

12 April 2017

The Manager  
Companies Announcements Office  
Australian Securities Exchange

Dear Sir/Madam

## Accelerated Pro-Rata Non-Renounceable Entitlement Offer and Institutional Placement

### HIGHLIGHTS

4 for 9 accelerated pro-rata non-renounceable entitlement offer.

\$21.4 million to be raised via the Entitlement Offer issue of approximately 10,721,564 New Shares at an offer price of \$2.00 per New Share.

Approximately \$12.1 million to be raised via an Institutional Placement of approximately 6,028,467 Shares at an offer price of \$2.00 per New Share.

Funds raised will be used to partially fund the purchase of the entire Forestry Investment Trust estate managed by New Forests on Kangaroo Island for \$55 million, and further develop an export facility.

### *The Entitlement Offer*

Kangaroo Island Plantation Timbers Ltd (**KPT** or the **Company**) is pleased to announce an accelerated pro-rata non-renounceable entitlement offer of approximately 10,721,564 new KPT shares (**New Shares**) on the basis of 4 New Share for every 9 existing shares (**Entitlement**) held at 7pm AEST on 19 April 2017 (**Record Date**) by eligible shareholders with a registered address in Australia or New Zealand (**Offer**). All New Shares offered under the Offer will be issued at a price of \$2.00 per New Share, which represents a 21.57% discount to the last close price of \$2.55 on Monday 11 April 2017 and an 13.8% discount to the Theoretical Ex-rights Price (including shares issued under the Placement) of \$2.32.

The Offer is an accelerated pro-rata non-renounceable entitlement offer and as such has two components:

1. an institutional entitlement offer, where offers have been made to eligible institutional shareholders for them to apply for their pro-rata entitlement (**Institutional Entitlement Offer**); and
2. a retail offer, where offers will be made to eligible retail shareholders for them to apply for their pro-rata entitlement (**Retail Entitlement Offer**).

Fractional entitlements for the Offer will be rounded up to the nearest whole number.

The Entitlements are non-renounceable. Accordingly, Entitlements will not trade on the ASX, nor can they be transferred or otherwise disposed of.

As at the date of this Offer, the Company has on issue 24,123,520 Shares. The Company expects that approximately, 10,721,564 New Shares will be issued under the Offer.

Two of the Directors (and their associates) have agreed to take up part of their Entitlement in the Institutional Entitlement Offer.

Petra Capital is acting as Lead Manager and Bookrunner to the Offer. It is intended that the retail component of the Offer will be underwritten by Petra Capital Pty Ltd (ACN 110 952 782).

### *Use of Funds*

Completion of the Offer (\$21.4 million) and Placement (\$12.1 million) in an increase in cash in hand to approximately \$39.5 million (before the payment of costs associated with the Offer). Cash on hand at the 31 December 2016 amounted to \$6.5 million.

The Company intends to apply the funds raised from the Offer and Placement (total \$33.5 million) as follows:

<b>Item of Expenditure</b>	<b>\$ million</b>	<b>%</b>
Acquisition of Forestry Investment Trust Estate	\$25.0	75%
Acquisition costs	\$5.0	15%
Working capital/contingency and Offer costs	\$3.5	10%
<b>TOTAL</b>	<b>\$33.5</b>	<b>100%</b>

The use of funds is estimated based on current assumptions and these assumptions may change.

### **Loan facility**

The Company has entered into a funding agreement with the Commonwealth Bank of Australia (CBA or the Bank). Subject to certain conditions precedent, the Bank will lend up to \$57.1 million in total, of which \$25 million will be used to part-fund the acquisition of the FIT Estate, in addition to \$25 million from the proceeds of the Offer. The Bank will also support 100% of the anticipated construction cost of \$25 million to \$30 million for the Company's proposed Smith Bay Wharf plus an allowance of approximately \$2.1 million for equipment finance and working capital.

### **Acquisition of FIT estate on Kangaroo Island**

Under the transaction documents with FIT, the Company will purchase the entire FIT estate managed by New Forests on Kangaroo Island) for \$55 million. The purchase includes the plantation land, the standing timber and the Ballast Head site which had been put forward by New Forests as an alternative site for a timber export facility. A deposit of \$5 million was paid to FIT when the purchase was announced in October, 2016

### **The FIT estate**

The estate includes almost 19,000ha of land, of which approximately 10,700 ha is planted with Tasmanian blue gum (*E. globulus*) in various stages of maturity. The current standing volume of timber is estimated at approximately 2.4 million green tonnes. Thus, the FIT Acquisition effectively quadruples the size of the Company's plantation area and triples its standing timber resource.

### **Export facility**

The Company announced on 19 February 2017 that its Smith Bay Wharf project had been declared as a Major Development by the South Australian Government. Major Development status (under section 46 of the Development Act) allows the planning decision regarding the Company's proposed deep water wharf at Smith Bay to be determined by the Governor of South Australia, on the advice of the Minister for Planning, rather than at a local government level. Using this development pathway also removes any right of appeal by objectors against development consent.

The Company is committed to working with the South Australian Government to ensure that the benefits of the development to the community are maximised, and that any negative effects are minimised and, where possible, offset. With the assistance of the South Australian Government, the Company will seek to ensure that development consent is secured in a timely manner, with reasonable conditions. The Company is not seeking any direct financial assistance from the South Australian Government.

*Indicative Timetable*

Key events	Date <sup>(ii)</sup>
Trading halt commences and Entitlement Offer announced	12 April 2017
Institutional Entitlement Offer opening date	13 April 2017
Institutional Entitlement Offer closing date	13 April 2017
Institutional Bookbuild	13 April 2017
Institutional Entitlement Offer: announcement of results	19 April 2017
Trading halt is lifted and existing Shares resume trading	19 April 2017
Retail Entitlement Offer <u>Record Date</u> (7pm AEST)	19 April 2017
Settlement of applications in the Institutional Entitlement Offer	21 April 2017
Retail Entitlement Offer Opening Date	24 April 2017
Retail Offer Booklet Dispatched to Shareholders	24 April 2017
Quotation of New Shares issued in the Institutional Entitlement Offer	24 April 2017
Retail Entitlement Offer Closing Date (5pm AEST)	4 May 2017
Settlement of Applications in the Retail Entitlement Offer	10 May 2017
Issue date of Retail Entitlement Offer	11 May 2017
Quotation of New Shares issued in the Retail Entitlement Offer	12 May 2017

- (i) Subject to ASX Listing Rules, the Directors reserve the right to extend the Closing Date for the Offer at their discretion. Should this occur, the extension will have a consequential effect on the anticipated date of issue for the New Shares.
- (ii) These dates are indicative only and are subject to change at the discretion of the Directors in consultation with its advisors.

Further details on this Offer will be set out in the Retail Offer Booklet that will be sent to each Eligible Retail Shareholder on 24 April 2017.

Yours faithfully



Victoria Allinson  
Company Secretary

Kangaroo Island Plantation Timbers Ltd