



shellfish culture

shellfish culture - Shareholder & Market Update | Winter 2019



New staff for an expanding Shellfish Culture at Pipe Clay Lagoon

Company CFO appointed

As Shellfish Culture continues with its expansion strategy it has appointed its first Chief Financial Officer. Helping businesses to grow is what professionally motivates Shellfish Culture's new CFO, Patrick Taskunas.

Paddy was recently appointed to the CFO position at SCL after four years with Deloitte in Hobart where he helped to take companies to new levels of growth. "I was particularly keen to join Shellfish Culture on its growth journey", he said. "The company is embarked on an exciting growth path utilising a great Tasmanian product. It is professionally fulfilling to be part of this vision."

Patrick grew up in Tasmania and holds a Bachelor of Business (B.Bus) majoring in accounting and finance and is a qualified Chartered Accountant (CA).

In his spare time Patrick enjoys boating and fishing, and is active in the University of Tasmania football club, where he's the Treasurer.



Patrick Taskunas, Chief Financial Officer, SCL

Also in this issue:

- Farm acquisitions
- Expanding workforce
- Summer POMS mortality rate down

Chairman's Report

Shellfish Culture completed a further oyster farm purchase in June. This brings to four the number of farms acquired since October last year.

These purchases have been funded through SCL's capital raising program. Expansion into mature oysters through the acquisition of water mitigates risk for a company which – before POMS – was reliant on spat production alone for its revenue. It also allows SCL to carry seed stocks of varying sizes to meet customers' needs.

Newly acquired farms are being brought up to SCL specifications with on-farm capital works and equipment and infrastructure upgrades. The acquisitions have also seen major growth in SCL's own work force.

Spat demand remains very strong, as does sales of matures, as readers will notice in this edition. Significant stock numbers are in the water for 2019/2020.

Meanwhile, last summer's POMS season showed a significant decline in stock mortalities due to the virus. The company budgeted for a 50% stock survival rate, but mortality proved to be just 12%. This can be attributed to better scientific understanding of the virus and associated countermeasures, together with SCL's own robust bio security protocols. It's a great credit to everyone concerned.

In South Australia, Eyre Shellfish has had six successive spawns, with over 90 million spat in its system. The South Australian hatchery and nursery was developed by SCL as a de-risking exercise following the onset of POMS.



Chairman, Greg Goodman

Managing Director update

September 2019 will represent the half-way mark of SCL's three-year strategic plan, which will be a time for reflection and preparation for the coming years

The Company's strategy to acquire additional farms to allow production of larger size ranges to SCL's seed customers and expand the mature/market production is on target, with another farm purchase completed in June, which increases SCL's farming footprint to 70 ha across four regions.

This recent farm acquisition was funded through SCL's latest successful capital raise, mostly from existing shareholders along with some new shareholders. The Board is very appreciative of the continued support from our shareholder base and send a warm welcome to our newest members.

Increased water capacity now provides SCL with the ability to carry an inventory of multiple sizes of seed from 5mm – 40mm to assist POMS classified farmers with any size requirements at any time of the year. A one stop shop!

Seed from our bio-secure facility in Pipeclay Lagoon continues to be available for sale to our POMS free regional customers. Mature/market size production capacity has also increased to allow the Company to execute further growth and market opportunities.

After a recent visit through Asia, export demand remains very strong for "high quality" product with distribution into multiple Asian destinations now flowing from our Cambridge export facility. Export customers are being offered a different range of products to capitalise on higher yielding markets in the wholesale and retail sectors. These include a combination of live/fresh and frozen products. SCL is also in the process of developing some exciting brand and marketing plans for future growth in this area.

SCL's management and staff continue to perform well and the Board acknowledges the great morale which is building through the Company. SCL welcomes new executive and administration team members in Patrick Taskunas CA as Company CFO and James Cockerell CA as Management Accountant.

The addition of a very experienced and respected operator from the recent farm acquisitions has strengthened SCL's mature/market production team. Tony Byrne has taken up a mentoring role across all sites as Farm Liaison Officer. Tony is well-known to industry members and offers 33 years oyster production experience which will provide a valuable contribution toward SCL's growth, support for regional Farm Managers, as well as guide and promote the next generation of leaders.



Managing Director James Calvert

CEO Report

Regional farm management and integration of acquired assets.

Vertical Integration has certainly gained momentum within SCL. Since last October we have purchased four oyster farms with negotiations continuing on other possible acquisitions. It has meant a busy and exciting time as the new assets are brought into the SCL fold.

