



**Shellfish Culture**  
TASMANIA

*World Leading*

CONCISE FINANCIAL REPORT 2020

# GROWING REGIONS



## THE TASMANIAN STORY

Island life is never easy, it never has been. This is why, for Tasmanians, good enough is never good enough. We work harder, we follow our obsessions, we support one another, and we protect what makes this place different.

Being Tasmanian is the quiet pursuit of the extraordinary.



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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 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.

A copy of the 30 June 2020 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 Group on (03) 6248 9441 or by sending an email to [secretary@shellfishculture.com.au](mailto:secretary@shellfishculture.com.au).

# GROUP PROFILE

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

Issued capital: 179 Shareholders hold 4,636,637 shares as at 30 June 2020

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, 86 Collins Street, Hobart TAS 7000

Auditors: KPMG, Level 3, 100 Melville Street, Hobart, Tasmania 7000

# GOALS

The Group aims to:

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

Produce quality mature oysters for the consumer market

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 team supported by best practice production systems and technology

To be a leader in sustainable oyster production by protecting the precious environment in which we operate

Lead in those areas where the Group can influence and shape the industry:

- Research and Development and selective breeding technologies
- Best people
- Creating, maintaining, and promoting a safe working environment
- Managing markets and customers
- Creating and capturing value leading to improved profits and margins.

Ensure sound corporate governance.

# Vertical integration

Our product is nurtured from creation to consumer.

Our IP, our science,  
our technology,  
our experience and  
expertise in breeding.

Breeding



Nursery

Hatchery,  
Nursery,  
Farm,  
Harvest.

Tasmania's only  
Certified Organic  
oyster farms.

Farming



Consumer

Tasmanian  
Oyster Co.  
packaging for  
retail market  
and delivery.

# Incredible Produce



## CHAIRMAN'S REPORT for the year ended 30 June 2020

This year Shellfish Culture continued to expand its business and made significant progress in numerous areas despite being tested by the unprecedented impact of Covid-19. The sudden reality of a global pandemic forced the company to make difficult decisions to reposition the business to ensure our survival.

It's been a year in which we have learned a great deal about ourselves and the value and strength of support of all our stakeholders. As Friedrich Nietzsche famously opined "that which doesn't kill you makes you stronger". I believe that will be a truism for the business going forward.

I am extremely grateful and proud of the efforts of my fellow Board members, management and staff and all stakeholders in the manner in which they have responded to the challenges and changes brought about by Covid-19 including the impact on working conditions, supply chains, routes to market, cashflow, and the necessity to reduce costs and find different ways of doing business.

It is a year in which all members of the Board have contributed significantly in different areas and along with management graciously accepted reductions in remuneration, and in the case of the Board, waived all fees for the last quarter.

I am also grateful of the support provided by both Federal and State Governments which has ensured our survival throughout this period along with the support of our financiers and shareholders. It is regrettable that we have had to restructure our workforce including the redundancy of several

longstanding employees, and we acknowledge and are thankful for their service.

We have made significant progress during the year by integrating farm acquisitions and completing capital works to prepare for increased stock levels and improvement of leaseholds. This has allowed us to considerably increase production capacity.

Our Nursery and Hatchery operations continue to produce outstanding spat and continue to explore new areas of innovation and R&D to maintain our market leadership position.

We are delighted to have been awarded a Federal Government grant to robotically laser etch logos and branding onto oyster shells, which we believe will be a major marketing differentiator for the business, and it is pleasing that the innovation has already received significant press coverage. We anticipate showcasing the branded oysters over the coming summer.

*"Our Nursery and Hatchery operations continue to produce outstanding spat and continue to explore new areas of innovation and R&D to maintain our market leadership position."*

The management team has continued to drive business improvement during the year including achieving organic certification and improvements to workplace health and safety, production planning and forecasting, systems and reporting, environmental and sustainable practices and general operational streamlining which will assist in our objective to be the highest quality and lowest cost producer.

We are pleased to report that significant progress has been achieved in the development of the Eyre Shellfish operations during the year, including a fundamental change to the management of the operations. We are growing increasingly confident of Eyre Shellfish's ability to operate as a

stand-alone sustainable business having largely overcome remaining technical challenges.

In this regard I make special note of the efforts of Jon Poke and Patrick Taskunas who have worked extensively with the Board and management of Eyre Shellfish to challenge operating assumptions and processes and improve financing and operations. I also note the efforts and support of the Board and external shareholders of Eyre Shellfish who have passionately supported the business both financially and operationally to ensure its viability. As Eyre approaches the peak growing season we are optimistic as to the prospects of achieving its business plan for the current year.

Favourable climatic conditions in all of our farming areas over the winter months have us optimistic about the likely production and quality of product coming into summer. Whilst we were not able to sell the amount of product we would have liked in 2020, we are hopeful that an opening of borders and resumption of more normal trading conditions could provide strong trading conditions for 2021.

We recently executed a revised heads of agreement for the strategic acquisition of Bolduans Bay Oysters and Estuarine Oyster Company – collectively the "Poke acquisition" - which we have been pursuing for the duration of 2019 and 2020 and which will complete the acquisition of the oyster marketing vehicle Tas Prime Oysters.

Covid-19 necessitated a renegotiation of terms and was restructured to be a predominantly script based acquisition which will result in the Poke family becoming our largest shareholder. This is a once in a generation opportunity for the business and will result in the largest Tasmanian oyster business delivering significant branding, marketing, sales, stock management and other synergies which would not otherwise be possible. We are excited about the opportunities for the business, following shareholder approval for this acquisition, and for the opportunity to welcome the management of the business to Shellfish Culture. They will add significant expertise and strength to the business. We are thankful to the Pokes for their approach to the transaction and their persistence in restructuring the terms.

