Kangaroo Island Plantation Timbers Ltd

ACN 091 247 166

Results for Announcement to the Market
Appendix 4D

Current reporting period: Half-year ended 31 December 2017
Previous corresponding reporting period: Half-year ended 31 December 2016

Results for Announcement to the Market

	Percentage Change %	Amount $'000
Revenue – continued operations	37% decrease	83
Loss after tax – continued operations	114% increase	(3,039)
Net loss attributable to members	114% increase	(3,039)

Dividends paid or proposed

No dividends have been paid or proposed during the period.

Brief explanation of revenue and net loss

The Group experienced a decrease in revenue for the period from continuing operations as compared to the same period last year of 37% to $83,000 (2016: $132,000). This was attributable to a decrease in plantation management fees by $80,000, offset by higher equipment hire revenue.

Loss from continuing operations increased by $25,438,000 compared with the profit in the comparable period, largely as a result of:

- recognition of $32,346,000 of biological assets in the prior period, offset by a tax expense relating to the asset revaluations of $7,630,000, and
- $722,000 of increased head office and operating costs in the current period.

Operating losses increased by $722,000, primarily due to:

- wharf development costs increased by $1,339,000; and
- finance costs increased by $1,039,000;
- property expenses increased by $446,000; offset by
- director fees and performance rights decreased by $1,078,000; and
- deferred tax benefit $1,239,000.

NTA backing

	Half-year Ended 31 December 2017	Half-year Ended 31 December 2016
Net tangible asset backing per security	$2.03	$0.72

The increase is the result of the recognition of $32,346,000 of biological assets. A share split was finalised on 8 March 2017 on the basis of 10 share for every 1 held.

Details of entities over which control has been gained or lost during the period

The Group has not gained or lost control of any entities during the half-year ended 31 December 2017.

Details of dividends

Not applicable

Details of associates or joint ventures

Not applicable

Review dispute or qualification

The Group is not aware of any review, dispute or qualification for the accounts for the half-year ending 31 December 2017.

The half-year financial report should be read in conjunction with the annual report for the year ended 30 June 2017.

Kangaroo Island Plantation Timbers

Interim Financial Report

ABN 19 091 247 166

For the half year ended

31 December 2017

Contents

Directors' Report

For the half-year ended 31 December 2017

Your directors submit their report for the half-year ended 31 December 2017 for Kangaroo Island Plantation Timbers Limited ("Company") and its controlled entities ("Group").

Directors

The names of the Company's directors in office during the half-year and until the date of this report are as below.

Director	Position	Appointed to Board	Last elected or re-elected at GM	Resigned
Paul McKenzie(1)	Non-Executive Chair	29 April 2005	10 November 2017	-
John Sergeant(2)	Managing Director	2 March 2013	18 November 2014	-
Shauna Black(3)	Executive Director	17 March 2015	8 September 2015	-
Graham Holdaway(4)	Executive Director	17 March 2015	5 October 2016	-
Gregory Boulton AM	Independent Non-Executive	1 November 2016	24 February 2017	-

(1) Appointed Chair on 1 July 2009
(2) Appointed Managing Director on 1 January 2015
(3) Appointed Executive Director on 1 May 2016
(4) Appointed Executive Director on 1 April 2016.

Directors were in office for the entire period unless otherwise stated.

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors, either directly or indirectly, in the shares of Kangaroo Island Plantation Timbers Ltd were:

Interest in ordinary Shares

	Opening interest at 1 July 2017	Net changes during the period	Performance Rights Issued	Closing interest at 31 December 2017
Paul McKenzie(1)	2,522,360	-	-	2,522,360
John Sergeant(2)	3,004,970	-	-	3,004,970
Graham Holdaway (3)	866,785	-	-	866,785
Shauna Black(4)	451,670	-	-	451,670
Gregory Boulton AM(5)	76,230	-	-	76,230
Total	**6,922,015**	**-**	**-**	**6,922,015**

(1) Paul McKenzie's Shares comprise:
  a. 2,000,000 held by Aminac Pty Ltd ATF Agrarian Management S/F A/C of which Mr McKenzie is the managing Director; and
  b. 522,360 held by Alke Pty Ltd (The McKenzie Family Trust No 2 A/C) of which Mr McKenzie is the Managing Director.
(2) John Sergeant's Shares comprise:
  a. 2,099,664 held by Phalaenopsis Pty Ltd ATF Sergeant Family Trust of which Mr Sergeant has effective control;
  b. 418,230 Direct interest;
  c. 474,366 held by Sergeant Family Superannuation Fund of which Mr Sergeant has effective control; and
  d. 12,710 held by Ms J Sergeant; Ms Sergeant is Mr Sergeant's wife.
(3) Graham Holdaway's Shares comprise:
  a. 401,015 held by Mr Graham Ian Holdaway and Mrs Kristina Mary Irving Holdaway <G & K Super Fund A/C> of which Mr Holdaway has effective control; and
  b. 465,770 held by Holdaway & Holdaway Pty Ltd of which Mr Holdaway has effective control, being a director and shareholder.

