



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 2018

Previous reporting period: Year ended 30 June 2017

2. Results for announcement to the market

Consolidated Group	Item	2018 \$'000	2017 \$'000	% Change from the previous period
Revenue from ordinary activities from continuing operations	2.1	230	185	Revenue increased 24%
Revenue from ordinary activities from continuing and discontinued operations	2.1	230	185	Revenue increased 24%
Profit/(loss) from ordinary activities after tax	2.2	13,052	36,086	Profits decreased 64%
Profit/(loss) attributable to members for the period	2.3	13,052	36,086	Profits decreased 64%
Discontinued operations	2.3	-	-	
Total comprehensive profit/(loss) after tax	2.3	13,052	36,313	Profits decreased 64%
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%-owned subsidiaries ("Group") have made considerable progress towards monetising the Group's timber assets, including:

Woodchip offtake agreement with Mitsui Bussan Woodchip Oceania

The Company announced that, following the earlier Memorandum of Understanding with Mitsui Bussan Woodchip Oceania Pty Ltd (Mitsui) creating an exclusive marketing arrangement, the Group signed a rolling 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 hardwood woodchip from KPT on a free-on-board basis or equivalent.



Commentary on results (continued)

Eucalyptus globulus grown on Kangaroo Island is expected to be equal to the best quality woodchips currently exported from Australia. 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. This shortage of hardwood woodchips has been reflected in strong price growth over the last six to twelve months.

\$20 million Institutional placement

The Group 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.

Results of offshore geotechnical sampling and coastal process modelling

The Group has received the results of two critical studies relating to marine conditions at Smith Bay, the site of the proposed KI Seaport. The geotechnical sampling determined the seabed composition in the zone of 10-12m water depth, and the coastal process modelling addressed the primary and secondary effects of the dredging that is needed to create a berth pocket and to level the seaward approaches.

The results of both studies are favourable, and show that:

- The seabed composition was found to be consistent with inferences made on the basis of previous offshore geophysical investigations and onshore geotechnical sampling. In particular, no elevated hard rock was found in the area that will form the berth pocket or in the berth approaches.
- The geotechnical conditions encountered generally comprise sand overlaying a mixture of cobbles and sediment. Sand is the largest proportion of this material. No toxic materials were identified. These materials can be removed in a cost-effective and environmentally sound manner, and a large portion of the liberated material is capable of being reused as bulk fill on land or for causeway construction, following any required treatment on shore;
- Smith Bay is subject to natural variation in water quality. Fine materials are periodically deposited from nearby watercourses and then re-suspended and dispersed during periods of wind-driven waves.
- The coastal process modelling showed that, having regard to the strength and direction of currents, and the composition of the seabed, the facility can be constructed without adverse effects on the abalone farm located east of the development site.
- The coastal process modelling did not identify any significant or persistent effects on marine flora and fauna beyond the footprint of the development itself.

The Group remains committed to delivering and operating the KI Seaport in a way that minimises negative impacts on water quality. Full details of this and other studies will be available in the forthcoming Environmental Impact Statement for the project, which the Company has announced will be lodged around the end of September 2018.

Land purchase at Smith Bay

The Group bought an additional 173ha coastal site that adjoins its existing Smith Bay land to the west. The purchase price was \$2.15 million and the transaction settled in early April 2018.

The additional land provides the Group with greater flexibility in the layout and capability of its onshore facilities and gives room for the facility to expand in the future, should this be required, subject to government consent.

FSC® certification

Following a comprehensive audit of its operations and policies, all of the Group's timber plantations were granted certification under the Forestry Stewardship Council scheme. While the Group regards this as a source of pricing and marketing advantage, it has publicly stated that FSC® certification is more important as a sign to the community of its commitment to operate in a sustainable and responsible manner, in keeping with the clean, green image of Kangaroo Island. More recently, PEFC® certification was also achieved, based on accreditation to the Australian Standard for sustainable forestry management.



Commentary on results (continued)

Purchased a floating pontoon

The floating pontoon is large enough to accommodate panamax cargo ships. This purchase effectively locked in a key component of the proposed wharf, potentially reducing the construction time following approval.

