

Kangaroo Island Plantation Timbers

ABN 19 091 247 166

Quarterly Activities Report and Appendix 4C

For the quarter ended
31 December 2017



Quarterly Activities Report

For the quarter ended 31 December 2017



Highlights

During the quarter

- **Continued progress toward developing multi-user deep-water wharf at its Smith Bay site on the north coast of Kangaroo Island:**
 -) Determination of preferred haulage route.
 -) Acquisition of the USD\$2.9 million pontoon in Ulsan, South Korea and relocation to a dry dock in Da Nang, Vietnam for reconditioning and refitting.
 -) Completion of offshore geotechnical fieldwork
- **Woodchip sale and purchase agreement signed with Mitsui Bussan Woodchip Oceania Pty Ltd**
- **Substantial completion of a \$20 million Placement to institutional and sophisticated investors**
 -) Directors and management committed to participate *pari passu*, subject to shareholder approval

Smith Bay Wharf Development approval process continues

KPT is committed to the thorough and rigorous assessment of its development proposal, in consultation with the South Australian and Commonwealth Governments and with the involvement of the Kangaroo Island Community. Offshore geotechnical drilling has been completed after an extended weather delay, the final geotechnical investigation report is being completed.

Preferred haulage route

The Company worked with the Kangaroo Island Council (Council) to develop a set of criteria against which to assess possible freight routes to transport its timber products from the plantations to the proposed deep-water wharf facility at Smith Bay.

Osman Solutions was engaged by the Company to prepare the Road Freight Options assessment paper. The overriding priority in the agreed criteria was safety – for property owners, truck drivers and other road users. Other criteria included impact on neighbours (including livestock movement), other road users and native flora and fauna; road conditions; and operational efficiency.

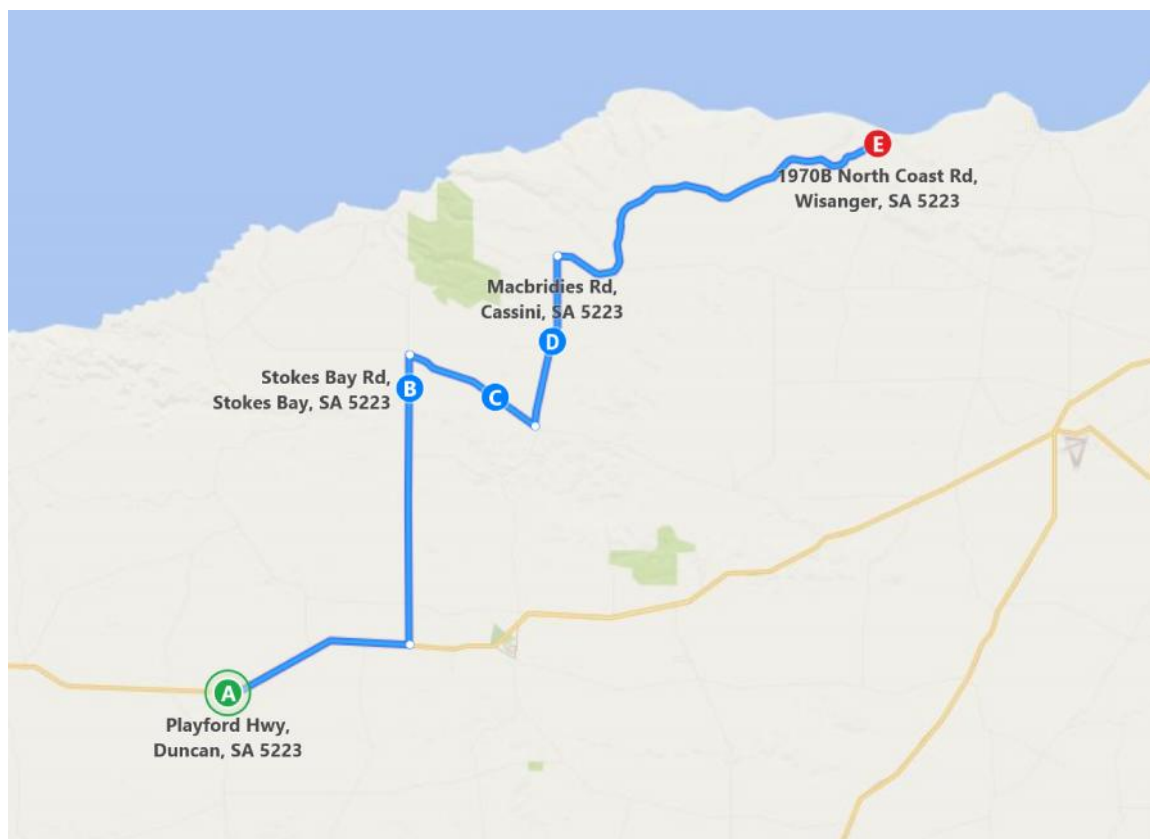
Six routes were initially considered and assessed against the criteria. A more detailed assessment was then completed on the three most probable routes to identify the optimal haulage route, based on the agreed criteria. The preferred route is shown in the map A set out below, and mainly uses existing good-quality roads. Some upgrading work will be required. However, the Company considers that the selected route minimises this requirement.

Quarterly Activities Report

For the quarter ended 31 December 2017



Map A



Woodchip Sale and Purchase agreement signed with Mitsui

The Company announced that, following the earlier Memorandum of Understanding with Mitsui Bussan Woodchip Oceania Pty Ltd (Mitsui) creating an exclusive marketing arrangement, the Company 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.

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.

