

The Manager
Companies Announcements Office
Australian Securities Exchange

10 November 2017

Dear Sir/Madam,

Chairman's Address to AGM

Welcome. It is a pleasure to present to you the substantial progress Kangaroo Island Plantation Timbers Ltd has achieved during the recent financial year.

KPT favours transparency and endeavours to provide, in addition to compliance requirements, information that shareholders and other interested parties may wish to know, on a timely basis. The Managing Director's Quarterly Letter to Shareholders is an example, as are our website updates, to which you are encouraged to subscribe.

Such information should, we hope, assist all stakeholders in understanding the KPT business model, strategy, risks and objectives. We trust you approve of the board's efforts towards communicating our value creation plan and community and environmental responsibilities.

Naturally, at an AGM there are financial reports to present, and motions to consider. In addition, you may be interested to know more about your board, and the way the board approaches its role.

The KPT board is a small group of professionals more different to one another than the same. We strive for a mix of people, backgrounds and experience which reflects the communities in which we operate. The culture of the board might best be described as one of traditional values, where modern methods are used to deliver good outcomes to all stakeholders.

The following values bind our vision, commitment and resolve:

-) Integrity – doing what is right and fair, and honouring our word
-) Respect – being open and transparent, building trust, fostering collaboration and mutually beneficial relationships
-) Ethical Conduct – genuine engagement with businesses, support for the community, and being environmentally responsible
-) Performance – achievement of superior outcomes by focussing on the things that matter most, and ensuring accountability
-) Humility, curiosity and good listening skills - testing opinions in a constructive manner

The sum of these unquestionably old-fashioned principles enables us, as is required from time to time, to be courageous in various decisions designed to bring the Kangaroo Island export timber industry to fruition. To meet the challenges of today, in particular regarding infrastructure, we must think in terms of years and generations.

Your board, employees and advisors start each day with purpose, pursue objectives with vigour, and reflect on the achievement of milestones with a sense of accomplishment. Our FY2017 financial results were strong, thanks to the hard work of each and every person involved with KPT. In particular, the leadership and diligence of our Managing Director, John Sergeant, must be commended. We have achieved great progress over the past year, but will not stand still or tire from the task at hand.

We view KPT's ability to plan, invest and build for the long term as our sustainable competitive advantage.

KPT has assembled a first-class timberland estate, which features leading growth rates. Plans are progressing well towards completion of the Environmental Impact Study (EIS) which will be lodged with the South Australian Government in due course.

Ladies and gentlemen, please note: we act not only for shareholders, we act for the environment, and we act for the benefit of KI businesses and the community. We also act for those who are silent – the unemployed and the under-employed. There are people in South Australia seeking permanent work – good, reliable, hard-working people - with families to raise, who so desperately wish KPT could start harvesting, chipping, hauling, stockpiling and loading ships now.

I too live in a regional area not dissimilar to KI, where farming, fishing, tourism (and to a lesser extent mining) are the main economic activities. I see the wretched hand of unemployment – carved in grief on the faces of children in the U/12 football team I coach, who leave the field, mid-season, because dad has lost his job and the family must leave town in search of work. It is our responsibility to have a voice, and to highlight the imminent opportunities for South Australia, where many jobs have been lost; most notably from the Holden facility at Elizabeth and Coca Cola at Thebarton.

The profound benefits of work to individuals, families, children and entire communities sometimes seems to go unnoticed, or are subjugated by the self-interested activities of one special interest individual or another. For the KPT board, the benefits of meaningful employment are real, and significant, and should not be unnecessarily delayed. Each member of the board lives, has lived, or has business interests in rural and regional areas. Every day of delay adds to the disadvantage suffered by the families of those who want reliable work.

In addition to employment, the vast majority of the benefits of a multi-user deep-water wharf will be enjoyed on beautiful Kangaroo Island, throughout small communities, where social, educational, sporting and business opportunities will flourish. The sustainable nature of renewable forest exports must not be underestimated. To paraphrase John Sergeant, "unlike a mining company, the average quality and productivity of the KPT resource will gradually improve, providing not just an infinite mine life, as it were, but a mine that gets better over time".

An investment in agriculture and infrastructure, by its very nature, requires a long term investment horizon and accordingly, patient capital. The board's significant financial skin in the game (16% of shares on issue) and remuneration incentives are similarly designed and aligned. Consider the visionary infrastructure projects we now take for granted: the Adelaide to Darwin Railway, Snowy Hydro Scheme, Pilbara iron ore, or the magnificent new Adelaide Oval, etc. KPT is on the cusp of delivering another crucial piece of regional infrastructure that will deliver local and national benefits for generations to come. Every island – whether it is the Tiwi Islands, Kangaroo Island, or Australia itself, benefits immeasurably from well-located deep water shipping infrastructure.

Naturally, plans for a sustainable new South Australian export industry cannot be achieved without the help of many hands. What we have learnt is we need people who are bold enough to think big, and drive change that shapes a better future for Australia. We have found courageous people in our shareholders, our bankers at CBA, our customers at Mitsui, government personnel at local, state and federal levels, the KI community, and many others. Thank you for supporting our vision. It is pleasing to see many of the people who have helped the Company here today.

But the first ship is yet to set sail, and the wharf is yet to be built, because it is yet to be approved. We have great faith in the South Australian Major Projects Pathway, the EIS process, the law of the land and the propriety of decision-makers. The appropriate outcome is to be determined via a thorough, objective, fact-based assessment process. The rationale for a properly located deep water wharf on Kangaroo Island is compelling. The board's decision to value standing timber in the KPT 2017 accounts reflects this inevitability.

We have laid the foundations to ensure government has total confidence in KPT's ability to deliver the wharf on time and on budget. As requested by government, we have consolidated the timber resource on Kangaroo Island, and in doing so become the sole wharf proponent.

In the past, certain projects have secured the necessary approvals but failed to materialise due to financing hurdles. KPT has a \$30m finance facility approved with CBA for wharf construction. There can be little doubt regarding our capacity to perform. With a green light from government, the wharf will be promptly constructed, people will be employed and timber exports will commence.

The board strives to create a strong, simple business where sustainable profitability and shareholder returns are underpinned by the robust combination of high timber growth rates and bottom quartile cost structures.

I look forward to keeping you informed regarding progress towards our long-term value creation strategy for shareholders, robust economic benefits for KI and SA, preservation of the KI environment and enrichment of the KI community.

Thank you for your continued support of KPT.



Paul McKenzie
Chairman