



The Manager
Companies Announcements Office
Australian Securities Exchange

31 March 2017

Dear Sir/Madam,

Development assessment pathway for Smith Bay Wharf proposal

Kangaroo Island Plantation Timbers Ltd (KPT or the Company) announces that it now expects to be provided with reporting requirements for an Environmental Impact Study (EIS) to be conducted in relation to its Smith Bay Wharf project, in May 2017. These requirements will be issued by the Development Assessment Commission of South Australia (DAC) following a site inspection.

The development is being assessed in accordance with s.46 of the *Development Act* (1993), which sets out the development pathway for declared Major Projects. The guidelines issued by the DAC will also address matters relevant to the Commonwealth, under the *Environment Protection and Biodiversity Conservation Act* (1999).

The Company confirms its previous advice (21 February 2017) that it has, to the greatest extent possible, completed all the studies that it believes will be necessary to support the finalisation of the EIS soon after the issue of the reporting requirements.

Following submission of the EIS in a form that addresses the reporting requirements, there is a mandatory six-week period of consultation, when submissions are sought from the public, to which the Company must respond formally. An assessment report is then prepared by the Department of Planning and, based on this report, the Cabinet advises the Governor to grant development consent, subject to any applicable conditions, or to refuse consent, as the case may be.

As part of its responsibility to keep the public (and Kangaroo Island residents in particular) informed about the project, the Company has today released a information sheet about the Smith Bay Wharf project and the benefits it will bring to Kangaroo Island and to South Australia more generally. A copy of that document is attached to this announcement.

Yours faithfully

A handwritten signature in blue ink, appearing to read "V Allinson", with a horizontal line extending to the right.

Ms Vicky Allinson
Company Secretary





DIRECT JOBS

118 FTE post-construction in forestry industry. Many more indirect jobs (168 FTE) through increased economic activity

50 FTE direct jobs during construction of wharf

- Plantation management
- Transport
- Harvesting
- Chipping
- Administration
- Port logistics

Western Kangaroo Island
an ideal place to grow timber
– high annual rainfall with
low variation, plus low
evaporation due to
maritime climate.

Forestry industry increases enrolments at Parndana Campus, supports local businesses, sporting teams. Independent tree growers gain route to market for their timber = \$\$ for local independent producers.

\$40 million
a year to be spent on
Kangaroo Island



300 days per year, wharf can be used for other cargo – grain, wool, fertiliser and even cruise ships.



430 Increase in population



Re-population of western KI, additional housing blocks released.

Forestry the largest single ratepayer on the Island. Set to become the largest single employer.



19,000

ha of KIPT land currently growing timber.

5,000,000

tonnes of timber ready to be harvested @ 500,000 tonnes a year

\$60 million

a year export revenue for South Australia



New freight options for all primary producers, based on incremental cost = lower farm input costs, higher prices for produce

Smith Bay

- Level site for cargo storage
- Close to trees
- Not in a marine park
- Deep water close to shore
- Land already degraded
- Low interaction with tourist traffic
- No lost habitat for critically endangered animals or plants
- Water and air quality to be maintained for the environment and neighbouring businesses.



Smith Bay Wharf

Benefits for Kangaroo Island

What is proposed?

A deep-water wharf at Smith Bay, suitable for international timber, passenger and general cargo ships. There is no such facility on KI at present. A causeway will extend into the sea to a floating pontoon berth. The outer edge of the pontoon will be in water 10m deep. The berthing pocket will be dredged to 13m. The berth approaches will be levelled so that ships can approach and leave the wharf safely.

A concept drawing of the wharf facility is shown here. To give a sense of scale, the Smith Bay wharf will be about two-thirds the length of the Kingscote Jetty. Logs and woodchips will be stockpiled on shore. There will also be room for containerized cargo, such as grain or fertiliser (some of which may be able to be carried as deck cargo on ships taking timber to Japan and China), and provision for tourist coaches to convey cruise ship passengers.

Once established, the wharf will handle about 12 shipments of plantation timber a year, and will be used for about 60 days each year for timber exports. Consistent with South Australian Government requirements, the wharf will be a genuine multi-user, multi-cargo facility. Kangaroo Island Plantation Timbers Pty Ltd (KIPT) will pay to build the wharf but it will be able to be used by a variety of industries.



Smith Bay wharf – benefits for Kangaroo Island

What are the main benefits to Kangaroo Island?

Timber exports will lead to a significant direct boost to local employment on KI; approximately 118 new jobs are anticipated in harvest, haulage, handling, re-planting, thinning, pruning, fence post production, plantation management and support services. Forestry is already the largest ratepayer on the Island and will become the largest industry. The flow-on employment to other businesses is likely to add a further 168 jobs. These will be year-round jobs. Timber is not a seasonal business.

