Kangaroo Island Plantation Timbers

ASX code: KPT

ABN 19 091 247 166

Quarterly Activities Report and Appendix 4C

For the quarter ended

30 September 2020

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Highlights

Since last 4C quarterly

- **Replanting Begins**
- **Preparation for Port Construction and Salvage Harvesting**
- **Release of Bushfire Submission**

Green Shoots

In August Kangaroo Island Plantation Timbers (KIPT) completed its first planting of a new crop of pine and blue gum, on a small 24-hectare compartment in the Bark Hut Road precinct. The planting was planned well before the summer bushfires for a site which had been harvested a decade ago when the Island's sawmill was operating.

The 2020 crop is the first industrial planting on island in more than 10 years and has served as a trial for new fencing and site-species matching. It's a small but symbolic step for KIPT which sends a clear signal that the Company is here for the long term, and planning for the future.

Kangaroo Island Seaport Approval Status

KIPT still awaits approval for its Kangaroo Island Seaport export facility.

While the Company awaits the State Government decision to approve the development application, it is progressing with planning for the additional secondary approvals (which follow the initial approval), and 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.

In September the Company signed an Early Contractor Involvement Agreement (ECI) covering the construction of the Kangaroo Island Seaport at Smith Bay. the Company's contract partners in the ECI are led by Maritime Constructions (MC) from Port Adelaide, include KBR and WGA, two global leaders in the field of civil and marine construction.

The ECI Agreement establishes an innovative Alliance Agreement model, under which MC will build a deep-water port at Smith Bay, Kangaroo Island. The Alliance Agreement is now being prepared in accordance with the ECI Agreement terms and conditions. The Alliance Agreement model provides an open and transparent relationship between the partners and allows KIPT and Maritime Constructions to share the financial risks and rewards from construction of the KI Seaport. Importantly, it provides the project culture and structure to that we believe will be required to implement the conditions that the Company anticipates will be imposed by State and Federal governments for construction of the Seaport at Smith Bay.

The Company believes that there is no reason why KI Seaport should not be approved in the immediate future.

Salvage Harvesting

In another step forward, the Company announced in October its plans to commence harvesting and stockpiling the higher value logs from the most damaged portion of the softwood estate. Pine trees,

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unlike eucalypts, are not adapted to fire and must be harvested in a timely manner to recover value. Harvesting of the fire damaged portion of the Company's eucalypt forests, which make up the larger portion of the estate, will follow-on from the softwoods.

The salvage harvest program is expected to generate in excess of $200 million in economic activity for the Island over the next four years, excluding the beneficial impact of the Seaport. Although the Seaport development has yet to receive government approval, the Company has taken the view that salvage harvesting cannot wait. The stockpiling strategy will be managed carefully to take into account Company cash reserves and value-at-risk, while the approval process for the Seaport is completed.

Bushfire Update

As reported previously, in March and April 2020, KIPT provided written submissions to the South Australian government Independent Inquiry and the Commonwealth government Royal Commission for the 2019-20 wildfires. The KIPT submission to the State inquiry can be found on the Company's website www.kipt.com.au

For both submissions 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.

In July, the South Australian Inquiry findings were released. The report recognised the scale and losses incurred by the forestry sector with $143.31 million out of the $186.57 million (76%) of losses incurred by agriculture attributed to forestry. The report recommended a number of practical measures, which reassures KIPT that future fire risk will be mitigated. Primary amongst these is recognition of the need for forest sector liaison officers in command structures and plantation fire-fighting experience amongst sector commanders. The review findings can be accessed at the link below. https://www.safecom.sa.gov.au/site/independent_review_sa_201920_bushfires.jsp

The Company has welcomed the State Government's response to the Inquiry and reaffirmed its commitment to the Government's recent action to formally adopt Forest Industry Brigades within the state fire fighting structures.

The Company's planning for the 2020-21 bushfire season is now well under way and although the forthcoming season is expected to be lower risk than compared to the previous year, KIPT is continuing to maintain its high level of preparation. All fire-fighting plant and equipment has been serviced and repaired, employee and contract service providers' accreditations updated, and normal fire season rosters for surveillance and monitoring will soon be enacted. The Company has also reset its fire insurance policy for the undamaged portion of the timberland estate.

KIPT has continued to work through the outstanding payments for the 2019-20 insurance claims. On 17 July, KIPT announced it had received an additional progress payment which now brings payments received to $49.6 million against a treecrop policy limit liability of $65 million ($60 million of which has been recognised in the Company's June 2020 accounts) and additional benefits of $3.2 million. An additional $5.9 million was received for a separate policy covering losses to structures and buildings in June 2020.

Covid-19

As reported previously, while KIPT acknowledges the trauma created by Covid-19 to the regional community of Kangaroo Island and national economy, neither the restrictions imposed by State and Federal governments nor the virus itself has adversely affected Company employees or operations. The Company continues to monitor government directives and health advice, and updates its protocols and procedures accordingly.

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The Company's Covid-19 compliance plan extends to the construction and harvesting operations outlined above.

KIPT looks forward to sharing more information on the status of the approvals process for the Kangaroo Island Seaport as it becomes available. It is our view that the 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 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 30 June 2020	**56,463,788**
Unmarketable parcel buy-back	(49,273)
At 30 September 2020 and at the date of this report	**56,414,515**

Payments to Related Parties

During the quarter ended 30 September 2020, the Company paid $270,000 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 September 2020 is attached to this report.

Cash and cash equivalents

The cash and cash equivalents at 30 September 2020 amounted to $25,895,000.

Loan facilities

At 30 September 2020, the Company had no loan facilities.

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

Ms Vicky Allinson
Company Secretary

Date: 30 October 2020

+Rule 4.7B

Appendix 4C

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

Name of entity

KANGAROO ISLAND PLANTATION TIMBERS LIMITED

ABN	**Quarter ended ("current quarter")**
19 091 247 166	30 SEPTEMBER 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	11	11
1.2	Payments for		
	(a) research and development	(9)	(9)
	(b) product manufacturing and operating costs – plantation costs	(575)	(575)
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(307)	(307)
	(f) administration and corporate costs	(70)	(70)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	28	28
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid – R&D Refund	43	43
1.7	Government grants and tax incentives	55	55
1.8	Other (provide details if material)		
	Insurance Proceeds	19,600	19,600
	Wharf Development	(375)	(375)
1.9	**Net cash from / (used in) operating activities**	**18,401**	**18,401**

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

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
	(c) property, plant and equipment	(985)	(985)
	(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	-	-
	(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**	**(985)**	**(985)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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 - Unmarketable parcel buyback	(42)	(42)
3.10	**Net cash from / (used in) financing activities**	**(42)**	**(42)**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 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	8,521	8,521
4.2	Net cash from / (used in) operating activities (item 1.9 above)	18,401	18,401
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(985)	(985)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(42)	(42)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**25,895**	**25,895**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	**25,895**	**25,895**
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)- restricted savings	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**25,895**	**25,895**

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	270
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.

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

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)	18,401
8.2	Cash and cash equivalents at quarter end (Item 4.6)	25,895
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	25,895
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

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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 October 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.

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