



COMPANY

Update

Shareholder & Market Update | Winter 2021



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- Return to Profit
- Public demand strong
- Liquidity update
- New Smithton acquisition
- Developing new consumer products
- Training program yields rewards

EBITDA
earnings

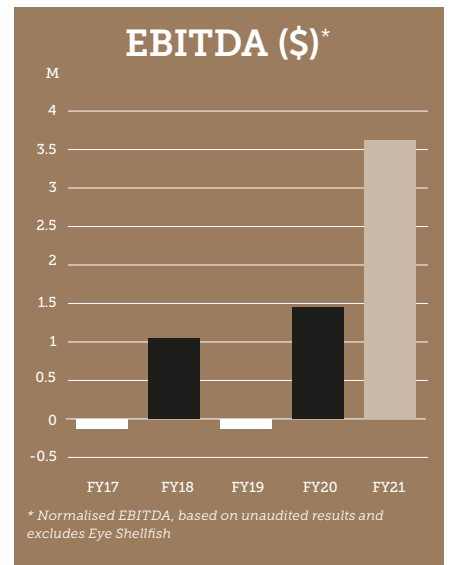
\$3.5
Million

Back in the black

The Tasmanian Oyster Company is returning to profit.

Since 2016 - the last time the Company enjoyed a profit - low rainfall, the arrival of the POMS virus in Australian waters, and the global pandemic - have all impacted on the Company and its operations.

The net profit before tax this year (see the Managing Director's Report) reflects the Company's success in adopting specific plans to meet these serious external challenges.



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Managing Director's Report

**Profitable business.
Healthy SOH.
Strong sales.**

The return to profit this year vindicates the direction of our Board, the commitment of our staff, and our plans to see us through multiple, external threats.

Operating EBITDA is expected to be in the order of \$3.5m and net profit before tax of circa \$1.9m, subject to audit adjustments.

Given that this has occurred during another pandemic year gives the Company confidence that it's on the right pathway for solid business expansion and profitability once the Covid-19 challenge dissipates.

Stock on Hand (SOH) has more than doubled from nursery product through to matures, and sales of matures are strong and ahead of forecast. Sales are still dominated by wholesale channels, but the company is very actively developing new consumer offerings.

The sale of seed continued to be subdued as farmers deliberate over the timing for increasing stock volumes. However, in our Company's experience, the third quarter this year was highly profitable, occurring as it did during a

peak consumer period when market demand was not artificially suppressed by pandemic lockdowns. It points to one fundamental fact: the public demand for our product is undiminished.

As we continue to look for growth opportunities our increasing production capacity is one of our company's great strengths. When I look back on the last five years, the company has seen the POMS threat largely contained; rainfall has returned to more normal levels, and we're learning to be a successful operation even in the midst of Covid-19. New challenges will no doubt continue to emerge, but I am increasingly comfortable that our Company is in a fit and battle-hardened position to meet any new challenges that might arise.

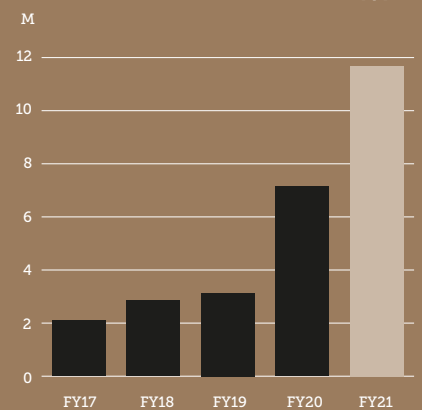
We continue to upgrade our farms in accordance with our plans, and develop spare water on our leases into productive oyster growing areas. In fact, this year we are undertaking our biggest rack building program on record.

Eyre Shellfish (ES) faced a difficult last quarter due to a SAMS (South Australian Mortality Syndrome) event, which affected stock levels in Franklin Harbour. However, as I've noted already, the public appetite for oysters is undiminished. The ES Board is investing in technological expertise to assist the SA operation, and we continue to support growers. In the longer term we see ES as an important adjunct to our business.



James Calvert, Managing Director

Total Sales Revenue (\$) *



* Based on unaudited results and excludes Eyre Shellfish

Liquidity

Planning progresses

The Company is committed to pursuing a liquidity event in FY 22 and has progressed planning and exploratory discussions with advisors.

Fundamental to the planned liquidity event is continued strong financial performance in FY 22 and performance of farming operations to enable maximum production of quality product.



Market Update

Covid-19. Winter minimises impact. Triploids advantage.

After the strong performance of Q3 (FY21) the market experienced a softening caused by several weeks of lock downs in Melbourne and smaller lockdowns in Brisbane and Perth.

Sales in this period were still ahead of long term averages although not at the same level as the previous four months.

FY22 is already proving somewhat of a challenge. As I write, Sydney, Melbourne and Adelaide are in a coronavirus lock down. But if market interruptions were going to occur, then winter is the right time for TOC, as seasonal demand and sales are usually at a low point for the year.



Wholesale and retail market demand normally ramps up from mid-September, coinciding with the warmer spring weather in the mainland capitals.

Management is confident of achieving sales forecast once seasonal demand increases.

The first and second quarters of FY21 were subdued because of Covid-19. But a very strong market emerged in Q3, breaking records for our consolidated growth. Our strength through this period has been our spawnless triploid oyster variety.

New Smithton acquisition

Increased revenue without increased operational expenses.

The Company continues to look for acquisitions which complement our current operations.

Recently TOC purchased 4ha in Smithton, located 20 meters adjacent to one of our existing farms, allowing for operational synergies with no additional staff, boats, land or sheds. Effectively, the acquisition provides the Company with increased revenue without increasing operational expenses.



