

Kangaroo Island Plantation Timbers Ltd

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Kangaroo Island Plantation Timbers reveals recovery plans following wildfires

Kangaroo Island Plantation Timbers Ltd (ASX:KPT) managing director Keith Lamb has released a letter to shareholders detailing the company's activities and plans going forward after bushfires on the island impacted assets.

Lamb said that prior to the fires, he had intended to provide an update on the state of the market for woodchips and logs, the approvals process for the Kangaroo Island Seaport at Smith Bay, and the advanced state of planning for construction to start immediately following approval.

He said: "Since the fires were officially declared safe on February 5, our attention has turned to the business recovery plan for KIPT, and the part we can play in recovery for the community and ecology of Kangaroo Island."

The company's insurance claim for losses to the timber crop has been accepted and a progress payment of \$10 million has been received with the total amount payable will be forthcoming.

Lessons for future fire management

KIPT plantations on Kangaroo Island were carefully designed to reduce fire risk and assist effective control - under normal fire conditions - with industry-standard fire breaks, external and internal access, and serviced water points.

Lamb said that effective fire management requires an integrated understanding of fire behaviour in the landscape and that there are lessons to be learned from the efficacy of suppression efforts under the climate conditions this summer.

He said: "Management of native vegetation in parks and roadside reserves, farm crops and plantation timbers, as well as design and location of physical assets such as dwellings, tourist infrastructure and roads all need to be considered based on this new experience and knowledge."

"It is our view there are lessons to be learned by all of us in considering fire risk, starting with landscape management responsibilities in the years before the 2019-20 fire season, and extending to the strategy and resourcing of the suppression efforts in which KIPT took part between December 20 and February 5."

An independent forestry and fire consultant has been engaged to undertake a forensic analysis of the fire events, and KIPT's role in the wider fire-fighting campaign which will guide the board is future decision-making.

Price: 1.96

Market Cap: \$110.59 m

1 Year Share Price Graph



February 2019 July 2019 January 2020

Share Information

Code: KPT

Listing: ASX

52 week High Low
2.59 1.955

Sector: Forestry & Paper

Website: www.kipt.com.au

Company Synopsis:

Kangaroo Island Plantation Timbers Ltd (ASX:KPT) is Australia's only listed timberland company, managing a portfolio of hardwood and softwood forestry plantations.

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Jarmyn plantation after the 2007 fires - showing the impact of fire behaviour under normal conditions. Image: Shauna Black

Short term impact

Lamb said that, while the long-term prospects for the business have not changed, the company's ability to realise the value to shareholders of the current, standing timber crop (previously valued at \$115 million in June 2019) has been severely impacted.

He said: "As outlined in the release of January 29, the condition of the estate has been mapped and, together with our property managers and stakeholders, we are now examining options for the fire-affected areas.

"It is necessary to clear the land in order to bring it back into production and there are still some millions of tonnes of timber to mobilise."

The company also reinforced its previous statement acknowledging the support offered from business partners, State government agencies, Country Fire Service, local government, farm fire-fighting units, the Australian Defence Force, the broader forestry community and individuals on the island during the period.

Supporting the island community

The company has recruited a consultant to assist with the planning and logistics required to start on-island processing of posts and poles from damaged timber to assist the local farming community to replace an estimated 3,000km of fencing that has been destroyed.

Lamb said: "We have also employed a small fencing taskforce to work alongside BlazeAid and local farmers to replace fencing, including on our boundaries.

Plans for the seaport

The crop damage has prompted the company to think more broadly about the business case for the island's port.

Lamb said: "While the economic case for salvage is yet to be determined, the island seaport is still required to support whatever salvage opportunity emerges, and to secure the future of the business and the island community."

The design of the port was required by the government to provide for multiple users, however, KIPT has not previously incorporated third-party access into its business case.

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.

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