations, offers the Company virtually limitless growth opportunities to initially supply its now well established Domestic markets, followed by extensive International distribution as production expands.

During the year, the Company also launched a new website, featuring the Eco-Star™ product range and latest recipes, which can be viewed at: www.ecostarfoods.com.au

Supply to the West Australian Mining Sector

There are significant opportunities in catering and food service to supply Western Australia's Booming mining industry. Given the remote location of most of WA's major mining ventures, a key consideration is to provide high quality food and living conditions to attract quality human resources to these projects.

During the year, CAQ has developed strong relationships with a number of Western Australia's major mining projects and is supplying high quality Barramundi and other seafood products – creating another high yielding and expanding market for the Company.

TRG Cell Project – Terengganu, Malaysia

Subsequent to the reporting period, CAQ was pleased to advise that the Company's joint venture project with the Terengganu State Government, Malaysia has been resurrected.

This joint venture project (TRG Cell Sdn Bhd), successfully established a 100+ tonne per annum 'Cell' production facility in Terengganu State a number of years ago, however the project stalled due to a lack of funding. Following extensive ongoing discussions, the Terengganu State Government has now reallocated its shareholding in the TRG Cell venture to another pro-active entity. The new government entity is substantial and well funded, providing CAQ with an outstanding joint venture partner, which will now allow this project to realise its full potential.

The Terengganu State Government has recently provided TRG Cell with a first stage of funding of RM 1.6 million (AU\$500,000), to recommence production from the existing facility. CAQ has also recently received an initial payment from TRG Cell of RM 500,000 (AU\$155,198), against outstanding monies owed, as a goodwill payment to progress the project.

The TRG Cell project is now focussed on recommencing full production from the existing facility and advanced discussions are underway towards developing the project up to its previously agreed production capacity of 500 tonnes per annum, and beyond.

CAQ are currently negotiating a 'Buy-Back' agreement for all produce from the TRG Cell joint venture. This will significantly bolster the Company's Premium Barramundi inventories and assist in fulfilling the Company's major 'supply void', in the markets being created via Cell Aqua Foods Pty Ltd.

CAQ are delighted to have this project resurrected and believe it is the commencement of substantial opportunities for the Company in Malaysia. The Company is well progressed on a number of further Malaysian opportunities and further details will be provided as these projects materialise.

New Malaysian Project to Commence

CAQ has been working for some time with a well funded, private Singapore based consortium, with a view to establishing a joint venture 'Cell' production facility in Singapore. CAQ and the Singaporean partners spent significant time and effort attempting to source a suitable site for the project in Singapore, however a suitable site could not be found. Focus shifted to other areas and a suitable site for this project has been secured in Johor, Malaysia.

This project has now commenced and will be developed in three stages. Stage 1 will involve development of 100 tonnes of Barramundi Production. Stage 2 will expand to 300 tonnes of Barramundi production and Stage 3 will further expand to 500 tonnes production - 300 tonnes Barramundi and 200 tonnes high value Grouper.

Thailand Project

During the year CAQ secured an outstanding production site, with all relevant approvals in place, located near Phuket, Thailand. The production site has a superior quality water source as well as all necessary infrastructure and services now in place.

Stage 1 of this project involved the retro-fitting of an existing Abalone farm with 'Cell' proprietary equipment, to transform it into an Australian Barramundi production facility and is now in production. Stage 2 of the project involves the construction of a purpose built specialist 'Cell' Australian Barramundi facility on the adjacent site, which is currently in progress.

CAQ has secured an option over the adjoining site to the current production operations. The full development of both sites (funds permitting) would allow this project to ultimately develop to a production capacity in the vicinity of 1,000 tonnes of premium fin fish per annum.

This project offers significant future development potential for CAQ and will again bolster the Company's Premium Barramundi inventories to capitalise on the current market opportunities.

South African Project

CAQ has been working for some time to establish a joint venture with a substantial South African consortium to develop large scale land based aquaculture operation/s.

A number of key South African Industrial Development Zones (IDZ's) have been targeted to establish this venture. During the year significant progress has now been made and two IDZ's have now been selected to establish large scale production operations.

The proposed facilities will be established in 500 tonne modules and target a minimum production output of 2,000 tonnes per annum for each IDZ. A Shareholders Agreement has been successfully negotiated with the South African consortium and is ready for signing once financing for the project/s is concluded.

Hatchery Update

Hatchery progress throughout the year has been outstanding from the commercial/research and development operations, located at James Cook University, Townsville, Queensland. This hatchery operation is now in its fifth year of operation and the facility stands alone as being the leading joint Commercial/R & D Barramundi venture in Australia.

Current R & D is focused on new species development, whilst more advanced work continues for Australian Barramundi in the areas of selective breeding and fingerling selection protocols, to further improve the quality of seed stock for commercial operations. These activities directly enhance both productivity and profitability of all CAQ's production ventures.

CAQ's reliable hatchery operations now provide the Company with the confidence to move forward with all outlined international production ventures. CAQ's comprehensively proven hatchery operations provide the ultimate 'engine room' for reliable international production expansion and significant end-market development.

Outlook

CAQ is extremely well poised and in the process of developing a Leading, Fully Integrated, true Global Seafood Business.

On behalf of the Board, I wish to thank all our staff for their tireless dedication and commitment to CAQ and also to our very loyal and patient shareholders for their tremendous ongoing support of the Company.

The combination of CAQ's unique proven business model, dwindling natural seafood stocks and the long term upward price pressure on Premium Seafood, offers CAQ outstanding growth potential for the year ahead.



Perryman James Leach
Executive Chairman
Cell Aquaculture Limited



director's report



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 2011.

Directors

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

Perryman James Leach
Peter Gerard Burns
Suresh Emmanuel Abishegam
Peter Philip Bodycoat

Perryman J Leach M.I.E. Aust. (age 70) 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.

Mr Peter Gerard Burns B.Bus A.I.M.M. A.M.A.M.I. (age 35) Executive Director

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.

Capt. Suresh E Abishegam (age 50) 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.

Mr Peter Philip Bodycoat B.Bus F.N.T.A.A. (age 45) Finance Director

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.

Company Secretary

The Company Secretary is Mr Ian Gregory, B.Bus, FCIS, F.Fin, MAICD.

He is a company secretary with over 28 years experience in the provision of company secretarial and business administration services to listed and unlisted companies. Companies for which Mr Gregory has acted as company secretary include Iluka Resources Limited, IBJ Australia Bank Limited and the Griffin Coal Mining Group of companies. Mr Gregory currently consults on secretarial matters to a number of listed and unlisted companies. He is a past chairman of the WA State Council of the Institute of Chartered Secretaries and Administrators.

Principal Activities

The principal activities of the Company during the financial year were: 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 2011 is:

	Financial Year 2011 \$	Financial Year 2010 \$
Revenue from continuing operations	535,127	538,717
Net Loss for the year	(2,194,051)	(1,022,654))

Review of Operations

The 2011 financial year saw Cell Aquaculture Limited (ASX: CAQ) focus particular attention towards further commercialising its proven “Hatch to Dispatch” business model and the commencement of progressive revenue growth.

During this period a number of key milestones were achieved:

- Establishment of a company owned, Premium Barramundi production facility in Thailand.
- Commencement of commercial production operations in Thailand.
- Commenced construction of a new ‘Cell’ Production Facility in Thailand.
- Continued output of high quality Barramundi fingerlings throughout the year from the Queensland based hatchery operations.
- Launched the new unique Eco-Star™ ‘Ready to Cook’ Premium Barramundi Meal range into West Australian Supermarkets.
- Developed strong relationships with Australian Supermarket chains with national reach.
- Developed specialised food servicing/catering relationships and now supplying high quality seafood into the booming West Australian mining industry.
- Completed initial harvests of Premium Barramundi to be sold through CAQ’s wholly owned, value adding, packaging and distribution, subsidiary company - Cell Aqua Foods Pty Ltd.
- Development of a number of new Premium Barramundi and seafood products due to be launched into retail market/s shortly.
- Significant progression of further deals for the Company in Malaysia, and South Africa.