\$20 million Institutional placement

The Company announced the successful completion of a placement (Placement) of up to 10 million new KPT shares (**New Shares**). The New Shares were issued at a price of \$2.00 per New Share, which represented a 13.5% discount to the 30-day volume weighted average price, at Wednesday 29 November 2017, the last day of trading before the Placement.

The funds raised will primarily be used for:

- (i) working capital in preparation for commercialisation of KPT's timber products, and increased contingency;

Quarterly Activities Report

For the quarter ended 31 December 2017



- (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 was 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 on 5 February 2018. These shares are included in the 10 million to be issued pursuant to this equity raising. A notice of meeting was sent to Shareholders and lodged on the ASX on 21 December 2017.

Securities on issue

At the 31 December 2017 and as at the date of this report the securities on issue included:

	Number of Ordinary Fully paid Shares
As at 30 September 2017	40,874,809
\$19.28 million raised via an Institutional Placement of 10 million Shares at \$2.00 per New Share	9,640,000
Ordinary shares issued to consultant in lieu of consulting fees totalling \$19,867. The Share price is calculated on the 20 day VWAP on the last day of each quarter.	9,388
As at 31 December 2017 and 29 January 2018	50,524,197

Performance rights

The Shareholders approved the issue Performance Rights, the details of which are summarised in the table below:

Shares to be issued to:				
20 Business Day/One million share VWAP	J Sergeant & G Holdaway Number.	P McKenzie, S Black & G Boulton Number.	Total Shares to be issued to Directors Number.	Escrow period
\$3.50 or above	107,140	53,570	374,990	12 months
\$4.25 or above	85,720	42,860	300,020	12 months
\$5.00 or above	64,280	32,140	224,980	12 months
Total	257,140	128,570	899,990	

The Rights dated 24 February 2017 will expire on 23 February 2018; then the Company will issue 899,990 Rights dated 10 November 2017, as approved by shareholders. The number of Rights and

Quarterly Activities Report

For the quarter ended 31 December 2017



terms are identical for both the Rights dated 24 February 2017 and the Rights dated 10 November 2017.

A Director is eligible for the Rights, if they are in office from the date approved by Shareholders to the date the price and volume conditions are first met.

Vesting terms:

- (1) Tranche 1 vests upon meeting the \$3.50 VWAP and volume condition;
- (2) Tranche 2 vests on the later of:
 - a. upon meeting the \$4.25 VWAP and volume condition; or
 - b. on or after the first business day of July in the financial year following the one in which Tranche 1 vested, providing the most recent 20-day VWAP at the vesting date is at or above \$4.25.
- (3) Tranche 3 vests on the later of:
 - a. upon meeting the \$5.00 VWAP and volume condition; or
 - b. on or after the first business day of July in the financial year following the one in which Tranche 2 vested, providing the most recent 20-day VWAP at the vesting date is at or above \$5.00.

Appendix 4C

The Appendix 4C as required by Listing Rule 4.7B for the quarter ending 31 December 2017 is attached to this report.

Cash and cash equivalents

The cash and cash equivalent at the 31 December 2017 amounted to \$15,543,336.

Loan facilities

The Company has a Commonwealth Bank of Australia loan facility of \$57.1 million. \$25 million of this facility was drawn down in the prior quarter. In addition, a short-term loan \$3m unsecured loan facility from Samuel Terry Asset Management Pty Ltd was repaid on full in the quarter.

Signed on behalf of Kangaroo Island Plantation Timbers Ltd

Ms Vicky Allinson

Company Secretary

Date: 29 January 2018

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

KANGAROO ISLAND PLANTATION TIMBERS LIMITED

ABN

19 091 247 166

Quarter ended ("current quarter")

31 DECEMBER 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	27	79
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(237)	(602)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(323)	(459)
(f) administration and corporate costs	(87)	(431)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	18
1.5 Interest and other costs of finance paid	(580)	(887)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material) Wharf Development	(746)	(1,640)
1.9 Net cash from / (used in) operating activities	(1,938)	(3,922)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment Wharf development	(1,119)	(4,512)
	Other	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	4	4
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,115)	(4,508)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	19,280	19,280
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(1,003)	(1,352)
3.5	Proceeds from borrowings	-	3,000
3.6	Repayment of borrowings	(3,000)	(3,000)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	15,277	17,928

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	3,319	6,045
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,938)	(3,922)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,115)	(4,508)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	15,277	17,928
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	15,543	15,543

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	13,690	969
5.2	Call deposits (restricted)	1,853	2,350
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	15,543	3,319

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter
\$A'000

394

-

Executive remuneration and Non-Executive Directors fees.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	57,100	25,000
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
The Company has signed agreement for Commonwealth Bank of Australia loan facility of \$57 million, of which \$25 million was previously drawn down. In addition, a short term unsecured loan facilities established during the prior quarter \$3 million was repaid in full during the current quarter.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	115
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	216
9.6 Administration and corporate costs	212
9.7 Other (provide details if material)	
- Interest and other costs of finance	217
- Wharf expenses	794
- Wharf assets	4,617
9.8 Total estimated cash outflows	6,171

During the previous quarter net cash outflows were estimated at \$1,150,000 actual new cash outflows from Operating and Investing amounted to \$2,979,000. The \$1,829,000 increase is primarily due to \$1,116,000 of wharf assets and \$239,000 of wharf expenses being incurred earlier than expected following the December 2017, \$19 million placement.

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	n/a	n/a
10.2	Place of incorporation or registration	n/a	n/a
10.3	Consideration for acquisition or disposal	n/a	n/a
10.4	Total net assets	n/a	n/a
10.5	Nature of business	n/a	n/a

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Director/Company secretary)

29 January 2018
Date:

Print name: Victoria Marie Allinson

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.