

# Kangaroo Island Plantation Timbers

ABN 19 091 247 166

## Quarterly Activities Report and Appendix 4C

For the quarter ended  
**30 September 2016**





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## Quarterly Activities Report

For the quarter ended **30 September 2016**

### Highlights

#### During the quarter

- Continued progress toward developing multi-user wharf at its proposed Smith Bay site on the north coast of Kangaroo Island:
  - two separate ecological studies: marine study and terrestrial ecology survey;
  - traffic study;
  - soil and groundwater study; and
  - wharf design.
- Investigated procurement options for floating wharf component.
- Established a loan facility with a related party for \$550,000.

#### Since the quarter end:

- Acquisition of 19,000 ha of land on Kangaroo Island effectively quadrupling the size of the Company's timber estate
- Lodged a Major Project Application to build a deep water wharf at Smith Bay.
- 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.
- Completion of housing land sale for \$222,227.
- Issued 180,000 ordinary fully paid shares under the Performance Plan, as approved by shareholders at the 2016 AGM held on 5 October 2016.



## 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, at the date of this report the Company had paid \$2.75m on 21 October 2016 and the remaining deposit of \$2.75m has been paid today. 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 on Kangaroo Island

The 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

On the 21 October 2016, the Company 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 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.



## Capital requirements

The Company's future capital requirements include:

- Purchase of Forestry Investment Trust (FIT) estate: the final purchase price is between \$55.0m and \$67.8m, 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;

### 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.

### The planned non-renounceable rights issue

The Company intends to conduct a non-renounceable rights issue in November or December 2016 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 facilities and the Company's other \$0.5m debt 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. At this stage, it is expected that a further \$88m will be raised via \$38m of equity and \$50m of bank debt.

## Other matters

### Annual Report

The Company released its Annual Report for the year ended 30 June 2016, on 30 August 2016.

### Annual General Meeting

The Annual General Meeting Notice was released on 30 August 2016 and the meeting was held on 5 October 2016, at which the following resolutions were approved unanimously by shareholders:

1. Adoption of Remuneration Report;
2. Re-election of Mr Graham Holdaway as a Non-Executive Director;
3. Approval of increase in Non-executive remuneration cap from \$300,000 to \$400,000;
4. Approval of Directors' Performance Rights Plan;
5. Approve issue of Shares to John Sergeant under the Performance Rights Plan for performance rights dated 18th January 2016;
6. Approve issue of Shares to Graham Holdaway under the Performance Rights Plan for performance rights dated 18th January 2016;
7. Approve issue of Shares to Paul McKenzie under the Performance Rights Plan for performance rights dated 18th January 2016;
8. Approve issue of Shares to Shauna Black under the Performance Rights Plan for performance rights dated 18th January 2016;

# Quarterly Activities Report

## For the quarter ended 30 September 2016



9. Approval of issue of additional Shares to the Executive Director under the Performance Rights Plan for performance rights dated 18th January 2016;
10. Approval of issue of additional Shares to each Non-Executive Director under the Performance Rights Plan for performance rights dated 18th January 2016; and
11. Approval of increased Share issue capacity under Listing Rule 7.1A.

Subsequent to the above approvals, 180,000 shares have been issued to directors under the Performance Rights Plan.

### Securities on issue

At the 30 September 2016 the securities on issue included:

- Ordinary fully paid shares 1,718,884; and
- Performance Rights 180,000

No shares were issued during the quarter.

180,000 shares were issued since the end of the quarter under the Performance Rights Plan.

### Appendix 4C

The Appendix 4C as required by Listing Rule 4.7B for the quarter ending 30 September 2016 is attached to this report.

### Cash and cash equivalents

The cash and cash equivalent at the 30 September 2016 amounted to \$512,232.

### Loan facilities

The Company has 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. The Company has drawn down \$500,000 on this facility leaving \$50,000 available at 30 September 2016.

### Cashflows for the next quarter

In addition to the operating \$0.80m cash outflows shown in Item 9.8 of the attached Appendix 4C, the Company has further cash outflows of \$5.5m in October 2016, being the 10% deposit on the FIT estate acquisition. The \$5.5m deposit has been funded by \$5.05m short term loans from a substantial shareholder and three of the directors and the \$0.22m proceeds from the sale of housing land.

The Company expects to raise \$12m from a non-renounceable rights issue in the next quarter that will partly be used to repay the \$5.05m short term loans and the \$0.5m secured loan.

