

14 November 2012

Company Announcement

Australian Securities Exchange Limited

## Clean Seas Tuna Limited (ASX: "CSS") Operational Update

Clean Seas Tuna is pleased to provide the following operational update.

## Southern Bluefin Tuna ("SBT") Research Division

The Company has pleasingly achieved the first of its two core objectives for this season's SBT lifecycle trials.

Early spawning of the Company's SBT broodstock commenced as scheduled in the last week of October, and will continue throughout November as anticipated.

The second core objective for this season's trials is to successfully grow out SBT juveniles through the 2013 winter. The research team are confident of achieving viable fingerlings for the first transfer to sea cages in December, three months earlier than previously achieved. It is anticipated this early transfer will significantly and positively boost survival through next winter.

The achievement of these core objectives will be the next pivotal steps required for the commercial aquaculture production of SBT.

## **Yellowtail Kingfish Division**

The Company's September 2012 "Operational Update" advised that the health of the Company's kingfish was improving. This update confirms both a material improvement in fish survival rates and continuing improvements in fish health. The fish appear visually healthier, and the improved condition is confirmed through scientific testing and significantly reduced mortalities from levels as high as one percent per day to a present level of 0.5% mortalities per month.

The material turnaround in fish health follows the addition of synthetic taurine (an essential amino acid) to the manufactured feed diets provided by the Company's two major suppliers.





Investigations have revealed that the taurine content in feed historically supplied by these two suppliers has been insufficient and that the taurine deficiency in our kingfish diet has been the principal cause of suppressed growth and much higher than budgeted mortalities.

The Company's feed supply agreements with its two major suppliers prescribe a process for addressing feed quality issues. To this background the Company has this week issued formal dispute notices to both feed supply companies to protect shareholder interests. Based on investigations to date, independent legal advice from senior counsel and assessments of kingfish feed protocols in Japan, the Board has determined to invoke formal dispute resolution procedures with both feed suppliers to attempt to find a commercial compromise of the claims the Company considers it has against both suppliers.

The Company's Board and Management are encouraged by the improvement in fish health and are confident that this season's fingerling production (due for transfer to sea cages later this month) will thrive on the new diets. It is expected that this will reduce our direct cost of production for this season's fish, which will generate more acceptable commercial gross margin outcomes, if current continuing strong demand and stable farmgate selling prices of some \$12.50 per kg are maintained.

The consolidation of the existing kingfish business to Port Lincoln is nearing completion - this will provide a much improved environment for the 2013 juvenile kingfish.

## **Cash Position and Capital Requirements**

The Company lodged its quarterly cashflow statement and commentary on 31 October 2012. Progress in finding a strategic investor and investment partner to take the business forward has been slower than anticipated, and accordingly the Company is accelerating surplus asset sales and continues to conserve cash wherever possible. The Board is continuously assessing its cashflow requirements taking into account the progress of its fish farming operations, SBT R&D, and current asset sales and will keep the market informed in due course.

**Craig Foster** 

**Chief Executive Officer** 



