



shellfish culture

shellfish culture newsletter | Summer 2019

Triploid update

Shellfish Culture's Triploid oyster program is getting back on track following POMS.

When the virus first struck in Tasmania, Shellfish Culture's triploid oysters had no genetic resistance to combat the threat, unlike ASI-bred stock which had some degree of resistance bred into them.

However, as Greg Bowers, SCL CEO notes, those triploids that did survive were isolated and maintained "so that our 'ancestry' was not lost.

"It's very obvious that the natural triploid is keenly sought after and in high demand with sales of the oyster extremely strong. The need to have a POMS resistant triploid is an obvious one. Since POMS, triploid resistance has been improving year by year and there have been some good learnings from that experience.

"However, we have now commenced a formal breeding program for POMS resistant triploids. This has included extensive spat trials in two locations and has involved fortnightly stock counts and observations. Additionally personnel from the Virginia Institute of Marine Science (VIMS) in the US have been at Pipe Clay Lagoon Hatchery in Tasmania for genetic modelling, broodstock selection, training staff and field work.

A visit by the VIMS team was also made to Eyre Shellfish in South Australia where the breeding program will be duplicated to that of Pipe Clay Lagoon, utilising locally produced tetraploids.

"I am really excited with this breeding program", said Greg Bowers. "We had initially taken a strategic view of a 10 year program and we are now executing that ahead of plan. We need to be ready for other diseases or events other than POMS. We are also sending staff to the US. They will work within their Industry, providing tetraploid broodstock to the commercial hatcheries, and will also spend significant time at the VIMS Campus.



Triploids under cultivation at SCL's Little Swanport

"This is certainly a priority matter for SCL, and I want to see triploids on the market in substantial numbers as soon as possible," says SCL Chairman Greg Goodman.

The spawnless triploid oyster has superior meat quality in summer. In fact it can be at its finest any time of the year, including in the peak summer demand period when diploid oysters are spawning. Triploids provide increased growth rates because their energy is not being diverted into reproduction.

Shellfish Culture is the only commercial supplier of triploid shellfish seed in the Australasian region and has been investing in the oyster since 1990.

Also in this issue:

- De-risking through diversification
- New Board appointments
- Water acquisitions by SCL
- Hatchery performance increases spat volumes

Chairman's Report

SHELLFISH Culture has made two important appointments to our board to assist as we build the company into Australia's largest vertically integrated hatchery and grower.

Lawyer James Groom has joined the Board to provide us with legal expertise in the area of public companies, and Michael Cooper has been appointed the other new director to make use of his credentials in brand management and channel marketing.

We've also appointed James Calvert as Managing Director of Shellfish Culture, and Greg Bowers as CEO. Greg of course, also remains on the Board of Eyre Shellfish. In addition, as the company expands, we're currently recruiting a CFO.

I welcome James and Michael to the Board. Their experience and expertise will help propel the company along the road to continuous growth and vertical integration.

The appointment of James Calvert adds a very experienced pair of industry hands to our

executive team. Together with Greg Bowers, the pair provide expertise in spat production, mature production, logistics and second to none industry know-how. We are now building a top flight management (executive) combination.

AS the company grows, we have now settled on the acquisition of three oyster farms in Tasmania which have come under the SCL brand. Negotiations continue with a number of other farms.

These acquisitions have been funded out of our capital raising program which also provided the means to build Eyre Shellfish in South Australia.

The highest standards of governance were followed in the acquisition of the farms. Legal advice was obtained and negotiations were conducted by an independent negotiator with no involvement by SCL Board members so as to ensure no conflicts of interest between Board members and principals of farms being acquired.

AS readers would know we've had some commissioning issues at Eyre Shellfish with less than optimal spawns. I'm delighted that



Chairman, Greg Goodman

these issues have now been overcome and we've had two very successful spawns recently. Meanwhile our nursery is operating very well, producing high quality 5mm-8mm product from spat supplied from other farms and hatcheries for on-growing from their initial 2mm when they arrive at our nursery.

