

KI Plantation Timbers Ltd (ASX:KPT)

Annual General Meeting

11 am CDT
Thursday, 21st November 2019

Grant Thornton House
170 Frome Street
Adelaide SA 5000

Board



Chair: **Paul McKenzie** BSc (Agric), BCom, FAICD, AIAST
Professional agribusiness consultant & company director
Appointed to board April 2005, appointed Chair July 2009



Managing Director: **Keith Lamb** BForSc, Gr Dip REM, MFor, MBA (Exec), GAICD
Professional forester & company director, Appointed to board October 2018, appointed MD June 2019



Executive Director: **John Sergeant** BSc, BA(Hons I), FAMSRS, GAICD
Professional manager, director and investor, psychology, biological sciences & marketing background, Appointed to board March 2013, appointed MD January 2015 - June 2019



Executive Director: **Shauna Black** Dip Prj Mment
Director of Community Engagement KI-based finance journalist, businesswoman, Director of Media Super (inc Investment C'tee). Appointed to board March 2015



Independent NED: **Greg Boulton AM** BA(Acc.), FCA, FCPA, FAICD
Logistics, timber, Port Adelaide Football Club, chair SuperSA, chair Southern Gold (SAU), director Kogi Iron Ltd (KFE). Appointed to board November 2016



Executive Director: **Graham Holdaway** BCA, Dip Accy, MAICD
Director of Operations Former KPMG partner, infrastructure, resources & logistics background, tree grower, director Asset Resolution Ltd (ASS). Appointed to board March 2015

Succession Plan

- Keith Lamb succeeded John Sergeant as Managing Director 1 June 2019
- John continues as Executive Director, transitioning to Non-executive Director in 2020
- Keith previously appointed NED Oct 2018, Executive Director March 2019
 - Extensive career and track record in Asia Pacific forestry and timberland investment
 - Masters degrees in Forest Science, Business Administration Graduate of Australian Institute of Company Directors



Management



Approvals Manager: **Peter Lockett**
Adelaide, former senior public servant and management consultant



CFO and Company Secretary: **Vicky Allinson**
Adelaide, investment, resources & materials background



Property and Forestry Operations Manager: **Brian Stewart**
Kangaroo Island



Construction Project Manager **Andy Kitchin**. Experienced civil and marine project manager.



Accountant **Allie Zubizarreta**. Experienced management accountant.



