



The Manager
Companies Announcements Office
Australian Securities Exchange

9 May 2017

Dear Sir/Madam,

Investor site visit

Kangaroo Island Plantation Timbers Ltd (KPT or the Company) advises that it is holding an investor presentation on Kangaroo Island today. The investors will be visiting the proposed wharf site at Smith Bay and viewing a number of plantations.

A copy of the investor presentation is attached.

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

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Principal place of business: Suite 805, Aurora House
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Investor site visit

Kangaroo Island

Tue 9 May 2017

Recent achievements

- \$33.5m equity raising completed at 14% discount to TERP
- \$25.0m (Tranche 1 of \$57.1m CBA debt facility) drawn down
- Acquisition of Kangaroo Island FIT estate for \$55.0m, strongly NTA/share positive, improves resource profile
- Purchase of suitable pontoon for Smith Bay wharf from Hyundai Heavy Industries
- Strengthening of executive team
- New offices in Adelaide and Kingscote
- Site visit by SA Development Commission

Strong partnerships



MITSUI & CO.

Objective: long-term offtake contracts, July 2018 start date



CommonwealthBank

Smith Bay wharf construction cost funded 100%



**MARITIME
CONSTRUCTIONS**

Port Adelaide-based marine construction experts

Agenda



- About KPT and KI Forestry
- Wharf development
- Barging option
- Inspection of plantations

The KPT opportunity

- Transforming from small timber grower, to large, low cost sustainable timber grower and exporter
- Proposed deep water wharf (Smith Bay, Kangaroo Island) to be assessed under Major Projects Pathway
- Timber prices are firm, with favourable supply/demand imbalance developing
- Timber is an uncorrelated long-term inflation hedge with a favourable risk-return profile.¹
- Globally, US\$100 billion invested in timberland¹, dominated by institutions
- KPT is the only ASX listed traditional timberland company²



1. New Forests Timberland Investment Outlook 2015-2019
2. Excluding exotic species

Board



Chair: **Paul McKenzie** BSc (Agric), BCom, FAICD, AIAST
Professional agribusiness consultant & company director
Appointed to board April 2005, appointed Chair July 2009



Managing Director: **John Sergeant** BSc, BA(Hons I), FAMSRS, GAICD
Professional manager, biological sciences & marketing background, director Asset
Resolution (ASS), Appointed to board March 2013



Executive Director: **Shauna Black**
Kangaroo Island-based finance journalist, businessperson and industry super fund trustee
Appointed to board March 2015



Independent NED: **Greg Boulton AM** BA(Acc.), FCA, FCPA, FAICD
Logistics, timber, Statewide Super, Port Adelaide Football Club, chair Southern Gold
(SAU), director Cancer Council SA. Appointed to board November 2016



Executive Director: **Graham Holdaway** BCA, Dip Accy, ACA, MAICD
Former KPMG partner, infrastructure, resources & logistics background, tree grower,
director Asset Resolution (ASS). Appointed to board March 2015

Management



Managing Director: **John Sergeant**



Director of Operations: **Graham Holdaway**



Director of Community Engagement: **Shauna Black**



Approvals Manager: **Peter Lockett**
Adelaide, former senior public servant and management consultant



CFO and Company Secretary: **Vicky Allinson**
Adelaide, investment, resources & materials background