Directors’ Report continued

For the half-year ended 31 December 2017

(4) Shauna Black’s Shares comprise:
   a. A direct interest in 66,670 Shares; and
   b. 385,000 held by Black Stump Regional Pty Ltd ATF the Taybric Family Trust of which Ms Black has effective control.

(5) Gregory Boulton’s 76,230 Shares are held by G Boulton Pty Ltd ATF <Greg Boulton Family S F A/C>.

The interests listed above do not include shares to be acquired as part of the recent placement, approval for which was granted by shareholders at the General Meeting held on 5 February 2018.

Performance Rights

At the 24 February 2017 General Meeting, Shareholders approved performance rights dated 24 February 2017, triggered by meeting the following performance condition:

- the volume-weighted average price (VWAP) of the Company’s Shares exceeds the relevant price, based on the most recently-traded 1,000,000 (post split) shares.

Performance Rights dated 24 February 2017 expire on 23 February 2018 and are replaced with Performance Rights dated 10 November 2017 that have identical performance conditions and expire on 9 November 2018.

A summary of the Performance Rights is shown below:

20 Business Day VWAP	***Shares to be issued to J Sergeant & G Holdaway Number***	***Shares to be issued to P McKenzie, S Black & G Boulton Number***	***Total Shares to be issued to Directors Number***	***Escrow period***
$3.50 or above	107,140	53,570	374,990	12 months
$4.25 or above	85,720	42,860	300,020	12 months
$5.00 or above	64,280	32,140	224,980	12 months
Total	**257,140**	**128,570**	**899,990**	

Review and results of operations

The Group has had the most active and transformative six-month period in its history. Considerable progress has been made towards the Group’s deep water wharf. Substantial progress has been made in the compilation of an environmental impact study.

The Group experienced an decrease in revenue for the period from continuing operation as compared to the same period last year of 37% to $83,000 (2016: $132,000). This was attributable to a decrease in plantation management fees by $80,000, offset by higher equipment hire revenue.

Loss from continuing operations increased by $25,438,000 compared with the profit in the comparable period, largely as a result of:

- recognition of $32,346,000 of biological assets in the prior period, offset by a tax expense relating to the asset revaluations of $7,630,000, and
- $722,000 of increased head office and operating costs in the current period.

Directors' Report continued

For the half-year ended 31 December 2017

Operating losses increased by $722,000, primarily due to:

- wharf development costs increased by $1,339,000; and
- finance costs increased by $1,039,000;
- property expenses increased by $446,000; offset by
- director fees and performance rights decreased by $1,078,000; and
- deferred tax benefit $1,239,000.

