

*Tiger International Limited ("TIL")***Acquisition of Darwin based Aussie Prawns Ltd to significantly bring forward production start up and contribute to positioning TIL as a dominant producer with significant market share.**

- Newly acquired Darwin aquaculture infrastructure will significantly bring forward the Company's planned production schedule by two years to late 2004.
- Acquisition delivers a boost to TIL's business plans providing the company with a realistically achievable opportunity to establish itself as a major producer with significant Australian market share within two years.
- TIL is to refurbish site and infrastructure and undertake restocking of ponds in preparation for a timely first harvest in the Christmas period of 2004.

**The Acquisition & Transaction**

On 18th September 2003 Tiger International Limited (TIL) formerly Technology Incubation Group Limited announced that it had entered into a sale and purchase agreement to acquire Darwin aquaculture operator Aussie Prawns Pty Ltd. The transaction, following due diligence, will be completed for a total consideration of \$3.5 million.

The acquisition of Aussie Prawns Pty Ltd will result in TIL acquiring considerable infrastructure located close to Darwin in NT. The infrastructure includes 288 hectares of unencumbered freehold land with 30 hectares of ponds and two dams, a hatchery building, a main processing area with supporting workshop and infrastructure, including earthmoving plant for pond construction, housing and worker accommodation.

**What does the Transaction mean for TIL?**

The transaction is significant for the company in several ways.

Firstly TIL, following months of research and development had already made the decision to develop a large aquaculture farm in North West Australia specializing in the breeding of black tiger prawns for domestic and international markets. The availability of the already established infrastructure has provided TIL an unexpected boost enabling the Company to establish production at a much earlier time. This should ultimately lead to earlier projected cash flow from operations.

Importantly, the current total land holdings under Tiger prawn aquaculture in Australia is estimated to be around 700ha. With this acquisition TIL has the opportunity to now set up 400ha in a period of only three years. If achieved, this can reasonably be expected to see TIL's market share rise rapidly from zero to over 50% of Australia's total production.

Secondly, the purchased aquaculture infrastructure is located only 35 km from Darwin city centre and harbour and only 25km from Darwin's international airport. This will enable ease of export of product to Sydney (Sydney fish market) and international markets (predominantly Asia). The infrastructure is also located only 5km from the newly constructed Darwin to Adelaide railway.

Thirdly, the current operations have an existing granted aquaculture licence for the breeding and production of black tiger prawns as well as other marine livestock if TIL choose to research and develop in the future once tiger prawn production in hand.

Fourthly the pond construction on the Aussie Prawns property has the potential to be extended a further 100 hectares enabling significant operational expansion to take place.

We believe that the geographical location of the existing infrastructure, with a warm climate all year round, will enable harvesting to be undertaken twice a year in some years. Furthermore TIL's advantageous possession and supply of Specific Pathogen Free brood stock on the North West Coast of Australia, provides the Company with a strategic competitive advantage. With this advantage we understand that an opportunity exists to increase yields per hectare far beyond the average of 5-7 tonnes per hectare (tph) currently being achieved in the Australian aquaculture prawn industry.

**Aquaculture. What is it? - A definition**

The Queensland Department of Primary Industries describes aquaculture as "the farming of marine and fresh water animals and plants. The activity includes breeding, hatching, and rearing for consumption or sale. Aquaculture is an important primary industry and a legitimate user of land and water."

**Aquaculture Industry in Australia poised for growth**

Currently Australia's contribution to world aquaculture production is very small and is estimated to be only 1% of total global production. Despite only a small market share the Australian aquaculture industry is experiencing strong growth at an average of 13% pa since 1991. In 1999/2000 this amounted to a gross value of \$678 million.

Australian aquaculture prawn production in 1999/2000 accounted for 8% of Australia's total aquaculture production amounting to 3,500 tonnes per annum valued at \$60 million. In comparison, global prawn aquaculture production was estimated at the same time to be around 1.1 million tonnes valued at \$20 billion.

Though growth is continuing to be experienced in the major producing countries of the world i.e. Thailand, Indonesia, India and Vietnam, the increasing pressure of land availability for further growth is now becoming a concern. Australia with its clean, disease free extensive land availability and an excellent climate for aquacultural farming is poised for global production attention of high quality produce.

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## TIL Company Background

Tiger International was established in 2000 by Faustus Nominees Pty Ltd, an investment vehicle of the Hutton Family with a purpose to investigate economic opportunities for prawn hatcheries and prawn farming in Western Australia and the Northern Territory.

The Hutton Family has been involved in the aquaculture industry since 1991 primarily with the pearling industry. Faustus is the majority shareholder of Maxima Pearling Company Pty Ltd the third largest producer of South Sea Pearls in Australia.

The Hutton family has invested approximately \$1 million on research and development of the tiger prawn farming industry and are now, after thorough research of the existing Queensland and NSW industries and establishing the existence of sufficient specific pathogen free mature black tiger prawn brood stock off the Kimberley coast, committed to the development of a new generation of sustainable prawn farming in the North West of Australia from Derby to Darwin. The Company through research believes that the Queensland aquaculture prawn industry will find it increasingly difficult to obtain brood stock as pressure to preserve the Great Barrier Reef's fauna and flora increases with time.

On 10<sup>th</sup> October 2003 Tiger International achieved public company status by 'backdoor' listing on the ASX into Technology Incubation Group Ltd (TIL) and changed its name to Tiger International Limited following shareholder approval.

## Risks Associated with the Aquaculture Industry

All forms of primary production activity carry a number of inheritant risks, which a prospective investor needs to be aware of prior to making a decision on the level of commitment into a particular project or company. Aquaculture is no different to other farming ventures and as such has a number of risks associated with it. Providing the investor is aware of and comfortable with them, then a balanced educated investment decision can be made on a particular investment and its risk exposure.

The main risks associated with investing in the aquaculture industry are threat of disease, storms, environmental pollution and exchange rate risk if exports provide the main source of income. Risks can never be eradicated but with careful operational management, site and brood stock selection and a managed exposure to exchange rate fluctuations the risks can be minimised so as to not to significantly affect the economic sustainability of the operations.

## Recommendation

We believe the recent acquisition of Aussie Prawns Ltd and associated aquaculture infrastructure is a significant positive move for TIL. The Company has advised that its revised business plan indicates that first harvest, now scheduled for the lucrative Christmas period in December 2004, approximately two years earlier than originally scheduled. This will ultimately bring forward significantly earlier cash flow projections.

We also believe that the purchase price of \$3.5 million for Aussie Prawns Ltd was at a discount with TIL indicating that the land value alone for the area is in the vicinity of \$3 million and that the previous owner had spent in the region of \$8 million on infrastructure development.

TIL is a development stage aquaculture business that can provide investors in the sector with an early entry point. Management performance has been strong to date and we anticipate further news of hatchery re-establishment and expansion of the operation in the near future which should result in a share price re rating. We recommend **SPECULATIVE BUY**.

Ian Spence BSc, MSc, MBA  
Research Analyst

## KEY ASX DATA

Price of Ords (Cents)	18
No of Ordinary Fully Paid (M)	43.01
Market Cap (\$M)	7.74
12 Month Price Range (Cents)	4-19
No of Listed Options on Issue* (M)	8.53
Options exercisable @ 30 cents on or before 30 June 2006.	
<b>Directors:</b> Dr Tor Theunissen (Chairman), Mr John R Hutton (Managing Director), Mr Miles Kennedy (Non-executive Director) Mr Karl M Simich (Non-executive Director).	

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*Contact with Tiger International Limited has been made during the preparation of this report for assistance with verification of facts.*