Agenda

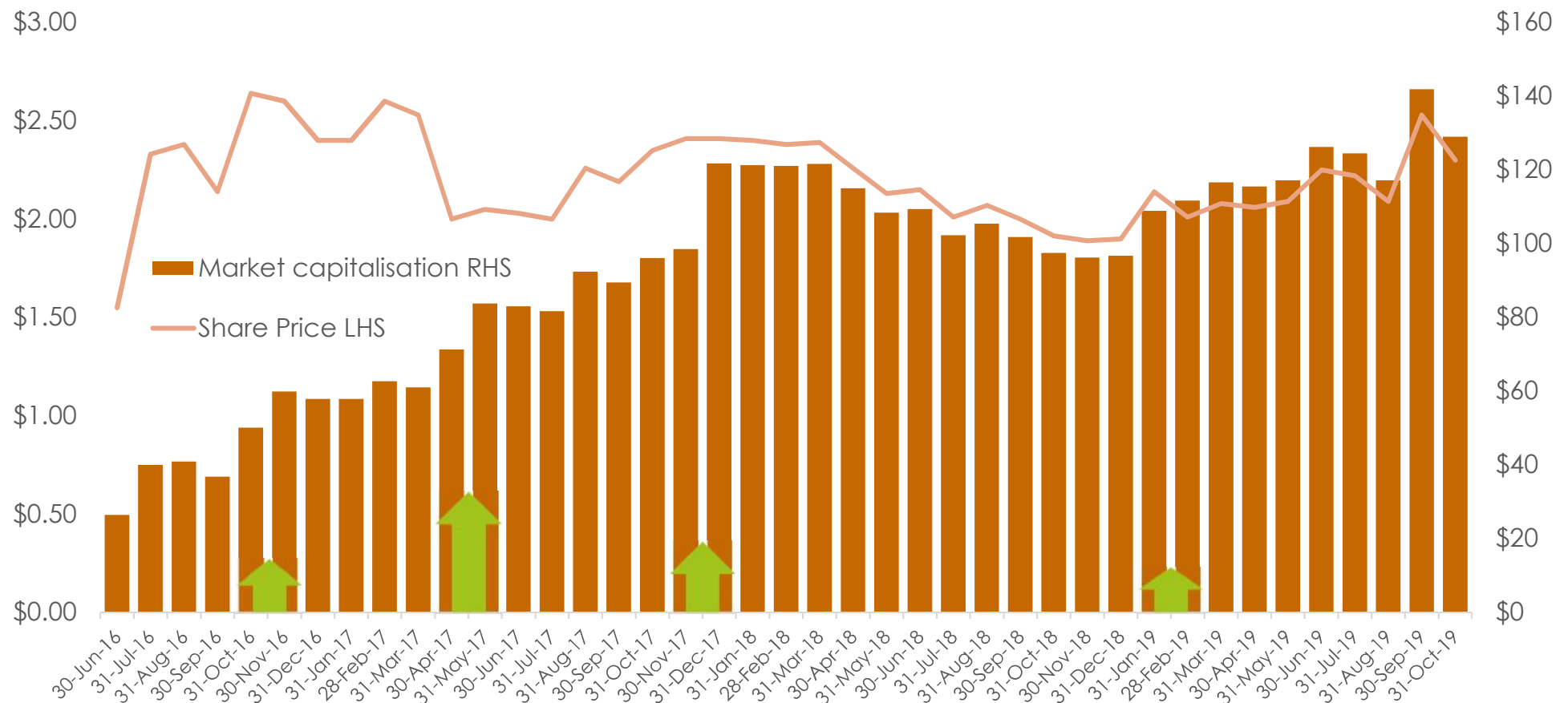
- 2019 results
- Company update
- Consideration of resolutions
- Questions and discussion



2019 Results

	2017	2018	2019
Comprehensive income ('000)	\$36,313	\$13,052	\$247
Earnings per share	148c	28c	0.5c
Net cash ('000)	\$6,045	\$6,727	\$9,511
Total assets ('000)	\$140,731	\$181,994	\$198,495
Total liabilities ('000)	\$45,665	\$54,344	\$60,440
Net assets ('000)	\$95,066	\$127,650	\$138,055
Net tangible assets/share	233c	289c	279c
Share price 30 June	\$2.03	\$2.15	\$2.25

Share price & market capitalisation



Agenda

- ▣ 2019 results
- ▣ Company update
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- ▣ Questions and discussion



Overview

- Keith Lamb appointed Managing Director 1 Jun 19
- Priority for first 100 days, was to review:
 - Technical description of timberland estate
 - Construction and operating partnerships
 - Risk, compliance and asset protection
 - Business systems and processes
 - Permitting and approvals
- Confirmed the company is operating on a sound footing, appropriate for its stage of growth
- Refreshed and restated company strategy, with expected transformation following primary approval for KI Seaport, then 18 month planned construction phase, leading to commencement of sales mid 2021



Overview

- As part of the 100 day review, re-affirmed Smith Bay as the optimal (best and only) site for a multi-user import-export seaport on Kangaroo Island
- Located outside marine parks
- Sheltered northern exposure
- Proximity to forest
- Land topography
- Deep water
- Surrounds
- Prior use