Smith Bay Wharf Development approval process continues

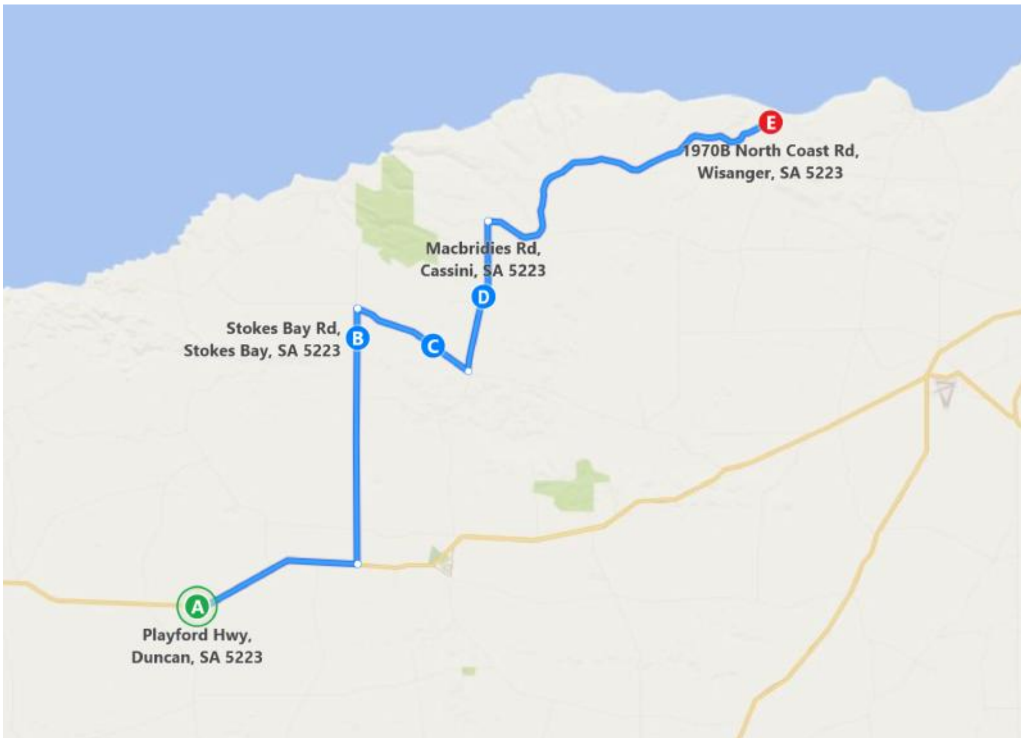
Kangaroo Island Plantation Timbers Ltd is committed to the thorough and rigorous assessment of its development proposal, in consultation with the South Australian and Commonwealth Governments and with the involvement of the Kangaroo Island Community. Offshore geotechnical drilling has been completed after an extended weather delay. The final geotechnical investigation report is being completed.

Preferred haulage route

The Company worked with the Kangaroo Island Council (Council) to develop a set of criteria against which to assess possible freight routes to transport its timber products from the plantations to the proposed deep-water wharf facility at Smith Bay.

Osman Solutions was engaged by the Company to prepare the Road Freight Options assessment paper. The overriding priority in the agreed criteria was safety – for property owners, truck drivers and other road users. Other criteria included impact on neighbours (including livestock movement), other road users and native flora and fauna; road conditions; and operational efficiency.

Six routes were initially considered and assessed against the criteria. A more detailed assessment was then completed on the three most probable routes to identify the optimal haulage route, based on the agreed criteria. The preferred route is shown in the map set out below, and mainly uses existing good-quality roads. Some upgrading work will be required. However, the Company considers that the selected route minimises this requirement.



Directors' Report continued

For the half-year ended 31 December 2017

Woodchip Sale and Purchase agreement signed with Mitsui
The Company announced that, following the earlier Memorandum of Understanding with Mitsui Bussan Woodchip Oceania Pty Ltd (Mitsui) creating an exclusive marketing arrangement, the Company signed a five-year Woodchip Sale and Purchase Agreement with Mitsui. This agreement establishes key terms under which the hardwood timber resource on Kangaroo Island will be monetised. To provide the required level of certainty for both parties, and for pulp mill customers, an automatic term extension is built into the agreement.

The agreement provides that Mitsui will purchase up to 500,000 green tonnes per annum of woodchip from Kangaroo Island Plantation Timbers Ltd on a free-on-board basis or equivalent.

Eucalyptus globulus grown on Kangaroo Island is expected to be equal to the best quality woodchips currently exported from Australia, and is believed to add around 6% to the Nation's total woodchip exports. There is an emerging shortage of quality hardwood woodchips available to Asian markets, due to growing demand for fibre-based consumer goods, and significant supply constraints.

Share issue

The Company announced the successful completion of a placement (Placement) of up to 10 million new Kangaroo Island Plantation Timbers Ltd shares ("New Shares"). The New Shares were issued at a price of $2.00 per New Share, which represented a 13.5% discount to the 30-day volume weighted average price, at Wednesday 29 November 2017, the last day of trading before the Placement.

The funds raised will primarily be used for:

(i) working capital in preparation for commercialisation of the Company's timber products, and increased contingency;

(ii) repayment of a shareholder loan for the pontoon purchase;

(iii) pontoon relocation, reconditioning and refit costs; and

(iv) the cost of building the initial wharf-site timber stockpile.

Following the completion of the Placement, the Board of Kangaroo Island Plantation Timbers Ltd believes the Company is fully funded to undertake ongoing development activities in relation to its proposed export facility at Smith Bay, while it completes the permitting process for the construction of the wharf and site facilities.

The Placement was heavily oversubscribed and the Board of Kangaroo Island Plantation Timbers Ltd welcomes a number of new institutional investors to the register and thanks existing institutions for their ongoing support. The Placement was undertaken within Company's existing capacity under ASX Listing Rules 7.1 and 7.1A.

