

4 December 2017

The Manager
Companies Announcements Office
Australian Securities Exchange

Dear Sir/Madam

Kangaroo Island Plantation Timbers Ltd Completion of \$20m Institutional Placement

HIGHLIGHTS

\$20 million raised via an Institutional Placement of 10 million Shares at \$2.00 per New Share, with board and management participation, subject to shareholder approval.

The funds raised will primarily be used for (i) working capital and increased contingency; (ii) repayment of a shareholder loan; (iii) pontoon relocation, reconditioning and refit costs; and (iv) the cost of building the initial timber inventory stockpile.

Equity Raising

Kangaroo Island Plantation Timbers Ltd (**KPT** or the **Company**) is pleased to announce the successful completion of a placement (Placement) of 10 million new KPT shares (**New Shares**). The New Shares will be issued at a price of \$2.00 per New Share, which represents a 17.0% discount to the last close price of \$2.41 and a 13.5% discount to the 30-day volume weighted average price, at Wednesday 29 November.

The funds raised will primarily be used for:

- (i) working capital in preparation for commercialisation of KPT's timber products, and increased contingency;
- (ii) repayment of a shareholder loan for the pontoon purchase;
- (iii) pontoon relocation, reconditioning and refit costs; and
- (iv) the cost of building the initial wharf-site timber stockpile.

Following the completion of the Placement, the Board of KPT believes the Company is fully funded to undertake ongoing development activities in relation to its proposed export facility at Smith Bay, while it completes the permitting process for the construction of the wharf and site facilities.

The Placement was heavily oversubscribed and the Board of KPT welcomes a number of new institutional investors to the register and thanks existing institutions for their ongoing support. The Placement will be undertaken within KPT's existing capacity under ASX Listing Rules 7.1 and 7.1A.

Members of the Board and Management of the Company have committed to subscribing for 360,000 New Shares, subject to shareholder approval, to be sought at a general meeting of the Company to be held at the earliest convenient time. These shares are included in the 10 million to be issued pursuant to this equity raising. A notice of meeting will be issued shortly.

The institutional investor placement shares are expected to be issued on 8 December 2017; 6.1 million shares will be issued under Listing Rule 7.1 and 3.5 million under Listing Rule 7.1A. The Board and Management shares will be issued after the general meeting, subject to Shareholder approval.

Petra Capital acted as Sole Lead Manager and Bookrunner to the equity raising.

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Use of Funds

Following the Placement, KPT will have cash in hand of approximately \$22.24 million (before the payment of costs associated with the placement). It intends to apply the funds raised from the Placement as follows:

Item of Expenditure	\$ million
Working capital and increase in contingency	\$10.0m
Pontoon relocation, reconditioning and refit	\$3.5m
Repayment of loan for pontoon purchase	\$3.2m
Cost of initial timber stockpile	\$2.3m
Allowance for additional approval costs	\$1.0m
Total uses	\$20.0m

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

Existing Loan facility

The Company has a loan facility 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 has been drawn, to part-fund the acquisition of the Company's forestry assets on Kangaroo Island. The balance of the loan facility is available to finance 100% of the anticipated \$25 million to \$30 million construction cost of the proposed Smith Bay Wharf once development approval is received. The facility also includes an allowance of approximately \$2.1 million for equipment finance and additional working capital.

Woodchip Sale and Purchase agreement with Mitsui

This five-year agreement, announced on 21 November 2017, 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.

Mitsui will buy up to 500,000 green tonnes a year of woodchip from KPT on a free-on-board basis or equivalent. The woodchip sales have an expected start date in the 2019 calendar year, assuming timely development approval and a nine-month construction period for the Company's Smith Bay wharf.

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. Using this development pathway also removes any right of appeal 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 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 Government financial assistance. The project has been wholly privately funded.

Yours faithfully



Victoria Allinson
Company Secretary