

# Kangaroo Island Plantation Timbers

ASX code: KPT

ABN 19 091 247 166

## Quarterly Activities Report and Appendix 4C

For the quarter ended  
**31 December 2019**

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## Highlights

### Since last 4C quarterly

- **Wildfire has impacted 95% of timberland estate. Insurance claim in progress and potential log salvage opportunities being investigated. Business recovery plan in progress.**
- **Continued progress toward developing multi-user deep-water wharf at Smith Bay site on the north coast of Kangaroo Island.**
- **Public and government agency feedback on Addendum to Draft Environmental Impact Statement (EIS) received.**

## Wildfire

Kangaroo Island Plantation Timbers (KIPT) was impacted by several wildfires from neighbouring properties between 20<sup>th</sup> December 2019 and 21<sup>st</sup> January 2020. Trading Halts were announced 20<sup>th</sup> 2019 December, and 30<sup>th</sup> December 2019. These announcements followed a fire risk-policy adopted by the board before the fire season. A Voluntary Suspension was approved by the ASX on 7<sup>th</sup> January 2020, which has since been extended.

Before the 2019-20 fire season, KIPT had undertaken its usual fire season preparations which included maintaining mineral earth fire breaks and open access to the plantation estate including water-points for community fire suppression. The people, plant and equipment available to KIPT for fire-fighting included a company owned fire tanker, two slip-on units, supported by a network of mainland and Island-based contractors and vehicles, all operating to industry standards. KIPT also reinforced its existing relationships with government fire-fighting agencies including Country Fire Service (CFS) and Department of Environment and Water (DEW). This included pre-fire season competency testing of KIPT staff by CFS, cooperative planning for seasonal controlled burning for hazard reduction and ecological benefits with DEW, and participation in the Bushfire Management Committee for Kangaroo Island.

From the beginning of the fire season, KIPT maintained its fire monitoring protocols, which included cessation of forest work, surveillance and monitoring by employees and contract personnel during high-risk periods. In the week leading up to the 20<sup>th</sup> December, KIPT dispatched spotter planes on two occasions from Adelaide, at its own cost, to monitor the western portion of Kangaroo Island, where the KIPT estate is located.

When a predicted dry lightning storm occurred on the 20<sup>th</sup> December, KIPT staff had been monitoring the situation closely and were among the first responders to the fires which arose on neighbouring properties to the KIPT estate. None of the fires which occurred between 20<sup>th</sup> December and 21<sup>st</sup> January were ignited on KIPT land.

For the period of the fire campaign, KIPT employee and contract fire fighters were involved in suppression activities on KIPT and third-party land as part of a wider campaign coordinated by state authorities with support from local government, local farm fire fighting units and Australian Defence Forces.

The fire preparations and protocols employed by KIPT, its property manager PF Olsen and contract staff are based on industry standards developed on mainland Australia, and in cooperation with a local CFS brigade. The planning, protocols and resources employed are designed to contain and minimise losses to the KIPT estate under a normal range of fire conditions. Before the 2019-20 fire season the company



engaged an independent expert to assess the fire risk and develop a worst-case scenario for wildfire in the KIPT estate. The worst-case scenario developed by the independent expert was a hypothetical fire emerging from the west, and extending across 20% of the estate. As we now know, the extent of loss in this fire was much worse than any foreseeable event.

KIPT has commissioned a forensic analysis of the fire events. Future fire risk management by KIPT will be informed and guided by the forensic report, as well as the observations and learnings of staff and Directors from the 2019-20 fires.

At the time of writing the losses incurred to the standing treecrop are being appraised. As has been previously disclosed, the timber crop was insured to its 2019 book value, of approximately \$115 million with an annual limit of claims amounting to \$68 million, and an excess of \$5 million.

While the fires have mostly eliminated the potential for future growth in the current treecrop, there is the potential for salvage of wood from fire-affected trees. Left unharvested, with the passage of time the fire damaged trees will degrade in value. KIPT is evaluating the potential for some small scale and short-term on-island processing, and potentially barging of logs produced as a by-product of harvesting for posts required for re-fencing by local landowners. However, these operations could never use the available volume of damaged timber before it degraded beyond practical use. For this reason KIPT is still fully committed to the proposed Kangaroo Island Seaport at Smith Bay.

## Kangaroo Island Seaport

Despite the changes in its operating environment, the longer-term outlook for KIPT remains unchanged. Kangaroo Island provides favourable conditions for growing timber plantations, and once replanting starts, production from next-generation tree-crops will resemble previous forecasts. The key to realising this value is the KI Seaport at Smith Bay.

In the shorter term, an efficient fire salvage program will require the industrial scale capacity that the KI Seaport will provide. KIPT is firmly committed to completing the permitting process for the KI Seaport and is now in its final stages of preparing the Environmental Impact Statement required by state and federal government as the approving bodies for the project.