Members of the Board and Management of the Company have committed to subscribing for 360,000 New Shares, subject to shareholder approval, which was obtained at the Company general meeting held on 5 February 2018. The 360,000 New Shares have not yet been issued. These shares are included in the 10 million to be issued pursuant to this equity raising.

Events after balance date

The Group held a General Meeting on 5 February 2018. The following matters were approved by Shareholders at the General Meeting:

- ratification of the $19.8 million Share issue; and
- approval of issue of 360,000 Shares to Directors and Key Management Personnel at $2.00 per Share.

On 31 January 2018, 5,816 ordinary shares were issued in respect of services provided by Mr Peter Lockett.

Directors' Report continued

For the half-year ended 31 December 2017

The Group changed the names of following three subsidiaries on 5 February 2018:

Prior name	***New name***
RuralAus Landholdings Limited	Kangaroo Island Land Assets Limited
RuralAus Plantation Management Pty Ltd	Kangaroo Island Plantation Management Pty Ltd
RuralAus Plantation Timbers Pty Ltd	Kangaroo Island Timbers Pty Ltd

The Group is not aware of any other significant events occurring after 31 December 2017.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $'000 (where rounding is applicable) under the option available to the company under ASIC Corporations Instrument 2016/191. The company is an entity to which the Class Order applies.

Dividends

No dividends have been declared or paid in this financial period.

Auditor independence and non-audit services

The directors have received the auditor's independence declaration, which is included on page 9 of this report and forms part of this report.

Signed in accordance with a resolution of the directors.

Paul McKenzie
Chairman
Dated this 20th February 2018

Grant Thornton House
Level 3
170 Frome Street
Adelaide, SA 5000
Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration
To the Directors of Kangaroo Island Plantation Timbers Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Kangaroo Island Plantation Timbers Limited for the half-year ended 31 December 2017. I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Iain Kemp

I S Kemp
Partner – Audit & Assurance

Adelaide, 20 February 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2017

	Notes	Consolidated 31 December 2017 $'000	 31 December 2016 $'000
Rent	4	**55**	16
Equipment hire	4	**10**	15
Bank interest		**18**	21
Plantation management		**-**	80
Revenue		**83**	132
Sale of property plant and equipment		**4**	12
Other income	4	**2**	6
Fair value gain on biological assets		**-**	32,346
Forestry expenses	4	**(589)**	(143)
Deep water wharf development costs		**(1,652)**	(313)
Administrative expenses		**(116)**	(49)
Other expenses	4	**(938)**	(1,929)
Finance costs		**(1,072)**	(33)
(Loss)/Profit before income tax		**(4,278)**	30,029
Income tax (expense)/benefit	5	**1,239**	(7,630)
Net (loss)/Profit for the period from continuing operations		**(3,039)**	22,399
Profit/(loss) for the period attributable to members of the parent		**(3,039)**	22,399
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Net fair value gain/(loss) in property, plant and equipment		**-**	2,612
Other comprehensive income for the period net of tax		**(3,039)**	2,612
Total comprehensive income/(loss) for the period attributable to members of the parent		**(3,039)**	25,011
Basic and diluted earnings per share		**EPS in cents**	EPS in cents
Post-share split	6	**(7.2)**	117.5

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	Consolidated 31 December 2017 $'000	Consolidated 30 June 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	**15,543**	6,045
Trade and other receivables		**6**	5
Other current assets		**693**	1,493
Total current assets		**16,242**	7,543
Non-current assets			
Property, plant and equipment	8	**51,869**	45,732
Investment properties		**100**	100
Biological assets	9	**80,889**	80,889
Deferred tax asset	5	**7,998**	6,462
Other non-current assets		**5**	5
Total non-current assets		**140,861**	133,188
TOTAL ASSETS		**157,103**	140,731
LIABILITIES			
Current liabilities			
Trade and other payables		**1,780**	1,097
Employee benefits		**59**	53
Interest bearing liabilities	10	**-**	-
Total current liabilities		**1,839**	1,150
Interest bearing liabilities	10	**25,000**	25,000
Deferred tax liabilities	5	**19,510**	19,515
Total non-current liabilities		**44,510**	44,515
TOTAL LIABILITIES		**46,349**	45,665
NET ASSETS		**110,754**	95,066
EQUITY			
Contributed equity	11	**79,246**	60,648
Reserves	12	**4,294**	4,165
Accumulated losses		**27,214**	30,253
TOTAL EQUITY		**110,754**	95,066

