Concise Financial Report

for the year ended

30 June 2017

Shellfish Culture

TASMANIA

MISSION STATEMENT

We will create value by producing premium quality oysters that meet customer needs.

Shellfish Culture

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The financial statements and other specific disclosures are an extract of, and have been derived from, Shellfish Culture Limited's full financial report for the financial year. Other information included in the concise financial report is consistent with the Company's full financial report.

The concise financial report does not and cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

A copy of the 30 June 2017 Annual Financial Report, including the independent audit report, is available to all shareholders, and will be sent to shareholders, without charge, upon request. The full report can be requested by telephoning the Company on (03) 6248 9441 or by sending an email to secretary@shellfishculture.com.au.

Company Profile

Shellfish Culture Limited (SCL) is a public company, first incorporated in Australia on 27 July 1979.

Issued capital:	1,048,429 by 73 shareholders.
Registered Office:	290 Bicheno Street, Clifton Beach, Tasmania 7020
Principal Place of Business:	290 Bicheno Street, Clifton Beach, Tasmania 7020
Solicitors:	Page Seager, 179 Murray Street, Hobart, Tasmania 7000
Bankers:	National Australia Bank
Auditors:	KPMG, Level 3, 100 Melville Street, Hobart, Tasmania 7000

Goals

Shellfish Culture Ltd aims to:

Produce and deliver quality oyster seed to specification - consistently, reliably and on time

Manage risk by ensuring redundancy in production capability

Ensure adequate funds are available for capital reinvestment and provide a reasonable return to shareholders

Grow its share of existing markets and develop new markets

Develop and maintain a competent multi-skilled and motivated staff team supported by 'best practice' production systems and technology

Conduct business in an environmentally sustainable manner without compromising profitability

Lead in those areas where SCL can influence and shape the industry

- R&D and selective breeding technologies
- Best people
- Managing markets and customers
- Creating and capturing value leading to improved profits and margins.

Ensure sound corporate governance

Please note that these goals have not changed as a result of Pacific Oyster Mortality Syndrome (POMS).

Chairman's Report

for the year 2016-2017

Shellfish Culture took important steps to secure the sustainability of our business and our industry this year, as we continued to respond to the new POMS environment.

Our final result for the year reflects these foundation stones for the future and we have great faith in both the prospects for our industry in the decades ahead and for our company's place in it.

There were two major investment projects this year: bio security at Pipe Clay Lagoon and the development of a South Australian hatchery/nursery. Bio Security returned almost immediate benefits with SCL approved as the only hatchery able to sell product into Tasmanian waters so far unaffected by POMS.

SCL also advanced towards a capability to supply a range of different sized product – a customer service we provided prior to POMS and which is now even more important given the need to "window farm" between the months when POMS is potentially active.

SCL also utilised ASI broodstock to spawn with increased POMS resistance and the results from last summer's POMS event confirm the company is on the right track, translating to an industry recovery as soon as physically possible. There's been strong support from growers to the ASI breeding program – a program supported with science and actual data.

Late in 2016 SCL embarked on a specific capital raising program seeking $2.05m to build the land-based Eyre Shellfish hatchery and nursery, located in the Cowell area of South Australia. Within months $1.44m had been raised and at the end of the financial year, $2,776,255 had been raised through existing SCL shareholders, the South Australian industry, new, and sophisticated investors.

Shellfish Culture is the majority shareholder and maintains the controlling interest in Eyre Shellfish, and has in place a Management and Services agreement with Eyre Shellfish. This project and associated capital raising was an initiative of Shellfish Culture to mitigate against the future risk of POMS.

But it's more than that. Together with Pipe Clay Lagoon and backed by the technical and IP capabilities of the company, it will become Australia's benchmark hatchery and nursery, fuelling the resurgence of our industry. Progress has been remarkable. Construction of the facility was largely completed in six months, and the first spawning was expected soon after the end of the financial year. It is testimony to the cohesion that exists at all levels of our company.

At Pipe Clay Lagoon, sales and stock levels increased during this year and we also began selling mature oysters. Until now, SCL has sold only spat and this has been a prudent move in the post-POMS period to supplement our main revenue stream. Spat, of course, remains our core business.

Shellfish Culture is Australia's only unlisted public company with a shareholding that includes a strong grower element. With this in mind we kept our corporate and business strategy under review over the year, including a strategic review day. This focus confirmed that our current strategy remains unchanged from our pre-POMS strategy which matches our mission statement to "… create value by producing premium quality oysters that meet customer needs."