Subsequent to the reporting period, the Company achieved record revenues for the September 2011 quarter and has made substantial progress on concluding a number of the new above outlined projects for development.

The Company is delighted with the progress of the outlined developments and looks forward to experiencing a substantial uplift in revenue flow as a result of such activities.

Increase in financial losses to members during this period (FY2011) are attributed primarily to the capital expenditure and commercial production costs involved with developing new production operations in Thailand and further development of the Cell Aqua Foods Pty Ltd business.

Events occurring after the reporting date

Trade receivables from TRG Cell Sdn Bhd are past due, but now progressively being received. Subsequent to the reporting date the TRG Cell project has been resurrected and a cash injection of RM 1.6 million (\$500,000) has been contributed to TRG Cell by the Terengganu State Government. Subsequent to the event also, on 29 September 2011, Cell Aqua Malaysia Sdn Bhd received a first payment of RM 500,000 (\$155,198) from TRG Cell Sdn Bhd and Directors anticipate the remaining \$344,951 will be recovered as the project redevelops.

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 2011, and the numbers of meetings attended by each Director were:

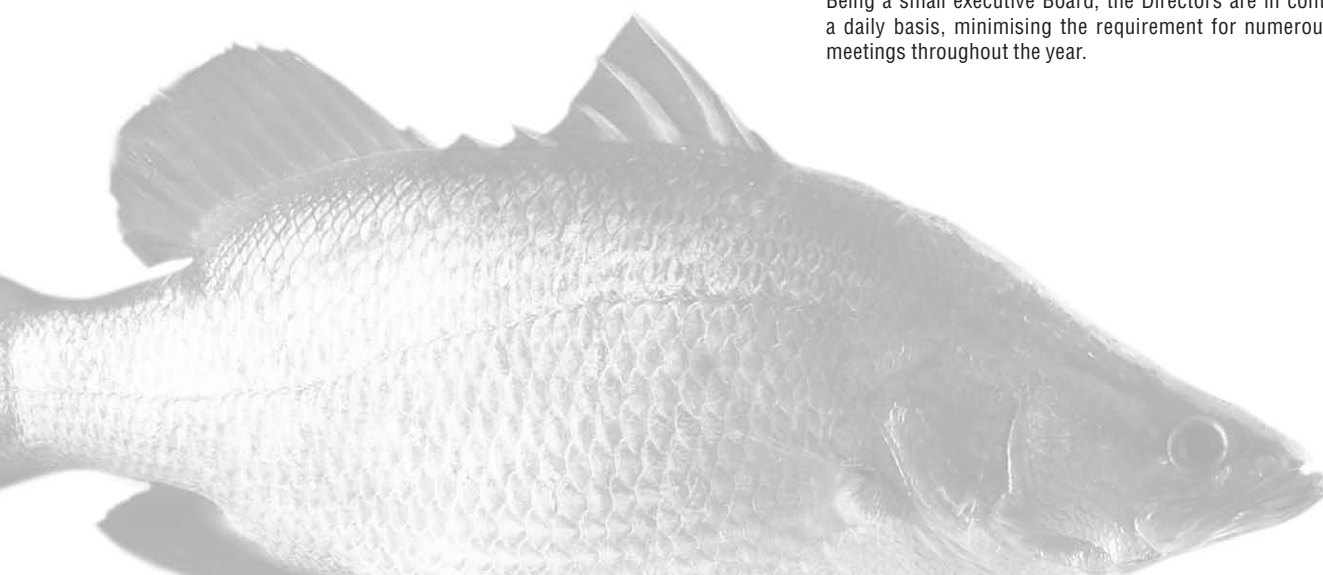
	Directors Meetings	
	A	B
PJ Leach	4	4
S E Abishegam	4	4
P G Burns	4	4
P Bodycoat	4	4

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	-
P G Burns	1,335,395	-
S E Abishegam	1,293,816	-
P Bodycoat	1,720,000	-

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

Remuneration Report

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 executives of the Company during the financial year were Directors, Company Secretary 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 2007	30 June 2008	30 June 2009	30 June 2010	30 June 2011
Revenue	1,103,234	1,567,104	385,003	538,717	535,127
Net loss	(4,710,575)	(4,050,190)	(1,992,927)	(1,022,654)	(2,194,051)
Share price	18.5 cents	12.5 cents	8.3 cents	14.5 cents	8 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) |
| Peter Gerard Burns | Director (Executive) |
| Peter Bodycoat | Director (Executive) |
- (ii) Other Key Management Personnel
- | | |
|--------------------|-----------------|
| Christopher Bolger | General Manager |
|--------------------|-----------------|

In addition, Ian Gregory has been included as a specified executive as required to be disclosed under the Corporations Act 2001.

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 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	-	-	-	-	-	-	-	-
CM Bolger	146,000	-	-	13,140	-	-	159,140	-
	395,099	-	-	13,478	-	-	408,577	-

*Remuneration for PG Burns, including payout of annual leave and long service leave entitlements, following 8 years of continuous service to the Company.

Year ended 30 June 2010	Short-Term		Post employment		Share-Based Payments		Total	Remuneration consisting of options %
	Salary & Fees	Consulting	Termination payments	Super annuation	Options	Shares		
Directors								
PJ Leach	39,993	-	-	-	-	-	39,993	-
PG Burns	214,654	-	-	17,550	4,036	-	236,240	1.7
SE Abishegam	39,937	-	-	-	13,076	-	53,013	24.6
P Bodycoat	10,000	-	-	-	-	-	10,000	-
Other key management personnel								
IE Gregory	-	-	-	-	-	14,000	14,000	-
CM Bolger	12,030	-	-	1,083	-	-	13,113	-
	316,614	-	-	18,633	17,112	14,000	366,359	4.7

The above persons are among the five highest paid as required to be disclosed in accordance with the Corporations Act 2001.

(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 2011 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 G. Burns, Executive Director

- Term of agreement – no specified term.
- 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.

Peter Bodycoat, Finance Director

- Term of agreement – no specified term.
- 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, to be 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.

Christopher Bolger, General Manager

- Term of agreement – no specified term.
- Base fee of \$146,000 pa (Salary - \$140,000 pa, Motor Vehicle Allowance - \$6,000 pa) as at 30 June 2011, to be reviewed annually.
- 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 2011.

No shares have been issued to Directors as a result of the exercise of any Plan options in the current financial year (2010: Nil).

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

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 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:



PETER G BURNS
Director

Dated at Perth this 30th day of September, 2011.

A black and white photograph of an underwater scene. At the top, the water surface is visible with ripples and light reflecting off it. Several rays of light penetrate the dark water from above. In the lower half of the image, three fish are visible. One large fish is in the foreground, angled towards the right, showing its scales and fins in detail. Behind it and to the right, two other fish are partially visible, also swimming in the same direction.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Director's declaration

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
 - (b) give a true and fair view of the financial position as at 30 June 2011 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 that the Company 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 remuneration disclosures included on pages 6 to 10 of the Director's Report (as part of the Remuneration Report) for the year ended 30 June 2011, comply with Section 300A of the Corporations Act 2001.
5. The Directors have been given the declarations as required by Section 295A by Mr P G Burns, whom performs the Chief Executive functions, and Mr P Bodycoat, who performs the Chief Financial Officer functions, in the Company.

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:



PETER G BURNS

Director

Dated at Perth this 30th day of September, 2011.



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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

30th September 2011

The Directors
Cell Aquaculture Limited
Suite 53, 15 Labouchere Road
South Perth 6151

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

As lead auditor of Cell Aquaculture Limited for the year ended 30 June 2011, 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 Limited and the entities it controlled during the period.

Phillip Murdoch
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia



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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 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity's preparation and fair presentation of the financial report 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 entity'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 opinions.