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2017

	Notes	Consolidated 31 December 2017 $'000	31 December 2016 $'000
Cash flows from operating activities			
Receipts from customers and other income		**78**	31
Payments to suppliers and employees		**(1,493)**	(638)
Payment to wharf development expense suppliers		**(1,636)**	(419)
Interest received		**18**	21
Borrowing costs		**(888)**	(33)
Net cash flows (used in)/from operating activities		**(3,921)**	(1,038)
Cash flows from investing activities			
Purchase of plant and equipment		**(4,513)**	-
Proceeds from the sale of plant and equipment		**4**	-
Proceed from sale of investment properties		**-**	215
Purchase of biological assets		**-**	(5,500)
Net cash flows from/(used in) investing activities		**(4,509)**	(5,285)
Cash flows from financing activities			
Proceeds from share issue		**19,280**	12,836
Payment for share issue costs		**(1,352)**	(428)
Proceeds from borrowing		**3,000**	-
Repayment of borrowings		**(3,000)**	(500)
Net cash flows (used in)/from financing activities		**17,928**	11,908
Net increase/(decrease) in cash and cash equivalents		**9,498**	5,585
Cash and cash equivalents at beginning of period		**6,045**	895
Cash and cash equivalents at end of period	7	**15,543**	6,480

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2017

	Issued Capital $'000	Treasury Shares $'000	Property, plant & equipment Revaluation Reserve $'000	Option Reserve $'000	Accumulated Profits/ (Losses) $'000	Total $'000
Balance at 1 July 2016	13,487	(450)	3,458	1,895	(5,833)	12,557
Profit for the period	-	-	-	-	22,399	22,399
Other comprehensive income	-	-	2,612	-	-	2,612
Total comprehensive income	-	-	2,612	-	22,399	25,011
Share-based payments	3,357	-	-	(1,895)	-	1,462
Transactions with owners	3,357	-	-	(1,895)	-	1,462
Shares issued	12,836	-	-	-	-	12,836
Share issue costs	(428)	-	-	-	-	(428)
Shares issued	12,408	-	-	-	-	12,408
Balance at 31 December 2016	**29,252**	**(450)**	**6,070**	**-**	**16,566**	**51,438**
Balance at 1 July 2017	61,098	(450)	3,685	480	30,253	95,066
Loss for the period	-	-	-	-	(3,039)	(3,039)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(3,039)	(3,039)
Shares issue	19,280	-	-	-	-	19,280
Share issue costs	(702)	-	-	-	-	(702)
New shares issued	18,578	-	-	-	-	18,578
Share-based payments	20			129	-	149
Transactions with owners	18,598	-	-	129	-	18,727
Balance at 31 December 2017	**79,696**	**(450)**	**3,685**	**609**	**27,214**	**110,754**

The above Statement of Equity should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2017

1. Corporate information

The financial report of Kangaroo Island Plantation Timbers Ltd ("the Company") and its controlled entities ("the Group" or "Consolidated Entity") for the half-year ended 31 December 2017 was authorised for issue in accordance with a resolution of the directors on 20 February 2018. Kangaroo Island Plantation Timbers Ltd is a company incorporated and domiciled in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

2. Basis of preparation and accounting policies

(a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2017 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include full note disclosures of the type normally included within the annual financial report. Accordingly, it should be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Kangaroo Island Plantation Timbers Ltd during the half-year ended 31 December 2017 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and ASX Listing Rules.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 30 June 2017 Annual Report. These accounting polies are consistent with Australian Accounting Standards and with international Financial Reporting Standards.

(b) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates, and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

3. Fair value measurement of non-financial instruments

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2017:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2017				
Property, plant and equipment				
Land held for production in Australia	-	-	45,225	**45,225**
Biological assets				
Standing timber	-	-	80,889	**80,889**
Investment property				
Land held for sale in Australia	-	-	100	**100**

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2017

3. Fair value measurement of non-financial instruments (continued)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2017				
Property, plant and equipment				
Land held for production in Australia	-	-	45,240	**45,240**
Biological assets				
Standing timber	-	-	80,889	**80,889**
Investment property				
Land held for sale in Australia	-	-	100	**100**

In the year ended 30 June 2017, the fair value of the Group's main property assets, plantation land assets was calculated by an independent expert McGees Property; and biological assets was calculated by an independent expert Geddes Management Pty Ltd. The significant inputs and assumptions have been reviewed by management. The valuation processes and fair value changes are reviewed by the Board of Directors and Audit Committee at each reporting date. Further information is set out below.