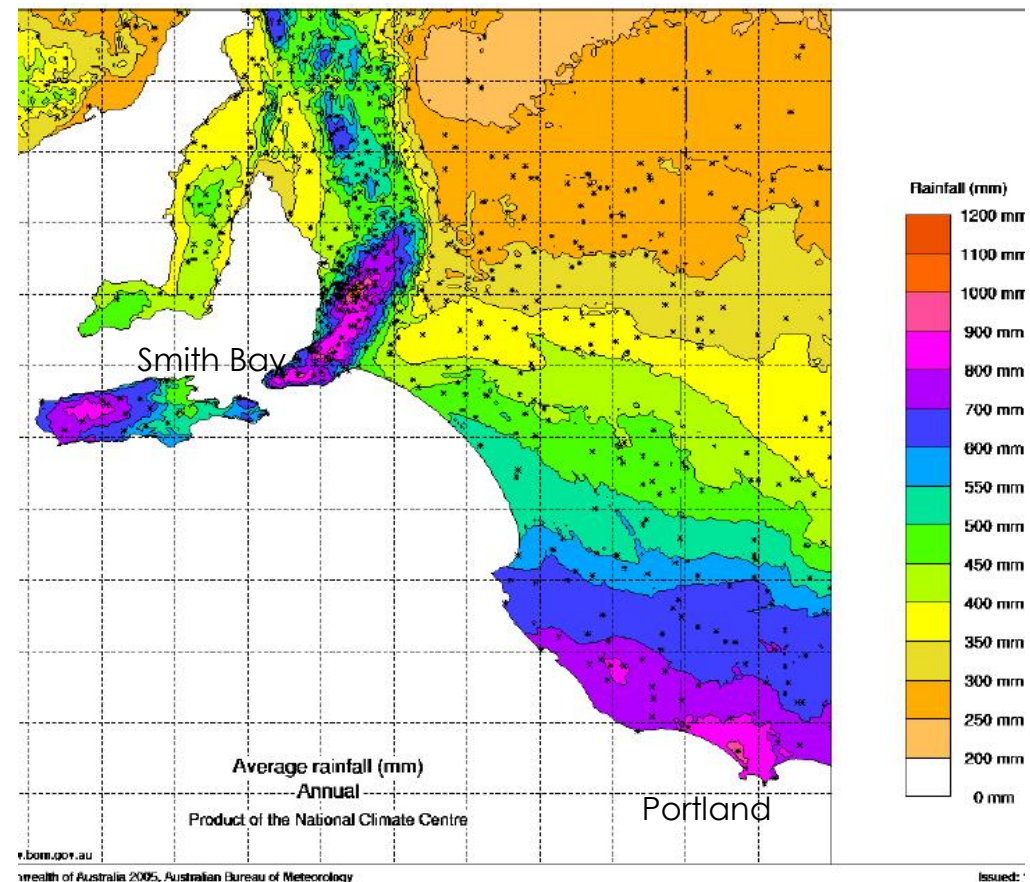


Property and Forestry Operations Manager: **Stephen Connell**
Kangaroo Island



KI: low cost timber production

- High rainfall (as shown)
- Low rainfall variability
- Mild summers, low evaporation
- No salinity issues
- Blue gum MAI (growth rate) approaching 25t/ha pa – over 25% more productive than mainland
- Close proximity to proposed KPT wharf – low transport costs
- Low cost structure



