

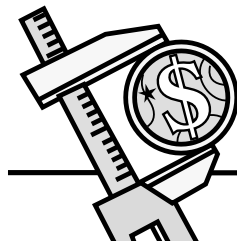


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Criterion

with Tim Boreham

Cell Aquaculture (CAQ) 17c Australis Aquaculture (AAQ) 60c

CRITERION is not exactly a fan of any fish-related proposition, given that Sam's Seafood, Tassal and Seafood Online.com left investors with the aftertaste of mullet left in the car boot for 10 weeks.

But it seems there's money to be made from the local barramundi, our white fleshy delicacy that is developing a big following abroad.

This makes newly-listed Cell Aquaculture worth a look, if only because of the experience of rival barra purveyor Australis Aquaculture.

Shares in Australis, which listed in July last year, have surged 300 per cent on the back of US demand, where the white fleshy delicacy fetches prices of \$22-24 a kilo compared with \$11 or so locally.

While both companies are in the better barra business, Cell and Australis have very different operating models.

While Australis ships fingerlings (baby fish) from Cairns and rears them at its Boston farm, Cell plans to use the rights to its patented technology, rather than grow the slimy blighters itself.

Cell Aquaculture's trick is its land-based EcoCell system for growing barramundi from hatch to dispatch. The system negates the environmental problems of fish farming, such as heavy water use and what to do with the fish poo.

The tanks are designed to be shipped and set up closer to the end customers. As barra grow in freshwater the units could be set up in the middle of New York City, or in central Nevada.

The listing, which was not underwritten, did well to raise \$5.2 million compared with the minimum \$5 million.

This is especially so, considering the listing was delayed for five weeks because of an Australian Securities and Investments Commission stop order.

The corporate watchdog demanded the company remove projected figures on the likely size of the global aquaculture sector. So, strictly speaking, we can't tell readers that global demand for seafood is expected to double in the next 25 years.

In the shorter term, the Indian Ocean tsunami severely disrupted fisheries and breeding patterns in a number



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of countries.

Unfortunately, Cell's prospectus contains few other pertinent numbers, but to be fair on the company there's too many variables to be able to guesstimate profits and revenues.

Cell Aquaculture lost \$220,000 in the half to

December 2004, down from \$694,000 in the June 2004 half.

Cell chairman Lee Boyd says the business should gain traction after it signs up the first of four planned overseas joint venture customers, typically wholesalers or other intermediaries in the piscatorial sales chain.

"It is impossible to say when we could or should pay dividends," he says.

Australis' pronouncements lack similar specifics, but is heartened that April sales grew to \$114,000 from \$50,000 in March.

Cell Aquaculture would appear to hold an advantage over Australis in that it has less capital investment tied up in large facilities.

With Cell's 20c shares debuting below par, we reckon they're worth a **SPECULATIVE BUY** call despite the dearth of hard info. This is on the punt that it can emulate the success of Australis, which incidentally was founded by former Cell man Stewart Graham.

Australis has had a decent run already so we'll call it a **HOLD**. New investors should cast their line elsewhere.

CAUGHT