Land held for production in Australia (Level 3)

The fair value of the plantation land assets was calculated by an independent expert McGees Property in their report dated 19 July 2017. The valuation was carried out in accordance with IFRS 13 Fair Value Measurement, AASB 13 Fair Value Measurement, AASB 116 Property, Plant and Equipment. The valuation used a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use.The significant unobservable input is the adjustment for factors specific to the land in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

The Board have reviewed the key valuation inputs and have concluded that there are no indicators that an updated revaluation is required at 31 December 2017.

Biological assets (Level 3)

The fair value of the biological assets was calculated by an independent expert Geddes Management Pty Ltd (Geddes) in its report dated 14 August 2017. The valuation model used by Geddes allows the Group to estimate the value of its timber under various scenarios, and to consider the impact of variables within and outside the Group's control, such as harvesting costs, internal road construction costs, haulage, wharf charges, exchange rates and international timber prices. Like any forward-looking valuation, the outputs are sensitive to the choice of assumptions.

The Board have reviewed the key valuation inputs and have concluded that there are no indicators that an updated revaluation is required at 31 December 2017.

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2017

3. Fair value measurement of non-financial instruments (continued)

Land held for sale in Australia (Level 3)

The review was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use.

The significant unobservable input is the adjustment for factors specific to the land in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

The Board have reviewed the key valuation inputs and have concluded that there are no indicators that an updated revaluation is required at 31 December 2017.

4. Other income and expenses

	Consolidated	
	31 December 2017 $'000	31 December 2016 $'000
(a) Operating leases income		
Operating leases: freehold land and buildings	**55**	16
Operating leases: equipment Other	**10**	15
	65	31

The Group leases a number of assets on operating leases:

Operating leases: freehold land and buildings $55,500 (2016: $16,306)

- The Lease agreement between Graham Holdaway and the Group commenced on 30 June 1999. The lease is for 187.60 hectares of Land known as "Gosse East' and has a term of 25 years. Rent expenses in current period $12,061 (2016: $11,755) Annual rent for 30 June 2018 is $24,121 (2016: $23,648) is fully paid. The rent paid charge in advance for period ended 31 December 2017 amounts to $24,121 (31 December 2016: $23,648) excluding GST.
- The Group has a holiday rental property at Smith Bay property. The annual rent received amounted to $796 (2016: $1,952);
- The Group also has a residential lease on nine properties. The agreements are cancellable and the annual rent received amounted to $34,988 (2016: $2,599); and
- The Group also casually leases out certain properties for agistment, apiary and other purposes. The annual income amounted to $7,655 (2016: $nil).

Operating leases: equipment $9,750 (2016: $15,197)

- The Group has entered into an equipment lease agreement that are cancellable by lessor giving between one and three months' notice. The income amounted to $9,750 (2016: $15,197).

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2017

4. Other income and expenses (continued)

	Consolidated	
	31 December 2017 $'000	31 December 2016 $'000
(b) Other income: bad debts recovered	**2**	6
(c) Forestry expenses:		
Salaries and wages	**70**	79
(d) Other Expenses		
Directors' fees and remuneration	**375**	120
Directors' performance rights	**129**	1,462
Total directors' remuneration	**504**	1,582
Share based payments	**19**	-
Professional fees	**178**	106
Legal fees	**30**	60
ASX/Share registry fees/ASIC fees	**75**	85
Audit fees	**35**	38
Depreciation	**57**	58
Other corporate expenses	**40**	-
	938	1,929

5. Income tax

	Consolidated	
	31 December 2017 $'000	31 December 2016 $'000
a) Income tax expense		
The major components of income tax expense are:		
Income Statement		
Adjustments in relation to previous income tax	**-**	**-**
Deferred income tax		
Benefit from previously unrecognised tax loss used to reduce deferred tax expense	**(1,239)**	7,630
Income tax expense/(benefit) reported in profit or loss	**(1,239)**	7,630
Profit/(loss) before tax	**(4,278)**	30,029
At the statutory income tax rate of 30% (2016: 30%)	**(1,283)**	9,009
Non-deductible expenses/capital gain on sale of land	**-**	438
Other deductions	**410**	-
Tax losses brought into account as a deferred tax asset	**(366)**	(1,817)
Income tax expense/(benefit) reported in income statement	**(1,239)**	7,630
b) Amounts charged or credited to other comprehensive income		
Deferred income tax related to items charged/(credited) to equity		
Share issue costs	**(301)**	-
Net gain on property, plant and equipment	**-**	1,120
Income tax expense reported in equity	**(301)**	1,120

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Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2017

