

# Kangaroo Island Plantation Timbers

ABN 19 091 247 166

## Quarterly Activities Report and Appendix 4C

For the quarter ended  
**31 December 2018**





## Highlights

### Since last 4C quarterly

- **Continued progress toward developing multi-user deep-water wharf at its Smith Bay site on the north coast of Kangaroo Island**
  - **Environmental Impact Statement feedback received**
  - **Revised Environmental Impact Statement lodged**
- **Signed an MoU with Flinders Ports**
- **Log sale and purchase agreement with Mitsui**
- **Appointed forestry expert, Keith Lamb, as director**

## Submission of Draft Environmental Impact Statement

Kangaroo Island Plantation Timbers (KPT) submitted its Draft Environmental Impact Statement (Draft EIS) for the proposed Kangaroo Island Seaport in late September 2018. The Draft EIS addresses the requirements and guidelines specified by South Australia's Development Assessment Commission.

The Draft EIS and its associated studies demonstrate that the KI Seaport can be built and operated in a way that protects the environment, while providing significant social and economic advantages to South Australia, and to the Kangaroo Island community in particular.

Importantly, the Draft EIS demonstrates that construction and operation of the facility would have no negative effects on the land-based abalone farm that is also located at Smith Bay. It also shows that there would be no significant negative effect on any matters of national environmental significance.

The KI Seaport, once built, is expected to unlock more than 250 full-time jobs, most of them on Kangaroo Island, and to inject more than \$50 million a year into the South Australian economy. The project has not changed in scope or scale since it was originally declared a Major Development in February 2017, although the design of the jetty structure has been modified to reduce the environmental impact of the proposed seaport.

During the quarter KPT received preliminary feedback from the South Australian and Commonwealth governments on the Draft Environmental Impact Statement (Draft EIS) for the proposed Kangaroo Island Seaport. In January 2019, KPT submitted the revised EIS that has been modified to address all government department and agency comments and suggestions.

The Minister for Planning will advise when (and for how long) the EIS is available for public consultation. Formal submissions made during the public consultation will be considered and answered in a follow-up Response Document. The EIS and the Response Document will together form the Final EIS to be lodged with State and Commonwealth governments for their decision.



## MoU with Flinders Ports

During the quarter, the Company announced that it had signed a Memorandum of Understanding (MoU) with Flinders Ports Pty Ltd, under which the parties will work together on an exclusive basis to achieve a port operating model that is designed to produce an optimal solution for the port owner, port operator and port users, having regard to the outcomes achieved by Flinders Ports at the other South Australian ports that it variously owns, operates and/or provides port management and related services.

Flinders Ports is South Australia's leading port operator, with seven ports located at Port Adelaide, Port Lincoln, Port Pirie, Thevenard (Ceduna), Port Giles, Wallaroo and Klein Point. It operates and provides services at other third-party ports in South Australia.

The Board believes that Flinders Ports' ability to manage and deliver services at the new KI Seaport using existing efficiencies from operating numerous ports in the region makes it an ideal partner for KPT.

The MoU commits the parties to work together to achieve a mutually beneficial outcome. It sets out a process for progressing towards a full port operating agreement, by locking in agreed milestones as a condition for maintaining exclusivity.

The parties have also agreed in the MoU to share and protect each other's intellectual property in relation to marine operations at the KI Seaport.

## Log sale and purchase agreement with Mitsui

KPT announced on 5 October 2018 that it had signed a five-year Log Sale and Purchase Agreement with Mitsui. This agreement establishes key terms under which the softwood (pine) timber resource on Kangaroo Island will be monetised.

The agreement provides that Mitsui will buy softwood logs from KPT on a free-on-board basis or equivalent. Pricing is determined by prevailing market prices for various defined log grades and lengths. Softwood represents about 20 per cent of the Company's standing timber. In addition to pine logs, the agreement has flexibility to include large diameter hardwood logs that are considered too valuable to chip.

## Appointment of Keith Lamb as a director

Mr Keith Lamb joined KPT as a Non-executive Director on 15 October 2018.

Mr Lamb holds masters-level qualifications in Forestry and in Business Administration. He was Director of Operations and Portfolio Manager for New Forests Asset Management Pty Ltd (New Forests) from 2005 until 2017, with responsibility for \$2.5bn in timberland and related agricultural and industrial assets. Mr Lamb has also served as a director of several forestry companies and trusts within and outside the New Forests group. His early career included both government and non-government forestry roles.