Kangaroo Island plantation forestry is expected to generate about \$60m a year in export income, and about \$45m a year in direct expenditure on wages and salaries, contractors, other suppliers and other inputs. The flow-on effect of this expenditure is estimated to be \$60m a year.

Launching forestry harvesting operations on western KI, and the associated increased employment, will lead to net migration to the Island, boosting the Island's residential population by about 430 people, and increasing the demand for housing and other services.

This projected population growth will support essential services provided by Kangaroo Island Community Education and the Kangaroo Island Health Service, and generate additional rates income for the Kangaroo Island Council. Many island businesses will benefit from increased economic activity. The agriculture sector will also benefit, through cheaper inputs and reduced freight costs, by having direct access to international markets.

Lastly, the existing makeshift public boat ramp at Smith Bay will be upgraded as part of the project, and sheltered in the lee of the new causeway.

Who is behind the project?

Kangaroo Island Plantation Timbers (KIPT) is listed on the Australian Stock Exchange (see www.kipt.com.au). Its head office is in Adelaide. KIPT either owns or is buying most of the timber plantations on KI and is committed to working constructively with the remaining independent tree growers.

Why is this happening?

Because of its climate, KI is a great place to grow trees. The existing plantations on the Island are able to produce timber for export with a value of \$60m each year, sustainably. That equates to about 500,000 tonnes each year.

Global demand for plantation timber is growing with the decreasing availability of native forest logging. And the supply of plantation timber is diminishing too, due to competition for land. Sustainably-grown, environmentally certified timber is in high demand, especially in the growing markets to Australia's north.

Why now?

The mature trees on the pine and blue-gum plantations are now ready to harvest. Timber customers in Asia are eager to receive and pay for shipments, subject to timely construction of the wharf.

Why Smith Bay?

A number of sites have been investigated. The choice of a suitable site for an export facility has been determined by several critical factors:

- Smith Bay is the closest practicable sheltered north coast site to the timber resource.

- This proximity minimises transport costs and the effect on roads and other road users.
- Smith Bay has deep water, relatively close to shore, which is needed so that large ocean-going vessels can be loaded safely.
- Unlike many places on the north coast, the land at Smith Bay is low-lying and relatively flat, suitable for the safe storage of a variety of cargoes.
- A wharf at Smith Bay will be less expensive and quicker to build, and cheaper to operate, than structures on more challenging sites. This benefits all cargoes, not just forestry, and it means that the project can proceed without government financial assistance.
- The land at Smith Bay is a former industrial site that has been cleared and somewhat degraded by previous primary production.
- The seabed has previously been disturbed to create a shipping channel.
- There is no critical habitat on the land at Smith Bay and it is not a home to any critically endangered species.
- There is minimal conflict with tourism.
- Smith Bay is not in a marine national park.

What other sites have been considered?

KIPT bought the Smith Bay site following a whole-of-Island evaluation. No other site has the combination of factors listed above. Every site on the Island, including Smith Bay, has some problems and is likely to have some objectors. KIPT has determined that Smith Bay has the fewest problems and the fewest likely objectors.

In particular, Ballast Head (and a number of sites near there) and Cape Dutton have been the subject of detailed feasibility studies by KIPT and others. None is considered to be a practical alternative to Smith Bay.

Will there be any environmental impacts on Smith Bay?

KIPT is currently undertaking a full assessment of the environmental impacts of building and operating a deep-water wharf at Smith Bay, and has commissioned a number of independent studies to assist with this process.

The most significant issues appear to be the impact of dredging on the sea floor and seagrasses in particular and the need to manage potential impacts on water quality in Smith Bay. It will also be important to ensure that the site has appropriate dust suppression and that noise and light pollution are carefully managed.

KIPT's aim is to avoid any harmful environmental impact wherever possible, and KIPT is confident all of these matters can be managed satisfactorily, if not avoided all together. The Australian Government has specifically asked KIPT to consider the impact on the Southern Right Whale, the Kangaroo Island Echidna, the Eastern Hooded Plover, and the Southern Brown Bandicoot.

What will the impact be on the neighbouring abalone farm?

Yumbah Aquaculture Pty Ltd (formerly South Seas Abalone) has advised that it opposes the wharf and it is concerned about the possible impact on water quality in Smith Bay, and the possible impact of dust, noise and light spill during construction and operations.

KIPT has offered to work with Yumbah to investigate and

address all of these issues, at KIPT's expense. To that end, KIPT has engaged Professor Anthony Cheshire (former Chief Scientist (Aquatic Sciences) at the South Australian Research and Development Institute (SARDI)) to supervise this work.

