

17 February 2022



Kangaroo Island Shellfish Pty Ltd
American River Wharf
PO Box 676, Penneshaw, SA 5222
Shed Phone/Fax: 08 8553 7437
Office Phone/Fax: 08 8553 7122
Email: farm@kishellfish.com.au
ABN: 19 620 105 811

To the American River community. Happy New Year!

We are writing this letter to provide you with an update on:

- 1) Tangara Drive fence around our oyster farm area on the wharf
- 2) Our operations, vision, and future plans

We would also like to dispel some myths and mistruths spread in the community and ask for your feedback and support on our future plans for our farm land base.

Background

You are probably aware of our businesses; Kangaroo Island Shellfish and The Oyster Farm Shop that operate near the wharf. You may also know many of our staff who live and work in American River. Kangaroo Island Shellfish was established in 2008 when we purchased the existing business from Oyster Cove Shellfish. It is now an established iconic KI producer of Oysters; a research and development entity focussed on Positive Impact Aquaculture and multi species farming through an integrated business model. The land base for the farm is located near the American River wharf in, what is now, the Town Centre. Prior to this, the area was used for aquaculture since the 1990s by Jeremy Boots and Raptis & Sons. Before this, the area had been used for Marine and Harbour purposes from the day it was built.

The Oyster Farm Shop, established in 2010, is the farmgate for our products and showcases Island aquaculture and sustainable seafood from the region. It is now a year-round, iconic tourist attraction in the region with visitation of approx 35,000 - 45,000 visitors per year (est. with SATC). We invite you to learn more about our businesses by visiting our website www.oysterfarmshop.com.au

1) Tangara Drive fence around our oyster farm area on the wharf

Firstly, regarding the amenity of our land base near the wharf, we understand the angst from our community and the requirement to improve the amenity of our business in, what is now, the Town Centre. This is a very high priority for us to ensure we maintain our high standard of professionalism consistent with our iconic brand. We apologise for the state that it is currently in, and like most others in the community, we want to proceed with fencing the area appropriately. Then we can landscape, place appropriate tourism signage in line with Town Centres plan, and generally improve the overall visual impact as soon as possible.

Under our current lease agreement with KI Council, we are required to fence the entire boundary of our leased area with cyclone mesh, shade cloth and vegetation. We have proposed to Council to fence a smaller footprint to ensure community access and to replace the old mesh fence along Tangara Drive with a more attractive fence that compliments the shared vision with Town Centre project plans.

Recently we removed the old shade cloth and dead vegetation to commence this process but unfortunately, progress stalled due to uncertainty about the location of our boundaries and style of fence created by the following:

- Awaiting approval of Town Centre Plans and impacts on community use and access
- Planning approval required for replacement fence due to its position in a flood zone
- Question over location of boundary considering Govt and Council discussions regarding changes to accommodate levy bank on other side (hopefully this has now been resolved)
- Concern over security of tenure on the leased area (e.g., are we going to be asked to move boundaries at our cost?)
- Resolution of underground power lines installed through our leased area with no updates to our leasing arrangements
- Ownership and obligations around the new fence

We are committed to working with KI Council and when they can provide us with clarity on these issues, we look forward to getting back to our plan of an attractive wood/corrugated iron style fence with landscaping in line with town centre concept plans. If the uncertainty continues for much longer, we can purchase some new shade cloth to put back up and seal off any other parts of the fence line not yet completed.

The truth is, we are sick of the changing expectations and uncertainty that surrounds our land base lease and fence line and need to have some security so that we can invest the money without fear of requirements changing and our money being wasted, which we can ill afford.

2) Our Operations and Future Plans

If we can gain some certainty from KI Council and SA Government moving forward, in addition to improving the amenity of the area, we are proposing investing further into an aquaculture, tourism, and Research & Development hub at this location. We believe that this would be perfectly suited to the area and builds on the work that has been done to date to create a tourism hub on the wharf in conjunction with our ocean leases. It is also in line with the dedicated purpose of the land being for Marine and Harbour use. We previously published a (draft) vision concept plan in the Islander online and on our website.