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* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Basis for Qualified Auditor's Opinion

Attention is drawn to the recoverability of the consolidated entity's trade receivable of \$500,149 owing from TRG Cell as disclosed in Note 11. Although the company has received \$155,198 subsequent to year end as detailed in Note 11, negotiations for repayment of the balance is currently still in progress as at the date of our report, accordingly, we were unable to perform sufficient procedures in relation to the recoverability of this receivable. Due to this limitation of scope, we have not been able to determine if an impairment provision against this trade receivable is necessary or the amount of the effect, if any, that an impairment provision would have on the consolidated statement of financial position and statement of comprehensive income.



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Qualified Auditor's Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph:

- (a) the financial report of Cell Aquaculture Limited 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 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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.

Auditor's Opinion

In our opinion, the Remuneration Report of Cell Aquaculture Ltd for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

BDO

BDO Audit (WA) Pty Ltd

Phillip Murdoch
Director

Signed in Perth, Western Australia
Dated this 30th day of September 2011

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	Consolidated	
		2011 \$	2010 \$
Revenue from continuing operations	5(a)	535,127	538,717
Foreign currency loss		(1,970)	(10,659)
Raw materials and consumables used		(390,647)	(8,815)
Legal expenses		(16,714)	(14,292)
Marketing expenses		(58,986)	(3,995)
Communication expenses		(7,561)	(3,268)
Consultancy expenses		(1,022,504)	(575,094)
Employee benefits expense		(218,334)	(547,059)
Insurance expenses		(21,179)	(31,335)
Occupancy costs		(65,817)	(19,785)
Professional costs		(738,870)	-
Travel costs		(53,968)	(69,843)
Depreciation and amortisation expense	5(b)	(21,202)	(12,096)
Finance costs	5(b)	(26,380)	(271)
Other expenses		(175,212)	(330,992)
Share based payments	29(d)	-	(31,112)
Loss from continuing operations before Income Tax Benefit		(2,284,217)	(1,119,899)
Income tax benefit	6	90,166	97,245
Loss for the year		(2,194,051)	(1,022,654)
Other comprehensive income			
Exchange differences on foreign currency translation		(59,859)	(11,906)
Total comprehensive income for the year		(2,253,910)	(1,034,560)
Loss is attributable to:			
Owners of Cell Aquaculture Ltd		(2,014,417)	(1,002,886)
Non-controlling interests		(179,634)	(19,768)
		(2,194,051)	(1,022,654)
Total comprehensive income for the year is attributable to:			
Owners of Cell Aquaculture Ltd		(2,074,386)	(1,013,602)
Non-controlling interests		(179,524)	(20,958)
		(2,253,910)	(1,034,560)
Basic (loss) per share	28	Cents Per Share (0.99)	Cents Per Share (0.56)

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

Consolidated statement of financial position

AS AT 30 JUNE 2011

	NOTE	Consolidated	
		2011 \$	2010 \$
CURRENT ASSETS			
Cash and cash equivalents	7	977,893	2,656,495
Trade and other receivables	8	157,575	275,666
Inventories	9	190,707	90,000
Biological assets	10	92,651	-
TOTAL CURRENT ASSETS		1,418,826	3,022,161
NON CURRENT ASSETS			
Receivables	11	500,149	581,788
Property, plant and equipment	13	462,645	124,325
TOTAL NON CURRENT ASSETS		962,794	706,113
TOTAL ASSETS		2,381,620	3,728,274
CURRENT LIABILITIES			
Trade and other payables	14	319,570	297,488
Borrowings	15	113,686	-
Derivative financial instrument	16	615,493	-
TOTAL CURRENT LIABILITIES		1,048,749	297,488
TOTAL LIABILITIES		1,048,749	297,488
NET ASSETS		1,332,871	3,430,786
EQUITY			
Contributed equity	17	18,344,635	18,194,635
Accumulated losses	18(b)	(17,539,446)	(15,525,029)
Reserves	18(a)	722,169	782,138
Capital and reserves attributable to owners of Cell Aquaculture Ltd		1,527,358	3,451,744
Non-controlling interests		(194,487)	(20,958)
TOTAL EQUITY		1,332,871	3,430,786

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



Consolidated statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2011

Consolidated	Contributed equity	Accumulated losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	Total	Non-controlling Interest	Total
Balance at 1.7.2009	14,544,676	(14,522,143)	803,603	(27,861)	798,275	-	798,275
Loss for the year	-	(1,002,886)	-	-	(1,002,886)	(19,768)	(1,022,654)
Exchange difference on translation of foreign operations	-	-	-	(10,716)	(10,716)	(1,190)	(11,906)
Total comprehensive income for the period	-	(1,002,886)	-	(10,716)	(1,013,602)	(20,958)	(1,034,560)
Transactions with owners in their capacity as owners:							
Issue of shares	3,649,959	-	-	-	3,649,959	-	3,649,959
Non-controlling interests	-	-	-	-	-	-	-
Share based payments	-	-	17,112	-	17,112	-	17,112
Balance at 30.06.2010	18,194,635	(15,525,029)	820,715	(38,577)	3,451,744	(20,958)	3,430,786
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 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

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



Consolidated statement of cash flow

FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	Consolidated	
		2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		589,013	150,000
Interest received		64,205	47,767
Payments to suppliers and employees		(2,906,755)	(1,659,504)
Income tax refund		90,166	-
Net cash outflow from operating activities	26	(2,163,371)	(1,461,737)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for business acquisition – plant and equipment	24	(36,400)	-
Payment for business acquisition – inventories	24	(21,918)	-
Purchase of Property, Plant and Equipment		(323,122)	(65,084)
Net cash outflow from investing activities		(381,440)	(65,084)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues		154,443	3,732,459
Proceeds from convertible note issues		711,766	-
Net cash inflow from financing activities		866,209	3,732,459
Net increase (decrease) in cash and cash equivalents		(1,678,602)	2,205,638
Cash and cash equivalents at the beginning of the financial year		2,656,495	450,857
Effects of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at end of year	7(a)	977,893	2,656,495

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



Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

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

Historical cost convention

The 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.

(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 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 balance date of the associates is 31 December 2010 results have been calculated to 30 June 2011 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.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

(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.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

(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 value 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,

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

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

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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').

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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) 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.

(z) New accounting standards and interpretations

The AASB has issued new, revised and amended standards and interpretations that are not mandatory for 30 June 2011 reporting periods. The Group has decided against early adoption of these standards. A discussion of these future requirements and their impact on the Group is set out below.



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Affected Standard	Title of Affected Standard	Nature of Change	Application Date *	Impact on Initial Application
AASB 7	Financial Instruments Disclosures	Deletes various disclosures relating to credit risk, renegotiated loans and receivables and the fair value of collateral held.	1 January 2011	There will be no impact on initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures.
AASB 9 (issued December 2009)	Financial Instruments	Amends the requirements for classification and measurement of financial assets.	1 January 2013	The adoption is only mandatory for the 30 June 2014 year end and thus, the entity has not yet made an assessment of the impact of these amendments.
AASB 124 (issued December 2009)	Related Party Disclosures	Clarifies the definition of a related party.	1 January 2011	As this a disclosure standard only, there will be no impact on amounts recognised in the financial statements.
AASB 1053 and AASB 2010-2	Application of Tiers of Australian Accounting Standards Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.	Introduces a revised differential reporting framework. A two-tier reporting regime applies to all entities that prepare general purpose financial statements.	1 July 2013	Cell Aquaculture Ltd is listed on the ASX and is not eligible to adopt the Reduced Disclosure Requirements. The standards will therefore have no impact on the financial statements of the entity.
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Clarifies disclosures in AASB 7 Financial Instruments: Disclosures, in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instrument.	1 January 2011	The adoption of these amendments will not have a material impact on the consolidated entity.
AASB 2010-5	Amendments to Australian Accounting Standards	Makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board.	1 January 2011	The adoption of these amendments will not have a material impact on the consolidated entity.
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	Introduces additional disclosures in respect of risk exposures arising from transferred financial assets.	1 July 2011	There will be no impact on the Group's disclosures as the Group does not sell, factor, securitise, lend or otherwise transfer financial assets to other parties.
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred tax: Recovery of Underlying Assets	Amends AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model.	1 January 2012	They are not expected to have any significant impact on the Group's disclosures.

