

17 September 2018

The Manager
Companies Announcements Office
Australian Securities Exchange

Dear Sir/Madam,

Woodchip handling exclusivity agreement with Mitsui

Kangaroo Island Plantation Timbers (KPT or the Company) is pleased to announce that it has entered into an exclusivity agreement with Mitsui Bussan Woodchip Oceania Pty Ltd, a wholly owned subsidiary of Mitsui & Co., Ltd. (Mitsui), under which Mitsui intends to develop, maintain and operate a complete woodchip handling facility at the KI Seaport, subject to certain conditions, including development approval and the execution of final transaction documents.

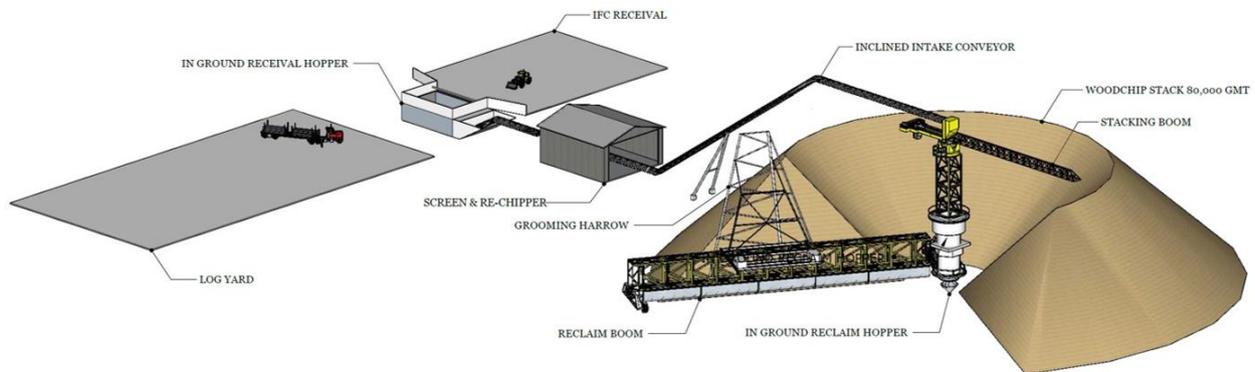
The agreement grants Mitsui the exclusive right to develop a woodchip handling facility at KI Seaport. The agreement requires Mitsui to deliver and operate the facility at pre-agreed fees in order to maintain its exclusive rights. Mitsui will also be required to meet periodic milestones, which if not met, would give KPT the right to pursue alternative woodchip handling arrangements.

The woodchip handling facility is proposed to include infrastructure capable of receiving, screening, stockpiling, sampling, and loading woodchips into bulk vessels for export from the KI Seaport. The parties have agreed on the basic features and capacities of the planned woodchip handling facility. Mitsui will draw on the considerable infrastructure development experience within the greater Mitsui Australia group to deliver the facility.

The facility is planned to be operated under a toll woodchip handling agreement between Mitsui and KPT which will enable KPT to export woodchips via the facility at a fee per tonne. Under the agreement, ownership of the system is proposed to revert to KPT after ten years.

Central to the proposed materials handling facility is a state-of-the-art circular automatic stacker-reclaimer similar to the one illustrated below. This system operates on a first-in first-out basis, yielding quality advantages, and has a storage capacity of 80,000 green tonnes, greater than the capacity of the largest woodchip carrier vessel. The stockpile can be built and reclaimed simultaneously, and the system has the capacity to manage multiple products, giving KPT the flexibility to export softwood or biomass-grade woodchips in addition to its core hardwood woodchip product.

Indicative layout of landside woodchip handling system



The proposed tolling arrangement will provide both balance sheet and cashflow advantages to KPT. The toll fee will have both a capitalised and an operating component in KPT's accounts. The operating component will be within the estimated costs used by the Company in its projections, reflecting both Mitsui's ability to deliver a system that is expected to be among the most efficient in Australia, and Mitsui's cost of capital advantage. The parties have agreed to work cooperatively to achieve the best possible outcome.

Mr Yasuhiro Yamano, the Managing Director of Mitsui Bussan Woodchip Oceania Pty Ltd, has said "We believe that we can provide marketing advantages to KPT with a system that assures pulp mill customers in Japan and China that they are receiving a high-quality product from a state-of-the art facility. In addition, Mitsui has project management and woodchip export expertise that enables us to bring significant value to the development process beyond the provision of infrastructure. We are excited to work with KPT and help get the whole Kangaroo Island timber project up and running quickly and cost-effectively."

Mr John Sergeant, the Managing Director of KPT, has said "We are proud to strengthen our long-term partnership with Mitsui in this way. There are many advantages for our shareholders in the arrangement announced today. Moreover, we welcome Mitsui's additional role as a key infrastructure provider and operator. The strength, integrity and reputation of Mitsui, and its experience in delivering infrastructure projects in Australia represent a great asset to our business."

KPT has offtake arrangements in place with Mitsui for its woodchip resources.

Yours sincerely,



Ms Vicky Allinson
Company Secretary

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