As part of the Poke acquisition proposal we have offered all shareholders the opportunity to participate in a capital raising structured in the form of a converting note to complete

the inventory portion of the Poke acquisition and provide additional working capital. The completion of the note raising will commence the start of a formal commitment to work towards a liquidity event for the business within the next two years, which will likely take the form of an initial public offering.

Following shareholder approval of the Poke acquisition, we shall achieve the initial phase of our acquisition strategy; and 2021 will see all focus and effort directed towards integrating the Poke business, pursuing business optimisation, and in developing routes to market and revenue opportunities that maximise returns to shareholders.

We also believe now is an appropriate time to change the name of the business to the Tasmanian Oyster Company and will be seeking approval for the change at the Annual General Meeting.

Finally, I thank James Calvert for his dedication and leadership during the year, our tireless CFO and Company Secretary Patrick Taskunas, and the entirety of the management team who have been pillars of strength in leading the business in unprecedented times. Clearly, we will continue to face uncertain economic conditions over the short to medium term, but with the support of all stakeholders we enter 2021 with the platform set to be an extremely strong participant in the Australian oyster market

**Sandy Beard**  
Chairman



*"Favourable climatic conditions in all of our farming areas over the winter months have us optimistic about the likely production and quality of product coming into summer".*

**Sandy Beard**  
Chairman



# Pristine Environment



## MANAGING DIRECTOR'S REPORT for the year ended 30 June 2020

The 2020 financial year has provided the business with challenges, due to Covid-19 enforced government lockdowns and restrictions in the fourth quarter. A complete standstill of the global food service industry caused initial market demand reduction to zero.

Traditional supply chains rebounded to approximately 50% by May and continued at these levels for the remainder of the financial year. Post June, the domestic market recovered to around 60% of comparable demand.

Domestic prices have been variable with some sector members forced to reduce prices by up to 20%, as a consequence of reduced cash flow.

SCL has managed to maintain domestic price throughout the market disruption. There is optimism the domestic market will regain stronger demand in the second quarter of FY21.

Export markets have experienced identical situations to Australia with all SCL export sales cancelled in March. By May our export customers began to re-open and we finished the year strongly with export sales up by 90% (YOY). While pre Covid-19 export prices were maintained, a significant increase in airfreight prices and restricted flight availability has seen a 10% reduction in farm gate prices. Export sales in FY20 contributed 10% of total market sales.

The impacts from Covid-19 compelled the Board and Management to implement protective financial measures to ensure SCL had the capacity to ride out the current situation, and place the business in a strong recovery position. As part of these measures we had to implement

redundancies for some long standing staff. A difficult decision but necessary due to revenue uncertainty.

We also said goodbye to Jacqui Singleton, who is looking for a fresh start after a lengthy period of illness. Jacqui has worked with SCL as Admin Manager and three years as Company Secretary for the past decade and her contribution will be remembered. I am pleased to advise Jacqui is on a path to a full recovery.

As supply channels adjust, Management has focused on developing new product lines to bring forward the Company's retail expansion plans. There will be a new range of retail offerings launched between Oct – Feb 21, including fresh, value-add, frozen and new premium branded products courtesy of our new bespoke laser etching robot, which is receiving great interest.

By the end of FY21 the Company hopes to divert a significant percentage of sales through premium and retail opportunities, with the remainder moved through current supply channels of export, restaurant and wholesale. A dedicated sales & NPD team has been assembled, including external consultants, to assist in the development and commercialisation of the new product lines.

Seed sales have also been impacted due to Covid-19. Farms nationwide have been conservative with stock inputs which has seen a 40% reduction in demand. There will come a stage when farms will restock, and SCL is holding additional capacity to ensure we can support our seed customers and grow out the surplus on our own farms.

The Company has growing volumes of triploid oysters, which will provide the business with high quality and volume production in the peak summer demand period, when supply from other states is low due to the annual spawning process. This seasonal advantage will ensure Tasmanian Oyster Co is the preferred supplier in the major capital markets during this important period.

Stock levels continue to increase as our water infrastructure expands. The Company has additional stock levels above FY21 forecast, for both seed and mature market supply.

Traditional wholesale markets will continue to play an important part in our future. The company will continue to work with our long-standing, valued clients to ensure our quality product is available all year round while maintaining our high-quality vision.

## 2020 SNAPSHOT



Revenue  
\$9  
MILLION

### Production area



107.5  
Total Hectares



With the onset of Covid-19 we saw all non-critical CAPEX deferred until market conditions improved. The Company purchased materials pre Covid-19 and managed to build sufficient on-farm infrastructure (10ha) during the year to ensure our production levels continue to expand. SCL will also continue to invest in our Research and Development program, with a new R&D laboratory to be commissioned in FY21. This new facility will allow for dedicated disease resistant breeding while providing the additional benefit of new species development, which we hope to commence early in the 2021 calendar year.

SCL will continue to build on R&D to provide IP in productivity gains, diversity of species and other opportunities.

