



Concise Financial Report
for the year ended
30 June 2018



MISSION STATEMENT

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

Shellfish Culture



Shellfish Culture Limited

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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 2018 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:	73 Shareholders hold 1,123,070 shares
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 2017-2018



This has been an important year in the development of Shellfish Culture following POMS. We have continued learning how to manage the virus and the company's recent performance represents a turnaround that positions SCL well as it grows in line with its strategic directions.

I do believe we can now confidently predict the industry's recovery following the emergence of POMS in Australia. The turn-around of Shellfish Culture since POMS occurred in the summer of 2016 has been significant. Before POMS we were a hatchery and nursery, with an accompanying R&D focus. Our revenue stream depended on the production of high quality spat. Since POMS we have engaged in a great deal of strategic thinking and one of the major lessons was that a single income stream was a major risk to our company.

So we've developed a new strategic direction to build upon our foundations. The development of Eyre Shellfish in South Australia was one of the strands and the other strategic development to diversify our income stream, and thus reduce risk, has been to increase our interest in mature oysters by further developing our access to water.

Spat production remains our core business but the lesson of POMS was that we had to diversify our sources of income so that we weren't dependent on just one stream of revenue. That is being achieved, and in a nutshell, it is the story of Shellfish Culture over the last three years. This remains an ongoing process.

During this year, the company achieved budget which was a commendable performance. Cash flow and profitability were significantly enhanced, and net assets have improved.

Of note, loans and borrowings have reduced year on year from financial year 2017 to financial year 2018 by 30%. That's a significant reduction in debt. With the recovery process after POMS in hand and continuing, we're keenly focused on growing the company to meet the challenges and the opportunities that lie ahead.

Our diversification into mature oysters has served the company well during the year and it remains a continuing process. This strategy will ensure SCL's long term viability. Through diversification into matures, we've been able to mitigate risk and improve cash flow to pre-POMS levels.

Our fundamental role remains spat production, as evidenced by the significant quantities of spat (2240's) produced by SCL and grown in northern and eastern Tasmania. This has helped to ensure our industry keeps going after POMS; and it's a result of the work done by SCL to achieve a bio secure status. We continue to be regularly audited to ensure our bio-security remains strong. During the period under review SCL was the only hatchery approved to supply spat into POMS-free areas.

In South Australia it was a hard year's work at Eyre Shellfish. But ultimately it was a rewarding year which sets the groundwork for the future. As one of the Eyre Shellfish managers put it: "...there are always challenges and you work through them as you go."

Eyre Shellfish was officially opened in September 2017, only nine months after the start of construction. It was a great achievement by all concerned but in reality the facility was still in its commissioning stage during the course of the financial year. As we overcame the commissioning challenges, the plant is emerging as a crucial asset for our industry.

Just to recount, late in 2016 SCL embarked on a specific capital raising program seeking \$2 million to build the land-based Eyre Shellfish hatchery and nursery located in Cowell. An amount of \$3 million was raised and then a further \$649,333 was raised via a second capital raising opportunity. This enabled the construction and operation of this world class facility.

The sums raised for this project were driven by our strategic thinking and specifically designed to achieve stability, growth, and a greatly increased asset base in the post-POMS environment. They were not a general response to the industry down turn.

SCL's bio secure hatchery in Tasmania was also an important element in the Eyre Shellfish story. It not only supported the Tasmanian farming industry at a crucial time, but allowed us to replicate the same successful biosecurity protocols in the construction of Eyre Shellfish to ensure a bio secure facility going forwards in South Australia.

I'd like to recognise the assistance and support we've had from government, local government, government agencies and SCL and Eyre Shellfish staff in this successful project. Eyre Shellfish Board directors, Ken Lamb, Simon Turner and Greg Bowers have been invaluable in navigating the project through its many challenges.

I must also single out our shareholders: it was so important that the project had strong support from the South Australian oyster Industry, and the response was very positive with growers from all bays investing into Eyre Shellfish along with some key Cowell community investors.

Overall, the turn around this year for Shellfish Culture was reflected in our result with a profit of \$319,054 after tax compared to a loss the previous year of \$206,292. In regards to Eyre Shellfish in its first year of operation the result was a loss of \$1,055,051. The consolidated result was a loss of \$699,854.

