

Kangaroo Island Plantation Timbers

ASX code: KPT

ABN 19 091 247 166

Quarterly Activities Report and Appendix 4C

For the quarter ended
31 December 2020

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Highlights

Since last 4C quarterly

- **\$5.5m Grant Success**
- **EIS Public Exhibition Commences**
- **Preparation for Port Construction and Salvage Harvesting**

\$5.5m grant for KI pellet mill

Over the past 12 months, KIPT has worked to secure diversified markets for dry product, that is, logs produced from forests that have been damaged by bushfire, beyond the tolerance of traditional export markets.

On 22nd December 2020, KIPT announced it had been advised by Senator Jonathan Duniam, Assistant Minister for Forestry and Fisheries, that its application to the Forestry Recovery Development Fund had been successful. The \$5.5 million grant will support development of a biomass pellet plant on Kangaroo Island, capable of accepting the fire-damaged logs and any other logs that cannot be sold into export markets.

Biomass pellets are a sustainably produced, carbon neutral form of fuel used for electricity generation in established markets in Japan, North America and Europe. There is growing interest and trade in biomass pellets as an emissions reduction strategy. New purpose-built plants are capable of generating power from 100 per cent biomass pellets.

Subject to necessary regulatory approvals, and internal approval by the KIPT board, the plant would be located at the Company's timber processing hub at Timber Creek, a site which was damaged by the fires of last Summer. The pellets would be exported using the chip-handling facility at the proposed Kangaroo Island Seaport at Smith Bay. Due diligence work on the pellet proposal continues with our project partners and KIPT aims to have internal approval for the project in the first half of 2021.

Kangaroo Island Seaport Approval Status

On 23rd December 2020 KIPT advised that it had lodged certain information with the Minister for Planning at the invitation of the State Planning Commission. That information included evidence of consultation with state and local government on road-use planning, additional detail on marine biosecurity and engineering design for the KI Seaport. The Company noted in its submission that it had previously been advised this information was not required prior to initial approval by the Minister, but would be required after approval of the port by the Minister, as part of the secondary approvals process. In anticipation of this original advice, work was already advanced on the marine biosecurity and engineering design when the request was received to provide the information ahead of schedule. While there was no new work required to support the request for information on roads, the evidence sought of consultation required KIPT to engage with state and local government on road-use planning, which it did to the best of its capacity.

On 29th December the Company advised that the Minister had decided this information, submitted at the invitation of State Planning Commission, would be publicly exhibited in early 2021, prior to a final decision regarding development approval. The Company concludes the decision to go to an additional round of public consultation infers the information provided is satisfactory for the Minister's requirements to

Quarterly Activities Report

For the quarter ended 31 December 2020



ultimately make a decision on the suitability of Smith Bay for the proposed seaport. The public exhibition has now begun and the Company welcomes this further opportunity to discuss the benefits of the project with members of the community.

Throughout this period, planning for the detailed design and construction of the KI Seaport continues, 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.

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

Salvage Harvesting

Clearance of plantation trees alongside power lines is almost complete on Kangaroo Island. KIPT has worked closely with SA Power Networks to clear blue gums and pines trees along approximately 48 km of power lines throughout the plantations. The trees were planted by the original developers on a standard setback of 20m from the powerlines which was considered satisfactory at the time. However the delay in approving the export facility at Smith Bay, means the fire damaged trees which are now taller than originally anticipated, presents an increased risk of falling onto the power infrastructure.

The contract partner HarvestCo, which was awarded the contract to harvest the first parcel of pine from the KIPT estate, was able to mobilise equipment in early December. The first few rows of trees adjacent to the power lines are being cut and then laid down in the footprint of the plantation for collection at a later time.

In January HarvestCo will commence stockpiling of the higher value logs from the most damaged portion of the softwood estate. Pine trees, 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.

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.

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.

Quarterly Activities Report

For the quarter ended 31 December 2020



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 September 2020	56,414,515
Shares issued	-
At 31 December 2020 and at the date of this report	56,414,515

Payments to Related Parties

During the quarter ended 31 December 2020, the Company paid \$565,000 to related parties of the entity. This amount consisted of executive and non-executive Directors' fees of \$147,000, other key management personnel and their related parties of \$418,000.

Appendix 4C

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

Cash and cash equivalents

The cash and cash equivalents at 31 December 2020 amounted to \$28,596,000.

Loan facilities

At 31 December 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: 29 January 2021

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 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	10	21
1.2 Payments for		
(a) research and development	-	(9)
(b) product manufacturing and operating costs – plantation costs	(548)	(1,123)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(428)	(735)
(f) administration and corporate costs	(172)	(242)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	42
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid – R&D Refund	-	43
1.7 Government grants and tax incentives	13	68
1.8 Other (provide details if material)		
Insurance Proceeds	5,000	24,600
Wharf Development	(144)	(519)
1.9 Net cash from / (used in) operating activities	3,745	22,146

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(1,044)	(2,029)
	(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	(1,044)	(2,029)

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	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
3.9	Other - Unmarketable parcel buyback	-	(42)
3.10	Net cash from / (used in) financing activities	-	(42)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	25,895	8,521
4.2	Net cash from / (used in) operating activities (item 1.9 above)	3,745	22,146
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,044)	(2,029)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(42)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	28,596	28,596

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	28,596	25,895
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	28,596	25,895

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

Current quarter \$A'000
324
241

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

6.1 payments relate to:

- Executive & Non-Executive Directors' fees \$147k; and
- KMP salaries and fees \$177k
- Other Related Parties \$Nil

6.2 payments relate to:

- KMP salaries and fees \$241k; and
- Other Related Parties \$Nil

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.

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8. Estimated cash available for future operating activities

\$A'000

8.1	Net cash from / (used in) operating activities (Item 1.9)	3,745
8.2	Cash and cash equivalents at quarter end (Item 4.6)	28,596
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	28,596
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	Positive cashflow 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.

29 January 2021

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.