



Kangaroo Island Plantation Timbers

ASX code: KPT

ABN 19 091 247 166

Quarterly Activities Report and Appendix 4C

For the quarter ended

30 June 2020



Highlights

Since last 4C quarterly

- **Updates on Port approvals**
- **No direct impact of Covid-19 on business operations**

Business Conditions and Operating Environment

At the time of writing, the unprecedented response to the COVID-19 pandemic weighs heavily on the global economy. While the short-run impact plays out on market dynamics for softwood logs and hardwood chip, KIPT is focussed on the longer-term market prospects following the planned construction of the KI Seaport at Smith Bay and commencement of timber trading by the Company.

At the 30 June General Meeting, the Company presented an update on the physical impact of the January 2020 fires to its product, and current thinking on market prospects¹. An important point is the approach taken by the Company to understand and describe the resource now and in the years until the crop is to be harvested and sold. As presented 30 June, the starting point is that just over half the standing timber should be capable of salvage as 'green product', albeit at a lower price point than anticipated prior to the fires. Over time that proportion will decrease and be reclassified as 'dry product'. If a market for dry product is unable to be established, the material will be removed to prepare the land for the next crop of trees and future business growth.

The timing of the approval by the State Government of the seaport Development Application is critical for the success of the planned salvage campaign. On 23 March 2020, the company submitted the Response Document to the public consultation process which, together with the Addendum Document submitted October 2019, and the Revised EIS Submitted January 2019, represents the final form of documentation required by government.

While the Company is yet to be advised of a date for approval, it is noted that on 28 July 2020 the South Australian State Government appointed three new Ministers to portfolios relevant to forestry and the approval of the seaport. The Company has written to the Premier emphasising the importance of timeliness in decision-making to successfully recover value from the fire-affected resource. The Company will keep the market informed of any material updates on the approvals process.

On 15 July, KIPT recognised the publication of the SA Independent Review into the 2019-20 wildfires conducted by former Australian Federal Police Commissioner Mick Keelty AO, supported by the South Australian Fire and Emergency Services Commission (SAFECOM). KIPT, together with several industry associates had made submissions to the Inquiry. The key findings of the report included an acknowledgement of the need for trained and qualified forest industry professionals to assist with decision-making during fire-fighting campaigns, and greater emphasis on vegetation management in the landscape. This report, and the Government's response to it, is an essential step in reassuring investors into Kangaroo Island and South Australia more generally that the State will be better prepared in the future for wildfire events such as KIPT experienced on the 3rd January.

¹ <https://www.asx.com.au/asxpdf/20200630/pdf/44k2gt8ps9pr51.pdf>



COVID-19

The Company has maintained and reviewed its COVID-19 policies and procedures in response to new information and government directives. To date, no employee, contractor or consultant engaged on KIPT business is known to have contracted the virus.

KIPT believes the Kangaroo Island Seaport will play a prominent part in the recovery of Kangaroo Island and the wider South Australian economy from the combined effects of Covid-19 itself, the public health response and the 2019-20 wildfires. The Company continues to engage with 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 the community.

Other Matters

The Company has made announcements on other material matters including progress payments for the treecrop insurance and completion of the farmpack insurance. The latest payment of \$19.6M for the treecrop insurance, announced 17 July, brings the cumulative amount received to \$49.6 million against a total claim limit of \$65 million and additional benefits of up to \$3.2 million. Further payments will be announced at the appropriate time. The final payment against the farmpack insurance for buildings, announced 19 June, was completed at \$5.9 million.

An announcement was made on the 24 June that the findings of the Honourable Justice Stanley of the Supreme Court of South Australia had clarified rights to certain easements on and connected with the Smith Bay land. The findings reaffirmed the Company's working assumptions about the layout of the physical development, as reflected in its planning for the Seaport development at Smith Bay.