During the year SCL signed a collaboration agreement with the large Japanese engineering company Yanmar, which is also involved in the agricultural sector and can see opportunities for diversifying further into aquaculture in Japan. This collaboration could eventually see SCL selling Australian expertise into the Japanese market.

We welcomed to our Board this year Ken Fleming, a director of the investment bank Greenard Willing Pty Ltd. His appointment filled a vacancy on the Board and strengthened the Board's financial credentials.

At year's end there are many to thank for their contribution over the year. Our Board has made a solid and sustained effort and our shareholders have shared SCL's vision. For that, I thank them. Thanks also to our General Manager, Greg Bowers, for outstanding leadership during the year. Together with Scott Parkinson and the rest of the team, there is a unity of purpose within the company, and a determination to achieve the goals that will put our business and our industry in a better position than before POMS.

Greg Bowers, Scott Parkinson, Dan Wicks, and Gordon Gardner have all worked very hard to make South Australia happen so quickly. Thanks to all our other staff involved in bio security, farm management, and laboratory work for a year of achievement. Thanks also to the NAB, for its support. In addition, thanks are due to Simon Turner, a South Australian based Board member who has done much to facilitate our South Australian expansion, along with fellow Eyre Shellfish director Ken Lamb. Franklin Harbour District Council has also been very supportive.

During the year, our Finance and Accounting officer, Gordon Dowell, resigned due to personal circumstances. Following his departure Crowe Horwath was appointed to undertake our financial accounting. KPMG is continuing as SCL's Financial Auditors.

This has been a year of outlays as we position ourselves for the future; and this is reflected in the annual accounts with a $377,191 loss after tax for the year. Our projections see increasing levels of revenue coming back into SCL in future years due to the measures put in place in 2016-2017 and described above.

Greg Goodman
Chairman

General Manager's Report

for the year 2016-2017

This time last year I was reflecting on a testing time for our industry and for Shellfish Culture following the January 2016 POMS outbreak. It certainly has been testing but overall a very rewarding year, being able to look back on a period of significant achievement as we not only recover from POMS, but look confidently to the future as well.

SCL continually punches above its weight division. In achieving what we have done post POMS and having future strategic plans in place - and happening - demonstrates this. The drive, the passion and the capability throughout SCL is just so exciting.

There were three main thrusts to our recovery plan this year following POMS. All three were focused on our customers' needs in this post-POMS environment and the recovery of our business.

Firstly, the establishment of Eyre Shellfish in South Australia and the construction of the associated new hatchery and nursery was a priority.

This project in itself had two main objectives: ensuring supply to our customers on a long term, reliable basis in South Australia; and providing SCL with mitigation against the POMS impact in Tasmania.

From the outset we were determined to build a first rate facility. It had to happen in a timely fashion so that spat production could commence, but we rejected the notion of corner cutting or any compromise in standard for the sake of an early spawn. Not having to rely on other partners or interests meant we were able to utilise our own internal proven capabilities to support this high standard of facility.

Given the close relationship between SCL and Eyre Shellfish, SCL staff have worked in South Australia this year to set up the technology for the South Australian hatchery, and I emphasise that this includes the same biosecurity protocols now in place at Pipe Clay Lagoon. At the same time, newly appointed South Australian staff have been training in Tasmania at SCL, ensuring a smooth and efficient transition of the new Business.

The result is a tremendous addition to our industry's infrastructure, and by the end of the financial year, our first spawnings in South Australia were in sight.

Secondly, we put a concentrated effort into establishing and building our bio security credentials. This required significant investment and human capital with the result that at the end of the year SCL was the only hatchery with approval to supply spat into areas of Tasmania unaffected by POMS.

This spat is being bred from POMS-surviving broodstock, giving it the additional benefit of being more POMS-resistant.

After the arrival of POMS SCL staff worked to establish a comprehensive bio security plan to ensure the Pipe Clay Lagoon hatchery was POMS free. The plan had to be approved by Biosecurity Tasmania and took more than nine months of hard work to put in place.

A bio secure status involves rigorous auditing. SEAM Environmental Services is an independent auditor which regularly inspected our hatchery during the year to verify that SCL was adhering to its plan and that it was in accordance with industry and SEAM standards for bio security.

Due to the diligence and hard work of our staff, it was with a great sense of satisfaction and achievement for all at SCL when our spat began arriving at farms unaffected by POMS.

Our thanks to Rod Andrewartha of Biosecurity Tasmania, Shane Roberts of PIRSA South Australia and the Tasmanian oyster industry for their contribution and patience in this process. It shows the high level of skill within SCL's technical and management base together with the company's vision to continue to be leaders in the Australian shellfish industry.