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FOR THE YEAR ENDED 30 JUNE 2011

Affected Standard	Title of Affected Standard	Nature of Change	Application Date *	Impact on Initial Application
AASB 2011-5 and AASB 2011-6	Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements	Extends relief from consolidation, the equity method and proportionate consolidation.	1 July 2011	These amendments do not apply to the Group.
AASB 1054	Australian Additional Disclosures	Includes all Australian-specific disclosures for for-profit entities that are currently included across various Australian Accounting Standards via additional 'Aus' paragraphs.	1 July 2011	They are not expected to have any significant impact on the Group's disclosures.
AASB 10	Consolidated Financial Statements	Replaces the existing definition of control in the existing standard AASB 127 Consolidated and Separate Financial Statements.	1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the entity has not yet made and assessment of the impact of these amendments.
AASB 11	Joint Arrangements	Sets out a new framework for the accounting for joint ventures, including removal of the option to use proportionate consolidation.	1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the entity has not yet made and assessment of the impact of these amendments.
AASB 12	Disclosure of Interests in Other Entities	Updates and combines the disclosure requirements for subsidiaries, joint arrangements, associates and other similar entities.	1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the entity has not yet made and assessment of the impact of these amendments.
AASB 13	Fair Value Measurement	Resolves measurement inconsistencies by having one set of fair value measurement requirements, and one set of disclosure requirements, for all components of financial statements.	1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the entity has not yet made and assessment of the impact of these amendments.

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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	
	2011 \$	2010 \$
Financial assets		
Cash and cash equivalents	977,893	2,656,495
Trade and other receivables	657,724	854,037
	1,635,617	3,510,532
Financial liabilities		
Trade and other payables	319,570	297,488
Borrowings	113,686	-
Derivative financial instrument	615,493	-
	1,048,749	297,488

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 2011 USD	30 June 2010 USD
Cash and cash equivalents	464,536	-
Trade and other receivables	-	-
Borrowings – convertible note liability	(113,686)	-
Derivative financial instrument – convertible note derivative	(615,493)	-
Net exposure to foreign currency risk	(264,643)	-

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

Sensitivity

Based on the financial instruments held at 30 June 2011, 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 \$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 2011		30 June 2010	
	Weighted average interest rate	Balance \$	Weighted average interest rate	Balance \$
Cash and cash equivalents	2.89%	770,651	4.35%	2,656,418
Convertible note derivative	4.75%	(615,493)	-	-
Net exposure to interest rate risk		(155,158)		2,656,418

Sensitivity

At 30 June 2011, if interest rates had increased/decreased by 100 basis points from the year end rates with all other variables held constant, the Group's net loss for the year would have been \$1,551 higher/lower (2010: 26,564 lower/higher) as a result of higher/lower interest income from cash and cash equivalents and increase/decrease in the fair value of convertible note derivative.

(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 2011 \$	30 June 2010 \$
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. Further details of the exercise price are detailed in Note 15(a) v.



Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

(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	
	2011 \$	2010 \$
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	256,617
	130,482	256,617
Cash and cash equivalents		
AA S&P rating	977,893	2,656,495

(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.

As at reporting date, the Group had sufficient cash reserves to meet its requirements. The Group has established a convertible note facility with La Jolla Cove Investors, Inc. The maximum funding available through the convertible note facility is US\$6 million.

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

	<1 year \$	1 - 5 Years \$	Over 5 Years \$	Total contractual cash flows \$
Year ended 30 June 2011				
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
Year ended 30 June 2010				
Trade payables and Advance deposits	297,488	-	-	297,488
Convertible note liability	-	-	-	-
	297,488	-	-	297,488

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

(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:

- Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets and liabilities;
- 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
- 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*.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Year ended 30 June 2011				
Liabilities				
Fair value through profit or loss				
Convertible note derivative	-	(615,493)	-	(615,493)
Total liabilities	-	(615,493)	-	(615,493)
Year ended 30 June 2010				
Liabilities				
Fair value through profit or loss				
Convertible note derivative	-	-	-	-
Total liabilities	-	-	-	-

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 data 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.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

(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 2011, 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) Share-based payment transactions

The cost of share-based payments to employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Binomial model, taking into account the terms and conditions upon which the options were granted.

(b) Biological assets

Fish are measured at their fair value less estimated point of sale costs. The fair value of fish is determined by using the present value of expected net cash flows from the fish, discounted using a pre-tax market determined rate.

Changes in fair value less estimated point of sale costs of fish are recognised in the Statement of Comprehensive Income in the year they arise.

(c) 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.

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.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

(b) Segment Information provided to the strategic steering committee

In AUD	Fish Farming			Food Processing	Total
	Australia	Malaysia	Thailand	Australia	
2011					
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)
2010					
Total segment revenue	338,567	372,964	-	-	711,531
Inter-segment revenue	(220,581)	-	-	-	(220,581)
External Revenues	117,986	372,964	-	-	490,950
Adjusted EBITDA	(636,514)	(455,116)	-	-	(1,091,630)
Total segment assets					
30 June 2011	2,967,369	821,979	596,536	306,785	4,692,669
30 June 2010	1,180,461	989,227	-	-	2,169,688
Total segment liabilities					
30 June 2011	111,271	1,262,267	951,756	440,398	2,765,692
30 June 2010	58,916	1,376,821	-	-	1,435,737

(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	
	2011 \$	2010 \$
Total segment revenue	470,922	711,531
Intersegment eliminations	-	(220,581)
Interest revenue	64,205	47,767
Total revenue from continuing operations (note 5(a))	535,127	538,717



Notes to the financial statements

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(ii) *Adjusted EBITDA*

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

	Consolidated	
	2011 \$	2010 \$
Adjusted EBITDA	(2,324,801)	(1,091,630)
Intersegment eliminations	-	36,852
Interest revenue	64,205	47,767
Finance costs	-	(271)
Depreciation	(21,202)	(9,968)
Share-based payments	-	(31,112)
Other	(2,419)	(71,538)
Loss from continuing operations before tax	(2,284,217)	(1,119,900)

(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	
	2011 \$	2010 \$
Segment assets	4,692,669	2,169,688
Intersegment eliminations	(2,600,521)	(997,967)
Unallocated:		
Cash and cash equivalents	271,699	2,548,959
Corporate headquarters assets	12,773	7,594
Other assets	5,000	-
Total assets as per the statement of financial position	2,381,620	3,728,274

(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	
	2011 \$	2010 \$
Segment liabilities	2,765,692	1,435,737
Intersegment eliminations	(2,446,122)	(1,235,494)
Unallocated:		
Current tax asset	-	97,245
Derivative financial instruments	729,179	-
Total liabilities as per the statement of financial position	1,048,749	297,488

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NOTE 5: REVENUE AND EXPENSES

	Consolidated	
	2011 \$	2010 \$
(a) Revenue from continuing operations		
- Sale of produce and goods	470,922	490,950
- interest received	64,205	47,767
Total revenue	535,127	538,717
(b) Expenses		
Cost of Sales	390,647	8,815
Depreciation of non-current assets		
Building	1,502	-
Plant and equipment	19,700	12,096
Total depreciation	21,202	12,096
Amortisation of non-current assets		
Development costs	-	-
Intellectual property / licence	-	-
Finance costs		
Interest paid	26,380	271

NOTE 6: INCOME TAX

(a) Income tax benefit

	Consolidated	
	2011 \$	2010 \$
Current tax benefit		
Previous year tax benefit not previously brought to account (Refer Note 6(e))	90,166	97,245
	90,166	97,245

(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	
	2011 \$	2010 \$
Loss from continuing operations before Income Tax	(2,284,217)	(1,119,899)
Income tax benefit at 30%	(685,265)	(335,970)
Permanent Differences:		
Non-deductible expenses – Other	81,066	200
	(604,199)	(335,770)
Movements in unrecognised temporary differences	(24,036)	75,588
Tax effect of current year tax losses for which no deferred tax asset has been recognised	628,235	260,182
R & D Cash Rebate Claimed (see note 6(e))	(90,166)	(97,245)
Income tax benefit	(90,166)	(97,245)

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

(c) The franking account balance at year end was \$nil (2010: \$nil).