5. Income tax

Recognised deferred tax assets and liabilities

	Assets		**Liabilities**		**Net**	
	31 December 2017 $'000	30 June 2017 $'000	**31 December 2017 $'000**	30 June 2017 $'000	**31 December 2017 $'000**	30 June 2017 $'000
CONSOLIDATED						
Trade and other receivables	**792**	596	**-**	-	**792**	596
Property, plant and equipment	**793**	291	**(5,881)**	(5,885)	**(5,088)**	(5,594)
Biological assets	**-**	-	**(13,629)**	(13,629)	**(13,629)**	(13,629)
Trade and other payables	**27**	26	**-**	-	**27**	26
Tax losses	**6,386**	5,549	**-**	-	**6,386**	5,549
Tax (assets)/liabilities	**7,998**	6,462	**(19,510)**	(19,514)	**(11,512)**	(13,052)
Set off of tax	**-**	-	**-**	-	**-**	-
Net tax (assets)/liabilities	**7,998**	6,462	**(19,510)**	(19,514)	**(11,512)**	(13,052)

6. Earnings per share

The following reflects the income and share data used in the total operation's basic and diluted earnings per share computations:

a) Earnings used in calculating earnings per share

	Consolidated	
	31 December 2017 $'000	31 December 2016 $'000
Continuing Net profit/(loss) attributable to ordinary equity holders of the parent	**(3,039)**	**22,399**

b) Weighted average number of shares

	No.	*No.*
Post-share split		
Weighted average number of ordinary shares for basic earnings per share	**42,089,574**	19,060,380
Effect of dilution:		
Share options and performance rights	**-**	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**42,089,574**	19,060,380
Pre-share split		
Weighted average number of ordinary shares for basic earnings per share	**4,208,957**	1,906,038
Effect of dilution:		
Share options and performance rights	**-**	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**4,208,957**	1,906,038

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2017

6. Earnings per share (continued)

There are no instruments excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for either of the periods presented.

There have been no other transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

7. Cash and cash equivalents

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following at 31 December 2017.

	Consolidated	
	31 December 2017 $'000	30 June 2017 $'000
Cash at bank and in hand	**15,543**	**6,045**

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

At the 31 December 2017 $1,854,500 (30 June 2017: $2,533,630, 31 December 2016: $nil) is held in a restricted savings account, the funds can only be used to pay for CBA borrowing costs.

Reconciliation to Cash Flow Statement
For the purposes of the Statement of Cash Flows, cash and cash equivalents amount to $15,543,000 (31 December 2016: $6,480,000).

8. Non-current assets – Property, plant and equipment

a) Reconciliation of carrying amounts at the beginning and end of the period

	Freehold Land & Buildings $'000	**Plant and equipment $'000**	**Total $'000**
Half-year ended 31 December 2017			
At 1 July 2017 net of accumulated depreciation and impairment	45,240	492	45,732
Additions	-	6,200	6,200
Disposals	-	(37)	(37)
Adjustment in accumulated depreciation in relation to disposals	-	37	37
Depreciation charge for period	(15)	(48)	(63)
At 31 December 2017 net of accumulated depreciation & impairment.	**45,225**	**6,644**	**51,869**

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2017

8. Non-current assets – Property, plant and equipment (continued)

	Freehold Land & Buildings $'000	Plant and equipment $'000	Total $'000
Cost or fair value	45,426	7,447	52,873
Accumulated depreciation and impairment	(201)	(803)	(1,004)
Net carrying amount at 31 December 2017	**45,225**	**6,644**	**51,869**
Year ended 30 June 2017			
At 1 July 2016 net of accumulated depreciation and impairment	11,672	473	12,145
Additions	33,275	117	33,392
Disposals	-	(12)	(12)
Adjustment in accumulated depreciation in relation to disposals	-	10	10
Depreciation charge for year	(29)	(96)	(125)
Revaluations[(b)]	322	-	322
At 30 June 2017 net of accumulated depreciation & impairment	45,240	492	45,732
Cost or fair value	45,426	1,284	46,710
Accumulated depreciation and impairment	(186)	(792)	(978)
Net carrying amount at 30 June 2017	45,240	492	45,732

At the 31 December 2017. The Board and Audit Committee have reviewed the key inputs and have concluded that there are no indicators that a revaluation of the Group's freehold land and buildings is required.

