



Kangaroo Island Plantation Timbers Ltd

ACN 091 247 166

Results for Announcement to the Market Appendix 4E Preliminary Final Report

The following information is given to the ASX under Listing Rule 4.3A

1. Reporting Period

Current reporting period: Year ended 30 June 2017
Previous reporting period: Year ended 30 June 2016

2. Results for announcement to the market

Consolidated Group	Item	2017 \$'000	2016 \$'000	% Change from the previous period
Revenue from ordinary activities from continuing operations	2.1	185	85	Revenue increased 118%
Revenue from ordinary activities from continuing and discontinued operations	2.1	185	85	Revenue increased 118%
Profit/(loss) from ordinary activities after tax	2.2	36,086	(2,831)	Profits increased 1,375%
Profit/(loss) attributable to members for the period	2.3	36,086	(2,831)	Profits increased 1,375%
Discontinued operations	2.3	-	-	
Total comprehensive profit/(loss) after tax	2.3	36,313	(2,696)	Profits increased 1,457%
Dividends	2.4	No dividends have been paid or proposed during the period.		
The record date for determining entitlement to dividend	2.5	N/A		
Explanatory information	2.6	For further information refer to Commentary on Results which accompanies this announcement		

Commentary on results

Group overview

Kangaroo Island Plantation Timbers Ltd and its 100% subsidiaries ("Group") have had the most active and transformative year in its history. Considerable progress has been made towards monetising the Group's timber assets, including:

MoU with Mitsui Bussan Woodchip Oceania

In January 2017, the Company entered into an exclusive marketing arrangement with Mitsui & Co's Australian timber subsidiary, covering all of the timber production from the KI Estate.

CBA funding agreement

A funding facility was agreed in March 2017: \$25 million to help expand the portfolio of land and timber assets and \$30 million construction funding, being 100% of the anticipated cost of the proposed Smith Bay Wharf, along with an additional \$2.1m for equipment finance and working capital.



Commentary on results (continued)

Continued development assessment progress for Smith Bay wharf

In February 2017, Deputy Premier of South Australia and Minister for Planning, the Hon. John Rau SC MP, declared that the Company's Smith Bay wharf proposal will be assessed under the major projects pathway designated in s.46 of the South Australian Development Act 1993.

In June 2017, the independent Development Assessment Commission of South Australia released its Environmental Impact Statement (EIS) guidelines, in which there were no unexpected requirements.

Agreement and completion of the purchase of the 19,000 ha FIT Estate on Kangaroo Island

The transaction was agreed in October 2016 and completed in April 2017, at the earliest opportunity and at the lowest cost, part-funded by \$12.8 million and \$33.5 million capital raisings, thereby removing any possibility of a rival wharf proposal. This transaction resulted in a massive expansion and rebalancing of the timber estate, on very favourable terms. The FIT estate was acquired for \$58 million (including acquisition costs) and has since been independently valued at \$82 million.

Agreed to purchase a suitable floating pontoon

This purchase effectively locked in a key component of the proposed wharf, on budget, substantially reducing the construction cost risk and potentially reducing the construction time following approval.

Substantial progress in the compilation of an environmental impact study

While compiling the EIS remains a significant task, the vast majority of component studies were in place or underway when the guidelines were issued on 30 June 2017. The Group is committed to working with the South Australia 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 Australia Government, the Group will seek to ensure that development consent is secured in a timely manner, with reasonable conditions. The Group is not seeking any direct financial assistance from the South Australia Government.

Completed an inventory of standing timber

As a result of work undertaken in the financial year, the Group now has accurate measurements of the amount and quality of timber on its expanded estate and on those KI plantations belonging to private individuals. Growth rates can be inferred from these measurements. Moreover, the Group elected in its Interim 2016 Report to change its policy and agreed to value its standing timber on the basis that it is now, in the Board's opinion, highly probable that this value can be realised.

Results of operations

Revenue for the period increased by \$100,000 to \$185,000 (2016: \$85,000), while other income decreased by \$89,000 to \$11,000 (2016: \$100,000).

During the period the change in fair value of biological assets amounted to \$55,711,000 (2016: \$nil) and the gain on sale of property, plant and equipment amounted to \$11,000 (2016: loss \$34,000).