(d) Unrecognised temporary differences

	Consolidated	
	2011 \$	2010 \$
Deferred Tax Assets (at 30%)		
On income tax account		
Carry forward tax losses	2,116,062	1,717,750
Capital losses	1,363,992	1,363,992
Other	10,162	120,948
	3,490,216	3,202,690
Deferred Tax Liabilities (at 30%)		
Capitalised intangible assets and development costs which have been claimed for tax purposes	-	-
Net deferred tax assets	3,490,216	3,202,690

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 2011, the Company applied for and received a rebate from the Australian Taxation Office of \$90,166 (2010 \$97,245) representing the tax value of research and development costs for the year ended 30 June 2010. This amount is shown as an income tax benefit in the Statement of Comprehensive Income for the year ended 30 June 2011. The Company intends claiming the same rebate in respect of expenditure for the year ended 30 June 2011. The rebate applied for is estimated at \$99,560. If this is successful, the refund will be shown as an income tax benefit for the year ended 30 June 2012.

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	
	2011 \$	2010 \$
Current Assets		
Cash at bank and in hand	977,893	2,656,495
Net Cash	977,893	2,656,495

(b) Interest Rate Risk Exposure

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

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 8: CURRENT ASSETS: TRADE AND OTHER RECEIVABLES

	Consolidated	
	2011 \$	2010 \$
Current		
Trade receivables	71,408	157,958
Other receivables	86,167	117,708
	157,575	275,666

(a) Trade receivables are non-interest bearing and are generally on 30 - 60 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. The amount of the allowance/impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

(b) Impaired trade and other receivables

At 30 June 2011, there were no current trade receivables of the parent entity that were impaired (2010: Nil).

(c) Receivables Past due but not impaired

(i) Group

As at reporting date, trade receivables totalling \$23,966 (2010: \$157,958) were past due but not impaired.

	Consolidated	
	2011 \$	2010 \$
1 to 3 months	11,964	-
3 to 6 months	11,594	-
6 to 12 months	408	138,909
Over 12 months	-	19,049
	23,966	157,958

(d) Foreign exchange risk

Information about the Group's exposure to foreign currency risk in relation to trade and other receivables is provided in Note 2.

(e) 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.

NOTE 9: CURRENT ASSETS - INVENTORIES

	Consolidated	
	2011 \$	2010 \$
Raw materials – at cost	130,200	90,000
Finished goods	60,507	-
	190,707	90,000

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 10: CURRENT ASSETS – BIOLOGICAL ASSETS

	Consolidated	
	2011 \$	2010 \$
Fish	92,651	-
	92,651	-

NOTE 11: NON-CURRENT ASSETS – RECEIVABLES

	Consolidated	
	2011 \$	2010 \$
Rental bond – Cell Aqua Foods Pty Ltd	-	3,418
Trade receivables – TRG Cell Sdn Bhd*	500,149	578,370
	500,149	581,788

* Trade receivables from TRG Cell Sdn Bhd are past due, but now progressively being received. Subsequent to the reporting date the TRG Cell project has been resurrected and a cash injection of RM 1.6 million (\$496,632) has been contributed to TRG Cell by the Terengganu State Government. Subsequent to the event also, on 29 September 2011, Cell Aqua Malaysia Sdn Bhd received a first payment of RM 500,000 (\$155,198) from TRG Cell Sdn Bhd and Directors anticipate the remaining \$344,951 will be recovered as the project redevelops.

NOTE 12: NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated	
	2011 \$	2010 \$
Interests in associated entities	-	-

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

Name	Principal Activities	Country of Incorporation	Shares	Ownership Interest		Carrying amount of Investment	
				2011	2010	2011 \$	2010 \$
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	
	2011 \$	2010 \$
Groups share of losses to reporting date	75,750	75,750
Less: amounts recognised	-	-
Balance of unrecognised loss	75,750	75,750

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 13: NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated		
	Buildings \$	Plant and equipment \$	Total \$
At 1 July 2009			
Cost or fair value	-	103,547	103,547
Accumulated depreciation and impairment	-	(48,844)	(48,844)
Net book value	-	54,703	54,703
Year ended 30 June 2010			
Opening net book value	-	54,703	54,703
Additions	36,032	45,686	81,718
Depreciation charge for the year	-	(12,096)	(12,096)
Closing net book value	36,032	88,293	124,325
At 30 June 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

NOTE 14: CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	2011 \$	2010 \$
Trade payables (i)	255,988	149,650
Advance deposits	50,000	50,000
Other payables	13,582	97,838
	319,570	297,488

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



Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 15: CURRENT LIABILITIES - BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 2.

(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.

Key terms of the funding facility are as follows:

i. Aggregate funding

The facility comprises of three convertible notes of US\$2 million each, totalling US\$6 million; US\$150,000 is to be drawn every month;

ii. Term

Each convertible note will have a repayment term of four years, from the date of initial drawdown;

iii. Interest

Interest is payable quarterly in arrears at a fixed rate of 4.75% per annum, on the then outstanding unconverted principal amount. Payment of interest shall be in cash, or at the election of the Company, in ordinary shares of Cell Aquaculture Ltd valued at the then applicable conversion price;

iv. Conversion

La Jolla may convert the note, either in whole or in part, by the delivery to the Company of a conversion notice; and

v. Conversion price

The number of new shares into which the note may be converted is equal to the principal amount that is to be converted (as specified in the conversion notice) divided by the conversion price.

The conversion price of the first note is equal to the lesser of:

- (i) AU\$0.30 (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalisations or the like); and
- (ii) 80% of the average of the 3 lowest Volume Weighted Average Prices during the 21 trading days prior to investor's election to convert.

The conversion price of the second note is equal to the lesser of:

- (i) AU\$0.60 (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalisations or the like); and
- (ii) 80% of the average of the 3 lowest Volume Weighted Average Prices during the 21 trading days prior to investor's election to convert.

The conversion price of the third note is equal to the lesser of:

- (i) AU\$0.90 (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalisations or the like); and
- (ii) 80% of the average of the 3 lowest Volume Weighted Average Prices during the 21 trading days prior to investor's election to convert.

As at the reporting date, the Company has not issued the second and the third convertible notes.

	Consolidated	
	2011 \$	2010 \$
Carrying amount of liability at beginning of period	-	-
Convertible note issued during the period	113,686	-
Carrying amount of liability at end of period	113,686	-

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 16: CONVERTIBLE NOTE DERIVATIVE

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	
	2011 \$	2010 \$
Carrying amount of liability at beginning of period	-	-
Derivative on convertible note issued	615,493	-
Carrying amount of liability at end of period	615,493	-

NOTE 17: CONTRIBUTED EQUITY

	Consolidated	
	2011 \$	2010 \$
(a) Ordinary shares*	18,344,635	18,194,635
Total consolidated contributed equity	18,344,635	18,194,635

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

(b) Movements in ordinary share capital

	Issue Price	No.	\$
Balance as at 1 July 2009		162,961,440	14,544,689
Shares issued in November 2009	\$0.07	5,000,000	350,000
Shares issued in February 2010	\$0.07	5,000,000	350,000
Shares issued in February 2010	\$0.115	3,600,000	414,000
Shares issued in February 2010	\$0.09	1,511,111	136,000
Shares issued in February 2010	\$0.096	25,000,000	2,400,000
Shares issued in February 2010	\$0.07	200,000	14,000
Transaction costs			(14,054)
Closing balance as at 30 June 2010		203,272,551	18,194,635
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

*Shares issued on conversion of convertible note (Note 15(a)).