(<https://www.oysterfarmshop.com.au/vision>). It is high level and conceptual only but is about the integration of the multi-species restorative aquaculture (i.e., pacific oysters, native oysters, mussels, and seaweed, grown together with benefits to the environment – e.g increasing fish stocks for rec fishers), creation of tourism opportunities and collaborations (with other local businesses), and continuing our research and development work (such as we have been doing with SARDI on Angasi grow outs). This is the future of mari-farming (marine farming).

The vision includes creating a waterfront tasting room in the existing shed next to the tennis courts to attract the high-end market to our town, provide a small event venue and to further showcase our quality produce. This is part of the project we successfully submitted for Tourism Industry Development Funding (30% grant funding) in late 2020. It would also involve setting up small seawater tanks for the Angasi and seaweed stages, but also could be used for other benefits like holding tanks to extend our successful daily tours or even possibly seafood markets down the track (if community desires). A possible solar installation may be implemented with power shared to the wharf along with many other components as shown in the Vision document.

This plan will require considerable financing and we need certainty around our tenure. Much of this will not happen without certainty of our investment through security of tenure, and at this stage we may even need to withdraw from the TIDF grant due to the delays with our lease arrangements.

Myths and Misinformation

Now to dispel a few myths and misinformation that has been circulating in the community. We and our staff care about what people think, and no doubt share many of the same views as you. It is quite disappointing and hurtful to hear and see some of the things that are written on social media by a very small minority, particularly when it includes misinformation, and personalised attacks. Please note, these will be dealt with separately and appropriately. Our staff have become pretty thick skinned too, but it is also unfair on them to have to live and work within a toxic (social media) environment created by so few.

Myth 1: The “4-storey Hotel”

To achieve security of tenure, we have applied to purchase part of the land we operate on, but there is NO intention or possibility of building a “4 storey hotel” or anything of the sort there. In fact, the land has been dedicated by Crown Land for Marine and Harbor purposes only. In addition, any development on the land is driven by SA Govt development plan rules, and a 4-storey hotel is not permitted. Also, in our USP application, we proposed to sign an agreement to this affect to alleviate any concerns. It is worth noting that the area is in a coastal flooding zone and any development on the site will be required to mitigate such risks. What we want to do, is what we have described in our Vision, around an aquaculture, tourism, research, and development hub, and install an attractive fence.

Myth 2: Clandestine application to freehold community land

Upon acquisition of the farm in 2008, we had a 12-month rolling lease on the land through DPTI. Since then, we have sought security of tenure from DPTI/Marine and Harbors and Crown Land. This area was not the Town Centre at the time and was not under care and control of KI Council.

After 7 years of negotiations, finally in 2014 we received an offer from Crown Lands for a long-term lease, which we subsequently turned down when a ‘better deal’ was offered by KI council if rededicated to their care and control. This ‘better deal’ has since shown to be flawed in several ways, including the error of the land being put into Community land register instead of Operational. This land was never meant to be Community Land (that was the RIG Shed). The process required to provide us with security of tenure by requesting the waiver for it to be retained as Operational land was never done. We are following up the process that led to this error and are awaiting records to be sourced. Also, the lease has been found to have an illegal charging structure, power cables were put through the property without any liaison and no paperwork, and we can be asked to leave with 12 months’ notice, along with many other issues proving the continued lack of security of tenure.

When we raised these security of tenure issues again in 2019, we were advised of the opportunity to apply for an unsolicited proposal for acquisition of land, which we did in October 2019. Since then, we have been following the SA Govt process as required and as advised by our Case Manager. It has been a long and extensive process. Crown Lands requested feedback from the KI Council in July 2020. Unfortunately, this request was with Council for over a year. We presented our plans to a council meeting held on 13 July 2021. In early November 2021, KI Council provided their position to Crown Lands which was to not support our request based on a recent policy decision to not support relinquishing community land. So here we are still fighting for security of tenure in 2022, to have certainty to invest in our vision, including the improved boundary fence to stop equipment storage being visible and integrate into new Town Centre plans.

