

The Manager
Companies Announcements Office
Australian Securities Exchange

28th October 2019

Dear Sir/Madam,

Quarterly letter to shareholders

Erratum

In the letter sent out Friday 25th October there was a small geographical error on page 3.

Please find attached a corrected version of the letter issued 25th October 2019.

Yours sincerely,



Ms Vicky Allinson
Company Secretary

Quarterly Letter

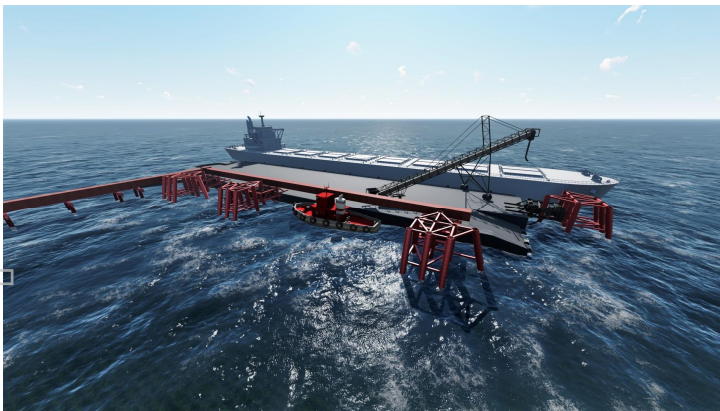
September Quarter 2019

Dear Shareholder,

In the June quarter letter, I mentioned that the company was considering options to modify the KI Seaport design in response to submissions received to the draft EIS. On 20th September it was announced that the board approved a revised marine design, to abandon the dredge and causeway in favour of a suspended deck jetty extending to naturally deep water. This letter will update you on planning and design matters since the September announcement (and a subsequent announcement 3rd October), and answer some of the questions I have fielded from shareholders and other stakeholders.

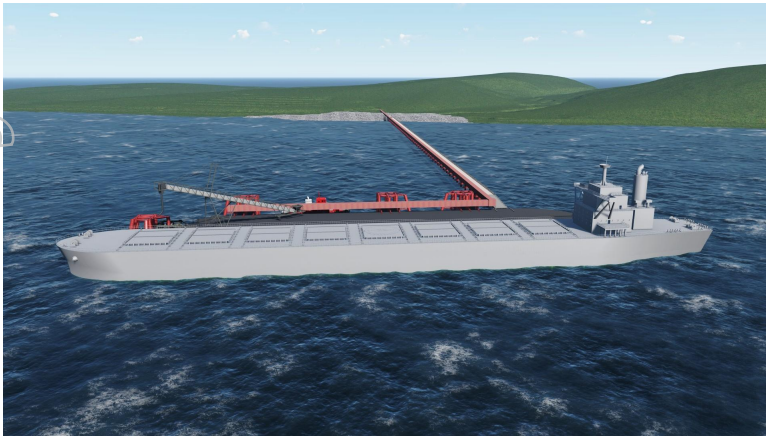
The change in design was in direct response to a recommendation of the neighbour, Yumbah Aquaculture, that, having considered the potential impact of the dredge and causeway design on its business, concluded the only option was “an open-piled jetty with the berth pocket extended further offshore”.

In addition to addressing Yumbah’s main concern, the revised design resolves more than half of the matters raised by government agencies, avoiding the need for further scientific analysis and modelling, and reducing the potential for ongoing disputes between neighbours.



The jetty design simplifies and de-risks the construction process which previously comprised several interdependent stages. The marine and land-based construction can now proceed concurrently until the final stage when the conveyor and loader are to be installed on the suspended deck and pontoon. In order to avoid the need to dredge to the required depth for woodchip vessels, the jetty

length has been extended to reach the natural 14m contour. This means that the revised design will now extend approximately 650m into Smith Bay, with the pontoon locked into place at the end of the jetty as previously planned. The Seaport will not extend outside the original design boundary (taking into account the area of the previously planned dredge pocket).



In meetings with KIPT shareholders, I have been asked if there are any compromises in the new design? Apart from the variation in cost, which was advised in the 20th Sept announcement, a key consideration is traffic management on the extended length jetty, which, in keeping with the original design and to minimise costs, will be single lane. We are planning at least one passing bay and anticipate using a

traffic management system which may integrate with port security.

I have also been asked what the new design means for the construction process. The marine-side construction will be undertaken by our project partner, Maritime Constructions, an experienced and long-standing South Australian engineering business. Maritime Constructions will be responsible for building the jetty, refurbishing and installing the pontoon and its retaining structures, as well as the linkspan bridge that joins the jetty and pontoon. The revised design comprises approximately 156 steel piles which will be driven into the sea floor from a jack-up barge. Pile-driving is a common engineering process, and will be managed to minimise environmental impact, while maintaining all relevant health and safety requirements.