Net comprehensive profit for the period was \$36,313,000. This is a \$39,009,000 increase in profits from last year's loss of \$2,696,000. The increase is primarily due to:

-) biological assets being standing timber increase in fair value of \$55,711,000. In the prior year, the standing timber has been valued at \$nil. However, given significant developments concerning the Group's proposal to construct a deep-water wharf, a discounted value has been recognised; offset by
-) tax expense primarily relating to the deferred tax on the revalued biological and forestry land assets increased by \$13,757,000 to \$13,699,000;
-) wharf development costs increased by \$660,000 to \$1,027,000;
-) director performance rights increased by \$318,000 to \$1,941,000;
-) professional fees increases by \$480,000 to \$599,000;

-) finance costs of \$278,000;
-) employee and directors benefits excluding performance rights increased by \$223,000 to \$608,000; and
-) forestry expenses increased by \$165,000 to \$475,000.

Corporate Operations

Share issues

During the year the Company successfully completed the following share issues:

- J 6 December 2016: completed a fully underwritten 1 for 3.7 pro rata non-renounceable accelerated entitlement offer and raised \$12.8 million at \$2.50 per post-split ordinary share;
- J 24 April 2017: Institutional Placement was successfully completed to raise \$12.1 million at \$2.00 per post-split ordinary share; and
- J 11 May 2017: completed a fully underwritten 4 for 9 pro rata non-renounceable accelerated entitlement offer to raise approximately \$21.4 million at \$2.00 per post-split ordinary share.

Commonwealth Bank of Australia (“CBA”) loan facilities

The Company has a \$57,100,000 facility with the CBA of which \$25,000,000 is drawn down and \$30,000,000 is available to fund Wharf Construction once approval obtained, in addition further CBA asset finance is available.

Other Corporate matters

The Group held a General Meeting on 24 February 2017. The following matters were approved by Shareholders at the General Meeting:

-) formal approval of the Forestry Investment Trust estate acquisition;
-) 10 for 1 Share Split;
-) election of Gregory Boulton AM as a Non-Executive Director;
-) approval of Non-Executive Directors' Share Plan; and
-) approval of issue of up to 89,999 Shares to Directors under the Performance Rights Plan for performance rights dated 24 February 2017.



3. Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Consolidated	
	2017	2016
	\$'000	\$'000
Management fees	79	6
Operating lease – land	36	38
Operating lease - Equipment hire	27	31
Bank interest	43	10
Revenue	185	85
Cost of sales	-	-
Gross profit	185	85
Change in fair value of investment property	-	-
Other income	11	100
Profit/(loss) on assets sold	11	(34)
Forestry expenses	(475)	(310)
Wharf development costs	(1,027)	(367)
Administrative expenses	(32)	(52)
Other expenses	(4,321)	(2,311)
Finance costs	(278)	-
Fair value gain on biological assets	55,711	-
Profit/(loss) before income tax	49,785	(2,889)
Income tax benefit/(expense)	(13,699)	58
Net profit/(loss) for the year	36,086	(2,831)
Discontinuing operations		
Other comprehensive income		
<i>Items that will not be classified subsequently to profit or loss</i>		
Net fair value gain in property, plant and equipment	227	135
Other comprehensive income for the year net of tax	227	135
Total comprehensive profit/(loss) for the year attributable to members of the parent	36,313	(2,696)



4. Statement of Financial Position

As at 30 June 2017

	Consolidated	
	2017	2016
	\$'000	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	6,045	895
Trade and other receivables	736	73
Other current assets	762	-
	7,543	968
Assets classified as held for sale	-	200
Total current assets	7,543	1,168
Non-current assets		
Property, plant and equipment	45,732	12,145
Investment properties	100	100
Biological assets	80,889	-
Deferred tax asset	6,462	-
Other non-current assets	5	5
Total non-current assets	133,188	12,250
TOTAL ASSETS	140,731	13,418
LIABILITIES		
Current liabilities		
Trade and other payables	1,097	332
Employee benefits	53	29
Interest-bearing liabilities	-	500
Total current liabilities	1,150	861
Interest-bearing liabilities	25,000	-
Deferred tax liability	19,515	-
Total non-current liabilities	44,515	-
TOTAL LIABILITIES	45,665	861
NET ASSETS	95,066	12,557
EQUITY		
Contributed equity	60,648	13,037
Reserves	4,165	5,353
Accumulated profit/(losses)	30,253	(5,833)
TOTAL EQUITY	95,066	12,557