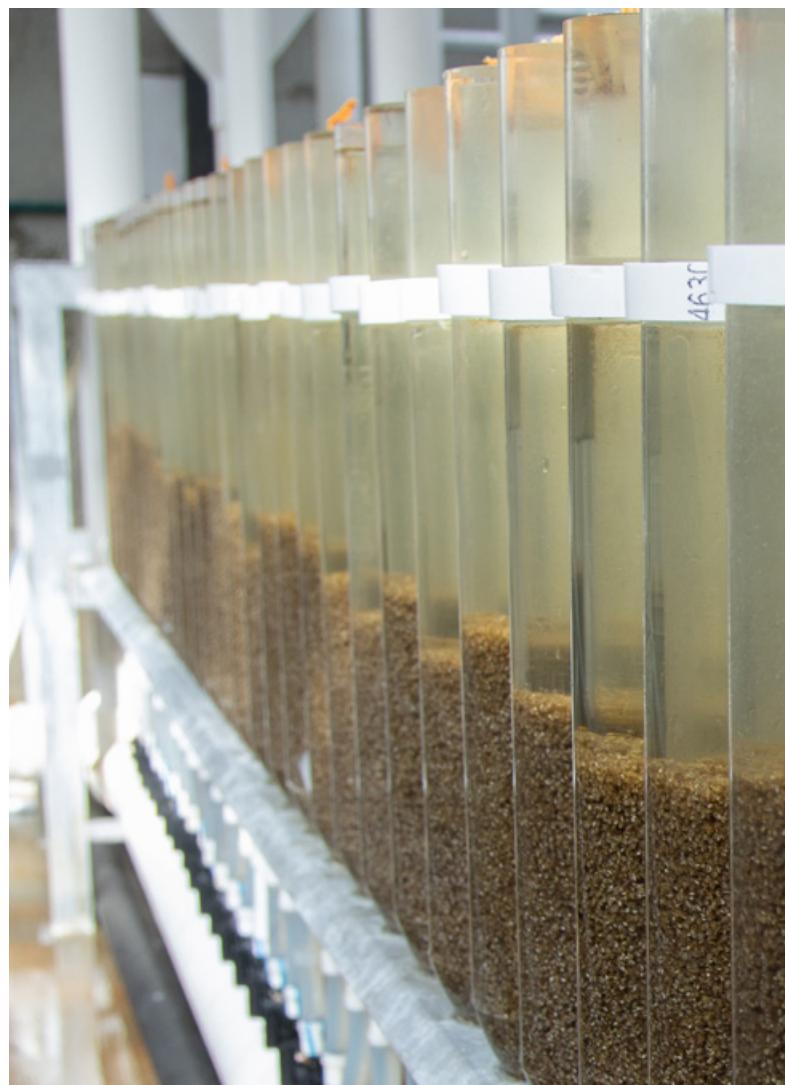
As reported under *Matters Subsequent to the end of the Financial Year* elsewhere in this document, the recent acquisition re-signing of Bolduans Bay Oysters Pty Ltd and Estuarine Oysters Pty Ltd was a challenging experience. The acquisition process saw all parties reevaluate the businesses based off the back of Covid-19 impacts. The due diligence was extensive and lengthy. However I believe we achieved a great opportunity for our shareholders. The proposed acquisitions will provide SCL with the combined volume of production required to maintain a solid foundation to launch all future growth. Increased revenue will enable the company to realise the strategic goals as expressed during our capital raising.

I look forward to the opportunity to work with some very experienced and capable managers. Josh and Jarrad Poke bring highly experienced management in large scale oyster production, as their combined businesses have been the largest oyster producers in Tasmania for the past 15 years. When combined with Shellfish Culture's breeding and farming capacity, the combined businesses will provide over 200 ha and 35-40% of Tasmania's total oyster production.

A combined structure would also see Cassie Plaza join our team. Cassie has developed a great tourism and social media model through the brand "Tarkine Fresh Oysters", and the building of a Smithton oyster café. Cassie's skills will further enhance our social media platforms and provide great support with future planning in marketing and promotion.

I would personally like to express my appreciation to Jon and Annette Poke for their patience and strong ethical approach throughout negotiations. Our shared vision, along with Jon and Annette's substantial investment proposal in SCL demonstrates to shareholders the belief and commitment we all have for the future.

I thank the Board for its ongoing support of the business. Directors moved quickly to plan a financial path forward through Covid-19 and assisted the process by unanimously and immediately joining a forgoing of salaries for the final four months of the year.



Finally, I would like to thank my Management team for their ongoing commitment during these difficult times. Our work culture, OH&S and sustainability continue to operate at a high level. Our people are our strongest asset and I am appreciative of their on-going support and dedication to our vision.

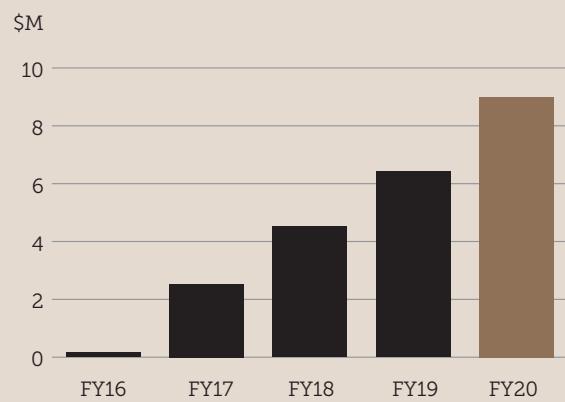
**James Calvert**  
Managing Director



*"SCL will continue to build on R&D to provide IP in productivity gains, diversity of species and other opportunities."*

**James Calvert**  
Managing Director

## Revenue



Revenue continues to increase inline with our growth strategy. Production volumes are expanding to ensure continued income increases YOY.