State of the Forests Report

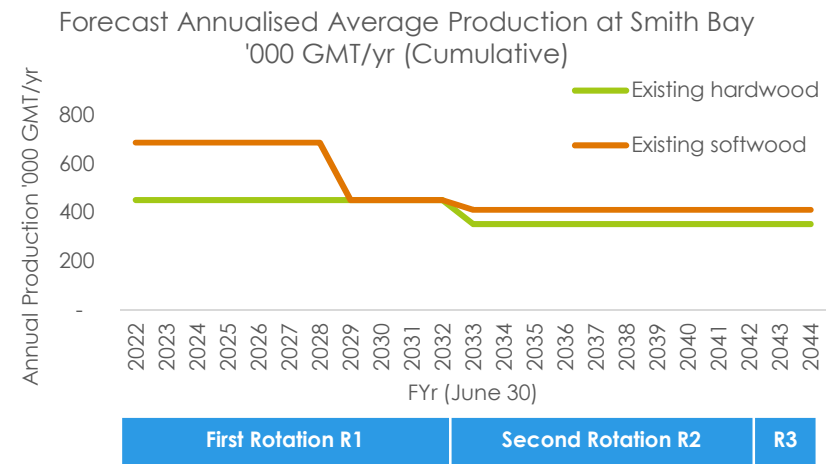
- Plantation estate performing well with a relatively high rate of biological growth
- Average harvest age of hardwoods will be 21 yrs, approximately twice the sectoral average
- Additional wood, banked on the stump, will reduce the unit costs of production on first rotation



Net Stocked Area (ha) of Commercial Timberlands on Kangaroo Island					
	KIPT		Other Growers		Total
	Area (ha)	% total	Area (ha)	% total	
Hardwood	12,181	89%	1,452	11%	13,633
Softwood	1,853	51%	1,795	49%	3,648
Total	14,034	81%	3,247	19%	17,281

State of the Forests Report

- Production forecasts reflect age class profile and area of the estate
- Higher volume through-put at Smith Bay Seaport for first 11 years followed by planned reduction as standing inventory is liquidated, and normalised age-classes established in the forest estate
- Business plan to re-establish existing estate with some species' switching (softwood to hardwood)
- Modest expansion plan in net productive estate area could lift production from 2030 onwards (not included in chart above).



State of the Forests Report

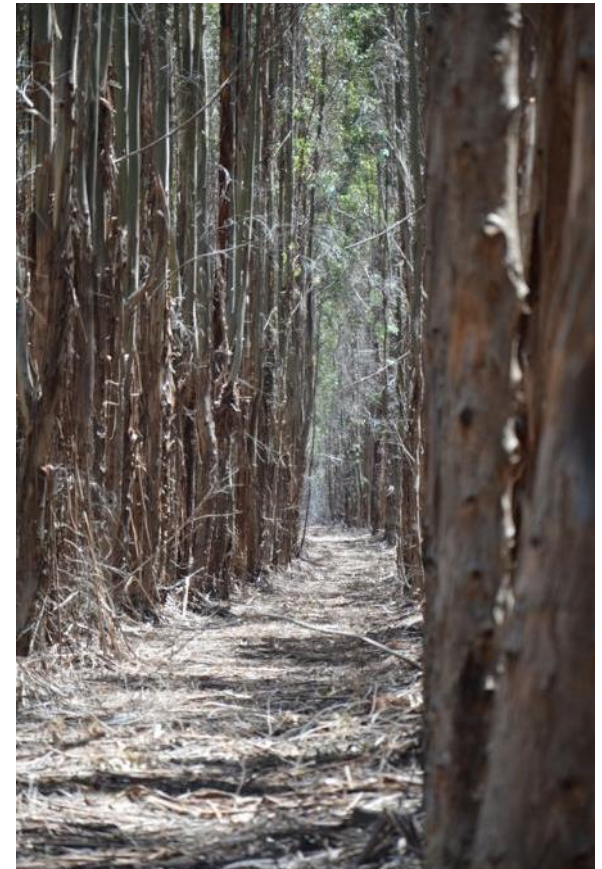
- Fire in Stockdale and North East River plantations 6 Dec 2018
- Strong response by KIPT, in partnership with
 - PF Olsen
 - Country Fire Service
 - National Parks and Wildlife Service
- Prioritised for salvage harvest first year of operations
- Police investigation and cost recovery options being investigated
- Annual review of timberland fire insurance policy
 - Treecrop insured value \$115M
 - Single loss: \$68M Excess: \$5M

2018-19 Fire Season	
Area affected	2.85%
Standing Volume	2.1%
June 30 2018 Value	2.5%*
June 30 2019 Value	1.2%