The year was not without its challenges. But the POMS era is almost over. Our business model, processes and people stood up in difficult times, and we're now moving confidently into the future.

Greg Goodman
Chairman

General Manager's Report

for the year 2017-2018



After a year full of challenges, SCL can look back on 12 months of progress and achievement. We are increasingly optimistic about the future both in terms of our industry and this company's contribution to it. Our response, and recovery, since the POMS outbreak has enabled this.

The turnaround within our business since POMS hit - and particularly as the Chairman notes of this financial year just completed - has been an end result of our team really getting together and executing the required priorities. More than that, it's the 'how': the behaviours of the team that make me so proud.

The continued bio-security approved status that the Pipe Clay Lagoon hatchery achieved - the first hatchery to do so - has been successfully maintained. It enables a significant volume of spat to be sold into Tasmania's POMS free regions. It was a great development on several fronts, but in particular it enabled the industry after POMS to benefit from buoyant stock levels in those regions. This volume then flowed back to southern regions to be grown into larger stock, thus helping our industry's recovery. Thank you to those growers who purchased the stock. We appreciate your trust and support.

Pipe Clay Lagoon hatchery has now been audited several times and we continue to improve our overall performance.

Diversification is now a key strategic direction for the company which we actioned over the course of the year. It allows SCL to benefit from different revenue streams. POMS highlighted the need to do this. While spat production remains – and will remain - our cornerstone business, we have been developing into the area of mature oysters as a means to mitigate risk, increase our cash flow, and provide a new revenue source.

The strategy to keep increasing this revenue stream by a significant percentage each year is now well entrenched without SCL losing focus on the core business of spat production and supply.

At Eyre Shellfish, we knew during the planning and building stages that there would be challenges given a new site, new plant, new employees and new environmental factors. And so it turned out. The past 12 months have been exciting, frustrating, disappointing, uplifting, and just hard work. However, all should be very proud of the overall achievement. From open paddocks adjacent to Franklin Harbour has emerged a state of the art asset for the Australian oyster industry.

Initially the first few spawns and subsequent sales were very good, especially given that such an achievement occurred in a short time frame. Following that honeymoon the reality of some of the predicted challenges hit, especially our inexperience of a land based nursery, and in particular the enrichment dams and their optimisation.

The team in Cowell worked on these issues impressively. However, it became clear that we underestimated the technical knowledge that was required on a new site and in particular, the nursery process. The result of the nursery issues, in the main, led to spat shortages for the South Australian market.

Any challenge requires a solution-building response. So we aggressively recruited some additional technical capability to join the Cowell team and the change in the site's operation has been significant in regards to the nursery and particularly the enrichment dams and algae processes.

The technical support and knowledge that SCL was able to provide via the Management Services Agreement with Eyre Shellfish was significant during this period. This continued support is across the entire site and also includes the recruitment and all financial reporting and services.

I'm very proud of the Cowell Team's commitment and application. The rewards for their efforts will come and the facility will deliver. As we approach a new Spring I'm very confident the difficult first year for Eyre Shellfish, and what we have learnt from it, will place us in an excellent position going forward; and that the South Australian Industry overall will get a kick start to its recovery.

Our breeding program is now well advanced in regards to POMS; internally our recoveries were above forecast and significantly higher than previous years. Additionally, Triploids remain an important product for SCL, with the breeding program being enhanced significantly in regards to POMS resistance. I believe our breeding program is advanced enough to now revisit the other genetic characteristics or traits as was the case prior to the POMS outbreak.

Throughout the year SCL continued our relationships with key Asian customers and international companies. It is worth mentioning that SCL's reputation is well and truly enhanced following the POMS outbreak, our response to it, and subsequent recovery. We hosted numerous delegations and visits from international technical groups and provided advice where relevant. This international presence is also very important for our staff development and recruitment.

On the subject of staff, I'm very proud of what our teams have achieved. During the year we said farewell to Scott Parkinson, Breeding Manager (SCL) who spent ten years with our company. Throughout that period Scott's contribution was significant, including his last project which was the Eyre Shellfish hatchery. The Company wishes Scott every success in his future endeavours and on a personal note I greatly appreciated and respected Scott's technical expertise and support. Succession planning enabled SCL to cover Scott's departure smoothly with the Hatchery Team seamlessly taking up the challenges.