Once installed, the piles will be fitted with connecting structures which will in turn support a pre-cast concrete deck and the conveyor system. The steel piles, beams and concrete deck will be manufactured off-site and brought to Smith Bay by barge for assembly.

In August, I inspected the KIPT pontoon with Maritime Constructions Engineer Dr Matthew Haskett. The pontoon is currently in layup in Vietnam, having recently been overhauled and refitted. I learned that pontoons are now considered a clean and modern alternative to fixed asset infrastructure in appropriate marine environments. The benefits are several-fold, but primarily for Smith Bay, the design means that construction time is reduced, and potential environmental impact is minimised by conducting preparation work off-site. I was fascinated to also learn that the Vietnamese company that undertook the recent overhaul of the KIPT pontoon is currently manufacturing a pontoon for the new Barangaroo development on Sydney Harbour.

A remaining issue that I am asked from time to time is how KIPT will ensure biosecurity of the marine environment, and in particular, for its neighbour Yumbah Aquaculture. Planning for biosecurity is well advanced by the project partners, beginning with the protocols and licensing conditions typically required by state and federal agencies. Hygiene protocols for

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commercial vessels, including exchange of ballast water in deep water at sea and anti-fouling procedures, are well understood and externally monitored.

Having dealt with the marine-side we are still considering improvements to land-side design, with the aim to reduce as much as possible potential effects on neighbours from light, dust and noise. These are simple and straight-forward matters that can be dealt with through routine engineering or management solutions

A draft lighting plan has been prepared which applies modern techniques to reduce impact on sensitive receptors through shrouding and directional control, while maintaining minimum standards for a safe workplace.

Dust will be similarly managed through good engineering design and work practices. For example, water sprays can be applied at unloading, and covers will be applied to the woodchip conveyor. As is common elsewhere, operations may be limited during adverse weather conditions, such as during strong westerly winds.

The Draft EIS demonstrated that noise arising from the Seaport will be maintained to acceptable limits at the most sensitive neighbouring receptors, Yumbah Aquaculture and Molly's Run Bed and Breakfast. Nevertheless, we are still considering options to further reduce the noise from moving parts, including trucks and machinery. For example, it may be possible to revise the land design to locate some activities and infrastructure *to the west*, further away from the neighbours *to the east*.

An important matter yet to be resolved is the preferred transport route from the plantations to Smith Bay. The view of KIPT is that issues relating to use of public roads cannot be solved by the company alone, and we have sought to engage with state and local government over the past 36 months to determine a plan which has support from the wider community. We have shared our view of the optimal route and the necessary upgrades in the EIS and look forward to working with both levels of government to determine the best outcome for all.

Having considered these changes in design, I am frequently asked, what does this mean for the project timeline? As already announced, KIPT has prepared an Addendum to the Draft EIS which assesses the effects of the revised marine design. The Minister has directed that an additional period of public consultation is required to consider the change in design. While the timing of the additional consultation is yet to be announced, we welcome the opportunity to demonstrate the benefits of the change in design to the Kangaroo Island community and other stakeholders.

For those interested in the new marine design, or making a submission, I encourage you to review the Addendum when it is approved for release by the Minister.

The timing of approval by state government, following submission of the EIS in its final form, is at the Minister's discretion. The initial response by government agencies to the change in marine design has been favourable. We anticipate our consideration of land-

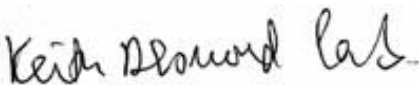
based matters in the Response Document will be similarly well received, and that a timely and favourable approval by the Minister will follow.

Construction will commence after secondary approvals have been obtained. The secondary approvals required will be guided in part by conditions of the primary approval, and usually focus on issues such as environmental management, traffic management and workplace safety during construction. A compliance plan is being prepared which allocates responsibility among the project partners for seeking and complying with these secondary approvals.

Based on a reasonable expectation of time required to undertake the additional consultation, prepare the Response Document, and obtain primary and secondary approvals, we anticipate construction to commence mid-2020 with first log exports to commence mid-2021. Woodchip exports will follow some months later as the woodchip handling infrastructure is completed.

Irrespective of the exact timing, we expect 2020-21 to be a transformative year for Kangaroo Island Plantation Timbers as approval for the Seaport is received, construction commences, and we prepare to fully realise the value of the plantation assets on behalf of our shareholders.

In the next newsletter I will provide an update on the preparations in the plantations, including procurement for harvest and haul services, and environmental impact planning, including the development of protocols for managing the portion of the Island's koala population that inhabits our plantations.



Keith Lamb
MFor, MBA, GAIDC, MIFA
Managing Director

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