In all purchases we have bought the assets that fit into our overall model and which bring positive synergies to the business. In some cases we have recruited farms' staff and in other cases only the assets. Of great value is the recruitment of staff who have the experience and first hand knowledge of a particular farm's water and stock growth.

We have and will continue to upgrade the infrastructure on most of the leases we have acquired and have dedicated rack building teams assigned to this duty. The first priority is

in Blackman Bay and PCL with work to start in Pittwater very shortly.

Along with the significant purchases of post, lines and baskets we have purchased a new boat for Blackman Bay, tractors, and have graders on order. We recognise the need for significant capital to be spent over a period of years and this was built into our purchasing model. The return on investment is quite quick given the quality of the water purchased and the stocks off each farm.

We are already selling stock off recently acquired leases and each region has a particular role to execute. Although it's early days the potential is clear.

A very pleasing aspect is the way in which our current employees and the newer employees are working together. This is most important moving forwards as we increase our workforce from around 22 to about 100. Additionally the focus



CEO, Greg Bowers

on the hatchery's performance hasn't decreased over this period of growth. The recent spawn was a success and our triploid program is well advanced.

POMS Update

If someone had bravely predicted in early 2016 that we'd have recovered from POMS within the current timeframe they would have been right based on our results over the past summer.

The science has held up, along with some internal SCL capability, as the results have shown. SCL stock experienced 12% mortality and given that most of the stock is spat this is a fantastic result.

The breeding program and our initial plan to have all stock exposed to POMS has been successful. The outcome is that we have significant stock volumes across all sizes, higher than we previously forecasted. This overall result has also been reflected by other growers so I sense that the recovery is general.

Spat sales update

Demand for spat, particularly the larger sizes, is very strong. We will finish the year ahead of budget in both value and volume which is a very pleasing result. Demand for next year is very strong with a significant amount of the desired stock volumes already in the water and having been exposed to POMS.

Mature sales update

It's been very pleasing to see the volume of mature sales emanating from a couple of recently acquired leases along with strong volumes for PCL. We will achieve budget sales in value and have significant stock in the water to ensure a successful 2019/20. This has been a strong growth area for SCL and will continue to do so given the future direction.

Eyre Shellfish

Following numerous challenging months the Eyre hatchery has had six successive successful spawns and has over 90 million spat within its system. This is a great result for the team and indeed the South Australian industry. Whilst there are still challenges and another hot summer not too far away one can now sense the overall positive impact this hatchery will have. Recent capital spends on temperature control, hatchery processes and broodstock conditioning have all had a positive impact as has the added experience the team over there now have.



Mid-winter solstice, Pipe Clay Lagoon

Expanding Workforce

SCL's workforce has increased in line with the acquisition of extra water and the strategic direction the company is now taking.



New staff at SCL's Pittwater oyster farm: Scott Singleton (left), Jason Van Beest, Michael Kerr, Dion Henricks, Jonty Denny, Nelson Goram-Aitken, Mathew Baumgarten, and Kriss Ryan (right), (missing – Ryan Byrne and Joe Byrne)

Young Achiever award to SCL manager

The Tasmanian Seafood Awards Night was held recently in Hobart. The Awards were co-ordinated and organised via the Tasmanian Seafood Industry Council (TSIC). They were well attended by all sectors of the Tasmanian seafood industry, with each Award category very competitive.

One of the key awards is for the Young Achiever (eligible for 35yo and younger). This category had four main criteria, including overall positive contribution to the seafood industry, leadership potential, commitment to positive change, and significant capability to continue to develop within the industry.

The Award went to Scott Mactier, Hatchery Operations Manager of Shellfish Culture. Scott met or exceeded all the criteria with the judges unanimous in their decision.

SCL CEO Greg Bowers said the Award was well deserved. "Scott thoroughly deserves the recognition of his technical capability and application and it was very pleasing to witness all seafood sectors identifying with that. Scott's professionalism is very evident for all to see".

The awards night was officially opened by the Tasmanian Minister for Primary Industries and Water, Guy Barnett.



Scott Mactier (right) receiving his award from Rory Byrne of Seafood and Maritime Training, sponsor of the Award

Clarification

In our last newsletter, SCL referred to its role as Australasia's only commercial supplier of triploid shellfish seed. It has been investing in this product since 1990. Some readers have contacted us to point out that other industry operators also produce triploids, although through a very different process. SCL is unique in that it produces a natural triploid oyster whereas other producers use a non-natural, chemically aided process to achieve a triploid product.