



# COMPANY

# Update

Shareholder & Market Update | Summer 2021



*Tarkine Fresh Oysters has joined the TOC family as part of the Jon Poke acquisition. It brings into our business two accomplished professionals, Cassie Plaza and Jarrad Poke. Together they run a paddock to plate oyster experience par excellence. Cassie (pictured) runs the café and tasting centre, and Jarrad oversees the big oyster farm on the café's back door step.*

*See their story in this issue.*

## In this edition:

MD Report: "The bounce-back has been extraordinary"

Strong recovery in domestic demand

Successful capital raising

New products hit the market

Tarkine Fresh Oysters

## A period of strong growth

**There is something of a V-shaped recovery underway at the Tasmanian Oyster Company.**

After the challenges caused by Covid-19 last year, when the Company engaged in cost cutting and other measures to meet the sudden pandemic emergency, the summer 2021 period has seen an inspiring turn-around to a far more positive trading period than originally expected.

Demand remains very high for stock, while Stock on Hand (SOH) levels are at unprecedented levels.

By January (2021) revenue YTD had risen 50% based on several factors.

- The decisions taken last year by the Company in response to the challenges arising from the global pandemic.
- The company's commitment to a growth strategy, despite the global crisis, which has seen it recently completing significant water acquisitions.
- The launch of new product developments, including the extensive rebranding of the Company as the Tasmanian Oyster Company.
- A continued program of infrastructure upgrades, including the recent commissioning of an important new R&D laboratory at Pipe Clay Lagoon.

"Looking ahead this year," says Company MD James Calvert, "the results we're



achieving suggest our growth strategy will continue its positive trajectory, although Covid-19 makes it another uncertain year for global economies, and we continue to monitor external influences on our business very closely."



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## Managing Director's Report

**In December 2020 Tasmanian Oyster Company Ltd completed a successful capital raise, issuing \$3.8M convertible notes to complete four significant acquisitions: Bolduans Bay Oysters Pty Ltd, Estuarine Oyster Company Pty Ltd and the assets of Tas Prime Oysters and JC & SM Poke.**

I am pleased to advise all acquisitions were successfully executed in early December. In further support of our growth strategy, existing shareholders represented 60% of the capital raised.

I would like to acknowledge the support from our lead partners Bell Potter and Castray Capital, along with Prenzler Group, for assisting in the capital raise.

A very warm welcome and message of appreciation also goes to our new Note Holders.

Like most companies, TOC was forced to re-evaluate business expectations

downwards when the Covid-19 shock occurred last year. However the bounce-back has been extraordinary, and well in advance of our expected time frame for a recovery from a global pandemic of this magnitude.

The Christmas and summer period saw the Company experience a significant uplift in revenue, and our strategic process of expansion has placed TOC in a great position to capitalise further on the opportunities that exist. SOH is at record levels and seasonal stock performance is providing high quality produce in high demand.

The rollout of New Product Development during December was well received by consumers, and our robotic laser etching machine arrived on-site in early January, with commissioning and training well under way.

Innovation continues with the opening of the Company's R&D breeding laboratory in December, along with new growing system trials in a number of our production regions.



James Calvert, Managing Director

Our program of acquisitions, coupled with strong growth, have meant the recruitment of many new staff. Over the past few months the Company has welcomed four key managers and an additional 30 new team members.

## Strong domestic demand recovery

**Strong December mature product sales exceeded budget by 50%, with over 2 million oysters sold through wholesale and retail channels for the month.**

Continuing this pattern, January sales were also ahead of forecast with the months ahead continuing to look positive. While Covid-19 interruptions continue to persist around the country, there is reason to remain optimistic.

As of January, revenue YTD has risen by 50% as a result of farm infrastructure development over the past 2 years, increased SOH, and the Company's continued acquisition strategy. Average selling prices have also increased by 10% YOY, with full vertical integration and development of retail "Fresh" and "Fresh Frozen" product lines.

The strong domestic demand recovery has been welcomed with export enquiries also showing signs of improvement.

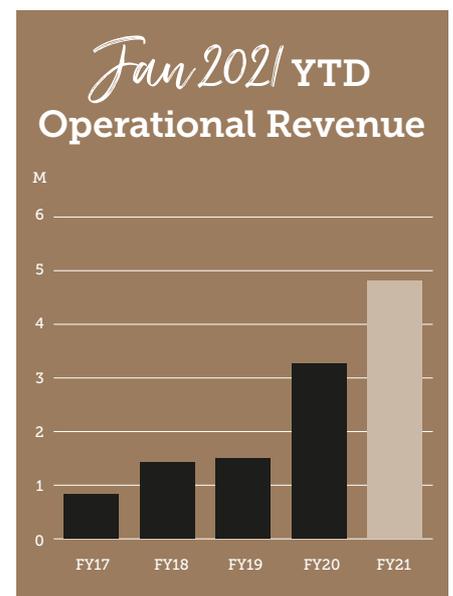
Transport logistics for export markets continue to remain a challenge with limited air space availability and increased freight prices of between 200 - 300% on pre Covid-19 rates.

The Company will continue to explore and develop export sales channels.

