

17 November 2016

The Manager
Companies Announcements Office
Australian Securities Exchange

Dear Sir/Madam

**Kangaroo Island Plantation Timbers Ltd –
Accelerated Non-Renounceable Entitlement Offer:
Dispatch of Retail Offer Booklet and ineligible shareholder letters**

On 10 November 2016, Kangaroo Island Plantation Timbers Ltd (**KPT** or the **Company**) announced that it was conducting a fully underwritten accelerated pro-rata non-renounceable entitlement offer to eligible shareholders to subscribe for 1 new KPT share (**New Shares**) for every 3.7 existing KPT shares (**Entitlement**) held at 5pm on the record date (being 14 November 2016) (**Record Date**) at an issue price of \$25.00 per New Share (**Issue Price**) (**Offer**).

KPT is pleased to announce that in accordance with the timetable for the Entitlement Offer, the Retail Offer Booklet, personalised Entitlement and Acceptance Forms and notice to ineligible shareholders are being despatched today.

Further Information

If you have any questions in relation to the Offer, please contact KPT's Company Secretary, Ms Victoria Allinson, on 08 8227 2482. For other questions, you should consult your stockbroker, accountant or other professional adviser.

Yours faithfully



Victoria Allinson
Company Secretary



17 November 2016

[Insert shareholder address]

Dear Shareholder

Kangaroo Island Plantation Timbers Limited ACN 091 247 166
Entitlement offer – notification to ineligible retail shareholders

On 10 November 2016, Kangaroo Island Plantation Timbers Ltd (**KPT** or the **Company**) announced that it was conducting a fully underwritten accelerated pro-rata non-renounceable entitlement offer to eligible shareholders to subscribe for 1 new KPT share (**New Shares**) for every 3.7 existing KPT shares (**Entitlement**) held at 5pm on the record date (being 14 November 2016) (**Record Date**) at an issue price of \$25.00 per New Share (**Issue Price**) (**Offer**).

The Offer comprises an accelerated pro rata institutional entitlement offer to eligible institutional shareholders (**Institutional Entitlement Offer**) and a pro rata offer to eligible retail shareholders to participate on the same terms (**Retail Entitlement Offer**). The Entitlement Offer is non-renounceable, and Entitlements that are not taken up by eligible retail shareholders, together with the Entitlements of ineligible retail shareholders, will form part of the shortfall that, to the extent it is not taken up by other shareholders, will be underwritten by Bell Potter Securities Limited (ACN 006 390 772) (**Bell Potter**). Refer to the Offer Booklet lodged with the ASX on 17 November 2016 for more information.

The Entitlement Offer is being made by KPT in accordance with section 708AA of the *Corporations Act 2001* (Cth) (**Corporations Act**) as amended by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84. The Institutional Entitlement Offer and the Retail Entitlement Offer together will raise approximately \$12.8 million.

Documents relating to the Retail Entitlement Offer were lodged with the Australian Securities Exchange (**ASX**) today and are in the process of being mailed to eligible retail shareholders.

This letter has been sent to you to explain why you are an Ineligible Retail Shareholder (as defined below), as a consequence of which you will not receive any other documents relating to the Retail Entitlement Offer, and to advise you of the features of the process that will be conducted under which the New Shares that would have been offered to you will be offered to other persons. **You are not required to do anything in response to this letter.**

Details of the Retail Entitlement Offer

The Retail Entitlement Offer is being made to eligible retail shareholders on the basis of 1 New Share for every 3.7 existing Shares held at 5pm (AEDT) on 14 November 2016 (**Record Date**).

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%
TOTAL	\$12.8	100%

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.

Eligibility criteria

KPT has determined, pursuant to section 9A(3) of the Corporations Act and ASX Listing Rule 7.7.1(a), that due to the small number of shareholders outside Australia and New Zealand and the cost of complying with the legal and regulatory requirements of each overseas jurisdiction, it would be unreasonable to make offers to shareholders in all countries in connection with the Retail Entitlement Offer. Accordingly, in compliance with section 9A(3) of the Corporations Act and ASX Listing Rule 7.7.1(b), KPT wishes to inform you that it will not be extending the Retail Entitlement Offer to you and you will not be able to subscribe for New Shares under the Retail Entitlement Offer.

Shareholders who are eligible to participate in the Retail Entitlement Offer (**Eligible Retail Shareholders**) by taking up their Entitlement are shareholders who:

- (a) are registered as a holder of Shares at 5pm (AEDT) on the Record Date;
- (b) have a registered address in Australia or New Zealand;
- (c) are not in the United States and are not 'U.S. persons' (as defined under Regulation S under the United States Securities Act 1933, as amended) (**U.S. Persons**) and are not acting for the account or benefit of U.S. Persons;
- (d) did not receive an offer to participate in the Institutional Entitlement Offer; and
- (e) are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

The Company may (at its absolute discretion) extend the Retail Entitlement Offer to certain institutional shareholders in foreign jurisdictions who did not participate in the Institutional Entitlement Offer (subject to compliance with applicable laws).

Unfortunately, due to the fact that KPT will not be extending the Retail Entitlement Offer to persons with a registered address in your country, you are an **Ineligible Retail Shareholder** and you will not be able to participate in the Retail Entitlement Offer by subscribing for New Shares, nor will you be sent the Retail Entitlement Offer Booklet relating to the Retail Entitlement Offer.

If you have any questions in relation to any of the above matters, please contact Ms Victoria Allinson on +61 (8) 8227 2482 from 9.00am to 5.00pm (AEDT) Monday to Friday.



On behalf of the Board of KPT, thank you for your continued interest in Kangaroo Island Plantation Timbers Ltd.

Sincerely,

A handwritten signature in blue ink, appearing to read "V Allinson", with a horizontal line extending to the right.

Victoria Allinson
Company Secretary

This notice does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any 'U.S. Person' (as defined in Regulation S under the United States Securities Act 1933, as amended (**Securities Act**) (**U.S. Persons**))). Neither the entitlements nor the New Shares have been or will be registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons, absent registration or an exemption from registration under the Securities Act or pursuant to a transaction not subject to the registration requirements of the Securities Act.

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