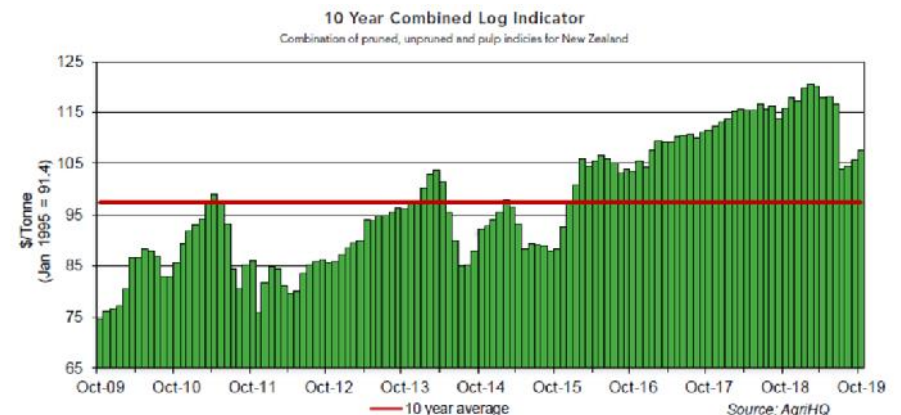
State of the Markets Report

- Hardwood woodchip export market
 - Underlying market dynamics positive for commencement of sales mid CY2021
 - Medium term demand expected to exceed supply in Asia Pacific market
 - Market has cooled after recent historic high demand, largely driven by new pulp supply from South America
 - Australian suppliers behaving rationally and electing to leave some wood to grow on the stump
 - CY2020 price negotiations for Australian hardwood woodchips have commenced, and results expected to filter through market in next few months



State of the Markets Report

- Softwood log export market
 - Softwood export market characteristically volatile
 - Mid year market correction has run its course and prices are now recovering
- KIPT is exploring opportunity to supply domestic mainland market, to diversify and offset natural price volatility and currency risk in export markets



Source: Agrifax Oct 2019. Priced in NZD

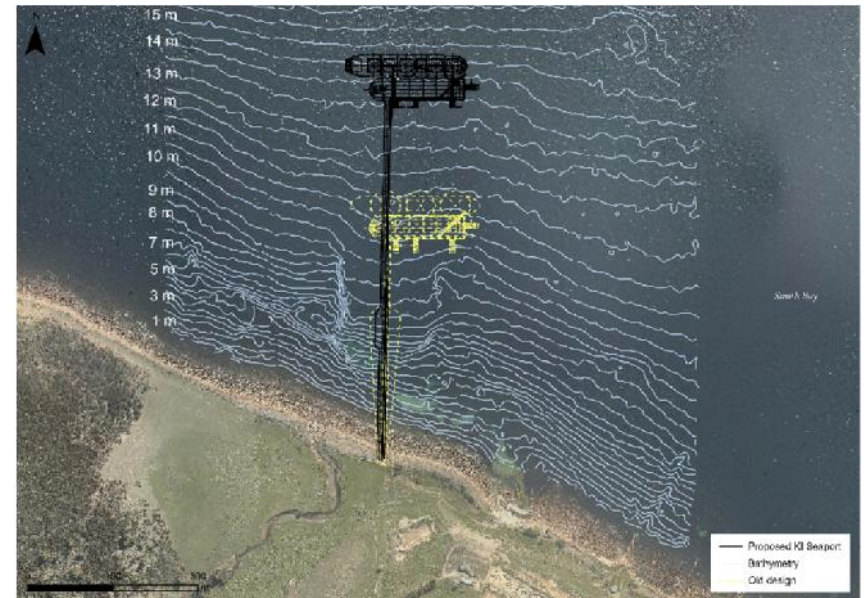
KI Seaport



- Draft EIS submitted 28 Jan 2019
- Public consultation 28 Mar – 28 May
- 1,372 Submissions received
- Change in marine design announced 19 Sep
- Addendum to EIS submitted 30 Oct
- Second public consultation 7 Nov – 20 Dec
- Final response document to be Submitted Q1 CY2020

