

The Manager
Companies Announcements Office
Australian Securities Exchange

15 December 2016

Dear Sir/Madam,

Timber resource marketing update

Kangaroo Island Plantation Timbers (KPT or the Company) wishes to provide an update on its progress towards securing offtake agreements for the purchase of its substantial timber resources on Kangaroo Island.

Inventory project

KPT has commissioned a compartment level inventory of the entire plantation timber resource on Kangaroo Island, including those plantations not already owned or in the process of being acquired by the Company. This work will be based on the establishment and measurement of permanent sample plots.

Such an inventory is critical to the Company's ability to:

-) Determine the optimal harvesting and reestablishment plan, with a view to maximising the productivity of the estate;
-) Negotiate agreements with private plantation owners on a mutually-informed basis;
-) Provide overseas customers with accurate estimates of production volumes and dry fibre yields;
-) Determine the likely wood-flow and format (log v chip) across the Company's proposed wharf at Smith Bay; and
-) Accurately determine the carrying value of its landholding, based on its future productive capacity as timberland, as required under the relevant accounting standards. The Company's land is currently valued in its accounts on a discounted alternate use basis.

The estimated cost of the inventory project is \$129,636 excluding GST.

Export format

KPT's financial models have been compiled using a base case that assumes that all of its timber will be exported in the form of logs. However, savings may be available if a substantial proportion of the timber is exported in the form of chips, which is the usual format in which hardwood in particular is traded. The Company is currently investigating its options in that regard.

Offtake arrangements

The Company confirms that it is involved in discussions with several potential customers and marketing agents with a view to securing firm long-term commitments to purchase its timber once wharf approval is secured.

Yours faithfully



Ms Vicky Allinson
Company Secretary