



Kangaroo Island Plantation Timbers

ASX code: KPT

ABN 19 091 247 166

Quarterly Activities Report and Appendix 4C

For the quarter ended
31 March 2020



Highlights

Since last 4C quarterly

- **Resumption of Trade**
- **EIS submitted in final form to government**
- **Insurance Claim in progress**
- **Detailed construction design and startup plans for salvage harvesting**
- **No direct impact of Covid-19 on business operations**

Resumption of Trade

On 30th March 2020 Kangaroo Island Plantation Timbers (KIPT) requested to the Australian Securities Exchange that the voluntary suspension be halted and trading of Company shares resumed on 31st March 2020. The voluntary suspension had been requested by the KIPT board in response to several wildfires which had ignited on neighbouring private land and national park, and subsequently entered the KIPT estate between 20th December 2020 and 21st January 2021.

Wildfire

As previously reported, the impact of wildfire and associated backburning operations on the KIPT treecrop caused the board to revalue the forest estate in the mid-year accounts from \$115.2M (June 30 2019) to \$5.95M (Dec 31 2019).

Progress payments for the treecrop insurance received to date amount to \$20M (\$10m 11th Feb and \$10m 21st Apr) against an expected total of \$68M, and for farmpack insurance \$4.2M (\$1M 3rd March and 3.2M 1st April) against an expected total of \$6.2M. The majority of the payout received to date has been directed towards reducing debt, with a small amount reserved for ongoing operations. The Company is confident that the total claim will be settled in full and will continue to advise the market accordingly.

As a result of the wildfires, KIPT is undertaking a review of its business plan, with consideration given to market positioning of the fire affected product, and the business case for the Seaport. The impact of the fire has introduced a new level of commercial risk and uncertainty that did not previously exist and KIPT is therefore working on new finance strategies for the construction of the Seaport and ongoing operations which take into account the change to the resource, as well as options to reduce cost from the supply-chain. The overall goal of the Company is to restore the productive capacity of the estate as quickly as possible, by removing the fire-affected trees in the most commercially efficient manner available. It is the Company's view that commercially harvesting and exporting the fire-affected product is a better overall option than chaining and burning, which would cause ongoing environmental impact to our neighbours on Kangaroo Island and the mainland through emissions of smoke and ash.

While the approvals and construction process for the Seaport continues, the Company has investigated several options to commence early harvesting and sales, including barging to the mainland or transshipping to export, as well as on-island processing. As previously advised, no option has been found to be capable of handling the entire volume of forest products from Kangaroo Island in a timely manner, or providing a margin better than available from the proposed Seaport at Smith Bay. It is our position that while the interests of KIPT shareholders, third party growers and ultimately the community of Kangaroo Island are best served by the proposed Seaport, the Company will continue to engage with third party logistical providers capable of addressing the permitting requirements and the capital investment required to provide barging services, during the period required to construct the Seaport. After the Seaport is constructed, it is possible that any interim barging operations that commenced from the island could transfer to the Seaport, subject to any necessary approvals. The Company is also



committed to some level of production of posts and poles on island, from materials produced as a by-product of future harvesting activities.

As reported previously, KIPT has commenced restoring Company infrastructure with removal of fire-damaged dwellings, restoration of roads and water crossings, and a major refencing program. The Company is also preparing for the winter planting season of a small area of fallow land (6ha eucalypt and 18 pine), which had been identified and budgeted prior to the December wildfires.

In March and April KIPT provided written submissions to the South Australian government Independent Inquiry and the Commonwealth government Royal Commission for the 2019-20 wildfires. We shared our vision that improvements to landscape management and fire fighting efficacy can ameliorate the risk and impact of future wildfire, on the community and ecology of Kangaroo Island. Our submission, developed in cooperation with the Institute of Foresters of Australia (IFA) and Australian Forest Products Association (AFPA), made several recommendations that we believe if adopted, will provide sufficient confidence for KIPT, the farming and tourist business community to reinvest in Kangaroo Island.