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

Ms Vicky Allinson

Company Secretary

Date 31 October 2016

## 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")**

30 SEPTEMBER 2016

| <b>Consolidated statement of cash flows</b>                  | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(3 months)<br/>\$A'000</b> |
|--|------------------------------------|--|
| <b>1. Cash flows from operating activities</b>               |                                    |  |
| 1.1 Receipts from customers                                  | 29                                 | 29   |
| 1.2 Payments for   |                                    |  |
| (a) research and development                                 | -                                  | -  |
| (b) product manufacturing and operating costs                | -                                  | -  |
| (c) advertising and marketing                                | -                                  | -  |
| (d) leased assets  | -                                  | -  |
| (e) staff costs  | (63)                               | (63)   |
| (f) administration and corporate costs                       | (168)                              | (168)  |
| 1.3 Dividends received (see note 3)                          | -                                  | -  |
| 1.4 Interest received  | 1                                  | 1  |
| 1.5 Interest and other costs of finance paid                 | -                                  | -  |
| 1.6 Income taxes paid  | -                                  | -  |
| 1.7 Government grants and tax incentives                     | -                                  | -  |
| 1.8 Other (provide details if material)<br>Wharf Development | (182)                              | (182)  |
| <b>1.9 Net cash from / (used in) operating activities</b>    | <b>(383)</b>                       | <b>(383)</b>                                   |

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

| Consolidated statement of cash flows                      | Current quarter<br>\$A'000 | Year to date<br>(3 months)<br>\$A'000 |
|---|----------------------------|---------------------------------------|
| (d) intellectual property                                 | -                          | -                                     |
| (e) other non-current assets                              | -                          | -                                     |
| 2.2 Proceeds from disposal of:                            |                            |                                       |
| (a) property, plant and equipment                         | -                          | -                                     |
| (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 Net cash from / (used in) investing activities</b> | <b>-</b>                   | <b>-</b>                              |

|   |          |          |
|---|----------|----------|
| <b>3. Cash flows from financing activities</b>                                  |          |          |
| 3.1 Proceeds from issues of shares  | -        | -        |
| 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 | -        | -        |
| 3.5 Proceeds from borrowings  | -        | -        |
| 3.6 Repayment of borrowings   | -        | -        |
| 3.7 Transaction costs related to loans and borrowings                           | -        | -        |
| 3.8 Dividends paid  | -        | -        |
| 3.9 Other (provide details if material)   | -        | -        |
| <b>3.10 Net cash from / (used in) financing activities</b>                      | <b>-</b> | <b>-</b> |

|   |       |       |
|---|-------|-------|
| <b>4. 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              | 895   | 895   |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above)             | (383) | (383) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above)             | -     | -     |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above)            | -     | -     |

| <b>Consolidated statement of cash flows</b> |  | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(3 months)<br/>\$A'000</b> |
|---|--|------------------------------------|--|
| 4.5   | Effect of movement in exchange rates on cash held  | -                                  | -  |
| <b>4.6</b>                                  | <b>Cash and cash equivalents at end of quarter</b> | <b>512</b>                         | <b>512</b>                                     |

| <b>5.</b>  | <b>Reconciliation of cash and cash equivalents</b><br>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<br/>\$A'000</b> | <b>Previous quarter<br/>\$A'000</b> |
|------------|---|------------------------------------|-------------------------------------|
| 5.1        | Bank balances   | 512                                | 895                                 |
| 5.2        | Call deposits   | -                                  | -                                   |
| 5.3        | Bank overdrafts   | -                                  | -                                   |
| 5.4        | Other (provide details)   | -                                  | -                                   |
| <b>5.5</b> | <b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>  | <b>512</b>                         | <b>895</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<br/>\$A'000</b> |
|------------------------------------|
| 29                                 |
| -                                  |

Directors' fees and remuneration paid quarterly 50% in cash 50% in share for period ending 30 June 2016. The June 2016 quarter cash element of the fees were paid in July 2016. Since 1 July 2016 paid 100% in cash quarterly, the September 2016 quarterly fees were paid in October 2016.

**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<br/>\$A'000</b> |
|------------------------------------|
| -                                  |
| -                                  |

| 8. <b>Financing facilities available</b><br><i>Add notes as necessary for an understanding of the position</i>   | Total facility amount<br>at quarter end<br>\$A'000 | Amount drawn at<br>quarter end<br>\$A'000 |
|--|--|---|
| 8.1 Loan facilities  | 550  | 500                                       |
| 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 is repayable by 23 December 2016 with an interest rate of 8% per annum. The loan is 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  | 142        |
| 9.6 Administration and corporate costs                     | 417        |
| 9.7 Other (provide details if material)- Wharf development | 242        |
| <b>9.8 Total estimated cash outflows</b>                   | <b>801</b> |

In addition to the operating \$0.80m cash outflows shown in item 9.8 above, the Company has further cash outflows of \$5.5m, being the 10% deposit on the FIT Estate acquisition. The \$5.5m deposit has been funded by \$5.05m short term loans from a substantial shareholder and three of the directors.

The Company expects to raise \$12m from a non-renounceable rights issue in the next quarter that will partly used to repay the \$5.05m short term loans.

| 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)

31 October 2016  
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.