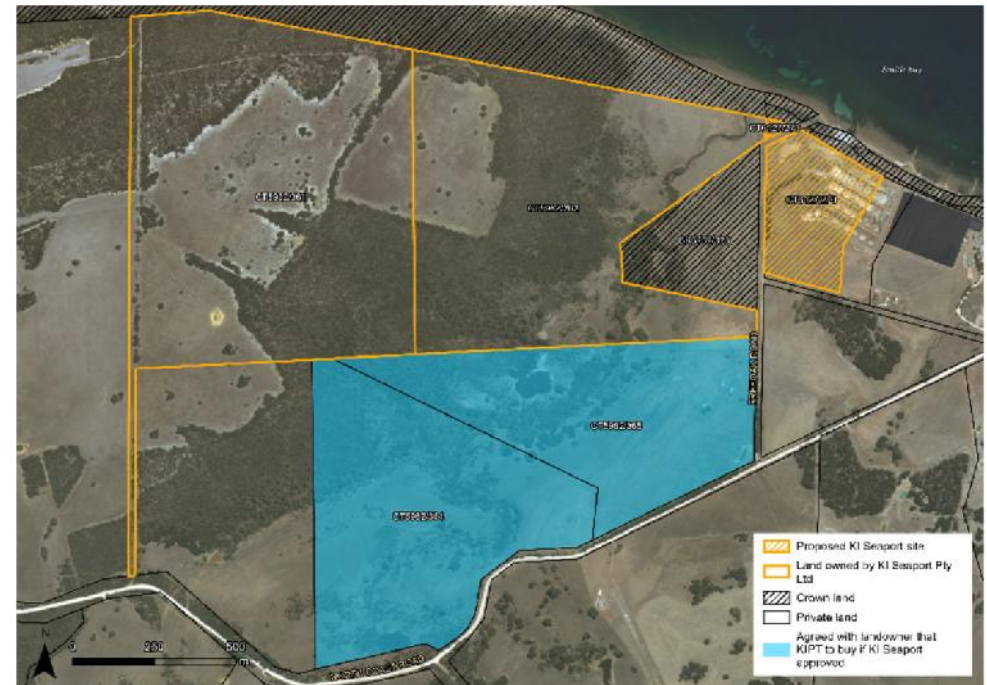
KI Seaport

- Marine design
 - Original design dredge and causeway was single largest concern amongst stakeholders
 - Government required further analysis to consider impact of dredging and causeway
 - Change in design well received by government
 - Cost to project AU\$9M
 - Additional time for planning and approvals, may be offset by reduced construction period



KI Seaport

- Land Design
 - Refinements to contain dust, noise and light
 - Mitsui Bussan Woodchip Oceania BOOT contract for chip handling facility at advanced stage
 - Western freehold land parcels secured



KI Seaport



- Project plan
 - Alliance Contract between construction partners, preparation in progress
 - Detailed Design stage to commence Dec-Jan (including Chip Handling Facility)
 - Commonwealth Bank consulted on changed marine design and timing of approvals
 - Budget and financing in progress pending confirmation of various contractor arrangements and approval conditions
- Pontoon
 - Currently in layup in Vietnam until 10 Sept 2020
- Aim to be shovel ready pending primary approval beginning Q2 CY2020