5. Statement of Cash Flows

For the year ended 30 June 2017

	Consolidated	
	2017	2016
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	97	263
Payments to suppliers and employees	(2,881)	(728)
Payments to wharf development suppliers	(1,073)	(258)
Interest received	43	10
Borrowing costs	(278)	-
Net cash flows (used in) operating activities	(4,092)	(713)
Cash flows from investing activities		
Purchase of land and biological assets	(58,453)	-
Proceeds from sale of investment properties	215	170
Proceeds from sale of plant and equipment	2	-
Deposit for wharf development assets	(763)	-
Purchase of plant and equipment	(117)	-
Net cash flows from investing activities	(59,116)	170
Cash flows from financing activities		
Proceed from the issue of shares	46,337	-
Payment for share issue costs	(2,479)	-
Proceeds from bank borrowings	25,000	-
Repayment of bank borrowings	-	-
Proceeds from other borrowings	5,750	-
Repayment of other borrowings	(5,750)	-
Proceeds from directors loans	250	500
Repayment of directors loans	(750)	-
Net cash flows from financing activities	68,358	500
Net increase/(decrease) in cash and cash equivalents	5,150	(43)
Cash and cash equivalents at beginning of year	895	938
Cash and cash equivalents at end of year	6,045	895



6. Statement of Changes in Equity

For the year ended 30 June 2017

	Issued Capital \$'000	Treasury Shares \$'000	Property, plant & equipment Revaluation Reserve	Option & performance Rights Reserve \$'000	Accumu- lated Losses \$'000	Total \$'000
Balance at 1 July 2015	13,233	(450)	3,323	272	(3,002)	13,376
Loss for the period	-	-	-	-	(2,831)	(2,831)
Other comprehensive income	-	-	135	-	-	135
Total comprehensive income	-	-	135	-	(2,831)	(2,696)
Share-based payment	254	-	-	1,623	-	1,877
Transaction with owners	254	-	-	1,623	-	1,877
Balance at 30 June 2016	13,487	(450)	3,458	1,895	(5,833)	12,557
Balance at 1 July 2016	13,487	(450)	3,458	1,895	(5,833)	12,557
Profit for the period	-	-	-	-	36,086	36,086
Other comprehensive income	-	-	227	-	-	227
Total comprehensive income	-	-	227	-	36,086	36,313
Share-based payment	2	-	-	1,941	-	1,943
Transaction with owners	2	-	-	1,941	-	1,943
Share issued	49,693	-	-	(3,356)	-	46,337
Share issue costs	(2,084)	-	-	-	-	(2,084)
Net shares issued	47,609	-	-	(3,356)	-	44,253
Balance at 30 June 2017	61,098	(450)	3,685	480	30,253	95,066

7. Dividends Paid or Recommended

The Board has neither recommended nor paid any dividends during the year ended 30 June 2017.

8. Details of any Dividend or distribution reinvestment plans

N/A

9. Net tangible assets per security

	30 June 2017	30 June 2016
Number of securities (post share split)	40,874,809	17,188,840
Net tangible assets per security	\$2.33	\$0.73



10. Details of entities over which control has been gained or lost during the period

There have been no other changes in controlled entities during the year ended 30 June 2017 nor in prior year.

11. Details of associates and joint venture entities

N/A

12. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position

Refer *Commentary on Results* which accompanies this announcement.

13. Foreign entities disclosures

N/A

14. Commentary on the results for the period

Refer *Commentary on Results* which accompanies this announcement.

<u>Earnings per Share</u>	30 June 2017	30 June 2016
	cents	cents
<i>Continued operations</i>		
Basic earnings per share: post share split	150	(17)
Basic earnings per share: pre share split	1,499	(166)

After Balance Date Events

There have been no significant events after balance date.

15. Audit status

The Preliminary Final Report is unaudited.

16. Audit dispute or qualification

The Company is not aware of any audit dispute or qualification for the accounts for the year ending 30 June 2017.