On 7 May 2020 an announcement was made of the resignation of Graham Holdaway as Executive Director of KIPT. While Graham's contribution to the Company was acknowledged at the time, the Company wishes to re-affirm its thanks for the important role that Graham played in guiding the Company since he joined the board in March 2015, and prior to that his contribution to forestry on Kangaroo Island as an independent tree-grower since 1999. The Company continues to maintain close ties with Graham and looks forward to working with him in the future in its capacity as port owner, and in its cooperative marketing arrangements for independent tree-growers.



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 March 2020	56,422,424
Shares Issued	41,364
At 30 June 2020 and at the date of this report	56,463,788

Performance rights

At the 30 June 2020 General Meeting, the Shareholders approved new Performance Rights, that were issued on 30 June 2020:

Shares to be issued to:				
20 Business Day VWAP	Managing Director Number.	Other Directors Number.	Total Shares to be issued to Directors Number.	Escrow period
\$1.25 or above	376,149	94,037	752,297	12 months
\$1.50 or above	501,533	125,383	1,003,065	12 months
\$1.75 or above	250,766	62,692	501,534	12 months
Total	1,128,448	282,112	2,256,896	

Vesting:

- (1) Tranche 1 vests upon meeting the \$1.25 VWAP condition;
- (2) Tranche 2 vests on the later of:
 - a. upon meeting the \$1.50 VWAP 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 \$1.50.
- (3) Tranche 3 vests on the later of:
 - a. upon meeting the \$1.75 VWAP 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 \$1.75.

A Director is eligible for the Rights 30 June 2020, if they are in office from the date approved by Shareholders to the date the VWAP conditions are first met.

As a result of the issue of new Performance Rights, the following 21 November 2019 Performance Rights expired on 30 June 2020:

Quarterly Activities Report

For the quarter ended 30 June 2020



Shares to be issued to:				
20 Business Day VWAP	Executive Directors Number.	Non-Executive Directors Number.	Total Shares to be issued to Directors Number.	Escrow period
\$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	

Payments to Related Parties

During the quarter ended 30 June 2020, the Company paid \$267,000 to related parties of the entity. This amount consisted of Executive remuneration and Non-Executive directors' fees.

Appendix 4C

Appendix 4C, as required by Listing Rule 4.7B, for the quarter ending 30 June 2020 is attached to this report.

Review of prior quarter's cashflow estimates

During the previous quarter net cash outflows from operating activities were estimated at \$3,564,000. The actual cash outflows set out in Appendix 4C item 1.9 amount to \$1,764,000, excluding cash inflows from insurance claims; the decrease is due to lower wharf development expenses and plantation costs. During the period insurance claim payments resulted in a \$24,926,000 cash inflow.

Cash and cash equivalents

The cash and cash equivalents at 30 June 2020 amounted to \$8,521,000.

Loan facilities

At 30 June 2020, the Company had repaid its Commonwealth Bank of Australia loan facility in full.

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

Ms Vicky Allinson
Company Secretary

Date: 31 July 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")

30 JUNE 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	112	206
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs – plantation costs	(717)	(1,960)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(482)	(1,710)
(f) administration and corporate costs	(221)	(818)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	65
1.5 Interest and other costs of finance paid	(182)	(1,183)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	50	50
1.8 Other (provide details if material)		
Insurance Proceeds	24,926	35,926
Wharf Development	(338)	(1,453)
1.9 Net cash from / (used in) operating activities	23,162	29,123

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 (12 months) \$A'000
(c) property, plant and equipment	(133)	(1,380)
(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	-	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	(133)	(1,093)

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	(21,700)	(29,700)
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	(21,700)	(29,020)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	7,192	9,511
4.2	Net cash from / (used in) operating activities (item 1.9 above)	23,162	29,123
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(133)	(1,093)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(21,700)	(29,020)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	8,521	8,521

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	8,521	3,633
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)- restricted savings	-	3,559
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	8,521	7,192

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	267
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.

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
-	-
-	-
-	-
-	-

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

-

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 repaid its Commonwealth Bank of Australia loan facility in full during the period.

8. Estimated cash available for future operating activities

\$A'000

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

23,162

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

8,521

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

-

8.4 Total available funding (Item 8.2 + Item 8.3)

8,521

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

-

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.

31 July 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.