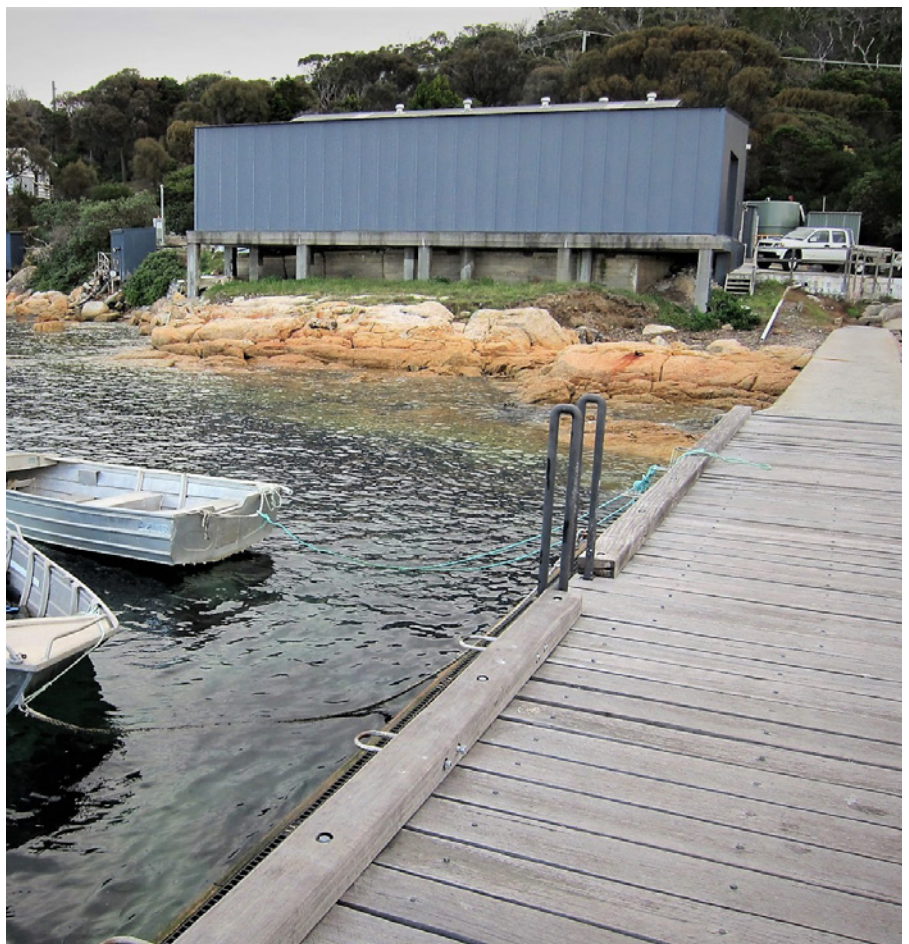
Redundant Bicheno sold

Shellfish Culture has divested itself through a successful commercial sale of its Bicheno hatchery which had become surplus to its requirements.

The facility was SCL's oldest hatchery, dating back some 30 years. The recent major upgrade to the hatchery at Pipe Clay Lagoon, including comprehensive bio security measures, made Bicheno redundant. In fact, it was in mothballs for 18 months before being sold out of service.

The plant was sold to interests outside the oyster industry and some of the equipment in the hatchery was relocated to Pipe Clay Lagoon. All leases have now been transferred to the new owners, and Bicheno's former role has been integrated and consolidated into the Pipe Clay Lagoon centre.

SCL has sold its Bicheno hatchery which is now surplus to its needs



CEO Report

The growth platform that SCL is currently executing is very exciting, both for the Industry and of course SCL and its staff. We have actually increased our focus and resources on our core business, spat production, to ensure there is no distraction from the additional and supplemental activities currently occurring.

The hatchery is performing exceptionally well. Recent spawns were well beyond expectations, including a couple of spawnless runs. To achieve this when POMS is literally flowing past our front door is a testament to the Hatchery team, and as a company we are very proud of their capability and performances.

We are very well placed for next season's spat market and we have been able to increase our spat volumes over all sizes up to 30mm. To that point we have several Supply Contracts in place with growers who have placed their orders for

the next couple of years. This enables better planning by both parties and demonstrates SCL's commitment to the spat market.