The third major focus this year was to return our supply chain to its pre-POMs service levels. I can report that stock levels and sales continued to recover strongly throughout the year and by year's end we were in quite a strong position. We had

built good stock numbers but require time to grow these out to the larger sizes that were in demand. The slightly better than expected survival rates from POMS assisted this and going forward each year will be so much better.

Farm operations are changing because of the impact POMS has had throughout the supply chain and I'm pleased to report that our progress in recognising this 'window farming' process has been rapid and will be ongoing. This change has and will bring its own challenges with quite a gap in the supply of larger size product occurring for a period and of course the same regarding mature sales volumes.

Throughout the year we had many discussions and strategic sessions with our customers. It's clear that there are numerous scenarios of how to recover as quickly as possible. It's an exciting business when you have good relationships that enable these two-way discussions and then action plans. Satisfying the needs of farmers – what they want and when they need it – is our focus.

To this point the demand for natural triploids is so strong given their absence due to POMS. SCL is striving to get significant levels of triploids back into the industry quickly. We are all still learning what the overall impact of POMS is but we are – and need to – focus more on the future and not get too caught up with the past in this respect.

Whilst my team and I kept in close contact with our farm customers to ensure we were meeting their requirements and that our strategic thrust was in the right direction, I also fielded numerous enquiries from overseas hatcheries in regards to how SCL had managed to recover following POMS.

International hatcheries were interested in our technical ability and results, and there was a degree of astonishment at the rapid recovery rate we have achieved. On request we have contributed to various International Industry articles and interviews. I mention this because it demonstrates our 'Brand' value and our reputation overseas, and it reflects our staff and employees in a very positive manner.

In achieving our goals, I want to thank our staff for a tremendous performance this year. It is a pleasure to work with such a team.

I am very appreciative of a highly supportive SCL Board - strong when required - and it has displayed the necessary vision and leadership through the recovery phase. Additionally I believe the Board has been strengthened by the challenges we've confronted and the additional capability added to the Board.

In summary, we are back on our feet and running following the POMS outbreak in early 2016, and we're adapting to the new environment that both we and our customers face. The achievements and the work we've done this year substantially strengthen our business and our industry going forward, an Industry full of passion and strength that will see it firstly grow and then sustain that momentum.

Greg Bowers
General Manager

The development of Eyre Shellfish Pty Ltd

After a lengthy and detailed process Franklin Harbour, Cowell, was chosen as the preferred location for the new land based hatchery and nursery.

The challenge of specifically where the facility would be constructed was solved with support from the Franklin Harbour District Council and some key local identities. The purchase of some 40 hectares was completed with a view to the future needs of the Industry and Eyre Shellfish. This land was effectively scrub with no services connected to the site.

Eyre Shellfish obtained the land based Aquaculture Licence in late September. This process was completed very quickly due to the combined support of agencies such as PIRSA, EPA, local council and others. In all, six agencies needed to approve various components.

To provide the finances for the project a Capital raising was completed that was conditional on the Licence being obtained, the land being purchased, and SCL investment. Once these three conditions were met the monies were then released for the project.

The first significant earthworks commenced in January 2017. However all the design work, construction contracts and the like had been put in place earlier in anticipation of the project commencing.

The site's layout consisted of:

- Water intake discharge from Franklin Harbour (1.7km)
- Hatchery and Nursery buildings
- Greenhouse
- Raceways
- Hatchery settlement dams x 2
- Recirculation dams x 2
- Enrichment dams x 5
- Diesel generators and a solar system (to ensure no power interruptions)
- Discharge pit
- Biosecurity processes and structures' as per those at SCL's Biosecurity approved facility in Tasmania.

The hatchery is the most advanced within the Industry and can contain at any given time over 100 million spat. Spawns occur every 4-6 weeks or as required with broodstock being conditioned in warm and cold temperature conditioning systems.

From the hatchery the spat is transferred to the nursery bottle system prior to being grown out in the raceways. The site can sell stock directly from the raceways from 4mm to 8mm in size. The raceways are 'fed' enriched natural algae to ensure optimal growing conditions. To enable sales of larger sized stock, product can be transferred from the raceways to the farm lease in Franklin Harbour.

When operating the site will have ten full time equivalents across the site and farm lease with an annual capacity of over 350 million spat.