Kangaroo Island Seaport

On 23rd March KIPT submitted to state government the Response Document to the two rounds of public consultation (14 weeks in total), held in calendar year 2019. As reported 25th March, this milestone was the final stage of an extensive Environmental Assessment Process which demonstrates the overall positive social and economic benefits of the Seaport to the community of Kangaroo Island, while minimising and in some cases eliminating entirely any adverse environmental impact.

While the Company awaits advice from state government on its decision to approve the development application, it is progressing with planning for the additional secondary approvals (which follow the initial approval) for construction and operation of the seaport. These secondary approvals include native title (of the seafloor), a road and traffic management plan, an environmental management plan as well as industry standard workplace health and safety measures. Planning for the detailed design and construction is also progressing, in anticipation that the undertakings made by the Company will be adopted, together with any conditions required by state and federal government for approval of the Seaport.

Covid-19

While the Company acknowledges the trauma created by Covid-19 to the regional community of Kangaroo Island and national economy, we are able to report that neither the lockdown requirements of the national cabinet nor the virus itself has adversely affected Company employees or operations. The Board has introduced and updated new policies and procedures for managing Covid-19 risk, and will continue to adhere to government requirements and recommendations as new information and developments arise.

As we look forward to emerging from the lockdown, it is reasonable to ask what the impact will be on the Company's future, and specifically our prospective markets. The forest sector and importantly, the products produced from forests, are recognised as essential for the community and economy. Plantation forests produce many products, the most widely recognised being timber for house construction and pulp for packaging (including food) and sanitary products (including toilet paper). The Company's prospective customers, both domestic and export, value Australian forest products for their sustainability, reliability and quality. With many decades of established customer relationships, our confidence in the longer term business prospects of KIPT, and the products we supply, remains high despite the impact of the summer wildfires and more recently the interruption of the Covid-19 response to supply chains.

KIPT believes the Kangaroo Island Seaport will play a prominent part in the recovery of the Kangaroo Island and the wider South Australian economy. While the Covid-19 response continues, the Company has reached out to state and federal governments to re-assure them of our commitment to the Seaport project and the longer-term opportunities it provides for the benefit of our community.



Securities on issue

At quarter end and as at the date of this report, the securities on issue included:

Ordinary Shares on issue

	Number of Ordinary Fully paid Shares
As at 31 December 2019	56,422,424
No share issues	-
At 31 March 2020 and at the date of this report	56,422,424

Performance rights

On 21 November 2019, the Shareholders approved the issue of Performance Rights, the details of which are summarised in the table below:

20 Business Day VWAP	Shares to be issued to:		Total Shares to be issued to Directors	Escrow period
	Executive Directors	Non-Executive Directors		
	K Lamb, S Black, J Sergeant & G Holdaway	P McKenzie & G Boulton		
	Number.	Number.	Number.	
\$3.50 or above	107,140	53,570	535,700	12 months
\$4.25 or above	85,720	42,860	428,600	12 months
\$5.00 or above	64,280	32,140	321,400	12 months
Total	257,140	128,570	1,285,700	

Vesting:

- (1) Tranche 1 vests upon meeting the \$3.50 VWAP and volume condition;
- (2) Tranche 2 vests on the later of:
 - a. upon meeting the \$4.25 VWAP and volume condition; or
 - b. on or after the first business day of July in the financial year following the one in which Tranche 1 vested, providing the most recent 20-day VWAP at the vesting date is at or above \$4.25.
- (3) Tranche 3 vests on the later of:
 - a. upon meeting the \$5.00 VWAP and volume condition; or
 - b. on or after the first business day of July in the financial year following the one in which Tranche 2 vested, providing the most recent 20-day VWAP at the vesting date is at or above \$5.00.

A Director is eligible for the Rights 21 November 2019, if they are in office from the date approved by Shareholders to the date the price and volume conditions are first met.

On the 1 April 2020, John Sergeant transitioned from being an Executive Director to an Non-Executive Director, his performance right will therefore reduce accordingly.