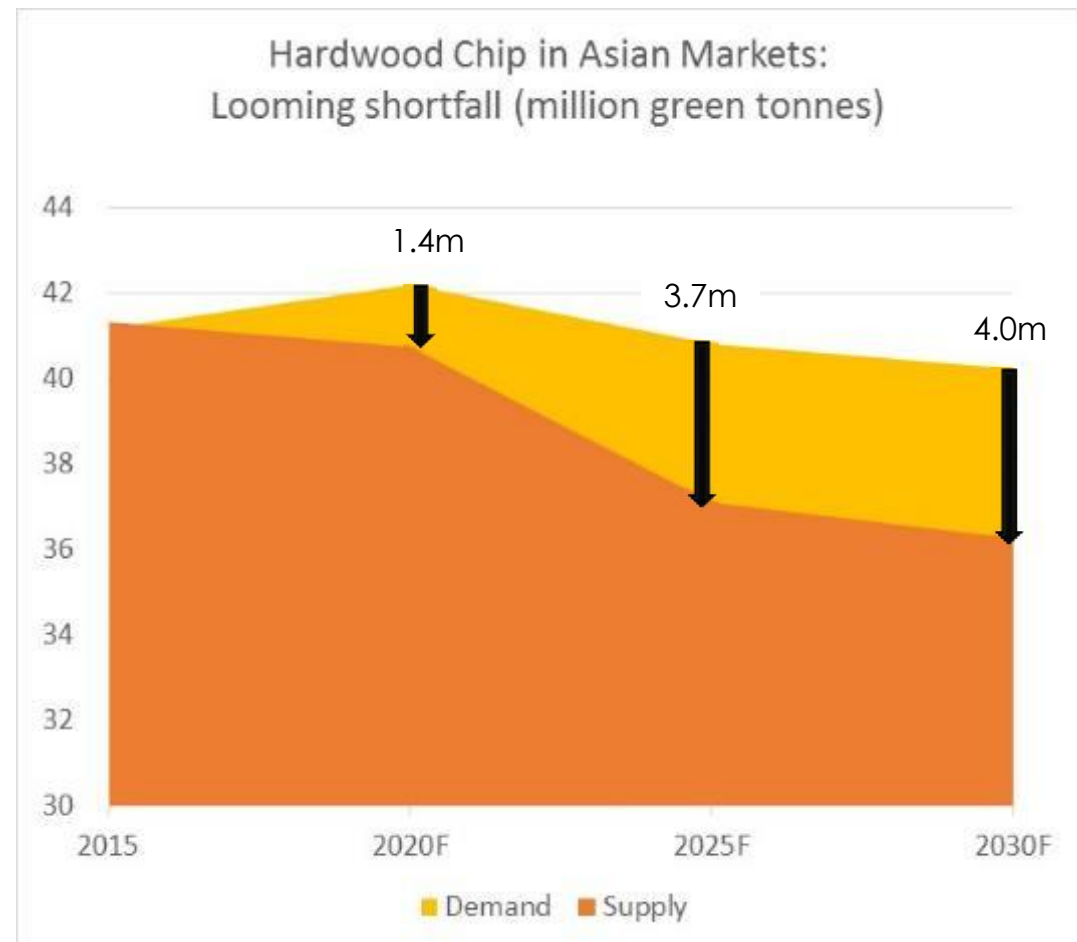
KI Forestry



- 80% eucalypts, mainly e.globulus (Tasmanian Bluegum) = premium hardwood chip
- 20% p.radiata (Radiata Pine) = sawlogs and pulplogs
- Sustainable production 500,000 green tonnes pa, adding around 5% to Australia's timber exports
- Planned transition to near 100% e.globulus, now shown to be the optimal species on KI
 - Very high MAI
 - Coppicing to get second crop from developed root system
 - Most valuable and versatile product

Supply and demand

- Structural supply shortfall for hardwood chip
 - End of Aus. MIS bubble
 - Reduced native forest availability globally
- Long production time means no supply increase until (at least) 2030
- KI hardwood estate can produce around 1/10 of annual structural shortfall
- Price exposure is positive



Key measure: sustainable operating cashflow

- Aim to operate at steady and sustainable production levels
 - No future dips in supply profile
 - Reliable supplier of premium FSC-certified* product to customers
 - Permanent, non-seasonal employment for on-Island workforce
 - Maintain inventory at steady levels
 - Maintain social licence
 - Support maintenance, harvest, haulage and stevedoring contractors
- Within production constraint, maximise operating cashflow, rather than statutory profit
 - Profit is too influenced by changes in inventory valuation
 - Profit is an opinion, cash is a fact
- High, sustainable operating cashflow is KPT's objective