## Export Sales

**90% increase**

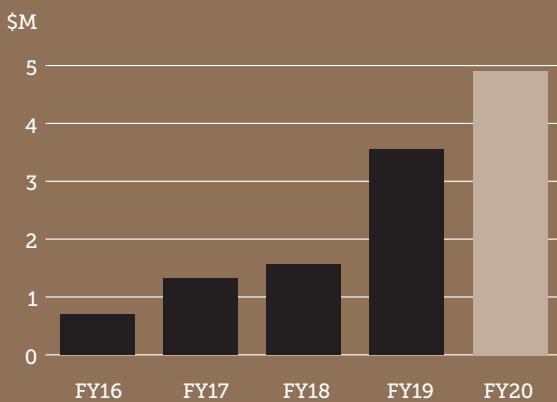


A positive year for sales of SCL product: zero export sales were forecast after the coronavirus pandemic hit.

In fact, FY 20 sales were \$368,000, an increase of 90% when compared with FY19 (\$191k). Even at the height of the disruption, (March 1 to June 30) sales increased by 350% over the previous year.

## *Spat and mature production*

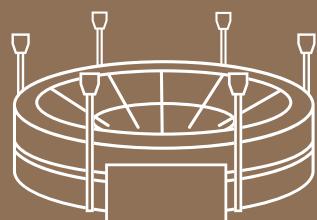
Our stock levels have risen consistently over the past five financial years with a current oyster volume valued at \$4.9 million. We are well placed to meet Australian and export demand.



## *Our footprint*

Our farm footprint covers an area of 107.5 ha, which is equivalent to 35 MCG stadiums.

35 x



## New branding



- Tasmanian Oyster Co. First retail range launched September 2020.
- Laser etching from December 2020 provides mature oyster products with a distinctive shell logo and instant brand recognition.
- Robotic laser oyster etching production line is a world first (patented).
- Appointed an officer to conduct NPD/FMCG duties on behalf of SCL while more domestic and export lines are being developed for FY21.



## Committed to sustainability



*Mark Wright, Sustainability Officer*

Our performance is closely aligned to the health of the natural resources on which our production systems rely.

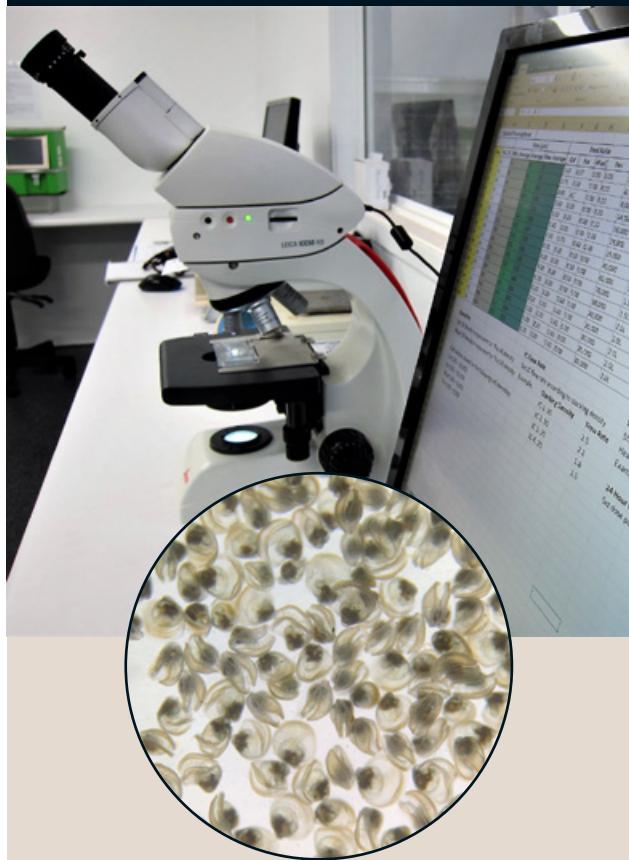
We're committed to be a leader in sustainable oyster production.

We're developing a comprehensive Sustainability Policy, and we've appointed a Sustainability Officer to ensure the safety and wellbeing of staff, the protection of the environment that nurtures our products, and the interests of the consumer in buying a premium, quality product.

Organic certification has also been achieved, making SCL the only Tasmanian oyster farm with this important consumer recognition. Further sustainability accreditation will be introduced in the coming year.



## Breeding program



A new laboratory to be established at Pipeclay Lagoon will focus on R&D breeding, and intensify the tetraploid and triploid breeding program. Scheduled to be in operation before Christmas 2020.

The facility is an investment in developing premium triploid oysters that are also more resistant to POMS. When the disease first struck, our triploid oysters had no genetic resistance. Now, generation by generation, we're breeding triploids with increased POMS resistance.

The latest triploid spawn has Estimated Breeding Values (EBV) of 45%. The goal is to achieve 80% EBV by FY23. The new laboratory allows us to increase the frequency of R&D broodstock spawnings which will ultimately shorten the time frame to produce a POMS resistant triploid oyster. It reinforces the existing biosecurity program at the Pipeclay Lagoon hatchery, and provides the capability of commencing R&D on new species development.



# DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS

for the year ended 30 June 2020

## Operating results

The Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020 shows the Group made a loss of \$1,818,711 compared with a loss of \$2,378,485 in the previous year. Of this, a loss of \$1,605,471 was attributable to the parent entity (loss of \$1,149,274 in 2019). The Group loss is due to the ongoing development of operations at Eyre Shellfish, the impact of Covid-19 on the domestic oyster market and environmental challenges at the Group's farming sites in Tasmania. During the financial year, the Group acquired one oyster farming business in Marion Bay, Tasmania. Expenses relating to business acquisitions and capital raising, including stamp duty totalled \$193,288.

The value of oyster seed sales for the year ended 30 June 2020 was \$2,479,562 compared with \$2,894,084 in 2019. The total value of sales of mature oysters for the year ended 30 June 2020 was \$3,080,424 compared with \$851,561 in 2019.