Discussion and Analysis of Financial Statements

for the year ended 30 June 2017

The Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017 shows the Group made a loss after tax of $377,191 compared with a loss of $1,474,205 in the previous year. Of this, a deficit of $290,067 was attributable to the parent entity. The loss is due to the on-going impact of POMS on the Company, in particular through reduced sales levels. This is described further below.

The value of oyster seed sales for the year ended 30 June 2017 was $1,465,989 compared with $3,305,585, in 2016. This reduced level of sales was consistent with the closed border constraints placed on Northern Tasmania and South Australia in response to the POMS outbreak. As such, the Group was unable to transact with clients in these two key regions.

Total expenses for the year were $3,139,825 compared with $3,166,375 in 2016. Of the total expenditure, $85,179 related to operational expenditures associated with establishing nursery and hatchery operations in South Australia.

Net cash from operations was a net outflow of $456,567 (2016: net inflow of $1,012,245). In line with the strategic direction to establish operations in South Australia through Eyre Shellfish Pty Ltd, significant capital and debt raisings were pursued through the year to fund infrastructure development. To this end, $2,776,255 was raised via capital and $869,733 via debt.

Cash generated from operating and financing activities was used mainly for capital expenditure of $3,054,427 (2016: $438,836). The majority of the expenditure was applied to the development of the Nursery and Hatchery in South Australia. The project was completion and commissioned in August 2017, whereupon spawning activities commenced.

Post balance date, a further capital raising has been undertaken to the value of $298,564 to provide working capital for the Tasmanian business as it rebuilds and pursues its strategy with respect to on-growing spat for the wholesale market.

Total shareholders' equity increased by $2,439,065 over the year, being the deficit attributable to the parent entity of $290,067, capital raisings of $2,776,255 less $1,080,000 attributable to Non-controlling Interests. No asset revaluations were performed during the year.

Management and Staff

General Manager: **Greg Bowers**
Appointed as General Manager from December 2014. Formerly General Manager Supply Chain Vic/Tas for Coca Cola Amatil, National Supply Chain Director with Goodman Fielder and senior manager Nestlé. Extensive experience in manufacturing process operations for the food industry and relationship management with suppliers and customers.

Breeding Manager: **Scott Parkinson**
Dip App Sci (Aquaculture) UTAS, Grad Dip Aquaculture, Deakin

Joined the Company in January 2008. Previously employed as General Manager of Australian Seafood Industries Pty Ltd.

Strong background in research and development and oyster breeding programs on an international level. Experienced hatchery technician in commercial hatchery production.

Pipe Clay Lagoon: Scott Mactier, Greg Hollingsworth, Tommy Males, Mary Woodward, Vanessa Delpero, Michael Riley, Frank Kerruish, Alex Priest, Allana Jackman, Tamika Salvesen, Andy Jack

Little Swanport: Joe Jacobson, Malcolm Graham, Philip Outtram

Administration: Jacqui Singleton

Shareholders

The ten largest shareholders of Shellfish Culture Ltd are as follows

Southern Cross Marine Culture Pty Ltd	12.03%
Langley Superannuation Fund	9.65%
The A K Shadforth Family A/C	7.99%
Krisami Investments Pty Ltd	5.96%
Tas Prime Oysters Pty Ltd	5.77%
Bolduans Bay Superannuation Fund No. 2	5.07%
Bendane Pty Ltd	4.77%
Oyster Farmers Pty Ltd	4.16%
P&V Forrest Investments Pty Ltd	4.13%
G and JA Goodman P/L ATF Goodman S/F	3.64%

SHELLFISH CULTURE LIMITED
A.B.N. 66 009 519 171

Directors' Report

Your Directors present their report and the financial accounts of the Company for the year ended 30 June 2017 and the Auditor's report thereon.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Gregory Goodman, FAICD, Chairman and Director since 2005.
Chairman/Director Eyre Shellfish Pty Ltd. Chairman/Director G & JA Goodman Pty Ltd. Director Kemp and Denning Ltd. Formerly Group Chief Executive, Royal Automobile Club of Tasmania Ltd. Previously 35 years in finance and retail industries.
Interest in shares: 38,207 (3.64%)

James Geoffrey Calvert, MAICD, Director since 2007.
Managing Partner, Tasmanian Oyster Co. Managing Director, Tas Prime Oysters Pty Ltd. Director, Arm End Pty Ltd. Oyster farmer for over 20 years.
Interest in Shares: 38,307 (3.65%)