(c) Share Options

Information relating to options, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 29.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 18: RESERVES AND ACCUMULATED LOSSES

	Consolidated	
	2011 \$	2010 \$
(a) Reserves		
Foreign Currency Translation Reserve (Note 18(a) (i))	(98,546)	(38,577)
Share Based Payment Reserve (Note 18(a) (ii))	820,715	820,715
	722,169	782,138
(i) Movements - Foreign Currency Translation Reserve		
Opening balance	(38,577)	(27,861)
Currency translation differences arising during the year	(59,969)	(10,716)
	(98,546)	(38,577)
(ii) Movements – Share Based Payment Reserve		
Opening balance	820,715	803,603
Grant of employee options	-	17,112
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 (Note 29).		
(b) Accumulated Losses		
Balance as at 1 July	(15,525,029)	(14,522,143)
Net loss for the year	(2,014,417)	(1,002,886)
Balance as at 30 June	(17,539,446)	(15,525,029)

NOTE 19: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Compensation of Key Management Personnel

	Consolidated	
	2011 \$	2010 \$
Short-term employee benefits	395,099	316,614
Termination benefits	-	-
Share based payments	-	31,112
Post employment benefits	13,478	18,633
	408,577	366,359

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

(b) Options Holdings of Key Management Personnel

	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
30 June 2011								
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)	-	-	-	-
	Balance 1.7.09	Granted as Remuneration	Options Exercised	Options Expired	Balance 30.6.10	Total Vested 30.6.10	Total Exercisable 30.6.10	Total Unexercisable 30.6.10
30 June 2010								
DIRECTORS								
P J Leach	-	-	-	-	-	-	-	-
P G Burns	1,500,000	-	-	-	1,500,000	1,500,000	1,500,000	-
S E Abishegam	2,500,000	-	-	-	2,500,000	2,500,000	2,500,000	-
P Bodycoat	-	-	-	-	-	-	-	-
OTHER KEY MANAGEMENT PERSONNEL								
C Bolger	-	-	-	-	-	-	-	-
	4,000,000	-	-	-	4,000,000	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.



Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

(d) Shareholdings of Key Management Personnel

30 June 2011	Balance 1 July 2010	Received as Remuneration	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 through his spouse.

30 June 2010	Balance 1 July 2009	Received as Remuneration	Allotted	Net Purchased/ (Sold)	Balance 30 June 2010
DIRECTORS					
P J Leach	16,007,501	-	-	-	16,007,501
P G Burns	1,250,395	-	-	-	1,250,395
S E Abishegam	1,293,816	-	-	-	1,293,816
Peter Bodycoat	-	-	-	1,640,540	1,640,540
OTHER KEY MANAGEMENT PERSONNEL					
C Bolger	-	-	-	-	-
	18,551,712	-	-	1,640,540	20,192,252

(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	
	2011 \$	2010 \$
(i) Management fees and reimbursements paid to Azimuth Shipping Corporation, a related company of S E Abishegam.	-	255,886
(ii) Consulting fees paid to Jarq Holdings Pty Ltd, a related company of P Leach	150,479	113,415
(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	140,000	60,000
(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		
Unsecured loans	28,746	38,592
Non Current liabilities		
Unsecured loans	-	-

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 20: REMUNERATION OF AUDITORS

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

	Consolidated	
	2011 \$	2010 \$
Audit and other assurance services		
Amounts paid or payable to the auditor for:		
- auditing and reviewing the financial statements	48,750	42,533
- other assurance services	-	-
Total remuneration for audit and other assurance services	48,750	42,533

NOTE 21: CONTINGENCIES

Contingent liabilities

The Directors are not aware of any contingent liabilities as at the date of this report.

NOTE 22: COMMITMENTS

Lease commitments

As at the reporting date, the Company had lease commitments of \$39,847 until 6 June 2012 for production facility used by Cell Aqua Foods Pty Ltd.

Additionally, the Company's subsidiary, C Aquaculture (Thailand) Limited, has entered into land lease agreement for operations. The initial lease term is 3 years commencing on 15 October 2010 and expiring on 14 October 2013.

The amounts of lease payments for the first 3 years are as follows:

	Amount per year \$
1st year (15 October 2010 – 14 October 2011)	23,853
2nd year (15 October 2011 – 14 October 2012)	31,804
3rd year (15 October 2012 – 14 October 2013)	31,804

Under the lease agreement, the Company has an option to renew the lease every 3 years. The lease can be extended up to 14 October 2025.



Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

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 2011 owns 90% (2010: 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

The following table provides the total amount of transactions that were entered into with related parties. All transactions are on commercial terms and no more favourable than those available to other parties unless otherwise stated.

	Consolidated	
	2011 \$	2010 \$
Sale of equipment and services to associated entity	-	220,581
(c) Outstanding balances arising from sales of goods and services		
Current receivables (sales of goods and services) - subsidiaries	-	-

(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: BUSINESS COMBINATION

On 1 July 2010, through its 100% owned subsidiary, Cell Aqua Foods Pty Ltd, the Company acquired plant and equipment, stocks and the registered business name (Providores Kitchen) to carry on food processing activities.

Details of the purchase consideration and the net assets acquired are as follows:

	\$
Purchase consideration	
Cash paid	58,318
Total purchase consideration	58,318

The assets recognised as a result of the acquisition are as follows:

	Fair Value \$
Property, plant and equipment	36,400
Inventories	21,918
Business name	-
Net identifiable assets acquired	58,318

(a) Acquisition-related costs

Acquisition-related costs of \$400 have been included in other expenses in the statement of comprehensive income.

(b) Contingent consideration

There was no contingent consideration arising from acquisition of the food processing business.

(c) Revenue and loss contribution

The acquired business contributed revenues of \$435,222 and net loss of \$122,468 to the group for the period from 1 July 2010 to 30 June 2011. Cell Aqua Foods Pty Ltd is now closer to a break-even point and is expected to move towards profitability in the coming months.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 25: EVENTS OCCURRING AFTER THE REPORTING DATE

Trade receivables from TRG Cell Sdn Bhd are past due, but now progressively being received. Subsequent to the reporting date the TRG Cell project has been resurrected and a cash injection of RM 1.6 million (\$496,632) has been contributed to TRG Cell by the Terengganu State Government. Subsequent to the event also, on 29 September 2011, Cell Aqua Malaysia Sdn Bhd received a first payment of RM 500,000 (\$155,198) from TRG Cell Sdn Bhd and Directors anticipate the remaining \$344,951 will be recovered as the project redevelops.

NOTE 26: RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2011 \$	2010 \$
Operating loss after income tax	(2,194,051)	(1,022,654)
Depreciation of non-current assets	21,202	12,096
Share based payments	-	31,112
Increase/ (decrease) in foreign currency reserve	-	-
Other	(18,976)	(125,040)
Changes in net assets and liabilities:		
<i>(Increase)/decrease in assets</i>		
- Current receivables	25,440	205,651
- Stock on hand	(100,707)	-
- Non-current receivables	81,639	(581,788)
<i>Increase/(decrease) in liabilities</i>		
- Current trade creditors and payables	22,082	32,048
- Borrowings	-	(13,162)
Net cash used in operating activities	(2,163,371)	(1,461,737)

NOTE 27: NON-CASH INVESTING AND FINANCING ACTIVITIES

There is no non-cash investing and financing activities during the financial year ended 30 June 2011.

NOTE 28: 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	
	2011 \$	2010 \$
Loss attributable to ordinary equity holders	(2,014,417)	(1,002,886)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	Number 203,836,540	Number 179,146,280
Basic loss per share	Cents/share (0.99)	Cents/share (0.56)

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 29: SHARE-BASED PAYMENTS

(a) Options

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 details of the plan are discussed in Remuneration Report section.

(b) Directors Options

Consolidated Entity – 2011

	Grant date	Expiry date	Exercise rate	Opening balance	Granted during the year	Exercised during the year	Cancelled during the year	Closing balance	Vested and exercisable at end of the year
	29/11/07	29/11/10	20 cents	5,500,000	-	-	(5,500,000)	-	-

Consolidated Entity – 2010

	Grant date	Expiry date	Exercise rate	Opening balance	Granted during the year	Exercised during the year	Cancelled during the year	Closing balance	Vested and exercisable at end of the year
	29/11/07	29/11/10	20 cents	5,500,000	-	-	-	5,500,000	5,500,000

The weighted average exercise price is 20 cents. There are no options outstanding at the end of the reporting period.