Additionally the farm staff at Pipe Clay Lagoon and Little Swanport ensured quality product at all times and achieved the budgeted matures' sales target. Importantly the company's safety record was very good with all employees contributing strongly to ensure we have a safe workplace.

The support I have had from the Chairman and the Board has been tremendous, particularly in regards to strengthening our teams in both Tasmania and South Australia. The strategic planning and subsequent execution of those plans demonstrate the strength and vision of our Board.

Although we haven't completely got through the POMS impact at the end of this year's review, I am convinced we have now entered a new exciting phase for SCL. We have recovered from POMS; we have built our internal competency and capability; and we have a clearly defined vision and plans. We can now build from this secure platform and enter an exciting growth phase.

Greg Bowers

General Manager

Discussion and Analysis of Financial Statements

for the year ended 30 June 2018

Operating results

The Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018 shows the Group made a loss of \$(699,853) compared with a loss of \$ (337,191) in the previous year. Of this, a profit of \$319,054 was attributable to the parent entity (loss of \$206,292 in 2017). The Group loss is due to the start up nature of operations in Eyre Shellfish and the lack of experience in land based nursery, and in particular the enrichment dams and their optimisation.

The value of oyster seed sales for the year ended 30 June 2018 was \$3,414,270 compared with \$1,465,989 in 2017.

The increased level of sales was due to re stocking activities by growers in Southern Tasmania and the commencement of operations and sales in South Australia.

Total expenses for the year were \$4,898,180 compared with \$3,139,825 in 2017. Of the total expenditure, \$2,103,869 related to operational expenditures associated with establishing nursery and hatchery operations in South Australia.

Net cash from operations was a net outflow of \$739,558 (2017: net outflow of \$456,567). In line with the start up activities of operations in South Australia, capital and debt raisings were pursued through the year to fund further infrastructure development and operational activities. To this end, \$847,896 was raised via capital and finance facilities were increased, including an increased overdraft limit of \$1,300,000.

Cash generated from operating and financing activities was used mainly for capital expenditure of \$1,201,833 (2017: \$3,054,427). The majority of the expenditure was applied to the additional infrastructure of the Nursery and Hatchery in South Australia.

Total shareholders' equity increased by \$148,042 over the year.

Management and Staff of Shellfish Culture Ltd.

General Manager: Greg Bowers

Director, Tasmanian Seafood Industry Council

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. Scott resigned his position on 2 February 2018 to further his career in aquaculture.

Operations Manager / Hatchery: Scott Mactier

Bachelor of Applied Science/Aquaculture (JCU), MBA (Deakin)

Joined the company in 2015. Extensive experience across multiple shellfish aquaculture industries in the Asia/Pacific region in commercial, research and development roles.

Pipe Clay Lagoon: Greg Hollingsworth, Tommy Males, Mary Parker, Vanessa Delpero, Angus Howlett, Isaac Standaloft, Ben Munro, David Shorten, Mark Wright, Michael Riley, Frank Kerruish, Alex Priest, Allana Jackman, Tamika Salvesen, Andy Jack, Johnathon Griffiths, Matthew Bresnehan, Jade Jenkins

Little Swanport: Joe Jacobson, Malcolm Graham, Jessie Sutcliffe

Administration: Jacqui Singleton, Company Secretary – Shellfish Culture Ltd and Eyre Shellfish Pty Ltd

Shareholders

The ten largest shareholders of Shellfish Culture Ltd are as follows

Krisami Investments Pty Ltd	11.52%
Southern Cross Marine Culture Pty Ltd	11.23%
Langley Superannuation Fund	10.02%
The A K Shadforth Family A/C	7.85%
Tas Prime Oysters Pty Ltd	6.19%
Bolduans Bay Superannuation Fund No. 2	5.28%
Bendane Pty Ltd	4.45%
G & JA Goodman P/L ATF Goodman S/F	3.97%
P & V Forrest Investments Pty Ltd	3.85%
Rottcodd Superannuation Fund	3.34%

Directors' Report

Your Directors present their report and the financial accounts of the Company for the year ended 30 June 2018 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. Chairman Kemp and Denning Ltd. Formerly Group Chief Executive, Royal Automobile Club of Tasmania Ltd. Previously 36 years in finance and retail industries. Interest in shares: 44,639 (3.97%)

James Geoffrey Calvert, GAICD, Director since 2007.