James Ian Hawson, B.Comm, FCPA. Director appointed 29 April 2016.
Former Principal at Crowe Horwath, former Chairman Southern Cross Marine Culture Pty Ltd. Tax Agent, Board member Tax Practitioners Board, Director Hobart Friendly Society Dispensary Ltd. Over 35 years' experience providing financial and management assistance to small and medium enterprises including the aquaculture industry
Interest in Shares: Nil

Anthony Herbert Johnston, MAICD, B.Ag.Ec, Director since 2004.
Former Chairman, Abalone Association of Australasia Inc. Executive Member, Tasmanian Abalone Council. Industry Member, Seafood Export Consultative Committee. Former General Manager, Tasmanian Seafoods Pty Ltd, Margate. 33 years in primary industry and fisheries management and marketing.
Interest in Shares: 7,128 (0.68%)

Jonathon Douglas Poke, MAICD, Director since 2009. Previously Director of the Company from 1992 to 2004.
Oyster grower since 1979. Director of Bolduans Bay Oysters Pty Ltd, Bolduans Bay Holdings Pty Ltd, Tas Prime Oysters Pty Ltd, Director of Estuarine Oyster Company Pty Ltd, and past Chairman Tasmanian Shellfish Executive Council 2012-14.
Interest in Shares: 87,044 (8.3%)

Kenneth Fleming, B Ec (Hons), GRAD DIP EC, GRAD DIP FS, DIP FIN SERV, F FIN. Director since 2017.
Director Greenard Willing Pty Ltd (investment bank): non-Executive director Tasmanet Pty Ltd, former Head of Research Tricom Equities (2004-2008), former head of Research and Director, Aegis Equities Research, former Head of Telecoms, Technology and Media, Deutsche Bank.
Interest in Shares 37,500 (3.58%)

COMPANY SECRETARY

Jacqui Singleton. Company Secretary since 31 July 2015.
Administration Manager Shellfish Culture Ltd since 2010. Seven years of experience in providing executive assistance and administrative support to the Shellfish Culture Ltd Board.
Interest in Shares: Nil

DIRECTORS' MEETINGS

During the year 13 meetings of Directors were held. Attendances were:

	Number Eligible To Attend	Number Attended
Greg Goodman	13	13
James G. Calvert	13	13
Anthony H Johnston	13	13
Jonathon D. Poke	13	13
James Hawson	13	11
Ken Fleming	4	4

CORPORATE GOVERNANCE

The Board's primary role is the protection and enhancement of long-term shareholder value and the supply of shellfish seed to all customers.

To fulfil this role, the Board is responsible for the overall corporate governance of the Company, including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration of managers, establishing and monitoring the achievement of the Company's goals and ensuring the integrity of internal control systems. It is also responsible for approving and monitoring financial and other reporting.

The Board has delegated responsibility for operation and administration of the Company to the General Manager and his team.

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

All Directors are required to comply with the Directors Code of Conduct which has been developed for the Company from the Australian Institute of Company Directors Code of Conduct.

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists for a Director on a Board matter, the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of director related entity transactions with the Company are set out in Note 18 of the full financial statements.

Directors and employees of Shellfish Culture Ltd may only trade directly or indirectly in the Company's shares:

- In the three month period following the release of the Company's annual financial report to shareholders
- When the Director or employee may suffer unavoidable material hardship if restrained from doing so
- Where required to by law.

A review of risk management has been undertaken to assess and manage operational, financial and compliance risks for the Company.

The General Manager and Financial Accountant have provided assurance in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control systems which implement policies adopted by the Board.

During the year Directors released five letters to shareholders in addition to the Concise Annual Report and regular Company newsletters. Shareholders are encouraged to attend the Annual General Meeting at which Directors, Management and the Auditor are available to respond to questions.

REMUNERATION OF MANAGERS AND DIRECTORS

The Company's policy on remuneration of managers and directors is described in Note 18 – Related parties in the full financial statements.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was the production of shellfish seed.

IMPACT OF LEGISLATION AND OTHER EXTERNAL REQUIREMENTS

The Company is subject to significant environmental regulation under both State and Commonwealth legislation in relation to its operations. Compliance with the requirements of environmental regulations and specific site licences was achieved across all operations. During the current or previous year, the Board is not aware of any breaches in legislation or licence requirements.