Substantial progress in the compilation of an environmental impact study

The Group has announced that it expects to lodge the Environmental Impact Study for its KI Seaport development in September 2018. 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.

Results of operations

Revenue for the period increased by \$45,000 to \$230,000 (2017: \$185,000), as a result of increased rent from land and buildings acquire part way through the prior year.

During the period the change in fair value of biological assets amounted to \$26,926,000 (2017: \$55,711,000).

Net comprehensive profit for the period was \$13,052,000 (2017: \$36,313,000), this is a \$23,261,000 decrease in profits which is primarily due to:

	2017 Income/ (Expense) \$000's	2018 Income/ (Expense) \$000's	Increase/ (decrease) in profits \$000's
Biological assets being standing timber increase in fair value based on valuations	55,711	26,926	(28,785)
Tax expense primarily relating to the deferred tax on the revalued biological assets	(13,699)	(6,053)	7,646
Performance rights expensed but not issued as conditions not yet met.	(2,214)	(215)	1,999
Wharf development costs expensed	(1,027)	(2,881)	(1,854)
First full year of interest on the CBA loan that was drawn down in March 2017	(278)	(1,692)	(1,414)
Higher professional fees	(191)	(448)	(257)
No revaluation of land in the current year	227	-	(227)
Executive directors fees have increased due to the full year cost of the two additional executive directors	(148)	(363)	(215)
Other changes	(1,593)	(1,023)	571
Net comprehensive profit	36,313	13,052	(23,261)



Corporate matters

Share issues

The Company announced the successful completion of a placement (Placement) of up to 10 million new Kangaroo Island Plantation Timbers Ltd 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.

Members of the Board and Management of the Company subscribed for 360,000 New Shares, under the Placement the Shares were issued on 23 February 2018, following Shareholder approval.

In addition, 20,433 shares were issued to a related party of Approvals manager Peter Lockett in lieu of consulting fees totalling \$44,897, and 2,270 shares valued at \$5,000 were issued to employees under the Executive and Employee Share Plan.

Commonwealth Bank of Australia ("CBA") loan facilities

The Group has a \$57,100,000 facility with the CBA of which \$25,000,000 was drawn down in the prior year.

Other Corporate matters

The Group held a General Meeting on 5 February 2018. The following matters were approved by Shareholders at the General Meeting:

- ratification of the \$19.8 million share issue; and
- approval of issue of 360,000 shares to Directors and Key Management Personnel at \$2.00 per Share.

During the year the Group changed the names of the following three subsidiaries:

Prior name	New name
RuralAus Landholdings Limited	Kangaroo Island Land Assets Limited
RuralAus Plantation Management Pty Ltd	Kangaroo Island Plantation Management Pty Ltd
RuralAus Plantation Timbers Pty Ltd	Kangaroo Island Timbers Pty Ltd



3. Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Consolidated	
	2018	2017
	\$'000	\$'000
Management fees	-	79
Operating lease – land	130	36
Operating lease - Equipment hire	17	27
Bank interest	83	43
Revenue	230	185
Cost of sales	-	-
Gross profit	230	185
Fair value gain on biological assets	26,926	55,711
Other income	10	11
Profit/(loss) on assets sold	(1)	11
Forestry expenses	(1,199)	(475)
Wharf development costs	(2,881)	(1,027)
Administrative expenses	(65)	(32)
Other expenses	(2,223)	(4,321)
Finance costs	(1,692)	(278)
Profit/(loss) before income tax	19,105	49,785
Income tax benefit/(expense)	(6,053)	(13,699)
Net profit/(loss) for the year	13,052	36,086
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
Other comprehensive income for the year net of tax	-	227
Total comprehensive profit/(loss) for the year attributable to members of the parent	13,052	36,313



