

# Kangaroo Island Plantation Timbers

ABN 19 091 247 166

## Quarterly Activities Report and Appendix 4C

For the quarter ended  
**31 December 2016**





## Highlights

### During the quarter

- **Continued progress toward developing multi-user wharf at its Smith Bay site on the north coast of Kangaroo Island:**
  - ) Lodged a Major Project Application to build a deep water wharf at Smith Bay.
  - ) EPBC Act referral lodged.
  - ) Berth harmonics commences: an analysis of the wave and berthing forces acting upon the proposed floating wharf.
  - ) Coastal process modelling commenced: using the hydrodynamic information being collected at the proposed berth face and publicly available data to model the coastal processes operating at Smith Bay, including any sediment transport.
  - ) Silt plume dispersal modelling commenced: determining the likely dispersal of suspended sediments mobilized during construction.
  - ) Water quality monitoring commenced: establishing, over a six-month period, the baseline water quality at Smith Bay.
  - ) Roadside vegetation impacts study commenced.
  - ) Traffic management study completed.
- **Acquisition of 19,000 ha of land on Kangaroo Island effectively quadrupling the size of the Company's timber estate**
- **Appointment of a new Non-Executive Director, Greg Boulton AM, effective 1 November 2016.**
- **Appointment of Executives: a business and marketing executive, Mr John Ipsen and Project Manager, Peter Lockett.**
- **Consultancy agreement with Professor Anthony Cheshire.**
- **Completion of housing land sale for \$222,227.**
- **Completion of a fully underwritten 1 for 3.7 pro rata non-renounceable accelerated entitlement that raised \$12.8 million at \$25.00 per share.**

# Quarterly Activities Report

For the quarter ended 31 December 2016



## Since the quarter end:

- **Announced a general meeting to be held on 24 February 2017**

## Acquisition of Forestry Investment Trust estate on Kangaroo Island

### The agreement

Kangaroo Island Plantation Timbers Ltd (KPT or the Company) announced, on 31 October 2016, the execution of the transaction documents giving effect to the Company's acquisition of the Forest Investment Trust (FIT) estate on Kangaroo Island, as per the Heads of Agreement (previously announced on 21 October 2016) under which KPT commits to purchase the entire Forestry Investment Trust (FIT) estate managed by New Forests Asset Management (New Forests) on Kangaroo Island, South Australia. The purchase includes all of the plantation land, standing timber and the Ballast Head site proposed by New Forests as a multi-user export facility.

The agreed purchase price is \$55m, which is to be apportioned between the land and timber assets on an appropriate allocation. The major terms of the agreement include that KPT pay a 10% non-refundable deposit that was paid in October 2016. Under the terms of the agreement, the final purchase price will be between \$55.0m and \$67.8m, depending on the final date of completion.

### The Forestry Investment Trust estate deposit

In October 2016, the Company paid the \$5.5m deposit to FIT using a \$2.75m short-term debt facility provided by one of its substantial shareholders (Samuel Terry Asset Management), on arm's length terms and \$2.3m short term unsecured loans from directors. All debt facilities were repaid in full from the funds raised in the \$12.8m rights issue.

### The Forestry Investment Trust estate on Kangaroo Island

The FIT estate includes approximately 19,000 ha of land of which more than 10,700 is planted with Tasmanian blue gum (*eucalyptus globulus*). The current standing volume of timber is estimated at 2.4m green metric tonnes. Thus, the FIT estate acquisition will effectively quadruple the size of KPT's plantation area and triple its standing timber resource.

## Smith Bay Wharf Development approval process underway

The Company is seeking a ministerial declaration that the Company's Smith Bay Wharf proposal will be treated as a major project and assessed under s.46 of the South Australian Development Act 1993. As a separate matter, the Company has lodged a referral under the Commonwealth Environment Protection and Biodiversity Conservation Act 1999 seeking a decision on whether the Smith Bay development would be considered a controlled action under that legislation. The Commonwealth has responded that it regards the wharf development as a controlled action, as announced on 16 December 2016.

As a consequence of the FIT acquisition, KPT will also own the other potential site for an export facility (at Ballast Head). On the basis of careful consideration, KPT believes the Smith Bay site to offer very significant advantages over Ballast Head. It has consequently lodged its application for Major Development Status. Because it is not possible to foresee all eventualities, the Ballast Head site will be held in reserve until the Smith Bay proposal receives all necessary approvals, at which time KPT would expect to sell the Ballast Head property.

KPT is committed to the thorough and rigorous assessment of its proposed development, in consultation with the South Australian Government and with the involvement of the Kangaroo Island Community.

