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CLEAN SEAS SET TO CORNER KINGFISH MARKET WITH STRATEGIC ACQUISITION

Clean Seas kingfish production could jump 500%

Recently listed South Australian aquaculture company, Clean Seas Tuna Limited, has accelerated its push to become Australia's leading fin-fish farmer with an acquisition which should see its production of kingfish jump 500 per cent by the end of this financial year.

The company is set to secure control of the Australian kingfish market with an agreement to purchase the business and assets of the SAAM Group of Companies, which operates a licensed finfish hatchery and 1,600 tonne grow-out facility north of Clean Seas' Arno Bay facility in SA's Spencer Gulf. The agreement is subject to a 60-day due diligence review, with settlement due on October 3, 2006.

Clean Seas Chairman, Mr Hagen Stehr AO and SAAM Chairman, Mr Keith Smith, say the proposed acquisition is likely to result in total kingfish production in South Australia jumping from approximately 1,500 tonnes in 2005/06 to about 2,600 tonnes in 2006/07.

Clean Seas expects its production of kingfish will jump from 400 tonnes last financial year to 2000 tonnes in 2006/07 as a result of the deal – providing a significant windfall for the company, the key business focus of which remains the breeding and grow-out of Southern Bluefin Tuna (SBT) from its own broodstock.

Mr Stehr said the deal – which comes just over six months after Clean Seas listed on the ASX – would give the expanded company better control of export markets and the Australian kingfish industry a more coordinated and powerful position in marketing its fish in growing international markets.

“Demand for our fish has been outstripping supply so the expanded production capacity of the combined operations will assist us in meeting that demand and keeping faith with the market,” Mr Stehr said.

“At the same time, increased sales will provide access to additional capital for growth while the extra grow-out facilities will be vitally important in the years ahead as we strive to reach our kingfish production target of 8,000 to 10,000 tonnes by 2011.”

“The incremental hatchery and grow-out licences will also provide additional flexibility to concurrently develop Clean Seas’ core SBT business as soon as fingerlings are produced from our SBT broodstock facility at Arno Bay.”

Mr Stehr said increased recognition of the significant health benefits of fish and a global swing towards seafood in the wake of Bird Flu and Mad Cow disease had contributed to a dramatic increase in seafood consumption.

“These factors, combined with dwindling wild fish stocks and subsequent significant cuts to wild fishing quotas around the world in order to protect those stocks, mean there is a growing reliance on off-shore fish farming to meet the world’s nutritional needs into the future,” he said.

“In South Australia – and in no small part, Clean Seas - we are well-placed to help deliver the seafood the world requires into the future through our sophisticated fish-farming practices in an enviable clean and green environment.”

He said the acquisition would also contribute to long-term sustainable and growing employment in the region, with up to 25 SAAM staff expected to accept employment with the Stehr Group, which manages Clean Seas’ grow-out business under an arms-length fish husbandry agreement.

Mr Stehr said the anticipated purchase price of the SAAM business was about \$5 million – depending on the quantity of live kingfish on hand at the settlement date – with the price to be settled by the issue of 2,050,000 ordinary Clean Seas Tuna Ltd shares and 2,050,000 September, 2008 convertible 9 % p.a. notes (both issued at 50 cents) with the balance to be settled in cash. Clean Seas Tuna will determine its preferred funding option for the proposed purchase during the due diligence period.

Clean Seas Tuna Limited listed on the Australian Stock Exchange in December, 2005. The funds raised from the IPO are being used to:

- Expand Clean Seas’ existing business of breeding and growing kingfish and mulloway;
- Upgrade Clean Seas’ existing hatchery complex at Arno Bay in South Australia to allow the breeding of Southern Bluefin Tuna (‘SBT’); and
- To breed and grow out SBT from its own broodstock.

Clean Seas’ major shareholder, the Stehr Group was established in the early 1970s and is now recognised as an Australian leader and international pioneer in tuna fishing and offshore fish farming. In 2004-05, the Group produced more than 650 tonnes of farmed SBT, more than 600 tonnes of aquaculture-bred kingfish and in excess of 200 tonnes of aquaculture-bred mulloway.

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