KI Seaport

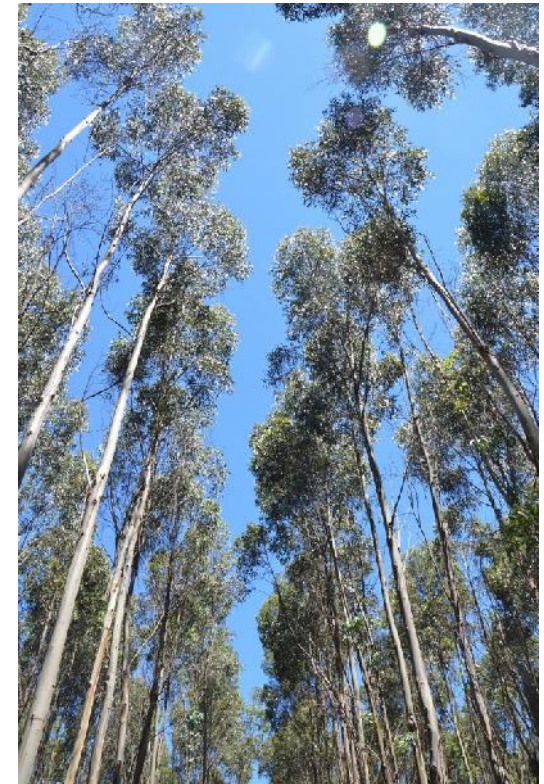


- Chip handling facility
 - Mitsui Bussan Woodchip Oceania is project partner
 - Build, Own, Operate and Transfer (BOOT) at end of term
 - Brownfields project offering best appropriate design and technology
 - BOOT sits alongside Mitsui Marketing Agreement
- Procurement of harvest and haul services
 - EOI posted 7 Nov 2019
 - Strong interest from established industry operators
 - Planned around Seaport construction with start-up mid 2021



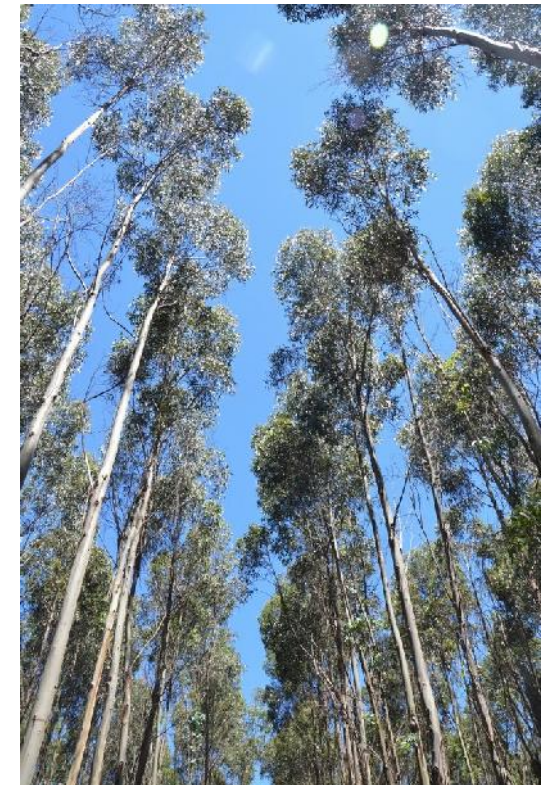
Company Strategy

- Operate timberland and KI Seaport profitably and sustainably
 - Supply chain - top quartile productivity, bottom quartile costs
 - Build lasting relationships with our export customers
 - Social license, independent certification, compliance and risk
 - To be a partner of choice for third party suppliers – treegrowers, contractors, service providers



Company Strategy

- Company structure
 - No planned changes in short term
- Project partners key to our success
 - CBA, Mitsui Bussan Woodchip Oceania, Flinders Ports
 - Environmental Projects, KBR, WGA, Grant Thornton, Piper Alderman
 - Maritime Constructions, Lucas TCS
 - PF Olsen, Country Fire Service
 - Allinson Accounting Solutions
 - ... and many more



Company Strategy

- Top 3 priorities (short term)
 - Building a healthy and productive working relationship with our neighbours at Smith Bay and the wider KI community
 - Obtaining approvals and preparing for construction of KI Seaport, followed by commencement of forest operations
 - Maintaining high level of environmental stewardship, while accommodating a growing population of koalas



Outlook

- ▣ Timing of approvals
 - ▣ Response Document Q1 CY2020
 - ▣ Primary approval subject to Ministers' discretion
 - ▣ Staged Secondary Approvals to follow
 - ▣ 18 month build (412 days on Seaport)
- ▣ Medium to longer term planning

Growth Options	Timberlands	KI Seaport
Organic	√	√
M&A / divestment	√	√
Related business	√	√
Structure	√	√