Total expenses for the year were \$10,728,023 compared with \$9,083,726 in 2019. Of the total expenditure, \$2,394,331 related to operational expenditures associated with the nursery and

hatchery operations in South Australia. Included in the total expenditure is an impairment expense of \$993,718 (2019: \$361,521) which relates to Goodwill from business acquisitions undertaken during the 2019 & 2020 financial years.

Net cash from operations was a net outflow of \$901,107 (2019: net outflow of \$1,226,271). In line with the ongoing operational improvements in South Australia and the acquisition of the oyster farm assets in Tasmania, capital and debt raisings were pursued through the year to fund further infrastructure development and operational activities. To this end, \$4,463,228 was raised via capital and finance facilities.

Cash generated from financing activities was used mainly for capital expenditure of \$2,865,451 (2019: \$6,348,800) and purchase of goodwill and intangibles of \$1,801,890 (2019: \$3,980,274). The majority of the expenditure related to capital works programs in Tasmania on the newly acquired Marine Farming Licences, to bring them up to standard.

Total shareholders' equity increased by \$3,391,340 over the year.

# Management and Staff of the Group

## as at 30 June 2020

### **James Calvert – Managing Director**

GAICD, Shellfish Culture Ltd Director since 2007. Former Managing Partner, Tasmanian Oyster Co. Managing Director Tas Prime Oysters Pty Ltd. Director, Arm End Pty Ltd. Oyster farmer for over 32 years.

### **Patrick Taskunas – Chief Financial Officer**

B.Bus, CA. Patrick holds a Bachelor of Business with double majors in Finance and Accounting from the University of Tasmania and is a qualified Chartered Accountant. Previous roles include Deloitte Australia, National Pies Pty Ltd, Australian Taxation Office and Woolworths Ltd.

### **Allan Bryant – General Manager – Eyre Shellfish Pty Ltd**

BMS (Hons) majoring in Economics and Finance. Former Vice President Asia Pacific Operations for Air International. Former Executive Director of Futuris Corporation. Businessman with over 30 years' experience leading and owning operations in Australia and Asia.

### **Key Operations Management**

**Pipeclay Lagoon Hatchery** – Scott Mactier

**Pipeclay Lagoon Farm** – Michael Riley

**Blackman Bay** – Max Cunningham

**Pittwater** – Kriss Ryan

**Little Swanport** – Malcolm Graham

**Cowell Hatchery/Nursery** – Ben Punch

**Administration** – Jacqueline Singleton

# Shareholders

The ten largest shareholders of Shellfish Culture Ltd are as follows:

Marion Bay Oysters Pty Ltd ATF The Cunningham Family Trust	5.44%
Krisami Investments Pty Ltd	5.28%
Mr Rodney David Thorp	4.79%
Mr Anthony Gerard Byrne	4.34%
Langley Superannuation Fund	4.31%
Suetone Pty Ltd (The AK Shadforth Family A/C)	3.24%
Arm End Pty Ltd ATF James Calvert Family Trust	3.02%
GJ & HT Langley Holdings Pty Ltd ATF Langley Family Trust	3.02%
Arm End Pty Ltd ATF Harvey Calvert Family Trust	3.02%
Southern Cross Marine Culture Pty Ltd	2.72%

# Directors' Report

Your Directors present their report and the financial accounts of the Group for the year ended 30 June 2020 and the Auditor's report thereon.

## DIRECTORS

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

**Alexander (Sandy) Beard**, B.Com, FCA,  
MAICD - Chairman

Appointed Chairman of Shellfish Culture Ltd 27 September 2019. Former CEO CVC Limited 1991-2019. Chairman of ASX Listed Probiotec Ltd, Director of ASX Listed Centrepoint Alliance Limited, Pure Foods Tasmania Ltd and Tas Foods Ltd. Extensive experience with investee businesses, both in providing advice and in direct management roles, especially bringing management expertise to early-stage businesses. Director of numerous public and private companies encompassing the past 25 years with a focus on delivering strong shareholder returns by execution of business growth strategy and/or liquidity events.

Interest in Shares: 66,666 (1.44%)

**James Calvert**, GAICD – Managing Director  
Managing Director Tas Prime Oysters Pty Ltd and Director of ShellMAP. Director Arm End Pty Ltd. Former Managing Partner Tasmanian Oyster Co. Former Chairman Tasmanian Aquaculture Council and Tasmanian Shellfish Executive Council. Oyster farmer for 32 years.

Interest in Shares: 168,904 (3.64%)

**James Hawson**, B.Com, FCPA.

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: 7,787 (0.17%)

**Anthony Johnston**, MAICD, B.Ag.Ec.

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. 40 years in primary industry, fisheries management and marketing.

Interest in Shares: 8,461 (0.18%)

**Jonathon Poke**, MAICD.

Oyster farmer since 1979. Director of Eyre Shellfish Pty Ltd, Bolduans Bay Oysters Pty Ltd, Bolduans Bay Holdings Pty Ltd, Tas Prime Oysters Pty Ltd, Estuarine Oyster Company Pty Ltd, and past Chairman Tasmanian Shellfish Executive Council 2012-14.

Interest in Shares: 109,715 (2.37%)

**Kenneth Fleming**, B Ec (Hons), GradDipEd, GradDipFS, DipFinServ, F Fin.

Director Castray Capital Pty Ltd. Non-Executive Director TasmaNet Pty Ltd and Pure Foods Tasmania. Former Head of Research Tricom Equities. Former head of Research and Director Aegis Equities Research. Former Head of Telecoms, Technology and Media, Deutsche Bank.  
Interest in Shares: 66,030 (1.42%)

**Michael Cooper**

Managing Director of ASX listed Pure Foods Tasmania, Director Brand Tasmania, Managing Director Willar Pty Ltd, Director Vending Solutions Tasmania. Former CEO Juicy Isle Fruit Juices.