During the last quarter, KIPT conducted a second round of public consultation, at the direction of the Minister for Planning, following the announced changes by KIPT to the design of the marine components of the facility. These changes in design included the replacement of a dredge and causeway model with a suspended deck structure, to sufficient water depth to accommodate vessels capable of servicing export markets. The change in design was in direct response to a recommendation made by the neighbouring abalone business in its submission to the first round of public consultation. The overall response by community and government agencies, to the changed design in the marine components of the facility was positive, and KIPT is confident of a favourable outcome in the approvals process.

The impact of the fires to the business model for the KI Seaport has yet to be fully evaluated. KIPT has continued to receive strong support from its project partners and financiers, and we are working through potential options to service the demands of the changed resource, and the need for a higher rate of production than previously anticipated in order to optimise salvage value. While the design of the KI Seaport was required by government to provide for multi-users, KIPT had not previously incorporated third-party access into its business case. The permitting at this stage does not include non-forestry activities, however it is likely the company will now take a stronger interest in the potential for other island-based trade as part of the business case for the project. Any third-party activity would of course be subject to the necessary approvals, taking into account sensitive receptors including neighbours to the site.

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## 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
<b>As at 30 September 2019</b>	<b>56,081,499</b>
18 December 2019: shares issued to KMP at \$2.00	330,000
18 December 2019: shares issued to a consultant at \$2.19 to \$2.39 per share in lieu of consulting fees	10,925
<b>At 31 December 2019 and at the date of this report</b>	<b>56,422,424</b>

At the 2019 Annual General Meeting the Company's Shareholder approved the issue of 330,000 new shares to directors and other key management personnel, who committed to subscribe for these shares in conjunction with the institution placement announced on 18 February 2019.

### 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:			Escrow period
	K Lamb, S Black, J Sergeant & G Holdaway Number.	P McKenzie & G Boulton Number.	Total Shares to be issued to Directors 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
<b>Total</b>	<b>257,140</b>	<b>128,570</b>	<b>1,285,700</b>	

#### 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.

## Appendix 4C

Appendix 4C, as required by Listing Rule 4.7B, for the quarter ending 31 December 2019 is attached to this report.

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# Quarterly Activities Report

For the quarter ended 31 December 2019



## Review of prior quarter's cashflow estimates

During the previous quarter net cash outflows were estimated at \$2,500,000. The actual cash outflows set out in Appendix 4C amount to \$2,283,000, excluding cash inflows from equity or borrowing. The cashflows excluding the sale of equipment for \$150,000 amounted to \$2,433,000 were as expected for the quarter ending 31 December 2019.

## Cash and cash equivalents

The cash and cash equivalent at the 31 December 2019 amounted to \$6,288,449.

## Loan facilities

The Company has a Commonwealth Bank of Australia loan facility of \$57,100,000. \$27,700,000 of this facility was drawn down in prior quarters, \$3,300,000 is currently available for immediate drawdown. The Company are expecting change in the loan facility 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: 31 January 2020

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## 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 DECEMBER 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	52	82
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs – plantation costs	(614)	(899)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(393)	(794)
(f) administration and corporate costs	(149)	(249)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	35
1.5 Interest and other costs of finance paid	(318)	(691)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	(535)	(801)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,943)</b>	<b>(3,317)</b>

**2. Cash flows from investing activities**

2.1 Payments to acquire:

(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(490)	(736)

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(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	150	150
(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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(340)</b>	<b>(586)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	680	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	-	-
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>680</b>	<b>680</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	7,891	9,511
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,943)	(3,317)

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(340)	(586)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	680	680
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>6,288</b>	<b>6,288</b>

<b>5.</b>	<b>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	4,431	5,716
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)- restricted savings	1,857	2,175
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6,288</b>	<b>7,891</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

<b>Current quarter \$A'000</b>
311
-

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.

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**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.*

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	57,100	29,700
	-	-
	-	-
	57,100	29,700

7.5 **Unused financing facilities available at quarter end**

27,400

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. The Group has an \$8,000,000 loan facility available for drawdown, of which \$4,700,000 has been drawn down at the end of the quarter, leaving \$3,300,000 available for immediate drawdown. The facility may change due to the recent fire events, and the Groups insurance claim however the details have not yet been finalised.

**8. Estimated cash available for future operating activities**

**\$A'000**

8.1 Net cash from / (used in) operating activities (Item 1.9)

(1,943)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

6,288

8.3 Unused finance facilities available at quarter end (Item 7.5)

27,400

8.4 Total available funding (Item 8.2 + Item 8.3)

33,688

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

17

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

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

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

## 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.

31 January 2020

Date: .....

By authority of the Board

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.