During this 12+ month period we were not permitted to publicise or indeed consult with our community in compliance with the documented Department of Environment and Water USP procedures. However, the information has not been kept Commercial-In-Confidence by others and has been used against us as if we were deliberately hiding information around the application. We have not. We are just following the long and arduous, bureaucratic process to seek security of tenure, as we have done for past 14 years.*

We are not keeping any secrets around our plans. They are for all to see, and we have followed procedure as we were directed to (and as we always do...sometimes to our detriment). We have always been keen on gaining community feedback and support around our plans, and now we are permitted to ask for it!

Myth 3: Repeated promises but nothing happens

We DO want to improve the amenity of the area and hide from sight the storage required by our farming operations with an attractive fence to meet with community expectations, and as such we have worked closely with Council on the Town Centre vision. We also need to improve the visual amenity of our business to be consistent with our brand and image in our industry. The safety and security of our business is also important. We just need certainty about exactly where and what style because the cost is substantial, unless we revert to the shade cloth as currently required by our lease. We have budgeted to replace the chain mesh fence however we can't commit the funds until we have clarity on our obligations, ownership, and tenure.

We DO farm Angasi oysters and have done for many years working closely with SA Research and Development Institute and are now known as world leaders in Angasi farming. You can come into the farm shop and taste them when in season (best July through to September).

We ARE working with The Nature Conservancy and Landscapes SA on shellfish reefs.

We ARE licenced to farm 19 species of seaweed/algae and ARE working with research bodies on farming these species.

When we purchased the farm, it had 4 employees, over the past 12 years we HAVE expanded our workforce across the businesses to 15 employees, many who live and have family in American River. We have employed around 130 staff mostly from KI since our inception as many of you could testify.

Myth 4: Rezoning the area to aquaculture

There have been no negotiations between KI Shellfish and KI Council to rezone the area to aquaculture.

Myth 5: The town centre lessee has reneged on the fence

Funnily enough, that saying by Edgar Allan Poe back in the 1800s "believe nothing you hear and only one half that you see." is accurate in busting this myth. Back in December 2021, with the Town Centre project progressing we sent an email to Council that said ***Currently, KI Shellfish is without security of tenure on the wharf area in American River and therefore will not be able to invest the intended \$xxxxx (quote attached) to re-fence the Tangara Drive boundary of the property to integrate with the Town Centre project as was originally planned. This will mean that the shade cloth will go back up and the chain mesh fence will remain as per the requirements of our lease agreement until such times as we have confidence to invest further.*** We are still waiting for clarity around our security of tenure. We don't think it is unreasonable to seek clarity about our obligations, ownership, tenure and indeed the final actual boundary of the area to be fenced before we commit funds to fence it!

Over the years there have been many rumours and much misinformation spoken and written about our business, even sent to Ministers, by very few. We recommend anyone interested in the facts speak to us directly or view the Event Timeline and Community Questions & Answers documents on our website www.oysterfarmshop.com.au/vision.

We do not believe our town, and our team's future should be influenced by a couple of detractors spreading misinformation and slanderous accusations. We are passionate about our vision and as a business we just want some certainty so we can spend our time getting on with it. We are a small family business, not a multi-national conglomerate and we have strong ethics – our entire business model is based around contributing to the environment and the community!

It is worth noting the many ways that our business contributes to your town:

- Since 2008 we have created an Iconic Kangaroo Island product and brand in American River
2014 SA Regional Awards Finalist – Business, 2015 SA Regional Awards Finalist – Primary Producer, 2017 SA Regional Showcase Award Finalist, 2017 Kangaroo Island Food and Wine Award Finalist – Best Farmgate Experience, 2017 Kangaroo Island Food and Wine Award Winner – Best Value-Added Product, 2017, 18 Tripadvisor Certificate of Excellence, selected for 17th edition of the Lonely Planet Australia guidebook, nominated in 2021 for Telstra small business of the year award
- The Oyster Farm Shop is recognised as a must-see destination on KI bringing 35K-45K tourists into the town each year
- We have grown our team of staff from 4 to 15, including the Oyster Farm Shop, which celebrated 10 years of business in 2020. Over the past 12 years we have employed over 130 people which may have included you, a member of your family, or a friend perhaps. We have also provided school tours and work experience for many students from local families.
- The visitors that we bring into the town also spend money at the local café, post office, art gallery, local restaurants, The Shed and stay in local accommodation
- Hosted TV personalities, sporting legends, Masterchefs and politicians, KI Festival, Small Islands of the World Conference, Tasting Australia, Andrew Nunn (Chief Entrepreneur) and board, SATC Board all of which raise the profile of American River
- Featured on TV and radio promoting our businesses and the town of American River
- Our businesses have survived storms, poms, bushfires, covid through a diversified business model that has been used as a template for other farms around Australia
- We have fought for recognition of American River as a tourism destination, working with SATC, KITA and local businesses to put AR back on map including videography and establishing a business cluster post bushfire
- Providers of numerous unreported sea rescues (approximately 10 per year) and mariner support
- Assist boaties with labour, tools, and equipment
- Assist the community by volunteering, providing storage and use of equipment, community donations and support (RIG, tennis courts, dolphin watch, town hall, sports clubs, Gala Day, etc). The RIG currently has a storage shed on our leased area
- Working closely with town centre project to ensure our plans integrate with town centre

How we and our staff contribute to your town:

- We and our staff are on your CFS crew protecting your town!
- We, our staff, and their families volunteer in community groups
- We, our staff, their families, and friends spend money at the local café, post office, art gallery, local restaurants, and The Shed
- We have staff who are raising their families in your town, these people are the future.

And how our businesses in American River contribute to our world:

- Working with NRM and The Nature Conservancy on reef restoration project to improve fish stocks and create tourism opportunities
- We are world leaders in Angasi oyster commercial grow-out (helping other interstate farms establish business) to reintroduce a native species back into the environment
- We are participating in leading edge multi-trophic restorative aquaculture research to help restore the health of our oceans
- We are developing Agtech management tools that are used around Australia (and the world) to help with sustainable oyster management
- As part of our integrated aquaculture and tourism model, we educate visitors about sustainable species and how positive impact aquaculture improves ocean health

Your feedback and support

In summary, we don't intend to move from the wharf because there is nowhere to move to. It's always been home to marine activity and aquaculture. We, and our staff, have invested significant money and effort into the business already with benefits that go far beyond us and our little town. We need to be confident for future investment, otherwise the operation will be much of the same going forward. This would be a shame, with so much potential for the town. We believe aquaculture and tourism is perfect for American River. It all gets down to scale. Can we invest in our vision and amenity, or will we be forced to take the minimalistic approach which may involve reducing operations and employees? Or worst-case scenario will we be forced to close?

We are so proud of our amazing staff, both current and previous, and the achievements we have made as a team over the years. As part of the American River community, we hope you are proud too, and that you support our vision and need for land security moving forward.

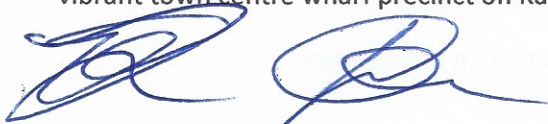
There are obviously one or two vocal detractors of our business unfortunately, but that shouldn't stop the rest of the community from speaking up in support of what is good for the town.

We do not intend to enter into a toxic social media dialog and prefer constructive and respectful lines of communication. As such, we intend to present our vision and plans to the community in early March 2022 and glean your feedback.

We would love to see you at this meeting to support our business, staff, and vision... and to send a message to the minority but vocal detractors and community agitators that should not be driving the future of this town!

Alternatively, you can contact us on admin@kishellfish.com.au or 0427 233 886 (Ken).

Thank you for taking the time to read this letter. We look forward to creating and growing a unique, attractive, vibrant town centre wharf precinct on Kangaroo Island.



Ken and Amanda Rowe
Kangaroo Island Shellfish
The Oyster Farm Shop
Blue Farm Intelligence (miShell)