Interest in Shares: 11,680 (0.25%)

**Gregory Goodman**, FAICD

Resigned as Chairman and Director of Shellfish Culture Ltd 26 September 2019.

Interest in Shares: 44,639 (0.96%)

## COMPANY SECRETARY

**Patrick Taskunas**, B.Bus, CA  
appointed Company Secretary 1 July 2019.

Currently Chief Financial Officer of Shellfish Culture Ltd. Director and Company Secretary Eyre Shellfish Pty Ltd. Previous roles include Deloitte Australia and Australian Taxation Office.

Interest in Shares: 11,112 (0.24%)

## Directors' Meetings

During the year 15 meetings of Directors were held. Attendances were:

	Number Eligible to Attend	Number Attended
Alexander Beard	15	15
James Calvert	15	14
Anthony Johnston	15	15
Jonathon Poke	9	9
James Hawson	15	13
Kenneth Fleming	15	14
Michael Cooper	15	11
Gregory Goodman	3	2

## Correspondence to Shareholders

7 October 2019 – Shareholder update regarding Chairman appointment

3 April 2020 – Shareholder update regarding Covid-19

2 October 2020 – subsequent to the end of the financial year, Shareholder update regarding signing of revised Heads of Agreement with Pokes, and priority offer to existing shareholders for Convertible Note capital raise.

## Corporate Governance

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

To fulfil this role, the Board is responsible for the overall corporate governance of the Group, including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration of management, establishing and monitoring the achievement of the Group'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 Group to the Managing Director 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 Group.

All Directors are required to comply with the Directors Code of Conduct which has been developed for the Group 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 Group. 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 Group 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 Group's shares:

- In the three-month period following the release of the Group'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 of the Group.

The Managing Director and Chief Financial Officer have provided assurance to the Board that the Group's financial report is 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 two letters to shareholders in addition to the Concise Annual Report and regular Group 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 Group's policy on remuneration of managers and directors is described in Note 18 – Related parties in the full financial statements.

## Principal Activities

The principal activities of the Group during the financial year were the production of shellfish seed and ongrowing of mature oysters. During the year, the Group purchased one mature oyster farming business, expanding its farming footprint in Southern Tasmania.

## Impact of legislation and other external requirements

The Group is subject to significant environment 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 Group has achieved approval of an extended finance agreement with the National Australia Bank which includes a 36-month extension on the current term-loan facility, as detailed in note 13 of the full financial statements.

In addition to this, the Group has signed a Heads of Agreement to acquire the significant farming operations of the Bolduans Bay Group. This acquisition will double the farming footprint of the Group. The Group has also commenced a capital raise by issuance of convertible notes to partially fund this acquisition, which included a priority offer to existing shareholders.

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 Group, the results of those operations or the state of affairs of the Group in future financial years.

## Likely developments

Further information about likely developments in the operations of the Group 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 Group.

## Directors' Benefits

No Director of the Group 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 Group, 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 Group's constitution provides that the Group will indemnify any director or executive officer of the Group to the extent permitted by law against a liability that may arise from their position as director or officer of the Group, except where that liability arises out of conduct involving a wilful breach of duty.

### INSURANCE

Since the end of the previous financial year the Group has paid premiums totalling \$4,494 (2019: \$4,511) 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:

Alexander Beard	Anthony Johnston
Ken Fleming	James Calvert
James Hawson	Jonathon Poke
Gregory Goodman	Michael Cooper

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 Group'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 20 and forms part of the Directors Report for the financial year ended 30 June 2020.

Details of amounts paid to the auditors of the Group, KPMG, for audit and non-audit services are set out in Note 4 of the full financial statements.

Signed in accordance with a resolution of Directors at Hobart on 29 October 2020.