KIPT is committed to maintaining the water quality in Smith Bay and will be required to do so by government. No effluent or run-off will be discharged into Smith Bay from the timber storage facility, or from ships berthed at the wharf. The only effluent discharged into Smith Bay comes from the existing aquaculture operation. Dredge spoil will be pumped to the land. It will not be dumped at sea.

What about the impact on KI's roads?

KIPT will use standard semi-trailers to transport harvested timber from plantations to the Smith Bay wharf. These are general access vehicles and, like tourist coaches and trucks carrying harvested grain or stock, do not require permits to access or use any roads on KI.

Even so, KIPT has commissioned traffic engineers from Wallbridge and Gilbert (the same company which advises the Kangaroo Island Council) to prepare a route assessment from the various plantation estates to Smith Bay.

There will be increased wear and tear on KI roads, and potential interactions with other road users. However, these can be reduced by choosing an appropriate route between the plantations and the export facility. Locating the wharf at Smith Bay has the advantage of keeping the forestry haulage vehicles away from the busiest roads on KI, which lead to Kingscote and Penneshaw. In keeping with forestry practices on the mainland, KIPT will return feeder roads to their pre-harvest condition.

Are there any bio-security risks?

The risk of introduced pests and diseases is a concern to all KI residents and businesses alike, including KIPT.

Smith Bay will not be used as a point of entry to Australia for any ships. National quarantine, immigration and customs measures will be enforced at an established port, such as Fremantle. The existing international anti-biofouling and ship ballast water disposal protocols (that require discharge in the deep ocean) will further mitigate this risk. These are the same measures and protocols currently applying to cruise ships at Penneshaw and small yachts at Christmas Cove and Kingscote.

As with existing air and sea movements, Kangaroo Island-specific biosecurity protocols will be implemented to protect the beekeeping, viticulture and potato industries and to prevent the introduction of pest species.

KIPT has met with the Biosecurity SA division of PIRSA, which has agreed to work with KIPT to develop best-practice biosecurity protocols to ensure there is no biosecurity threat to the plantation forest estates on the island, and no additional biosecurity risk to the island as a consequence of the Smith Bay wharf, especially for existing aquaculture and agriculture businesses.

Will the Smith Bay wharf benefit other timber growers on KI?

KIPT is currently in discussions with the dozen other owners of plantation timber on KI, with a view to agreeing a commercial arrangement to harvest and export their timber. Half of these growers have pines. The other half have blue-gums on their own land, previously leased to Great Southern.

Who is paying for the wharf?

KIPT will fund the full capital cost, recovering the investment from a per-tonne charge on timber

exports. No financial assistance will be required from government to build or operate the export facility.

No capital contribution will be charged for non-forestry cargoes (such as agriculture). This is expected to facilitate primary producer margin growth and lead to other benefits such as increased employment and investment in on-farm infrastructure.

KIPT has a market capitalization of \$60m, and has the backing of its shareholders, coupled with funding from the Commonwealth Bank, and timber supply arrangements with the Japanese trading house Mitsui & Co.

What is the government's role?

The South Australian Minister for Planning has declared the Smith Bay deep-water wharf a major development under s.46 of the Development Act 1993 (SA). As a consequence, the Minister is responsible for assessing and approving the project, which cannot proceed without his formal approval.

The Australian Government has declared the development a controlled action under s.75 of the Environment Protection and Biodiversity Control Act, and as such it requires assessment and a decision about whether approval should be given under that Act.

The Kangaroo Island Council has no role in assessing or approving the project. However, its views will be taken into account by the Minister.

What is the assessment process?

The independent Development Assessment Commission (DAC) is responsible for determining the level of investigation required and the guidelines for that investigation i.e. the issues that KIPT must consider and address before the Minister will assess the application.

The DAC is currently considering these matters, and will report to the Minister in due course. The Minister will then notify KIPT and the guidelines will be made available to the general public via a public advertisement.

Is government approval a formality?

No it is not. It is a comprehensive and thorough process.

Can I have my say in the approval process?

Yes. KIPT will be required to produce an assessment report that addresses the guidelines. It will include all the studies that have been carried out to inform the project and assess its impact. The Minister will make this report available to the public for comment for a period of at least 30 business days, and KIPT will be obliged to provide a written response to the Minister on all matters raised by the public during that period.

If the project is approved, how long will it be before construction begins?

Construction will begin within a few weeks of the planning approval.

How long will it be before timber exports begin?

Construction is expected to take nine months, and exports are expected to begin shortly thereafter.

I would like a job with KIPT - can I register my interest in employment?

Yes. Please register your interest via KIPT's website (www.kipt.com.au).

Can I register my interest in supplying other services to KIPT?

Yes. KIPT will be calling for expressions of interest shortly via our website (www.kipt.com.au).