Managing Partner, Tasmanian Oyster Co. Managing Director, Tas Prime Oysters Pty Ltd. Director, Arm End Pty Ltd. Oyster farmer for 30 years. Interest in Shares: 38,207 (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: 5,334 (0.47%)

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. 34 years in primary industry and fisheries management and marketing. Interest in Shares: 8,461 (0.75%)

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 (8.03%)

Kenneth Bruce Fleming, B Ec (Hons), GRAD DIP EC, GRAD DIP FS, DIP FIN SERV, F FIN. Director since 2017.

Director Castray Capital Pty Ltd; Non-Executive Director TasmaNet Pty Ltd and Pure Foods Tasmania; 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 (3.34%)

COMPANY SECRETARY

Jacqui Singleton. Company Secretary since 31 July 2015.

Administration Manager Shellfish Culture Ltd since 2010. Eight 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	10
James G. Calvert	13	13
Anthony H Johnston	13	12
Jonathon D. Poke	13	13
James Hawson	13	11
Kenneth B Fleming	13	13

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 25 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 one letter 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 25 – Related parties in the full financial statements.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was the production of shellfish seed and a commencement of mature oyster sales.

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

Subsequent to the end of the financial year, the Company has commenced a capital raising process for the purpose of expanding operations through acquisition of additional farms. Other than this, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

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' 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 \$4,334 (2017 - \$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.

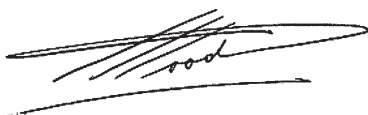
AUDIT AND NON-AUDIT SERVICES

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 12 and forms part of the Directors Report for the financial year ended 30 June 2018.

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 28 September 2018.



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 of Shellfish Culture Limited for the financial year ended 30 June 2018 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

Andrew Gray
Partner
Hobart

28 September 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2018

	Year Ended 30 June 2018 \$AUD	Year Ended 30 June 2017 \$AUD
Revenue and other income:		
Sales	3,414,270	1,465,989
Increase/(decrease) in stock values	234,863	627,383
Other income	781,319	435,398
Fuel tax credit rebates	80,231	-
Total Revenue and other income	4,510,683	2,528,770
Expenses:		
Administrative expenses	1,142,060	1,226,550
Finance expenses	109,482	73,208
Marketing and selling expenses	18,708	37,598
Occupancy expenses	47,236	199,066
Production expenses	3,580,694	1,603,403
Total Expenses	4,898,180	3,139,825
Profit/(loss) before tax	(387,497)	(611,055)
Income tax benefit/(expense)	(312,357)	273,864
Profit/(loss) for the year	(699,854)	(337,191)
Other comprehensive income for the year		
Related income tax	-	-
Total comprehensive income/(loss) for the year	(699,854)	(337,191)
Total surplus/(deficit) for the year attributable to:		
Non-controlling interest	(464,222)	(47,124)
Parent entity	(235,632)	(290,067)
	(699,854)	(337,191)

This Consolidated Statement of Profit or Loss and Other Comprehensive Income needs to be read in conjunction with the notes on pages 17 to 18.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2018

2018	Retained Earnings \$	Asset Revaluation Reserve \$	Issued Capital \$	Non-Controlling Interests \$	Total \$
Balance at 1 July 2017	2,844,422	572,634	2,469,023	1,032,876	6,918,955
Profit/(loss) for the year	(235,632)	-	-	(464,222)	(699,854)
Shares issued during the year	-	-	298,564	549,332	847,896
Balance at 30 June 2018	2,608,790	572,634	2,767,587	1,117,986	7,006,997

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	6,918,955

This Consolidated Statement of Changes in Equity needs to be read in conjunction with the notes on pages 17 to 18.