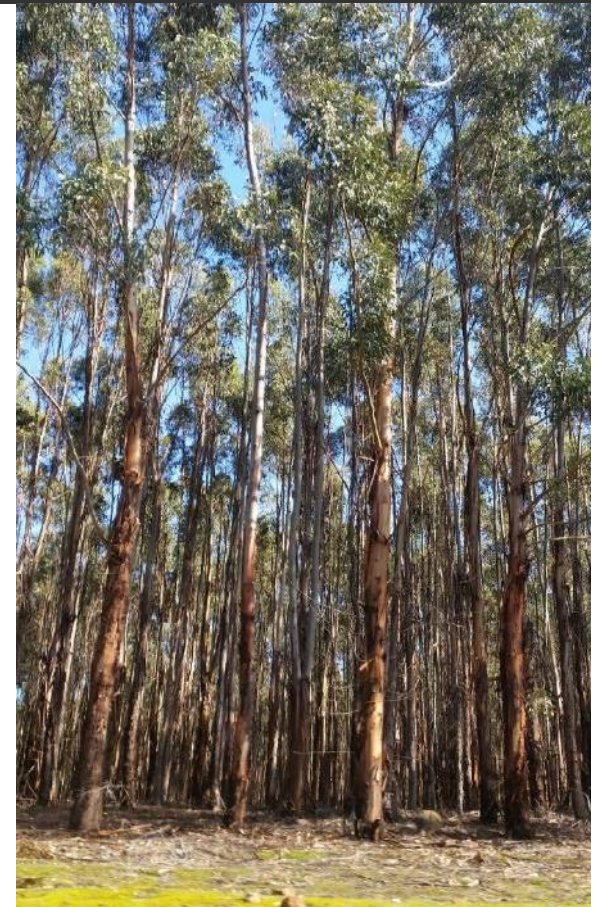
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Consideration of resolutions (by poll)

0	Presentation of FY19 audited accounts
1	Adopt Remuneration Report
2-4	Re-elect Sergeant, Black, Holdaway
5-8	Refresh performance rights plan
9	Authorise placement
10-16	Authorise participation by Directors and KMP
17	Refresh placement capacity



Proxy summary

		For		Against		Discretionary		Abstain
1.	Remuneration Report	20,621,191	99.54%	11,078	0.05%	85,656	0.41%	77,600
-2.	Re-elect Sergeant	21,938,181	99.59%	3,678	0.02%	85,656	0.39%	-
3.	Re-elect Black	21,941,559	99.61%	300	0.00%	85,656	0.39%	-
4.	Re-elect Holdaway	21,924,059	99.53%	300	0.00%	103,156	0.47%	-
5.	Approve executive and employee share plan	18,153,795	96.57%	530,428	2.82%	115,656	0.61%	3,227,636
6.	Approve directors' performance rights plan	18,050,583	96.17%	679,182	3.62%	39,844	0.21%	3,257,636
7.	Pre-authorise ED share issue pursuant to performance rights	18,044,853	95.99%	685,185	3.64%	69,844	0.37%	2,249,330
8.	Pre-authorise NED share issue pursuant to performance rights	18,044,853	95.99%	715,182	3.80%	39,844	0.21%	3,001,906

Proxy summary

		For		Against		Discretionary		Abstain
9.	Ratify placement	2,504,520	96.48%	5,600	0.22%	85,656	3.30%	2,036,100
10.	Approve participation in placement by Lamb	20,708,083	98.64%	148,550	0.71%	136,098	0.65%	1,034,784
11.	Approve participation in placement by Sergeant	18,712,083	98.49%	152,928	0.80%	136,098	0.71%	3,026,406
12.	Approve participation in placement by Holdaway	18,715,461	98.50%	149,550	0.79%	136,098	0.71%	3,026,406
13.	Approve participation in placement by Black	18,663,611	98.49%	149,550	0.79%	136,098	0.72%	3,078,256
14.	Approve participation in placement by Boulton	18,528,353	98.46%	151,928	0.81%	137,098	0.73%	3,210,136
15.	Approve participation in placement by McKenzie	18,712,083	98.49%	152,928	0.80%	136,098	0.71%	3,026,406
16.	Approve participation in placement by Lockett	18,531,731	97.53%	149,550	0.79%	319,828	1.68%	3,026,406
17.	Refresh placement capacity	21,257,885	96.78%	570,582	2.60%	136,098	0.62%	62,950

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