# Quarterly Activities Report

## For the quarter ended 31 December 2016



### Capital requirements

The Company's future capital requirements include:

- ) Purchase of Forestry Investment Trust (FIT) estate: the final purchase price excluding deposit paid to date, is between \$49.50m and \$62.3m, depending on the final date of completion;
- ) Development of the Smith Bay wharf project, costing between \$25.0m and \$30.0m; and
- ) Ongoing working capital requirements, estimated at \$6m;

#### Future capital requirements

Over the next six months, the Company will review its capital requirements in relation to the construction of the wharf at Smith Bay, if approved, the completion of the New Forests FIT Estate purchase and the commencement of harvest operations. At this stage, it is expected that a further \$88m will be raised via equity and debt.

### Other matters

#### General Meeting

A General Meeting Notice was released on 23 January 2017 for a meeting to be held in Adelaide on 24 February 2017, at which the following Shareholder approvals are being sought:

1. Approval of the acquisition of the entire Forestry Investment Trust (FIT) estate managed by New Forests Asset Management Pty Limited on Kangaroo Island, South Australia (Acquisition);
2. A share split on the basis of 10 Shares for every 1 Share held;
3. Confirmation of the appointment of Non-Executive Director, Mr Greg Boulton AM to the Board; and
4. The issue of a maximum of 89,999 performance rights dated 24 February 2017, subject to certain share price and liquidity conditions being met.

#### Securities on issue

At the 31 December 2016 the securities on issue included:

	Number of Ordinary Fully paid Shares	Number of Performance Rights
As at 30 June 2016 and 30 September 2016	1,718,884	180,000
New Shares under the Rights issue	513,468	-
Performance Rights issued	180,000	(180,000)
<b>As at 31 December 2016 and date of this report</b>	<b>2,412,352</b>	<b>-</b>

### Appendix 4C

The Appendix 4C as required by Listing Rule 4.7B for the quarter ending 31 December 2016 is attached to this report.

#### Cash and cash equivalents

The cash and cash equivalent at the 31 December 2016 amounted to \$6,479,788.

# Quarterly Activities Report

For the quarter ended 31 December 2016



## Loan facilities

The Company had previously established a \$550,000 secured loan facility with Aminac Pty Ltd as Trustee for Agrarian Management Super Fund, an entity associated with the Chair of the Company, Mr Paul McKenzie. During the quarter, the Company has repaid the facility in full. The facility expired on 23 December 2016.

## Cashflows for the next quarter

The cash outflows for the next quarter are expected to amount to \$1m, this includes wharf development costs of \$0.45m.

**Signed on behalf of Kangaroo Island Plantation Timbers Ltd**

Ms Vicky Allinson

Company Secretary

Date 30 January 2017

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

KANGAROO ISLAND PLANTATION TIMBERS LIMITED

**ABN**

19 091 247 166

**Quarter ended ("current quarter")**

31 DECEMBER 2016

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	2	31
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(143)	(206)
(f) administration and corporate costs	(266)	(434)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	20	21
1.5 Interest and other costs of finance paid	(33)	(33)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material) Wharf Development	(237)	(419)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(657)</b>	<b>(1,040)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(5,500)	(5,500)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	215	215
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(5,285)</b>	<b>(5,285)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	12,837	12,837
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(427)	(427)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(500)	(500)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>11,910</b>	<b>11,910</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	512	895
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(657)	(1,040)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5,285)	(5,285)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	11,910	11,910

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>6,480</b>	<b>6,480</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	6,480	512
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6,480</b>	<b>512</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
107
-

Since 1 July 2016 the Directors fees paid 100% in cash quarterly, the September 2016 quarterly fees and December 2016 quarterly fees were both paid in the December 2016 quarter.

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
-
-



8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

550,000 loan facility with Aminac Pty Ltd as Trustee for Agrarian Management Super Fund, an entity associated with the Chair of the Company, Mr Paul McKenzie. The loan and interest was repaid in full in the quarter. Interest was charged at an interest rate of 8% per annum. The loan was secured by a first ranking mortgage over two of the Company's properties, known as Brookland Park CT Volume 5813 Folio 274 and Yerda North CT Volume 5959 Folio 964 (total book value \$1,139,342).

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	200
9.6 Administration and corporate costs	378
9.7 Other (provide details if material)- Wharf development	450
<b>9.8 Total estimated cash outflows</b>	<b>1,028</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity	n/a	n/a
10.2 Place of incorporation or registration	n/a	n/a
10.3 Consideration for acquisition or disposal	n/a	n/a
10.4 Total net assets	n/a	n/a
10.5 Nature of business	n/a	n/a

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: .....  
(Director/Company secretary)

30 January 2017  
Date: .....

Print name: Victoria Marie Allinson

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.