

22 February 2021

The Manager
Companies Announcements Office
Australian Securities Exchange

Dear Sir/Madam,

KI Seaport Project Update

Kangaroo Island Plantation Timbers Ltd (the Company, ASX code: KPT) today provides an update on its proposed KI Seaport and developments to bring logs from the fire-affected plantations to market.

Following the fires of December 2019-January 2020, the Company accelerated plans to build its proposed seaport at Smith Bay. Approval by state government had been anticipated mid-2020 and plans were prepared to start construction by early 2021. During the year, the Company provided updates to the State Government on plans for construction of the seaport and commencement of harvesting and stockpiling of logs from the fire-affected plantations, in anticipation of a timely approval.

After lodging the final EIS for the seaport at Smith Bay with State Government in March 2020, KIPT prepared contingency plans for establishing alternate routes to market in the event the approval was delayed beyond a reasonable time. Compared to the proposed development at Smith Bay, these alternate routes to market were considered suboptimal in respect to economic returns to shareholders, impacts on the environment and on the community of Kangaroo Island. However, the impact of the fires introduced a shorter-term priority for the Company to realise the residual value of the fire-affected crop and restore the estate to its full biological and economic capacity.

During the course of the year certain developments in export markets also caused the Company to examine new products and marketing strategies. On 22 December 2020, the Company announced it had been successful in its application for a \$5 million Commonwealth grant to develop a pellet mill to consume fire-damaged logs not capable of being sold into conventional mainland and export markets. The announcement noted that all forest products, including logs, chips and pellet product, would be exported via the proposed seaport at Smith Bay. A planning application for the pellet facility will be lodged with Kangaroo Island Council soon.

On 29 December 2020 the Company announced that the State Government had decided to offer a third round of public consultation on matters which it had previously advised would be addressed in the secondary stage of approvals, following initial development approval. This third round of public consultation closed on 12 February 2021. The Company extends its thanks to the five people who attended the public information session held at Kingscote 2 February and those who took the time to lodge written submissions. The Company now awaits release of those submissions by government and guidance on the response it requires from KIPT to the submissions received.

KIPT today provides an update about its work in establishing alternate routes to market while the Company continues to await advice from government on the approval process for the proposed seaport at Smith Bay.

The two most practical alternatives to Smith Bay for handling chip, log and pellets are the existing ramp facility at Kingscote wharf, and the SeaLink passenger ferry service from Penneshaw. Both of these options are sub-optimal compared to the proposed seaport at Smith Bay due to physical capacity constraints, likely cost and impact on surrounding communities. Both involve land transport through towns and in the case of the Penneshaw departure point, increased road distance both on-island and on the mainland will result in higher levels of interaction with tourist and local traffic, and create higher carbon emissions for every tonne of wood produced.

On Friday 19 February 2021, KIPT dispatched the first trial load of softwood logs via the Sealink ferry to the mainland, for sale to a South Australian domestic customer. If this trial is successful, the Company contemplates regular orders will be dispatched via the Sealink ferry service to domestic customers, and newly emerging export markets from Port Adelaide.

KIPT is in advanced negotiations with its construction partner, Adelaide-based Maritime Constructions, to start barging of logs from Kingscote in order to meet impending market orders for logs. The barging service will occur from an existing ramp facility which is subject to a long-term lease held by Maritime Constructions. Maritime Constructions has recently submitted a development application to state government for the upgrade of the ramp and associated piles, but this does not prohibit immediate use with the appropriate configuration.

KIPT has entered into a non-binding Memorandum of Understanding with Adelaide-based T-Ports for barging of log, chip and pellets from the Kingscote site, to start as soon as possible. The MOU between KIPT and T-Ports sets out terms for cooperating on services to be offered by T-Ports from the Kingscote site, for the period until the proposed seaport at Smith Bay is approved and constructed. The MOU contemplates T-Ports relocating its services from Kingscote to Smith Bay once the seaport is operating.

“The announcement today will not come as a surprise to shareholders and stakeholders of KIPT. Following the fires of 2019-20, and while the Company awaits state governments decision for Smith Bay, we must pursue all practical options to export logs off the island. The two most practical routes to market via Kingscote and Penneshaw, will present greater impacts to the community and environment compared to our proposed seaport at Smith Bay. Neither are capable of handling the entire resource in the time required. While we are pursuing these in the short-term, KIPT reaffirms its commitment to developing its proposed seaport at Smith Bay as the best all-round permanent solution for the Company and the community of Kangaroo Island” said Managing Director Keith Lamb.

By authority of the Board,



Ms Vicky Allinson
Company Secretary