Having supply agreements in place is an initiative which has been well received, and builds on the existing hatchery/grower business relationship providing insights and opportunities for both the grower and SCL to meet and exceed. If this is of interest to your business please contact me if by chance I haven't called on you thus far.

The acquisition of several farms has also been a great opportunity to learn and to enable the synergies that have been possible. We have several teams working on rack building with all the posts, poles, lines baskets etc being stockpiled then shipped out to the differing regions as needed. It's been challenging in regards to recruiting the right personnel to do the work. However we are now getting into the main bodies of work. The efforts of Mark Wright, Michael Riley, Joe Jacobson, and their teams have been significant and much appreciated as



CEO, Greg Bowers

has the energy and support that the new teams have provided.

In the next Newsletter I'll expand further on our new Team members and the positive impact that this business growth has had on regional jobs and Industry sustainability.

Diversifying income to de-risk

As many readers would know, Shellfish Culture has embarked on a program of water acquisition.

Its aim, in the words of Chairman Greg Goodman, is to create the largest vertically integrated hatchery and grower in Australia. At the same time, SCL's core focus remains the production of high quality spat.

"This strategy emanates from our POMS experience. As a company we were exposed because of our single income stream from the production of spat," said Mr Goodman.

"Since POMS our business strategy is to de-risk the company by developing additional streams of revenue. As a result income from mature oyster sales is now supplementing our main focus which remains the production of spat."

Risk mitigation was also behind SCL's development of Eyre Shellfish in South Australia, both as a business strategy and to ensure spat supplies to growers in the event of another POMS-like disruption.

SCL has now acquired the leases of Oyster Farmers, Tasmanian Oyster Company and

Cremorne Pacific Oysters, which has leases at Pipe Clay Lagoon and Dunalley. Both will be upgraded and operate under the Shellfish Culture brand. Further acquisitions are being negotiated.

These activities are supplemental to the principal business of spat production at SCL. "By diversifying our income stream so that we're not entirely dependent on spat production, we can remain a strong and sustainable company which is a key supporter and supplier to the wider oyster industry into the decades ahead."



Harvesting at Pipe Clay Lagoon

Eyre Shellfish

An update from Greg Bowers

Eyre Shellfish has proved to be challenging on several fronts. That wasn't unexpected but some challenges were harder than first appeared.

The new Team we put in last year is really performing well under Simon Rechner's leadership. The recent spawns have been very successful and the enrichment dams and the raceways are performing beyond expectations. We are now seeing the full benefit of this land based nursery system.

While waiting for the hatchery spat to come through we have been growing out other hatcheries' spat to larger sizes for South Australian growers. This is because the local hatcheries only supply 2-3 mm spat. We have grown out significant numbers of spat from 2mm to 5mm; and in some cases for a couple of growers up to 8mm.

This means the growers lose less than if putting the smaller spat straight out onto their leases. It's a win-win as it has enabled Eyre Shellfish to receive income and the growers to receive a larger product. The local hatcheries have done a great job of getting the spat to the growers so all around the recovery of the South Australian market is underway, although still some time off.

The Eyre Shellfish Board approved some capital works to be completed prior to this summer period based on some hard learnings – especially spat mortality - from the previous



Shading installed over the race ways has brought down temperatures and made a significant improvement to spat survival

summer. These improvements have recently stood up very well in regards to protecting the hatchery, and the nursery's processes and spat.

Recently Cowell recorded a temperature of 52 degrees at the Eyre Shellfish site but coupled with some great work by Bryce Porker, Ben

Punch and our Team we lost no spat and all processes remained in operation. A significant improvement was the covering over of the raceways, which made the covered race ways 18 degrees cooler than the rest of the site.

Hosting international visitors

SCL is regularly hosting delegations of industry visitors to its headquarters at Pipe Clay Lagoon in southern Tasmania. Of particular interest to international visitors are briefings on how the company turned around after POMS. Here SCL, Seapa and ShellQuip meet Japanese growers and restaurant owners at Pipe Clay Lagoon.