4. Statement of Financial Position

As at 30 June 2018

	Consolidated	
	2018	2017
	\$'000	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	6,727	6,045
Trade and other receivables	710	736
Other current assets	-	762
Total current assets	7,437	7,543
Non-current assets		
Property, plant and equipment	57,969	45,732
Investment properties	-	100
Biological assets	107,816	80,889
Deferred tax asset	8,767	6,462
Other non-current assets	5	5
Total non-current assets	174,557	133,188
TOTAL ASSETS	181,994	140,731
LIABILITIES		
Current liabilities		
Trade and other payables	1,720	1,097
Employee benefits	66	53
Interest-bearing liabilities	-	-
Total current liabilities	1,786	1,150
Interest-bearing liabilities	25,000	25,000
Deferred tax liability	27,558	19,515
Total non-current liabilities	52,558	44,515
TOTAL LIABILITIES	54,344	45,665
NET ASSETS	127,650	95,066
EQUITY		
Contributed equity	79,963	60,648
Reserves	3,796	4,165
Accumulated profit/(losses)	43,891	30,253
TOTAL EQUITY	127,650	95,066



5. Statement of Cash Flows

For the year ended 30 June 2018

	Consolidated	
	2018	2017
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	170	97
Payments to suppliers and employees	(3,399)	(2,881)
Payments to wharf development suppliers	(2,791)	(1,073)
Interest received	83	43
Borrowing costs	(1,497)	(278)
Net cash flows (used in) operating activities	(7,434)	(4,092)
Cash flows from investing activities		
Purchase of plantation land	-	(33,275)
Purchase of biological assets	-	(25,178)
Purchase of land	(2,279)	-
Proceeds from sale of investment properties	96	215
Proceeds from sale of plant and equipment	4	2
Purchase of wharf development assets	(8,639)	-
Deposit for wharf development assets	-	(763)
Purchase of plant and equipment	(16)	(117)
Net cash flows from investing activities	(10,834)	(59,116)
Cash flows from financing activities		
Proceed from the issue of shares	20,000	46,337
Payment for share issue costs	(1,050)	(2,479)
Proceeds from bank borrowings	-	25,000
Proceeds from other borrowings	-	5,750
Repayment of other borrowings	-	(5,750)
Proceeds from directors loans	-	250
Repayment of directors loans	-	(750)
Net cash flows from financing activities	18,950	68,358
Net increase/(decrease) in cash and cash equivalents	682	5,150
Cash and cash equivalents at beginning of year	6,045	895
Cash and cash equivalents at end of year	6,727	6,045



6. Statement of Changes in Equity

For the year ended 30 June 2018

	Issued Capital \$'000	Treasury Shares \$'000	Property, plant & equipment Revaluation Reserve \$'000	Option & performance Rights Reserve \$'000	Accum- ulated Losses \$'000	Total \$'000
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 issued	49,693	-	-	(3,356)	-	46,337
Share issue costs	(2,084)	-	-	-	-	(2,084)
Net shares issued	47,609	-	-	(3,356)	-	44,253
Share-based payment	2	-	-	1,941	-	1,943
Transaction with owners	47,611	-	-	(1,415)	-	46,196
Balance at 30 June 2017	61,098	(450)	3,685	480	30,253	95,066
Balance at 1 July 2017	61,098	(450)	3,685	480	30,253	95,066
Profit for the period	-	-	-	-	13,052	13,052
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	13,052	13,052
Share issued	20,000	-	-	-	-	20,000
Share issue costs	(1,050)	-	-	-	-	(1,050)
Share issue costs tax	315	-	-	-	-	315
Net shares issued	19,265	-	-	-	-	19,265
Performance rights lapsed	-	-	-	(586)	586	-
Share-based payment	50	-	-	217	-	267
Transaction with owners	19,315	-	-	(369)	586	19,532
Balance at 30 June 2018	80,413	(450)	3,685	111	43,891	127,650



7. Dividends Paid or Recommended

The Board has neither recommended nor paid any dividends during the year ended 30 June 2018.

8. Details of any Dividend or distribution reinvestment plans

N/A

9. Net tangible assets per security

	30 June 2018	30 June 2017
Number of securities (post share split)	50,897,512	40,874,809
Net tangible assets per security	\$2.89	\$2.33

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 2018 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 2018 cents	30 June 2017 cents
<i>Continued operations</i>		
Basic earnings per share:	28	148

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 2018.