Consolidated Statement of Financial Position

for the year ended 30 June 2018

	Year Ended 30 June 2018 \$AUD	Year Ended 30 June 2017 \$AUD
Current Assets		
Cash and Cash Equivalents	241,433	896,604
Trade and Other Receivables	812,444	128,434
Other assets	40,244	17,929
Biological Assets (Shellfish Seed)	1,557,159	1,322,296
Assets Held for Sale	-	70,000
Inventory	-	37,966
Total Current Assets	2,651,280	2,473,229
Non-Current Assets		
Deferred Tax Asset	-	130,041
Plant and Equipment	6,548,547	6,047,922
Intangible Assets	780,468	840,759
Investment Property	237,166	243,583
Total Non-Current Assets	7,566,181	7,262,305
Total Assets	10,217,461	9,735,534
Liabilities		
Current Liabilities		
Trade and Other Payables	506,823	646,617
Loans and Borrowings	398,283	233,090
Income in Advance	5,010	58,500
Deferred Tax Liabilities	218,258	-
Employee Benefits	128,369	192,991
Total Current Liabilities	1,256,743	1,131,198
Non-Current Liabilities		
Loans and Borrowings	1,865,589	1,669,312
Employee Benefits	28,132	16,069
Total Non-Current Liabilities	1,893,721	1,685,381
Total Liabilities	3,150,464	2,816,579
Net Assets	7,066,997	6,918,955
Equity		
Issued Capital	2,767,587	2,469,023
Asset Revaluation Reserve	572,634	572,634
Retained Earnings	2,608,790	2,844,422
Non-controlling interest	1,117,986	1,032,876
Total Equity	7,066,997	6,918,955

This Consolidated Statement of Financial Position needs to be read in conjunction with the notes on pages 17 to 18.

Consolidated Statement of Cash Flows

for the year ended 30 June 2018

	Year Ended 30 June 2018 \$AUD	Year Ended 30 June 2017 \$AUD
Cash Flows from Operating Activities:		
Cash receipts from customers	4,529,450	2,195,281
Cash paid to suppliers and employees	(4,716,685)	(1,980,645)
Interest received	1,025	5,629
Interest paid	(116,267)	(76,421)
Income tax refunded/(paid)	(437,081)	(600,411)
Net cash used in operating activities	(739,558)	(456,567)
Cash Flows from Investing Activities:		
Proceeds on sale of property, plant & equipment	14,354	-
Payments for property, plant & equipment	(1,201,833)	(3,054,427)
Payments for intangibles	(7,500)	-
Proceeds from Sale of held for sale asset	70,000	-
Net cash used by investing activities	(1,124,979)	(3,054,427)
Cash Flows from Financing Activities:		
Proceeds from borrowings	694,683	869,833
Repayment of borrowings	(576,423)	-
Proceeds from issue of shares	847,896	2,776,255
Net cash provided by financing activities	966,156	3,646,088
Net increase/(decrease) in cash and cash equivalents	(898,381)	135,094
Cash and cash equivalents at beginning of year	896,604	761,510
Cash and cash equivalents at end of financial year	(1,777)	896,604

This Consolidated Statement of Cash Flows needs to be read in conjunction with the notes on pages 17 to 18.

Notes to and Forming Part of the Accounts

for the year ended 30 June 2018

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 2018 \$AUD	Year Ended 30 June 2017 \$AUD
Other Income		
Rent	25,038	28,973
Interest	1,024	10,258
Grant	266,842	27,000
R&D Tax Incentive	473,024	336,001
Other	15,391	33,166
	781,319	435,398

Major Customer

Revenues from one customer represent \$383,435 (2017: \$150,473) of the Group's total revenue.

Notes to and Forming Part of the Accounts

for the year ended 30 June 2018

Note 5 Dividends

	Year Ended 30 June 2018 \$AUD	Year Ended 30 June 2017 \$AUD
Dividends recognised in the current year by the Company were as follows:	-	-

All dividends declared or paid during the financial year were franked at the tax rate of 27.5%. No dividends will be paid in respect of the current year.

	Year Ended 30 June 2018 \$AUD	Year Ended 30 June 2017 \$AUD
Dividend franking account		
27.5% franking credits available to shareholders for subsequent financial years		
Class C franking credits	985,607	985,607
	<u>985,607</u>	<u>985,607</u>

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.

