

The Manager
Companies Announcements Office
Australian Securities Exchange

21 November 2017

Dear Sir/Madam,

Woodchip Sale and Purchase agreement signed with Mitsui

The Company (KPT) announced on 31 January this year that it had entered into a Memorandum of Understanding with Mitsui Bussan Woodchip Oceania Pty Ltd (Mitsui) creating an exclusive marketing arrangement.

KPT now announces that it has signed a five-year Woodchip Sale and Purchase Agreement with Mitsui. This agreement establishes key terms under which the hardwood timber resource on Kangaroo Island will be monetised. To provide the required level of certainty for both parties, and for pulp mill customers, an automatic term extension is built into the agreement.

The agreement provides that Mitsui will purchase up to 500,000 green tonnes per annum of woodchip from KPT on a free-on-board basis or equivalent. The woodchip sales have an expected start date in the fourth quarter of FY 2018/2019, assuming timely development approval and a nine-month construction period for the Company's Smith Bay wharf.

KPT and Mitsui believe that Kangaroo Island woodchips can be produced competitively, because of the now established productivity of the estate. Initial testing indicates the estate is producing woodchip with levels of cellulose suitable for the production of dissolving pulp. KPT plans to seek Forestry Stewardship Council forest management certification which will enable KPT to attach FSC Mix credits to woodchip sales.

Eucalyptus globulus grown on Kangaroo Island is expected to be equal to the best quality woodchips currently exported from Australia, and is believed to add around 6% to the Nation's total woodchip exports. There is an emerging shortage of quality hardwood woodchips available to Asian markets, due to growing demand for fibre-based consumer goods, and significant supply constraints.

The Company welcomes its increasingly close association with Mitsui, which is a source of knowledge and advice, as well as marketing expertise. Senior representatives of Mitsui & Co, from Tokyo and Australia, visited Kangaroo Island earlier this month.

Yours sincerely,



Ms Vicky Allinson
Company Secretary



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