

10 November 2016

The Manager  
Companies Announcements Office  
Australian Securities Exchange

Dear Sir/Madam

## Kangaroo Island Plantation Timbers Ltd – Accelerated Pro-Rata Non-Renounceable Entitlement Offer

### HIGHLIGHTS

Fully underwritten 1 for 3.7 accelerated pro-rata non-renounceable entitlement offer.

\$12.8 million to be raised via the issue of approximately 513,212 New Shares at an offer price of \$25.00 per New Share.

Funds raised will be used to repay the short term loan used to partially fund the deposit on the purchase of the entire Forestry Investment Trust estate managed by New Forests on Kangaroo Island for \$55 million, pay the remainder of the deposit, and further develop an export facility.

### *The Entitlement Offer*

Kangaroo Island Plantation Timbers Ltd (**KPT** or the **Company**) is pleased to announce a fully underwritten accelerated pro-rata non-renounceable entitlement offer of approximately 513,212 new KPT shares (**New Shares**) on the basis of 1 New Share for every 3.7 existing shares (**Entitlement**) held at 5pm AEDT on 14 November 2016 (**Record Date**) by eligible shareholders with a registered address in Australia or New Zealand (**Offer**). All New Shares offered under the Offer will be issued at a price of \$25.00 per New Share, which represents a 13.4% discount to the last close price of \$28.88 on Wednesday 9 November 2016 and a 10.9% discount to the Theoretical Ex-rights Price of \$28.05.

The Offer is an accelerated pro-rata non-renounceable entitlement offer and as such has two components:

1. an institutional entitlement offer, where offers have been made to eligible institutional shareholders for them to apply for their pro-rata entitlement (**Institutional Entitlement Offer**); and
2. a retail offer, where offers will be made to eligible retail shareholders for them to apply for their pro-rata entitlement (**Retail Entitlement Offer**).

Fractional entitlements for the Offer will be rounded up to the nearest whole number.

The Entitlements are non-renounceable. Accordingly, Entitlements will not trade on the ASX, nor can they be transferred or otherwise disposed of.

As at the date of this release, the Company has on issue 1,898,884 shares. The Company expects that approximately 513,212 New Shares will be issued under the Offer.

Each of the Directors (and their associates) has agreed to take up his or her Entitlement in full, either in the Institutional Entitlement Offer or the Retail Entitlement Offer as the case may be. These substantial commitments are a tangible expression of the Board's confidence in the Company's future.

Eligible Retail Shareholders who subscribe for their full Entitlement will also have the opportunity to apply for additional New Shares that are not subscribed for under the Retail Entitlement Offer (**Shortfall Shares**). New Shares offered under the Retail Entitlement Offer that are not applied for by each Eligible Retail Shareholders under their Entitlement will become part of the shortfall (**Shortfall Offer**).

The Offer has been fully underwritten by Bell Potter Securities Limited (ACN 006 390 772).

## Use of Funds

Completion of the Offer will result in an increase in cash in hand of up to approximately \$12.8 million (before the payment of costs associated with the Offer).

The Company intends to apply the funds raised from the Offer as follows:

Item of Expenditure	Amount \$ million	Amount %
Repayment of deposit loan facilities including interest where applicable	\$5.8	45%
Repayment of existing loan facility including interest where applicable	\$0.6	5%
Remaining pre-development costs for an export facility	\$1.5	12%
Working capital/contingency	\$4.2	33%
Costs of the Offer	\$0.7	5%
<b>TOTAL</b>	<b>\$12.8</b>	<b>100%</b>

The use of funds is estimated based on current timing assumptions and these assumptions may change over time.

### *Acquisition of Forestry Investment Trust estate on Kangaroo Island (FIT)*

Under the Heads of Agreement (HoA) with New Forests Asset Management (**NF**), the Company will purchase the entire FIT estate managed by NF on Kangaroo Island for \$55 million (**FIT Acquisition**). The purchase includes the plantation land, the standing timber and the Ballast Head site which had been put forward by NF as an alternative site for a timber export facility. For further details refer to the ASX release dated 21 October 2016.

#### *The FIT estate*

The estate includes almost 19,000ha of land, of which approximately 10,700ha is planted with Tasmanian blue gum (*e. globulus*) in various states of maturity. The current standing volume of timber is estimated at approximately 2.4m green tonnes. Thus, the FIT Acquisition effectively quadruples the size of the Company's plantation area and triples its standing timber resource.

#### *Export facility*

The Company announced on 21 October 2016 that it had lodged an application for Major Project Status with the South Australian Government. Major Project Status (Section 46 of the *Development Act 1993* (SA)) will allow the planning decision regarding the Company's proposed deep water wharf at Smith Bay to be determined by the Minister for Planning, on the advice of the Development Assessment Committee, rather than at a local government level. Using this development pathway also removes any right of appeal by objectors against development consent.

The existence of an alternative proposal, at Ballast Head, had delayed acceptance and consideration of the Company's application. As a result of the FIT Acquisition, the Ballast Head proposal will be suspended and, following completion, the Company will seek to dispose of the Ballast Head site.

The Company 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 Company will seek to ensure that development consent is secured in a timely manner, with reasonable conditions. The Company is not seeking any direct financial assistance from the South Australia Government.

The export facility is expected to cost \$25 million to \$30 million, which will be funded by a combination of debt, capital raising and, if possible, prepayment by timber customers.

### *Future capital requirements*

Over the next twelve months, the Company will review its capital requirements in relation to the construction of the wharf at Smith Bay, the completion of the FIT Acquisition and the commencement of harvest operations.

### *Indicative Timetable*

<b>Key events</b>	<b>Date <sup>(ii)</sup></b>
<b>Trading halt commences and Offer announced</b>	10 November 2016
<b>Institutional Entitlement Offer opening date</b>	10 November 2016
<b>Institutional Entitlement Offer closing date</b>	11 November 2016
<b>Institutional Bookbuild</b>	11 November 2016
<b>Institutional Entitlement Offer: announcement of results</b>	14 November 2016
<b>Trading halt is lifted and existing shares resume trading</b>	14 November 2016
<b>Retail Entitlement Offer Record Date (5pm AEDT)</b>	14 November 2016
<b>Retail Entitlement Offer opening date</b>	17 November 2016
<b>Retail Offer Booklet dispatched to Shareholders</b>	17 November 2016
<b>Settlement of applications in the Institutional Entitlement Offer</b>	17 November 2016
<b>Quotation of New Shares issued in the Institutional Entitlement Offer</b>	18 November 2016
<b>Retail Entitlement Offer Closing Date (5pm AEDT)</b>	28 November 2016
<b>Settlement of applications in the Retail Entitlement Offer</b>	5 December 2016
<b>Quotation of New Shares issued in the Retail Entitlement Offer</b>	6 December 2016

- (i) Subject to ASX Listing Rules, the Directors reserve the right to extend the Retail Entitlement Offer Closing Date at their discretion. Should this occur, the extension will have a consequential effect on the anticipated date of issue for the New Shares.
- (ii) These dates are indicative only and are subject to change at the discretion of the Directors in consultation with the underwriter.

Further details on this Offer will be set out in the Retail Offer Booklet that will be sent to each Eligible Retail Shareholder on 17 November 2016.

Yours faithfully



Victoria Allinson  
Company Secretary

Kangaroo Island Plantation Timbers Ltd