Appendix 4C

Appendix 4C, as required by Listing Rule 4.7B, for the quarter ending 31 March 2020 is attached to this report.

Quarterly Activities Report

For the quarter ended 31 March 2020



Review of prior quarter's cashflow estimates

During the previous quarter net cash outflows from operating activities were estimated at \$1,943,000. The actual cash inflows set out in Appendix 4C item 1.9 amount to \$1,723,000, excluding cash inflows from insurance claims; the decrease is lower wharf development expenses and plantation costs. During the period insurance claim payments resulted in a \$11,000,000 cash inflow.

Cash and cash equivalents

The cash and cash equivalent at 31 March 2020 amounted to \$7,192,000.

Loan facilities

At 31 March 2020, the Company had a Commonwealth Bank of Australia loan facility of \$25,000,000 (31 December 2019 \$57,100,000) \$21,700,000 of this facility was drawn down in prior quarters, and as at 31 March 2020 \$3,300,000 was available for immediate drawdown.

\$8,000,000 of insurance proceeds were applied to the loan facility in the March 2020 quarter following insurance claim progress payments and the loan facility was reduced to \$25,000,000.

In April 2020, two further insurance payments amounting to \$14,200,000 were received by the company and applied to the loan. As at the date of this report, the loan facility limit is \$10,800,000, drawn to \$7,500,000. Further changes to the loan facility are expected once the timber insurance claim is finalised, an announcement will be made to market as soon as the matter is finalised.

Signed on authority of the Board of Kangaroo Island Plantation Timbers Ltd

Ms Vicky Allinson
Company Secretary

Date: 30 April 2020

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

KANGAROO ISLAND PLANTATION TIMBERS LIMITED

ABN

19 091 247 166

Quarter ended ("current quarter")

31 MARCH 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	12	94
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs – plantation costs	(344)	(1,243)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(434)	(1,291)
(f) administration and corporate costs	(349)	(534)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	16	51
1.5 Interest and other costs of finance paid	(310)	(1,001)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)		
Insurance Proceeds	11,000	11,000
Wharf Development	(314)	(1,115)
1.9 Net cash from / (used in) operating activities	9,277	5,961

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(c) property, plant and equipment	(510)	(1,247)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	137	287
(d) investments	-	-
(e) intellectual property	-	-
(f) 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)	-	-
2.6 Net cash from / (used in) investing activities	(373)	(960)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	680
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(8,000)	(8,000)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(8,000)	(7,320)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,288	9,511
4.2	Net cash from / (used in) operating activities (item 1.9 above)	9,277	5,961
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(373)	(960)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(8,000)	(7,320)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	7,192	7,192

5. Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	3,633	4,431
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)- restricted savings	3,559	1,857
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,192	6,288

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	288
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

The above 6.1 payments relate to Executive remuneration and Non-Executive Directors fees.

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	25,000	21,700
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	25,000	21,700

7.5 **Unused financing facilities available at quarter end** 3,300

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The Group has signed an agreement for Commonwealth Bank of Australia loan facility of \$57.1 million, of which \$25 million was previously drawn down. In the March 2020 quarter, \$8 million was repaid on the loan. The facility was reviewed following the bush fires and was reduced to \$25 million, of which \$21.7 million had been previously drawn down, leaving \$3.3 million available for immediate drawdown.

Since the quarter end, two further insurance payments amounting to \$14.2 million were received by the company and applied to the loan; as a result the loan facility limit is \$10.8 million, drawn to \$7.5 million, leaving \$3.3 million available for immediate drawdown.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	9,277
8.2 Cash and cash equivalents at quarter end (Item 4.6)	7,192
8.3 Unused finance facilities available at quarter end (Item 7.5)	3,300
8.4 Total available funding (Item 8.2 + Item 8.3)	10,492
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	(1) Positive cashflow expected as a result of insurance payments

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: n/a see 8.5

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: n/a see 8.5

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: n/a see 8.5

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.

30 April 2020

Date:

By authority of the Board

Victoria Allinson

Authorised by:

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.