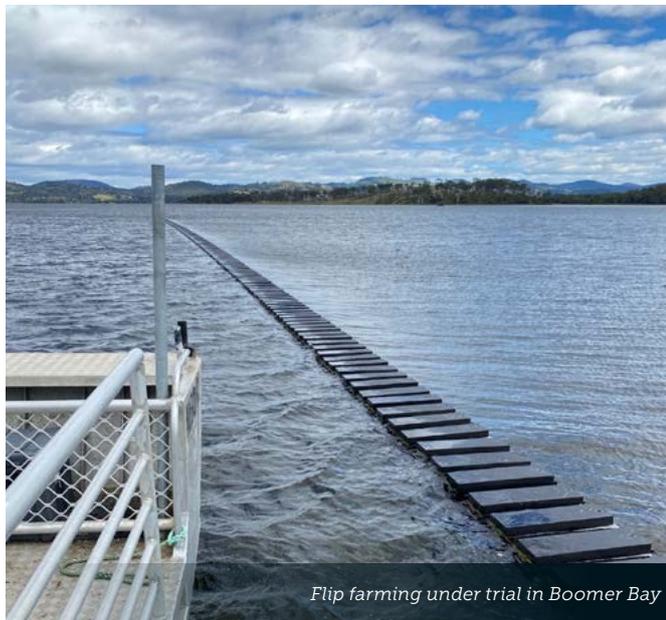
### Stock levels

SOH has experienced a dramatic uplift as a result of recent acquisitions, continued breeding success and ideal seasonal growing conditions, as a welcome result of winter and spring rains.

SOH has increased to 160 million units with solid performance across all size ranges.



## Trial of sea surface farming system



*Flip farming under trial in Boomer Bay*

### After careful research and analysis, TOC is trialing a New Zealand developed farming system.

It was first deployed on our farms in October 2020 and promises to provide a more efficient growing system and reduced handling. Importantly, it is expected to lead to 15% increased shell growth.

The new farming system is based on sea surface growing techniques in comparison to traditional inter-tidal techniques. Called flip farming, it will be trialed for 6-12 months in multiple regions before there is significant investment in the system.

## New Product Development (NPD)



*New product offerings are being well received by consumers*

### In December TOC rolled out its new Fresh and Fresh Frozen product lines to retailers.

Consumer and retailer feedback has been positive with new clients coming on line every month. These products will be introduced to new territories during 2021.

Branded premium product will soon be available via our recently installed laser etching robot. Commissioning and robot training is well advanced with sales looking to commence within weeks.

## Boost for R&D focus

### A new laboratory has been commissioned at Pipe Clay Lagoon to focus on R&D breeding and intensifying the tetraploid and triploid breeding program.

The facility is an investment in developing premium triploid oysters that are also more resistant to Pacific Oyster Mortality Syndrome (POMS).

When POMS first struck in Tasmania, Shellfish Culture's triploid oysters had no genetic resistance to combat the disease. Surviving triploids were isolated and are now, generation by generation, being bred with increased POMS resistance.

The latest spawn has Estimated Breeding Values (EBV) of 45%. The goal is to achieve 80% EBV by FY23. The new laboratory allows the Company to increase the frequency of R&D broodstock spawnings which will ultimately shorten the time frame to produce a POMS resistant triploid oyster.



*The new laboratory is now in operation*

The laboratory also enhances the company's R&D capabilities. It reinforces the existing biosecurity program at the PCL hatchery, and provides the capability of commencing R&D on new specie development.

## Tarkine Fresh Oysters



**Tarkine Fresh Oysters was founded in 2017 by Jon Poke. Today, two of his family members – both highly accomplished professionals – operate in partnership to deliver what is the ultimate paddock to plate experience.**

The oyster café and the accompanying oyster farm showcase to visitors the very best in Tasmanian oyster production. At the same time, the 80ha oyster lease on the waters of Duck Bay immediately behind the café now make a vital contribution to the Tasmanian Oyster Company.

Duck Bay provides a perfect environment for oysters, enjoying a 3.5 metres rise and fall of tide, while high rainfall ensures a constant supply of nutrient rich waters. Initially developed by one of the great founders of the modern Tasmanian oyster industry, Jon Poke built his north western leases into a model of excellence for all other farms. Today, his nephew Jarrad maintains the impeccable standards that built the farm.

When TOC acquired Jon's extensive oyster farm business on the North West coast, the well-known Tarkine Fresh Oysters café and tasting centre came across to the Tasmanian Oyster Co, together with the magnificent oyster waters located behind the back door.

Jon's daughter, Cassie Plaza, runs the café and is also now the Social Media Manager for TOC. Jarrad has been appointed Regional Farm Manager – Smithton, and brings enormous experience and expertise to nurturing some 18 million oysters on a lease the size of more than 20 football fields. Food lovers can enjoy an oyster terroir experience with same day farming, shucking, and tasting.

The oysters make an award winning meal. In 2017 they were named Tassie's Top Oyster at the Oyster Industry Awards, as well as the People's Choice Award and Best Open Dozen. The Tarkine Fresh Café and tasting centre is located at 23 West Esplanade, Smithton. It is open 9am - 4pm Monday to Saturday.

## Acquisition update

**December was a busy month for all staff, with Christmas sales and the onboarding of acquisition employees from Bolduans Bay Oysters, Estuarine Oysters and Tas Prime Oysters.**

The onboarding was executed without a hitch, and a special mention to the TOC admin team. WHS inductions, stock take, payroll, finance and administration were all completed within two weeks of purchase.

The Company continues to explore acquisition opportunities of synergy, quality and growth.



# 165M

*Oysters on Hand*



# 200+ha

*Production Area*

## New managers

**Four highly qualified and experienced managers have joined the Company: Josh Poke (Operations Manager), Cassie Plaza (Café & Social Media Manager), Jarrad Poke (Regional Farm Manager – Smithton) and Jane Kenane (Sales Manager). We welcome all our new staff into the TOC family.**

The company is further boosted through the relationship we now enjoy with Jon and Annette Poke following the acquisition of Jon's extensive oyster farm assets. The knowledge, expertise, and strong sense of values that Jon has brought across to the Tasmanian Oyster Company is of incalculable benefit to the company and its shareholders.