In addition to forestry operations management, Mr Lamb has considerable expertise in raising and deploying institutional capital for direct investment in forestry and agro-forestry projects. The Company may find this useful, should it elect to expand its business in this way in future.

Bringing Mr Lamb into the business will reduce key person risk, while giving the Company access to Mr Lamb's experience in managing and expanding operating forestry businesses.

# Quarterly Activities Report

## For the quarter ended 31 December 2018



### Securities on issue

At 31 December 2018 and as at the date of this report the securities on issue included:

#### Ordinary Shares on issue

	Number of Ordinary Fully paid Shares
<b>As at 30 September 2018</b>	<b>50,903,384</b>
Shares issued as payment for services rendered by Seaview Corporate Services Pty Ltd totalling \$12,500 on 1 August 2018 and 9 October 2018	6,201
Shares issued to contractors in lieu of services rendered by Allinson Accounting Solutions Pty Ltd total value \$3,000 on 9 October 2018	1,476
<b>At 31 December 2018 and at the date of this report</b>	<b>50,911,061</b>

#### Performance rights

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

20 Business Day/One million share VWAP	Shares to be issued per director:		Total Shares to be issued to Directors Number.	Escrow period
	J Sergeant & G Holdaway Number.	P McKenzie, S Black & G Boulton Number.		
\$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
<b>Total</b>	<b>257,140</b>	<b>128,570</b>	<b>899,990</b>	

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.

The Performance Rights 10 November 2017 expired on 9 November 2018 and were replaced by Performance Rights 16 October 2018. The Shareholders approved the Performance Rights 16 October 2018 as the Annual General Meeting held on 16 October 2018, the terms are identical to the 10 November 2018 terms. The new Performance Rights expire on 15 October 2020.

In addition, the Company has announced that it intends to seek shareholder approval for the issue of Performance Rights 16 October 2018 to newly-appointed non-executive director Keith Lamb, in amounts and on terms identical to those applying to other non-executive directors.

# Quarterly Activities Report

## For the quarter ended 31 December 2018

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### Appendix 4C

The Appendix 4C as required by Listing Rule 4.7B for the quarter ending 31 December 2018 is attached to this report.

#### Review of prior quarter's cashflow estimates

During the previous quarter net cash outflows were estimated at \$3,567,000. The actual cash outflows set out in Appendix 4C amount to \$2,695,000. The \$872,000 decrease is primarily due to timing of additional wharf development costs.

#### Cash and cash equivalents

The cash and cash equivalent at 31 December 2018 amounted to \$4,346,975.

#### Loan facilities

The Company has a Commonwealth Bank of Australia loan facility of \$57,100,000. \$27,700,000 of this facility was drawn down in the prior quarters and \$5,700,000 is available for immediate drawdown.

**Signed on behalf of Kangaroo Island Plantation Timbers Ltd**

Ms Vicky Allinson  
Company Secretary

Date: 31 January 2019

## 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 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	25	43
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs (plantation costs)	(226)	(336)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(308)	(594)
(f) administration and corporate costs	(488)	(640)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	11	29
1.5 Interest and other costs of finance paid	(338)	(678)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material) Wharf Development	(626)	(1,364)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,950)</b>	<b>(3,540)</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment Wharf development	(744)	(1,537)
	Other	(1)	(1)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets - land	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets - land	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(745)</b>	<b>(1,538)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
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	(2)	(2)
3.5	Proceeds from borrowings	2,700	2,700
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>2,698</b>	<b>2,698</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	4,344	6,727
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,950)	(3,540)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(745)	(1,538)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,698	2,698
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>4,347</b>	<b>4,347</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> 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	1,192	850
5.2	Call deposits (restricted)	3,155	3,494
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,347</b>	<b>4,344</b>

**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
237
-

Executive remuneration and Non-Executive Directors fees.



7. <b>Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
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. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	57,100	27,700
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 Group has signed agreement for Commonwealth Bank of Australia loan facility of \$57.1 million, of which \$25 million was previously drawn down. The Group has an \$8,000,000 loan facility available for immediate drawdown, of which \$2,700,000 has been drawn down in the quarter.

9. <b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	-
9.2 Product manufacturing and operating costs	192
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	310
9.6 Administration and corporate costs	426
9.7 Other (provide details if material)	
- Interest and other costs of finance	387
- Wharf expenses	626
- Wharf assets	2,930
<b>9.8 Total estimated cash outflows</b>	<b>4,871</b>

During the next quarter the Group will draw down funds from the loan facility available, the funds available for immediate draw down amount to \$5.3 million.

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: .....  
(Company secretary)

31 January 2019  
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.