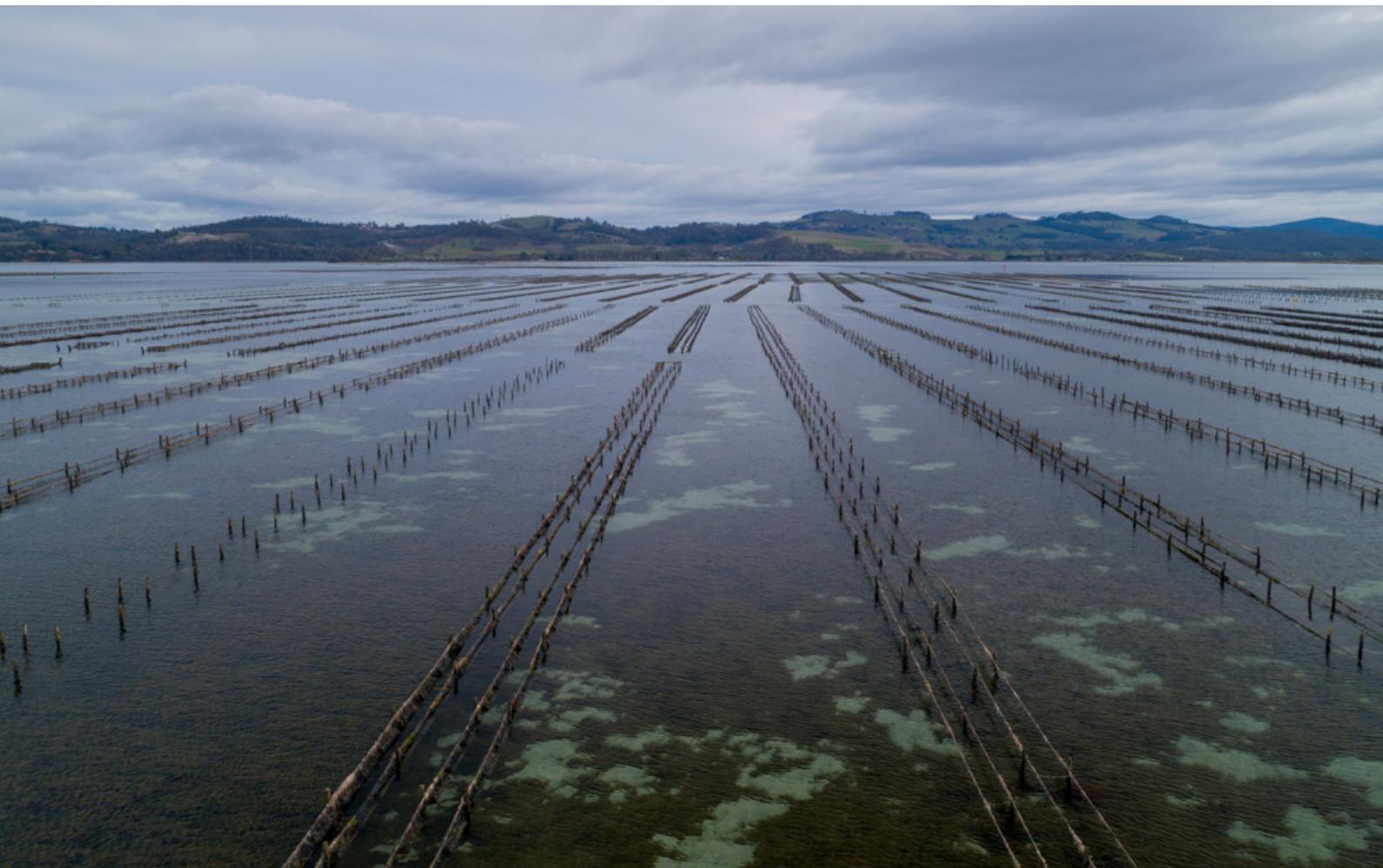
**Alexander Beard**

Chairman



**James 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 2020 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

Adrian Nathanielsz  
*Partner*  
Melbourne  
29 October 2020

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2020

	Year Ended 30 June 2020 \$AUD	Year Ended 30 June 2019 \$AUD
<b>Revenue and other income:</b>		
Revenue from contracts with customers	5,559,986	3,745,645
Increase in biological assets	1,322,386	1,959,358
Other income	2,168,394	713,702
<b>Total Revenue and other income</b>	<b>9,050,766</b>	<b>6,418,705</b>
<b>Expenses:</b>		
Production expenses	7,509,933	6,355,326
Administrative expenses	1,376,026	1,336,006
Finance expense	288,381	187,752
Impairment expense	993,718	361,521
Acquisition costs	193,288	593,532
Marketing and selling expenses	122,005	26,926
Occupancy expenses	244,672	222,664
<b>Total Expenses</b>	<b>10,728,023</b>	<b>9,083,727</b>
<b>Loss before tax</b>	<b>(1,677,257)</b>	<b>(2,665,022)</b>
Income tax expense/(benefit)	(141,454)	286,537
<b>Loss for the year</b>	<b>(1,818,711)</b>	<b>(2,378,485)</b>
<b>Other comprehensive income for the year</b>		
Items that will not be reclassified to profit and loss		
Revaluation of property, plant and equipment	72,008	1,103,888
Related income tax	(15,122)	(303,570)
<b>Total comprehensive loss for the year</b>	<b>(1,761,825)</b>	<b>(1,578,167)</b>
<b>Total comprehensive loss for the year attributable to:</b>		
Non-controlling interest	(156,354)	(428,893)
Parent entity	(1,605,471)	(1,149,274)
<b>(1,761,825)</b>	<b>(1,578,167)</b>	

This Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes on pages 25 to 26.

# Consolidated Statement of Financial Position

as at 30 June 2020

	Year Ended 30 June 2020 \$AUD	Year Ended 30 June 2019 \$AUD
<b>Current Assets</b>		
Cash and Cash Equivalents	25,694	157,071
Trade and Other Receivables	1,541,684	457,932
Other Assets	42,381	21,825
Biological Assets	4,878,312	3,555,926
<b>Total Current Assets</b>	<b>6,488,071</b>	<b>4,192,754</b>
<b>Non-Current Assets</b>		
Property, Plant and Equipment	15,465,968	13,065,847
Intangible Assets	5,636,176	4,390,502
Goodwill	95,019	544,097
<b>Total Non-Current Assets</b>	<b>21,197,163</b>	<b>18,000,446</b>
<b>Total Assets</b>	<b>27,685,234</b>	<b>22,193,200</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Trade and Other Payables	921,400	890,014
Loans and Borrowings	4,848,831	3,931,217
Income in Advance	83,345	-
Employee Benefits	672,008	346,435
<b>Total Current Liabilities</b>	<b>6,525,584</b>	<b>5,167,666</b>
<b>Non-Current Liabilities</b>		
Loans and Borrowings	1,665,502	973,673
Deferred Tax Liabilities	140,867	65,697
Employee Benefits	2,737	26,960
<b>Total Non-Current Liabilities</b>	<b>1,809,106</b>	<b>1,066,330</b>
<b>Total Liabilities</b>	<b>8,334,690</b>	<b>6,233,996</b>
<b>Net Assets</b>	<b>19,350,544</b>	<b>15,959,204</b>
<b>Equity</b>		
Issued Capital	17,688,375	12,803,065
Asset Revaluation Reserve	1,429,838	1,372,952
Retained Earnings	(735,500)	926,857
Non-controlling interest	967,831	856,330
<b>Total Equity</b>	<b>19,350,544</b>	<b>15,959,204</b>

This Consolidated Statement of Financial Position should be read in conjunction with the Notes on pages 25 to 26.