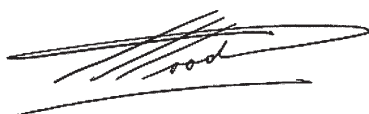
Directors' Declaration for the year ended 30 June 2018

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 2018, set out on pages 2 to 18.

(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 28 September 2018.



Greg Goodman
Chairman



James Calvert
Director



Independent Auditor's Report

To the shareholders of Shellfish Culture Limited

Opinion

We have audited the **Concise Financial Report** of Shellfish Culture Limited (the Company and its controlled entities (the **Group**) as at 30 June 2018 and for the year ended on that date. The financial statements and related notes in the Concise Financial Report are derived from the audited financial report of the Company as at and for the year ended 30 June 2018 (the Audited Financial Report).

In our opinion, the accompanying Concise Financial Report, including the discussion and analysis of the Company, complies with *Australian Accounting Standard 1039 Concise Financial Reports*.

The **Concise Financial Report** comprises:

- Consolidated Statement of financial position as at 30 June 2018
- Consolidated Statement of profit or loss and other comprehensive income, Consolidated Statement of changes in equity, and Consolidated Statement of cash flows for the year then ended
- Discussion and analysis
- Related notes.

The **Group** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for Opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Concise Financial Report* section of this Auditor's Report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Concise Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Scope of the Concise Financial Report

The Concise Financial Report does not contain all the disclosures required by *Australian Accounting Standards* in the preparation of the Audited Financial Report. Reading the Concise Financial Report and this Auditor's Report thereon, therefore, is not a substitute for reading the Audited Financial Report and our auditor's report thereon.

The Concise Financial Report and the Audited Financial Report do not reflect the effects of events that occurred subsequent to the date of our auditor's report on the Audited Financial Report.



The Audited Financial Report and our auditor's report thereon

We expressed an unmodified audit opinion on the Audited Financial Report in our auditor's report dated 28 September 2018.

Other Information

Other Information is financial and non-financial information in Shellfish Culture Limited's *Concise report* which is provided in addition to the Concise Financial Report and this Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report, Chairman's Report and the General Manager's Report.

Our opinion on the Concise Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Concise Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Concise Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibility of the Directors for the Concise Financial Report

The Directors are responsible for:

- preparing the Concise Financial Report in accordance with *Australian Accounting Standard AASB 1039 Concise Financial Reports* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of the Concise Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the audit of the Concise Financial Report

Our responsibility is to express an opinion on whether the Concise Financial Report, including the discussion and analysis in all material respects, complies with *Australian Accounting Standard AASB 1039 Concise Financial Reports* based on our procedures, which were conducted in accordance with *Australian Auditing Standard ASA 810 Engagements to Report on Summary Financial Statements*.

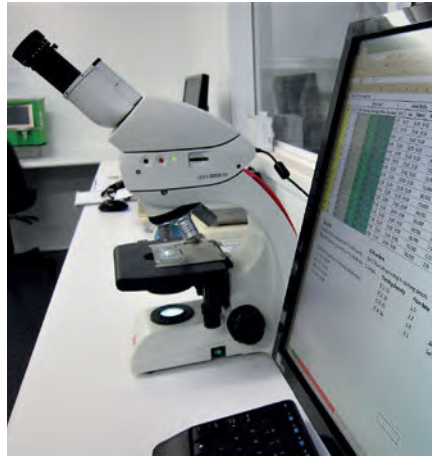
KPMG

Andrew Gray
Partner
Hobart

28 September 2018

"I'm very proud of what our teams have achieved".

Greg Bowers General Manager, Shellfish Culture



Top left / right: Regular clean-ups of Pipe Clay Lagoon ensure a pristine environment, free of feral oysters. **Top middle:** A commitment to scientific research and development gives SCL a critical edge. **Bottom left:** International visitors get briefings on how the company turned around after POMS. Here SCL, Seapa and ShellQuip meet Japanese growers and restaurant owners at Pipe Clay Lagoon. **Bottom right:** Quality product at all times. Little Swanport nursery.

"...the POMS era is almost over. Our business model, processes and people stood up in difficult times, and we're now moving confidently into the future".

Greg Goodman Chairman, Shellfish Culture



Eyre Shellfish was officially opened in September 2017.

Shellfish Culture Limited

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