The fair value of all options granted was 6.28 cents per share (totalling \$628,000), using a binomial option valuation methodology. The volatility rate was 50% and the risk free interest rate was 6.69%. All options expired on 29 November 2010.

(c) Employee Options

Consolidated Entity – 2011

	Grant date	Expiry date	Exercise rate	Opening balance	Granted during the year	Exercised during the year	Cancelled during the year	Closing balance	Vested and exercisable at end of the year
	01/04/08	01/04/11	20 cents	3,050,000	-	-	(3,050,000)	-	-

Consolidated Entity – 2010

	Grant date	Expiry date	Exercise rate	Opening balance	Granted during the year	Exercised during the year	Cancelled during the year	Closing balance	Vested and exercisable at end of the year
	01/04/08	01/04/11	20 cents	3,050,000	-	-	-	3,050,000	3,050,000

The weighted average exercise price is 20 cents. There are no options outstanding at the end of the reporting period.

The fair value of all options granted was 5.28 cents per share (totalling \$161,041), using a binomial option valuation methodology. The volatility rate was 50% and the risk free interest rate was 6.035%. All options expired on 1 April 2011.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

(d) Expenses/(benefit) arising from share-based payment transactions

Total expenses/(benefit) arising from share-based payment transactions recognised during the period were as follows:

	Consolidated	
	2011 \$	2010 \$
Shares issued – Company Secretary	-	14,000
Cancellation of Directors options	-	-
Options issued – Directors	-	17,112
Options issued - Employees	-	-
Net expense/(benefit) included in statement of comprehensive income	-	31,112

NOTE 30: PARENT ENTITY INFORMATION

The following detailed information is related to the parent entity, Cell Aquaculture Ltd, at 30 June 2011. The information presented here has been prepared using consistent accounting policies as discussed in Note 1.

	Consolidated	
	2011 \$	2010 \$
Current assets	1,280,550	3,181,370
Non-current assets	1,988,212	555,643
Total assets	3,268,762	3,737,013
Current liabilities	123,221	156,160
Non-current liabilities	729,178	-
Total liabilities	852,399	156,160
Contributed equity	18,344,635	18,194,635
Accumulated losses	(16,748,987)	(15,434,497)
Reserves	820,715	820,715
Total equity	2,416,363	3,580,853
Loss for the year	(1,314,490)	(850,680)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(1,314,490)	(850,680)

NOTE 31: DIVIDENDS

No dividends have been declared or paid during the year.



Shareholder information

AS AT 19 OCTOBER 2011

1. Number of Shareholders and Unmarketable Parcels

There were 811 shareholders, including 154 shareholders with an unmarketable parcel valued at less than \$500. There were no option holders.

2. Distribution of Ordinary Shareholdings

	Holders	Units	Percentage
1 - 1,000	11	2,144	0.00%
1,001 - 5,000	114	396,811	0.19%
5,001 - 10,000	151	1,373,158	0.65%
10,001 - 100,000	367	15,580,237	7.38%
> 100,000	168	190,807,932	91.78%
Total	811	208,160,282	100.00%

3. Twenty Largest Ordinary Shareholdings

Name	Fully paid shares held	Percentage
1 MR JOHN OAKLEY CLINTON	31,227,436	15.00%
2 HSBC CUSTODY NOMINEES (AUST) LIMITED	26,727,814	12.84%
3 JARQ HOLDINGS PTY LTD <P J LEACH FAMILY A/C>	16,007,501	7.69%
4 MR PETER JOSEPH BURNS <PETER BURNS FAMILY S/F A/C>	10,270,018	4.93%
5 MR BRIAN FEATHERBY	7,412,335	3.56%
6 MR WARREN HOY	7,276,667	3.50%
7 GILMORE PTY LTD	5,166,667	2.48%
8 NEFCO NOMINEES PTY LTD	5,011,592	2.41%
9 JP MORGAN NOMINEES AUSTRALIA <CASH INCOME A/C>	4,863,668	2.34%
10 MR DAVID CLARKE & MRS ROBYN CLARKE	4,703,333	2.26%
11 DOUBLE SEVEN LIMITED <CO INCORPORATIONS NO 490713>	3,333,333	1.60%
12 MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LTD	3,289,750	1.58%
13 MR ROSS WILLIAM FORD & MRS RUTH ELIZABETH FORD	3,046,230	1.46%
14 BENJAMIN LIM KEONG HOE	3,000,000	1.44%
15 NELSON & FAMILY PTY LTD <THE PANTON INVESTMENT A/C>	2,729,373	1.31%
16 PHILLIP SECURITIES PTE LTD <CLIENT ACCOUNT>	2,024,573	0.97%
17 ABN AMRO SYDNEY <CUSTODIAN A/C>	1,835,002	0.88%
18 P BODYCOAT PTY LTD <BODYCOAT FAMILY A/C>	1,720,000	0.83%
19 PACIFIC 2000 FOUNDATION	1,500,000	0.72%
20 DMG & PARTNERS SECURITIES PTE LTD	1,367,026	0.66%
TOTAL OF TOP 20 SHAREHOLDERS	142,512,318	68.46%

4. Substantial Shareholdings (over 5%)

Name	Fully paid shares held	Percentage
1 MR JOHN OAKLEY CLINTON	31,227,436	15.00%
2 HSBC CUSTODY NOMINEES (AUST) LIMITED	26,727,814	12.84%
3 JARQ HOLDINGS PTY LTD <P J LEACH FAMILY A/C>	16,007,501	7.69%

Shareholder information

AS AT 19 OCTOBER 2011

5. Unquoted Equity Securities – Options

There are no Options currently issued.

6. Restricted Securities

There are no securities currently restricted.

7. Voting Rights

At a General Meeting of the Company shareholders are entitled:

- On a show of hands, each person who is a shareholder or sole proxy has one vote.
- On a poll, each shareholder is entitled to one vote for each fully paid share.



Corporate Governance

AS AT 19 OCTOBER 2011

In fulfilling its obligations and responsibilities to its various stakeholders, the Board is a strong advocate of corporate governance.

This statement outlines the principal corporate governance procedures of Cell Aquaculture Limited ("Company or Cell") during the year ended 30 June 2011 in terms of the ASX Corporate Governance Council's (the Council's) "Corporate Governance Principles and Recommendations" (the Recommendations).

The Board of Directors ("Board") supports a system of corporate governance to ensure that the management of the Company is conducted to maximise shareholder wealth in a proper and ethical manner.

Roles of the Board and Management

The Board is responsible for the overall operation and stewardship of the Company. In particular, it is responsible for charting the direction, strategies and financial objectives for Cell and monitoring the implementation of those policies, strategies and financial objectives. It is committed to protecting and enhancing shareholder value and conducting Cell's business ethically and in accordance with the highest standards of corporate governance.

The Board has a Charter which establishes those matters which are reserved for the Board and describes the functions and responsibilities in a manner which is consistent with ASX Principle 1.

Responsibility for management of the Company's business was delegated to the Executive Chairman, who is accountable to the Board. Given the current stage of the Company's development the Board believes this is the most effective and cost efficient approach to managing the Company. The key responsibilities of the Board include to:

- Appoint and review the performance of the Executive Chairman;
- Develop with management and approve strategy, planning, development programs and major capital expenditure;
- Arrange for effective budgeting and financial supervision;
- Ensure that appropriate audit arrangements are in place;
- Ensure that effective and appropriate reporting systems in place will, in particular, assure the Board that proper financial, operational, compliance and risk management controls function adequately;
- Report to shareholders;

The Board is also responsible for setting the strategic direction of the Company, establishing goals for management and monitoring the achievement of those goals. The Executive Chairman is responsible to the Board for the day to day management of the Company.

Consistent with ASX Principle 1, a copy of the Board Charter has been posted to the corporate governance section of the Company's website.