Projected operating cashflow

Wharf available 2018

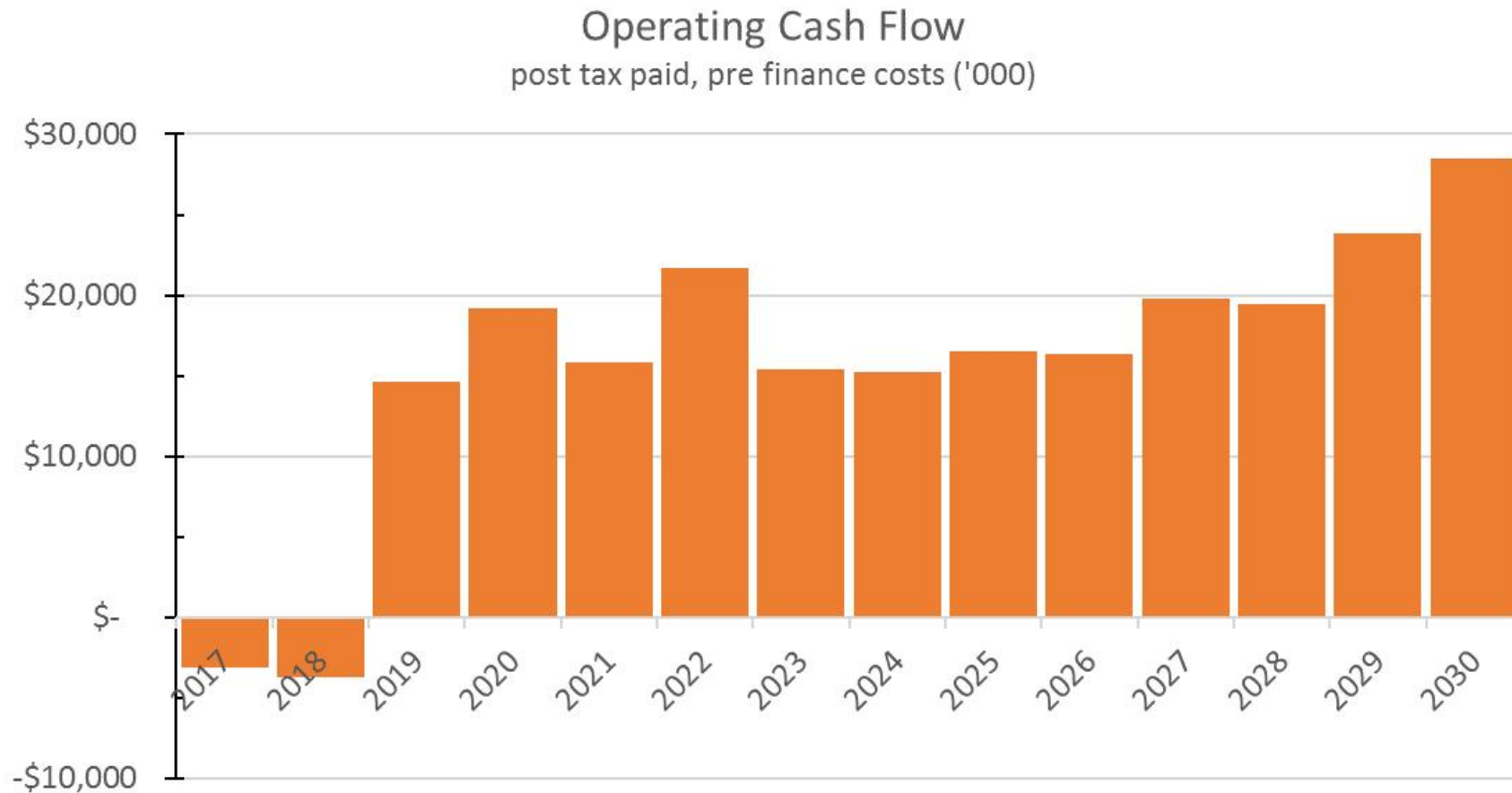


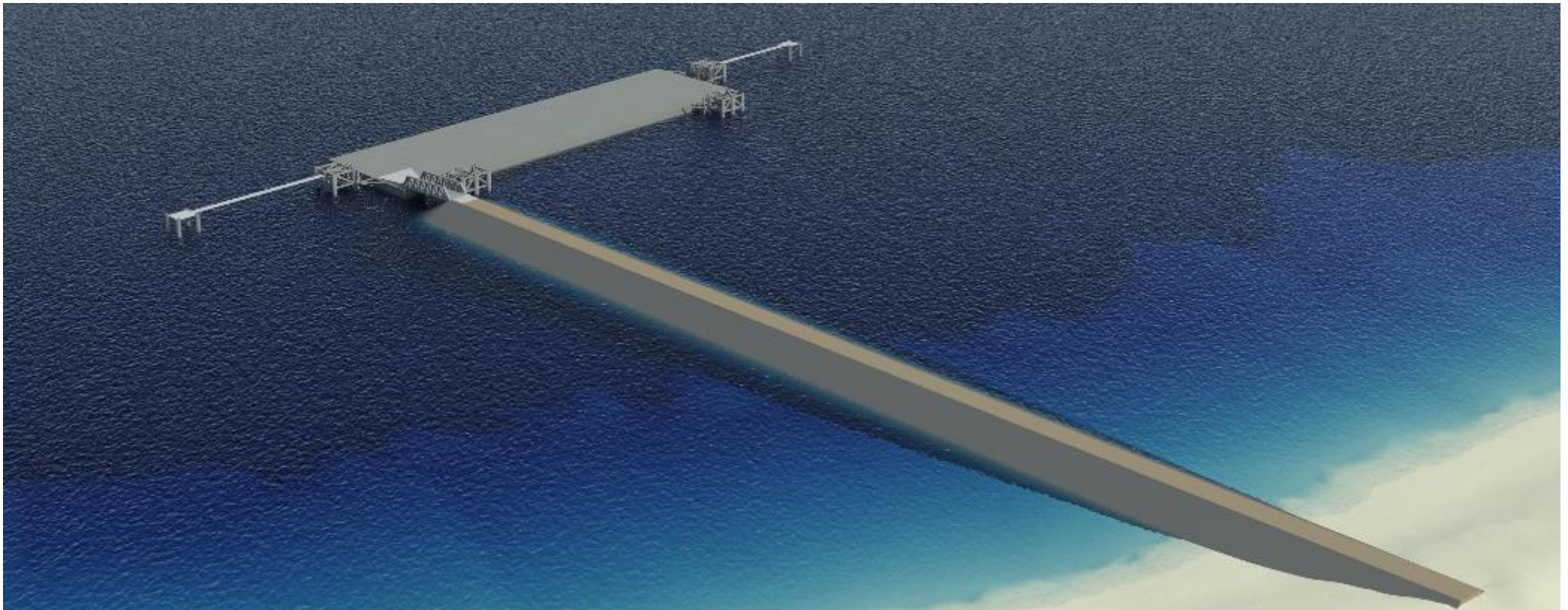
Chart shows projected operating cashflow, post tax paid, pre financing costs, no change in real \$A timber prices, despite looming shortfall.