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2020

2020	Retained Earnings	Asset Revaluation Reserve	Issued Capital	Non-Controlling Interests	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2019</b>	926,857	1,372,952	12,803,065	856,330	15,959,204
Loss for the year	(1,662,357)	-	-	(156,354)	(1,818,711)
Revaluation increment	-	56,886	-	-	56,886
Shares issued during the year	-	-	4,885,310	-	4,885,310
Acquisition of non-controlling interests without change in control	-	-	-	267,855	267,855
<b>Balance at 30 June 2020</b>	<b>(735,500)</b>	<b>1,429,838</b>	<b>17,688,375</b>	<b>967,831</b>	<b>19,350,544</b>

2019	Retained Earnings	Asset Revaluation Reserve	Issued Capital	Non-Controlling Interests	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	2,876,467	572,634	2,767,587	1,117,986	7,334,674
Loss for the year	(1,949,610)	-	-	(428,893)	(2,378,503)
Revaluation increment	-	800,318	-	-	800,318
Shares issued during the year	-	-	10,035,478	-	10,035,478
Acquisition of non-controlling interests without change in control	-	-	-	167,237	167,237
<b>Balance at 30 June 2019</b>	<b>926,857</b>	<b>1,372,952</b>	<b>12,803,065</b>	<b>856,330</b>	<b>15,959,204</b>

This Consolidated Statement of Changes in Equity should be read in conjunction with the notes on pages 25 to 26.

# Consolidated Statement of Cash Flows

for the year ended 30 June 2020

	Year Ended 30 June 2020 \$AUD	Year Ended 30 June 2019 \$AUD
<b>Cash Flows from Operating Activities:</b>		
Cash receipts from customers	5,931,905	4,688,939
Cash receipts from Covid-19 assistance grants	641,468	-
Cash receipts from research and development tax receipts	482,989	387,755
Cash paid to suppliers and employees	(7,535,445)	(5,530,307)
Cash paid for business acquisition costs	(193,288)	(593,532)
Interest received	833	8,626
Interest paid	(229,569)	(187,752)
Net cash used in operating activities	<b>(901,107)</b>	<b>(1,226,271)</b>
<b>Cash Flows from Investing Activities:</b>		
Proceeds on sale of property, plant & equipment	59,419	245,455
Payments for property, plant & equipment	(1,824,106)	(4,729,074)
Acquisition of business net of cash acquired	(2,019,403)	(7,121,870)
Net cash used by investing activities	<b>(3,784,090)</b>	<b>(11,605,489)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from NAB borrowings	4,867,491	2,253,409
Repayment of NAB borrowings	(4,376,543)	-
Proceeds from Covid-19 support loan	250,000	-
Proceeds from insurance premium funding	171,417	-
Repayment of leave liabilities	(136,111)	(159,230)
Proceeds from issue of shares	3,972,280	10,106,380
Net cash provided by financing activities	<b>4,748,534</b>	<b>12,200,559</b>
Net increase/(decrease) in cash and cash equivalents held	63,337	(631,201)
Cash and cash equivalents at beginning of year	(632,978)	(1,777)
<b>Cash and cash equivalents at end of financial year</b>	<b>(569,641)</b>	<b>(632,978)</b>

This Consolidated Statement of Cash Flows should be read in conjunction with the Notes on pages 25 to 26.

# Notes to and Forming Part of the Accounts

## for the year ended 30 June 2020

### 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 and biological assets 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, with the exception of the changes in accounting policies disclosed in Note 1(s) of the full financial statements. These changes relate to the initial adoption of Australian Accounting Standards AASB 16 Leases.

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 2020 \$AUD	Year Ended 30 June 2019 \$AUD
Other Income		
Research and development tax incentive	1,290,516	385,191
Fuel tax credits	104,067	89,192
Profit on sale of assets	13,926	56,783
Gain on acquisition	-	53,837
Interest	833	8,626
Grant	34,545	-
Covid-19 assistance	721,413	-
Other	3,094	120,073
	<b>2,168,394</b>	<b>713,702</b>

### Major Customer

Revenues from one customer, Tas Prime Oysters Pty Ltd represent \$3,105,636 (2019: \$851,620) of the Group's total revenue.

# Notes to and Forming Part of the Accounts for the year ended 30 June 2020

## Note 5 Dividends

	Year Ended 30 June 2020 \$AUD	Year Ended 30 June 2019 \$AUD
Dividends recognised in the current year by the Group were as follows:	-	-

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

	Year Ended 30 June 2020 \$AUD	Year Ended 30 June 2019 \$AUD
Dividend franking account		
27.5% franking credits available to shareholders for subsequent financial years		
Class C franking credits	985,607	985,607
	<b>985,607</b>	<b>985,607</b>

The above available amounts are based on the balance of the dividend franking account at year's 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 2020

In the opinion of the Directors of Shellfish Culture Limited (A.C.N. 009 519 171) the accompanying  
concise financial report of the Group for the year ended 30 June 2020, set out on pages 2 to 26.

- (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 29 October 2020.



**Alexander Beard**  
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 2020 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 2020 (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 2020
- 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 (including Independence Standards)* (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 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 29 October 2020.

## Other Information

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

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



Adrian Nathanielsz  
Partner  
Melbourne  
29 October 2020



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