DIVIDENDS

No dividends were paid during this financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Shareholders event and soft opening

On 19 July Eyre Shellfish Pty Ltd, held a 'soft opening' on site for all shareholders and relevant dignitaries. The site was not quite operational at the time but most physical structures had been completed. Following this event the inaugural Shareholders meeting was held at the Commercial Hotel, Cowell. This was a very positive meeting at which two key motions were passed. The first was to offer a second round of capital raising with a cap of $650,000. The second was to offer existing shareholders $1/share and for new investors, if required to meet the cap, $1.30/share. At the Board meeting the following day these two motions were approved and the second round of capital raising commenced. The offer was fully subscribed very quickly with the majority of the $650,000 coming from existing shareholders. SCL took up the opportunity to reinvest within Eyre Shellfish and maintain its majority shareholding and thus control. This capital was directed to the required Capital Expense of the project.

First spawning of Eyre Shellfish

The first spawn at the new hatchery was on Tuesday 14 September and was an outstanding success with 60 million spat produced. This became an asset in the second week of September when they grew to over 500 micron and therefore carried a financial value on our books.

Government grant

Eyre Shellfish was offered a Government grant of $264,000 in September via the Regional Development Assistance Scheme with this money contributing approximately half that was required to complete Biosecurity measures at the site.

LIKELY DEVELOPMENTS

Further information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

DIRECTORS' BENEFITS

No Director of the Company has, during or since the financial year, received or become entitled to receive, a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the financial statements) because of a contract made by the Company, a controlled entity or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest, with the exception of benefits that may be deemed to have arisen in relation to the transactions entered into in the ordinary course of business.

DIRECTORS' AND AUDITORS' INDEMNIFICATION AND INSURANCE

INDEMNIFICATION

The Company's constitution provides that the Company will indemnify any director or executive officer of the Company to the extent permitted by law against a liability that may arise from their position as director or officer of the Company, except where that liability arises out of conduct involving a wilful breach of duty.

INSURANCE

Since the end of the previous financial year the Company has paid premiums totalling $3,595 (2016: $3,595) to insure each of the following Directors against liabilities for costs and expenses incurred by each of them in defending any legal proceeding arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company:

Greg Goodman	Anthony H Johnston
Ken Fleming	James G Calvert
James I Hawson	Jonathon D Poke

These premiums were also paid to include current officers of the Company holding management positions.

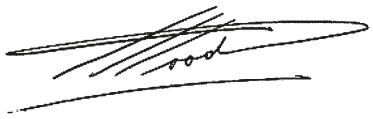
AUDIT AND NON-AUDIT SERVICES

During the year KPMG, the Company's auditor, provided taxation compliance services in addition to its statutory audit duties.

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act is included on page 13 and forms part of the Directors Report for the financial year ended 30 June 2017.

Details of amounts paid to the auditors of the Company, KPMG, for audit and non audit services are set out in note 3 of the full financial statements.

Signed in accordance with a resolution of Directors at Hobart on 2 October 2017.



Greg Goodman
Chairman

James G Calvert
Director

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Shellfish Culture Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2017 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Leigh Franklin
Partner

Hobart
2 October 2017

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2017

	Note	Year Ended 30 June 2017 $AUD	Year Ended 30 June 2016 $AUD
Revenue:			
Sales		1,465,989	3,305,585
Increase/(decrease) in stock values		627,383	(2,416,117)
Other income	4	435,398	170,899
Total Revenue		**2,528,770**	**1,060,367**
Expenses:			
Administrative expenses		1,226,550	801,812
Finance expenses		73,208	54,415
Marketing and selling expenses		37,598	138,975
Occupancy expenses		199,066	240,525
Production expenses		1,603,403	1,930,648
Total Expenses		3,139,825	3,166,375
Profit/(loss) before tax		**(611,055)**	**(2,106,008)**
Income tax benefit/(expense)		273,864	631,803
Profit/(loss) for the year		**(377,191)**	**(1,474,205)**
Other comprehensive income for the year			
Revaluation of property, plant and equipment		-	(178,847)
Related income tax		-	53,564
Net comprehensive income/(loss) for the year		-	(125,193)
Total comprehensive income/(loss) for the year		**(337,191)**	**(1,599,398)**
Total surplus/(deficit) for the year attributable to:			
Non-controlling interest		(47,124)	-
Parent entity		(290,067)	(1,599,398)
		(337,191)	**(1,599,398)**

This Consolidated Statement of Profit or Loss and Other Comprehensive Income needs to be read in conjunction with the notes on pages 18 to 19.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2017

2017	Retained Earnings $	Asset Revaluation Reserve $	Issued Capital $	Non-Controlling Interests $	Total $
Balance at 1 July 2016	3,134,489	572,634	772,768	-	4,479,891
Profit/(loss) for the year	(290,067)	-	-	(47,124)	(337,191)
Shares issued during the year	-	-	1,696,255	1,080,000	2,776,255
Balance at 30 June 2017	2,844,422	572,634	2,469,023	1,032,876	6,918,956