Recently TOC purchased 4ha in Smithton

Eyre Shellfish

Demand set for post winter rise. Seaweed research. Partnering activities.

Where there are challenges, there are also opportunities; and while it has been a challenging period at Eyre Shellfish in South Australia, there is also optimism on a number of fronts.

Demand for product remained subdued due to Covid-19 lockdowns, and growers took the opportunity to put off purchase of seed to protect their cashflow. But demand is expected to rise during Spring and the business is building stock on hand on the Franklin Harbour lease to be in a strong position to meet the demand.

The harbour also threw up some issues for ES during the year. Significant mortalities were recorded during the change in seasons when reduced food availability in the water proved difficult for spat survivability. As a response, the Company has taken decisive action to bolster technical capabilities on the ground. These include integrating SA-based growing technologies developed by a successful existing SA based hatchery.

Meanwhile, management is pursuing alternative uses for surplus assets at the Cowell site. These include an R&D project into the cultivation of *Asparagopsis* seaweed, which is used as a feed supplement for live stock. This project is being undertaken in conjunction with key industry partners, and has potential to launch an entirely new industry, using cutting edge technology and utilising skills within our group of companies in partnership with external experts.

The seaweed is not just a supplement. It has important environmental benefits, reducing the production of methane in the guts of ruminants



Asparagopsis R&D hatchery has been commissioned on site at ES

New Sales & Marketing Manager

Matthew Lello brings significant experience to new role.

In April TOC appointed Matthew Lello as Company Sales and Marketing Manager.

Matt has extensive food, distribution and logistics knowledge through previous roles with DHL, Qantas Catering, The Savoy Hotel, Hilton Hotels, and MOCO Food Services. He has relocated back to his home state of Tasmania after

spending an extended period of time pursuing his career in Queensland.

Matt has an MBA and brings considerable experience to TOC, having led both small and large teams through major change programs. He now leads the Company's sales team in developing new sales channels to accommodate the extra production coming on line over the next few years.

Since his appointment Matt has been working to build trading agreements with third party stakeholders to accelerate the development and launch of retail and foodservice products.



*Sales and Marketing Manager
Matthew Lello*

Product Development

New oyster products to hit the market.

The Company expects to be in a position to launch exciting new oyster products onto the market during the course of the second half of this calendar year, while finishing touches to packaging for frozen natural product for both retail and foodservice are well underway.

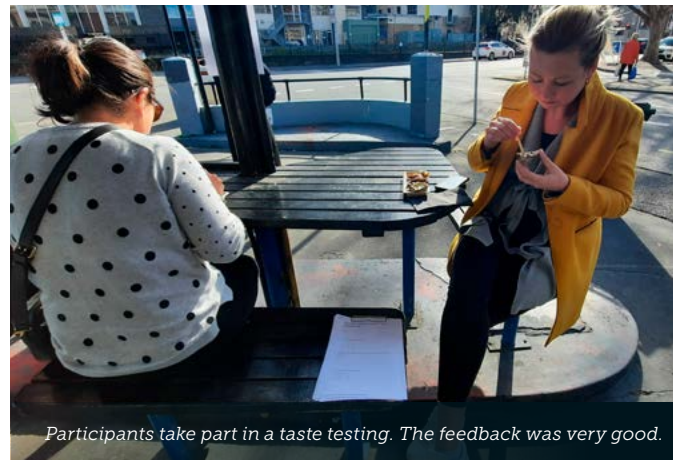
TOC has been working with commercial partners to perfect a range of new oyster offerings, including oven ready oyster products, which will have premium quality as their hallmark.

The value-added oyster range will provide at-home convenience for retail market sales, and a solution-focused marketing approach for the foodservice market.

Recently, the Company's Sales and Marketing team held a focus group event in Hobart to test the products on members of the public and gather crucial, qualitative feedback.

The new oyster range brings consumers new food choices through the retail and food service sectors. They will be launched initially in Tasmania, and then expand along the southern and eastern seaboard of Australia.

The production model also allows TOC to target existing export markets with recipes attuned to different, international palates.



Participants take part in a taste testing. The feedback was very good.



New oyster products were taste tested by consumers in Hobart

Trainee program yields rewards all round

Full time traineeships awarded. Training up a new generation of industry professionals.

TOC has been shortlisted as a finalist for a training award for its leading role in the "SHELL" program which takes interested trainees through an 8-week industry-based course.

Some 16 trainees have so far participated in two batches, and TOC has offered eight of them full time traineeships. A further course will be held in October. TOC agreed to take part after being approached by local government.

The Company is working in collaboration with MAS National, SERDA, and Seafood Maritime Training. The objective is to provide a pre-employment experience for young, regional job seekers, including hands-on work experience, skills training, the attainment of accredited training modules, and managing mental health strategies.

All participants are placed on a Wader Safety course, and they are also gaining qualifications in areas such as Forklift operations, tractor training and chainsaw operations. Of the first intake, all who joined the TOC workforce have signed on to complete Certificate 3 in Aquaculture.



SHELL participants under training

As part of the program, participants work closely with TOC team leaders to gain all-rounded oyster farm experience. Participants are split into smaller teams to ensure they have more concentrated training and mentoring and swap between TOC farms to see how each farm can be different.

A day on the farm includes:

- Understanding of system and operational principles
- Understanding grading systems and methods
- Grading accuracy and efficiency
- Re-stocking oysters in baskets and tubes
- System maintenance/cleaning and checklists
- Monitoring of stock for mortalities, over catch and bi-product
- Rack cleaning, building, repairs, site cleanups, tube and basket repairs
- Water/tide runs
- Preparation and processing of product for market/transport.