



21 October, 2016

The Manager  
Companies Announcements Office  
Australian Securities Exchange

Dear Sir/Madam,

### **Smith Bay deep water wharf & capital requirements**

Kangaroo Island Plantation Timbers (KPT or the Company) announced earlier today that it had signed a heads of agreement of understanding under which the Company will purchase the entire Forestry Investment Trust (FIT) on Kangaroo Island for \$55 million.

### **Development approval process underway**

The Company is pleased to announce that it has, today, lodged an application for Major Development Status with the South Australian Government, for KPT's proposed multi-user deep water wharf project at Smith Bay on Kangaroo Island. If granted, this will allow the planning decision regarding the Company's proposal to be determined by the Minister for Planning, on the advice of the Development Assessment Committee, rather than at a local government level. This planning pathway provides a predictable process and timeframe, known requirements and, once determined, is not subject to appeal.

While KPT has been advised that its proposal is not a controlled action under national environmental legislation, the development will nevertheless be referred to the Commonwealth Department of Environment and Energy for decision, as a matter of prudence. That referral, and its outcome, will be the subject of separate announcements.

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 immediately proceeded with 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.

### **Capital requirements**

The Company has paid half (5%) of the 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.



79 Angas Street, Adelaide SA 5000  
T (08) 8227 2482 F (08) 8312 2020  
kipt.com.au  
ACN 091 247 166



The Company intends to conduct a non-renounceable rights issue in the near future to raise approximately \$12 million. Bell Potter Securities Ltd has been mandated to assist the Company with its capital requirements. The funds will be used to repay the short-term facility and the Company's other \$0.5m debt, to pay the second half of the FIT deposit and to provide sufficient working capital to cover pre-development costs for the Smith Bay Wharf. Details of this rights issue will be the subject of a separate announcement by the Company.

### **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.

### **Commissioner for Kangaroo Island**

The Company wishes to thank Ms Wendy Campana, the Commissioner for Kangaroo Island, and her departmental colleagues, for their assistance and guidance. Welcoming the current announcement, Ms Campana has said:

*"KI Plantation Timbers has agreed to the wharf being available for all non-timber users based on incremental cost and it is good to hear that they are not seeking any form of taxpayer subsidy. Other Island industries will benefit from this wharf, in particular, agriculture. Local employment growth will also result.*

*There will, however, be some important issues to address such as any impact on the local abalone farm, which has had great success and employs a number of persons on the Island. I am pleased that KI Plantation Timbers will be actively involved in finding solutions for co-location and of course there will also be the need to address any environmental concerns that may arise. There is still a way to go with the State Government approval processes and a number of issues will need to be addressed".*

### **In conclusion**

The Company is committed to working with the South Australian Government to ensure that the benefits of the development to the community are maximised, and that any negative effects are minimized and, where possible, offset. In particular, KPT will ensure that the existing nearby onshore abalone farm at Smith Bay is not negatively affected. With the assistance of the South Australian 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 financial assistance from Government.

The Company is also committed to working co-operatively and openly with private timber growers and other primary producers on Kangaroo Island to ensure that the benefits of the proposed Smith Bay wharf are shared as widely as possible.



It is anticipated that there will be considerable employment, social and economic benefits to Kangaroo Island, and to South Australia more generally, from mobilising what is currently a stranded asset and establishing a profitable long-term timber industry on Kangaroo Island, which is one of the best places in Australia to grow plantation timber.<sup>1</sup>

#### **Effect on Company's accounts**

Once a route to market is secured, the Company will be able to grow and export its timber sustainably and profitably into the future. This will enable the Company to realise the value of its standing timber and, as milestones are met towards that goal, will require that this value is recognised in the Company's accounts.

Yours faithfully

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

Ms Vicky Allinson  
Company Secretary

---

<sup>1</sup> Based on historical rainfall and temperature data, and reflected in achieved growth rates.