2016	Retained Earnings $	Asset Revaluation Reserve $	Issued Capital $	Non-Controlling Interests $	Total $
Balance at 1 July 2015	4,792,469	697,827	772,768	-	6,263,064
Profit/(loss) for the year	(1,474,205)	-	-	-	(1,474,205)
Dividends paid	(183,775)	-	-	-	(183,775)
Other comprehensive income net of tax	-	(125,193)	-	-	(125,193)
Balance at 30 June 2016	3,134,489	572,634	772,768	-	4,479,891

This Consolidated Statement of Changes in Equity needs to be read in conjunction with the notes on pages 18 to 19.

Statement of Financial Position

for the year ended 30 June 2017

	Year Ended 30 June 2017 $AUD	Year Ended 30 June 2016 $AUD
Current Assets		
Assets Held for Sale	70,000	70,000
Biological Assets (Shellfish Seed)	1,322,296	694,913
Cash and Cash Equivalents	896,604	761,510
Trade and Other Receivables	128,434	114,070
Income Tax Receivable	-	64,984
Other Assets	17,929	-
Inventory	37,966	-
Total Current Assets	**2,473,229**	**1,705,477**
Non-Current Assets		
Intangible Assets	840,759	883,357
Deferred Tax Asset	130,041	-
Investment Property	243,583	250,000
Plant and Equipment	6,047,922	3,412,569
Total Non-Current Assets	**7,262,305**	**4,545,926**
Total Assets	**9,735,534**	**6,251,403**
Liabilities		
Current Liabilities		
Loans and Borrowings	233,090	46,989
Employee Benefits	192,991	170,761
Trade and Other Payables	646,616	312,442
Income in Advance	58,500	64,409
Total Current Liabilities	**1,131,196**	**594,601**
Non-Current Liabilities		
Employee Benefits	16,069	16,032
Income in Advance	-	13,500
Deferred Tax Liabilities	-	161,698
Loans and Borrowings	1,669,312	985,680
Total Non-Current Liabilities	**1,685,381**	**1,176,910**
Total Liabilities	**2,816,577**	**1,771,511**
Net Assets	**6,918,956**	**4,479,891**
Equity		
Issued Capital	2,469,023	772,768
Asset Revaluation Reserve	572,634	572,634
Retained Earnings	2,844,422	3,134,489
Non-controlling interest	1,032,876	-
Total Equity	**6,918,956**	**4,479,891**

This Consolidated Statement of Financial Position needs to be read in conjunction with the notes on pages 18 to 19.

Statement of Cash Flows

for the year ended 30 June 2017

	Year Ended 30 June 2017 $AUD	Year Ended 30 June 2016 $AUD
Cash Flows from Operating Activities:		
Cash receipts from customers	2,195,281	4,115,588
Cash paid to suppliers and employees	(1,980,645)	(2,983,553)
Interest received	5,629	14,174
Interest paid	(76,421)	(54,657)
Income tax refunded/(paid)	(600,411)	(79,307)
Net cash provided by/(used in) operating activities	(456,567)	1,012,245
Cash Flows from Investing Activities:		
Proceeds on sale of non-current assets	-	42,544
Payments for property, plant & equipment	(3,054,427)	(438,836)
Development costs - Eyre Shellfish Pty Ltd	-	(100,215)
Net Cash used in Investing Activities	(3,054,427)	(496,507)
Cash Flows from Financing Activities:		
Proceeds from borrowings	869,733	98,649
Dividends paid	-	(183,775)
Repayment of borrowings	-	(55,474)
Proceeds from issue of shares	2,776,255	-
Net cash provided by financing activities	3,645,988	(140,600)
Net increase/(decrease) in cash and cash equivalents	135,094	375,138
Cash and cash equivalents at beginning of year	761,510	386,372
Cash and cash equivalents at end of financial year	**896,604**	**761,510**

This Consolidated Statement of Cash Flows needs to be read in conjunction with the notes on pages 18 to 19.

Notes to and Forming Part of the Accounts

for the year ended 30 June 2017

Note 1 Basis of Preparation of Concise Financial Report

The concise financial report has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 1039 "Concise Financial Reports". The financial statements and specific disclosures required by AASB 1039 have been derived from the Group's full financial report for the financial year. Other information included in the concise financial report is consistent with the Group's full financial report. The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

The financial report has been prepared on the basis of historical cost except for freehold land, buildings, investment property and biological assets (shellfish seed) which are stated at fair value.