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Smith Bay Wharf



Smith Bay Wharf

- Multi-user wharf to benefit whole island community, including sheltered boat ramp for general public
 - Logs & woodchips
 - Containerized cargo
 - Import & export
 - Handymax – Super Panamax
 - Cruise liners/tourist coaches
- Available ≈300 days/annum for non-forestry users, no capital contribution
- No government funding sought
- Draft EIS and supporting studies largely complete, including time series data on coastal processes and water quality
 - KPT committed to maintain environmental water quality to allay concerns of aquaculture industry

Smith Bay Wharf

- Rock causeway & floating berth (pontoon purchased April 2017)
- Causeway to have roadway and conveyor
- Berthing pocket to be dredged (-13m) and seaward approaches levelled (-12m)
- Shore works
 - Laydown area
 - Weighbridge
 - Stormwater detention
 - Site office
- Minimal works in intertidal zone – source of water turbidity peaks during storms
- Build cost \$25-\$30m, 6-9 month build, suitable pontoon purchased for US\$2.9m



Pontoon from bow



Ramps at stern of pontoon



Ramps at stern of pontoon



Benefits to KI and SA

Benefit	Estimate
Direct expenditure on wharf development	\$25-30m
Direct construction employment	50 FTE
Indirect construction employment	86 FTE
Direct permanent, non-seasonal employment once operational	118 FTE
Indirect permanent, non-seasonal employment once operational	168 FTE
KI Population increase	430 people
Value of timber exports (to China and Japan) once operational	\$60m pa
Direct expenditure in South Australia once operational	\$40m pa
Total increase in economic activity in SA once operational	\$109m pa
Benefit to other wharf users of access based on incremental costs	Not quantified

EPBC matters

- EPBC* referral re potential impacts on four species
 - Endangered southern right whales in Commonwealth marine waters
 - Endangered Kangaroo Island echidnas
 - Vulnerable hooded plover (eastern)
 - Vulnerable southern brown bandicoot (eastern)
- KIPT will address the effect of development on these species and we consider that any potential impacts will be readily manageable



Kangaroo Island echidna (source: Exceptional KI)

Assessment – reasonable expectations

- ✓ Typical requirements of comparable in-water developments
- ✓ Typical requirements of other Kangaroo Island developments
- ✓ EPBC-related matters
- ✗ Forestry-related activities – already permitted
- ✗ Aquaculture viability – KPT's responsibility is to ensure and maintain existing environment standards
- ✗ Costly investigation of other sites – happy to supply summary of alternatives against selection criteria



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If wharf approval delayed or denied ...

- Costed interim barging solution available
- Transshipment of logs to export vessel anchored at depth
- Additional ≈\$15/tonne materials handling
- Corresponding reduction in net stumpage
- Approx. 35% reduction in operating cashflow ... until wharf approval secured
- Barging unacceptable as a long-term solution
 - Negative impacts on community
 - Value-leakage for KPT



Barging



- Laydown area and barge pen on north side of Kingscote wharf
- But note that high MAIs achieved on KI mean that allowing trees to continue to grow may be more attractive than barging
- While the board is committed to developing the capability further ... it will be a decision for another time

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