Board Structure

The composition of the Board shall be determined in accordance with the following principles and guidelines:

- The Board shall comprise at least 3 Directors, increasing where additional expertise is considered desirable in certain areas.
- Directors should bring characteristics which allow a mix of qualifications, skills and experience both nationally and internationally.

The Board recognises that it is desirable to have a majority of non-executive directors on the Board and this was the case until March 2008, at which time the Board was restructured to reflect the Company's

strategy and direction. From April 2008 the Board comprised two executive directors and one non-executive director. From February 2010 the Board comprised three executive directors and one non-executive director. The Board believes this structure provides a balance of experience and expertise and is cost effective for this stage of the Company's development.

The terms and conditions of the appointment and retirement of Directors will be set out in a letter of appointment which covers remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice.

The performance of all Directors will be reviewed by the Chairman each year.

Director Independence

It is considered that there is currently not a majority of Independent Directors. The Chairman, Mr P Leach, is not an Independent Director. Furthermore Mr Leach currently performs the Chief Executive Officer function in the Company. This represents a departure from Recommendations 2.1, 2.2, and 2.3 of ASX Principle 2. The current structure is, however, considered adequate given the size and nature of the Company's operations, and is also cost-effective.

Directors are expected to bring independent views and judgement to the Board's deliberations.

In considering whether a director is independent, the Board has had regard to the independence criteria in ASX Principle 2 and other facts, information and circumstances that the Board considers relevant.

Meetings of the Board

The Board meets regularly (four to six times during the period under review) to consider the business of the Company, its financial performance and other operational issues. Weekly meetings of Executive Directors are also held.

Remuneration Arrangements

The Company's remuneration policy is set out in the Remuneration Report section of the Directors' Report.

The Board has not formed a remuneration committee as it considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors and the Executive Chairman.

The Board reviews the remuneration and policies applicable to Non-Executive and Executive Directors and the Executive Chairman on an annual basis. Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executives. Where necessary the Board obtains independent advice on the appropriateness of remuneration packages.

The structure and disclosure of the Company's remuneration policies for directors and senior executives are generally consistent with ASX Principle 8.

Retirement and Re-election

The Constitution of the Company requires one third of the directors, other than a Managing Director, to retire from office at each annual general meeting. Directors who have been appointed by the Board are required to retire from office at the next annual general meeting and are not taken into account in determining the number of directors to retire at that annual general meeting. Directors cannot hold office for a period in excess of three years or later than the third annual general

Corporate Governance

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meeting following their appointment without submitting themselves for re-election. Retiring directors are eligible for re-election by shareholders. Re-appointment of directors retiring by rotation or filling a casual vacancy is not automatic.

When a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience. External advisers may be used to assist in such a process. The Board will then appoint the most suitable candidate who must stand for election at the next annual general meeting of shareholders.

Nomination and Appointment of New Directors

At this point the Board has not established a nomination committee and has decided to retain the responsibility of appointing and recommending candidates for new directors. This position is considered appropriate for the Company's current stage of development.

Recommendations of candidates for new directors are made by the Directors, or external advisers, for consideration by the Board as a whole.

Review of Performance

The Board reviews its performance and composition on an annual basis to ensure that it has the appropriate mix of expertise and experience, consistent with ASX principle 2.

Board Access to Information

All Directors have unrestricted access to all employees of the group and, subject to the law, access to all company records and information held by group employees and external advisers. The Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties.

Consistent with ASX Principle 2, each Director may, with the prior written approval of the Chairman which may not be unreasonably withheld, obtain independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a director or as a member of a Board Committee. The Company will reimburse the Director for the reasonable expense of obtaining that advice.

Board Committees

The Board, where appropriate, may establish a number of committees to assist in carrying out its responsibilities in an effective and efficient manner.

The Board, however, considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

The Board has also established a protocol for the management of the Company including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds meetings at such times as may be necessary to address any general or specific matters as required. If the Company's activities increase in size, scope and nature, the appointment of separate or special committees will be reviewed by the Board and implemented if appropriate.

Therefore the Company does not comply with ASX Principles 2, 4 and 8 as it does not have formal nomination, audit or remuneration committees.

Audit

The Board has not established an audit committee as it considers that the Company is not of a size, nor are its financial affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems.

Role of Auditor

The Company's policy is to appoint an external auditor who clearly demonstrates quality and independence. The performance of the external auditor is reviewed annually and if deemed appropriate, having regard to the assessment of performance, existing value and costs, applications for tender of external audit services may be requested.

The Company's practice is to invite the auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

As part of the Company's commitment to safeguarding integrity in financial reporting, Cell Aquaculture has implemented procedures and policies to monitor the independence and competence of its external auditors. The auditor's independence declaration is included in this Annual Report.

Integrity of Financial Reporting

The Executive Director and Finance Director report in writing to the Board that:

- the consolidated financial statements of the Company and its controlled entities for the full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

There is further commentary on financial risk management at Note 2 to the financial statements.

For the Financial Report for the year ended 30 June 2011 it is confirmed that the Board has received assurance that the *Corporation Act 2001* section 295A declarations are founded on a sound system of risk management and internal control.

Business Risks

Consistent with ASX Principle 7, the Company is committed to the identification, monitoring and management of risks associated with its business activities and has embedded in its management and reporting systems a number of risk management controls.

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Executive Chairman having ultimate responsibility to the Board for the risk management and the control framework.

Areas of significant business risk to the Company are highlighted in Board meetings and any business plans and operating reports presented to the Board.

Corporate governance

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The Board monitors and receives advice on areas of operational and financial risk, and considers strategies for appropriate risk management arrangements.

Arrangements put in place by the Board to monitor risk management involve regular reporting to the Board in respect of operations and the financial position of the Company and include actual to budget comparatives and variance explanations.

The Company's approach to risk management is based on the identification, assessment, monitoring and management of material risks that the Board and management believe that the Company may encounter. Once the risks have been identified, the risks are then classified in terms of their severity, the probability of occurring and the potential impact or damage they may have if they do occur. Once the risks have been identified the Company can then decide on whether to avoid, manage, insure or transfer these risks.

Specific areas of risk have been identified and are regularly considered at Board meetings including sovereign risk, foreign currency fluctuations, performance of activities, human resources, the environment, statutory compliance and continuous disclosure obligations.

Share Trading

Under the Company's share trading policy, all employees and directors of Cell Aquaculture and its related companies are prohibited from trading in the Company's shares or other securities if they are in possession of "inside information". They must also not trade during "blackout periods" which are defined in the share trading policy.

In addition, in order to trade, Key Personnel (i.e. Cell Personnel who report directly to the Chairman or the Managing Director) and directors of the Company are required to seek written approval and confirm that they are not in possession of any inside information before trading.

The Company's share trading policy is consistent with the ASX Listing Rules and is available on the Company's website.

Continuous Disclosure

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the Australian Securities Exchange's securities market. The Board is cognizant of the need to prevent selective or inadvertent disclosure and exercise caution with investor and analysts briefings, media communications, commenting on expected earnings, communications black-out periods and review of briefings and communications.

The Company Secretary, in conjunction with the Executive Director, has responsibility for overseeing and coordinating disclosure of information to the Australian Securities Exchange. The Company Secretary also liaises with all the Board members in relation to continuous disclosure matters. The Executive Chairman is responsible for overseeing and coordinating disclosure of information to analysts, brokers and shareholders.

Ethical Standards

All Directors, executives and employees are charged with the responsibility to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. In this regard the Company has implemented a Code of Conduct which is on the Company's website.

Communications with Shareholders

The Board aims to ensure that shareholders are kept informed of all major developments affecting Cell. Information is communicated to shareholders through the distribution of annual reports, newsletters and by presentation to shareholders at the Annual General Meeting which they are encouraged to attend.

In addition, all reports, including quarterly reports and releases made by the Company throughout the year with respect to its activities are distributed widely via the Australian Securities Exchange and placed on the Company's website www.cellaqua.com.

Shareholders and interested parties may subscribe to receive the latest announcements issued by the Company by visiting the Company's website and entering their details.





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AQUACULTURE LTD