A full description of the accounting policies adopted by the Group may be found in the Group's full financial report.

These accounting policies have been consistently applied and are consistent with those of the previous year.

The financial report is presented in Australian dollars, which is the Group's functional currency.

Note 2 Accounting estimates and judgements

Management discussed with the Directors the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The valuation of biological assets has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year as biological and environmental events can significantly influence the recovery of seed for sale. The significant estimates and judgments used in determining the carrying value of biological assets is disclosed in note 11 of the full financial statements.

Note 3 Segment Reporting

The Group operates entirely in one industry, being the aquaculture industry. The Group operates as a producer and seller in one geographical segment, being Australia.

Note 4 Other income

	Year Ended 30 June 2017 $AUD	Year Ended 30 June 2016 $AUD
Rent	28,973	41,280
Interest	10,258	14,174
Grant	27,000	75,416
R&D Tax Incentive	336,001	0
Other	33,166	5,852
Net Gain/(Loss) on disposal of non-current assets	0	5,694
	435,398	142,416

Notes to and Forming Part of the Accounts

for the year ended 30 June 2017

Note 5 Dividends

	Year Ended 30 June 2017 $AUD	Year Ended 30 June 2016 $AUD
Final 2015 dividend (fully franked) of 30 cents per share paid in 2016	0	183,775

No dividends will be paid in respect of the current year.

	Year Ended 30 June 2017 $AUD	Year Ended 30 June 2016 $AUD
Dividend franking account		
30% franking credits available to shareholders for subsequent financial years		
Class C franking credits	985,607	1,386,047

The above available amounts are based on the balance of the dividend franking account at year-end. The ability to utilise the franking account credits is dependent upon there being sufficient available profits to declare dividends and sufficient cash available.

Note 6 Subsequent Events

Directors are of the view that the following events which have happened between 30 June 2017 and the date of this report may have a material bearing on the Accounts.

- The construction of the hatchery in South Australia is substantially complete. Spawning commenced in August 2017.
- An additional capital raising was undertaken in July 2017 raising $298,564.

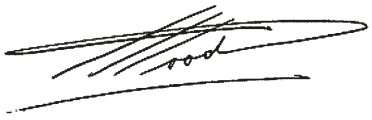
Directors' Declaration for the year ended 30 June 2017

In the opinion of the Directors of Shellfish Culture Limited (A.C.N. 009 519 171) the accompanying concise financial report of the Company for the year ended 30 June 2017, set out on pages 2 to 19.

(a) has been derived from or is consistent with the full financial report for the financial year; and

(b) complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Signed in accordance with a resolution of the Directors at Hobart on 2 October 2017.



Greg Goodman
Chairman

James Calvert
Director

Independent Auditor's Report to the Members of Shellfish Culture Limited

Report on the concise financial report

We have audited the accompanying concise financial report of Shellfish Culture Limited (the Group) which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and related notes 1 to 6 derived from the audited financial report of the Group for the year ended 30 June 2017 and the discussion and analysis. The concise financial report does not contain all the disclosures required by Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

Directors' responsibility for the concise financial report

The directors of the Company are responsible for the preparation and presentation of the concise financial report in accordance with Australian Accounting Standard AASB 1039 *Concise Financial Reports* and the *Corporations Act 2001* and for such internal control as the directors determine are necessary to enable the preparation of the concise financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Standards*. We have conducted an independent audit in accordance with Australian Auditing Standards, of the financial report of Shellfish Culture Limited for the year ended 30 June 2017. We expressed an unmodified audit opinion on the financial report in our report dated 2 October 2017. The Australian 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 for the year is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgement, including the risk of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the concise financial report in order to design 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. Our procedures included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports* and whether the discussion and analysis complies with the requirements laid down in Australian Accounting Standard AASB 1039 *Concise Financial Reports.*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion, the concise financial report, including the discussion and analysis, of Shellfish Culture Limited for the year ended 30 June 2017 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

KPMG

2 October 2017

Leigh Franklin
Partner
Hobart

KPMG. KPMG, an Australian partnership, is a member of KPMG International, a Swiss Association

Highlights of the year in pictures

"SCL continually punch above their weight division. To achieve what we have post POMS and to have the future strategic plans in place demonstrates this. The drive, the passion and the capability throughout SCL makes it just so exciting".

Greg Bowers *General Manager, Shellfish Culture*

Shellfish Culture Limited

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