9. Biological assets

	Consolidated	
	31 December 2017 $'000	30 June 2017 $'000
At 1 July plantation timber at fair value	**80,889**	-
Plantation timber acquired at cost	**-**	25,178
Add fair value adjustment:		
Fair value gain	**-**	55,711
Total biological assets	**80,889**	80,889
Classified as current	**-**	-
Classified as non-current	**80,889**	80,889

The Board have reviewed the key valuation inputs and have concluded that there are no indicators that an updated revaluation is required at 31 December 2017.

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2017

10. Interest-bearing liabilities

	Consolidated	
	31 December 2017 $'000	30 June 2017 $'000
Non-Current	**-**	-
Bank borrowing [(a)]	**25,000**	25,000
Total non-current	**25,000**	25,000
Total	**25,000**	25,000

a) The Company has a $57,100,000 facility with the CBA of which $25,000,000 is drawn down ('first draw down') and $30,000,000 ('second draw down') is available to fund Wharf Construction once approval obtained, in addition, further CBA assets finance will be available. Interest of 1.79% per annum based on BBSY variable rate and fees of 3.1% per annum on amounts drawn down amounted to $977,296 during the period (June 2017: $203,915). The facility is secured by:

   a. First ranking charge over all assets including all present and acquired property (excluding Smith Bay wharf site and Ballast Head land) and plantation assets; marine leases (if applicable); wharf assets and over shares in subsidiary undertakings.

   b. A charge over Smith Bay wharf site and Ballast Head land will not be registered until the second drawdown is required. These two assets are valued at $1,100,000 by the Independent Valuer.

   c. An account set off deed over deposited funds of $1,854,500 (June 2017: $2,533,630). Refer to Note 7 for further details.

   The Company is also subject to a number of loan covenants, as amended from time to time, which have all been complied with since drawing down on the facility on 28 April 2017.

b) The carrying amount of interest bearing liabilities approximates their fair value as the interest payable on these borrowing is close to current market rates.

11. Contributed equity

a) Issued and paid up capital

	Consolidated	
	31 December 2017 $'000	30 June 2017 $'000
Ordinary shares fully paid	**79,246**	60,648

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2017

11. Contributed equity (continued)

b) Movements in shares on issue

	31 December 2017 Number of shares	**31 December 2017 $'000**	30 June 2017 Number of shares	30 June 2017 $'000
Beginning of financial year	**40,874,809**	**60,648**	1,718,884	13,037
Issue to sophisticated investors under an Institutional placement announced on 4 December 2017	**9,640,000**	**19,280**	-	-
Performance Rights Share issue	**-**	**-**	180,000	3,356
Shares issued under pro-rata non-renounceable entitlement offer announced on 9 November 2016	**-**	**-**	513,468	12,837
Share split on the basis of 10:1	**-**	**-**	21,711,168	-
Shares issued under pro-rata non-renounceable entitlement offer and placement announced on 12 April 2017	**-**	**-**	16,750,289	33,501
Share-based payment (Note 28)	**9,388**	**19**	1,000	2
Share issue costs	**-**	**(701)**	-	(2,085)
End of the financial year	**50,524,197**	**79,246**	40,874,809	60,648

12. Reserves

	Consolidated 31 December 2017 $'000	Consolidated 30 June 2017 $'000
Option reserve (a)	**609**	480
Property, plant and equipment reserve (b)	**3,685**	3,685
	4,294	4,165

a) Option reserve

	Consolidated 31 December 2017 $'000	Consolidated 30 June 2017 $'000
Opening balance	**480**	1,895
Movement:		
Performance rights dated 10 November 2017	**24**	-
Performance rights dated 24 February 2017	**105**	480
Performance rights dated 18 January 2016	**-**	1,733
Performance rights dated 18 January 2016 converted into shares	**-**	(3,628)
Closing balance	**609**	480

The option reserve is used to recognise the grant date fair value of options and performance rights issued to employees but not yet exercised.

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2017

12. Reserves (continued)

Performance Rights Plan

	6 month Period	Performance Rights dated 18 January 2016 $	Performance Rights dated 24 February 2017 $	**Performance Rights dated 10 November 2017 $**	**Total Performance Rights $**
Non-Executive Directors					
P McKenzie	**Dec 2017**	-	14,921	3,451	18,372
	Jun 2017	45,400	68,605	-	114,005
	Dec 2016	243,505	-	-	243,505
	June 2016	270,455	-	-	270,455
G Boulton	**Dec 2017**	-	14,921	3,451	18,372
	Jun 2017	-	68,608	-	68,608
Executive Directors					
J Sergeant	**Dec 2017**	-	29,843	6,903	36,746
	Jun 2017	136,200	137,208	137,208	273,408
	Dec 2016	730,516			730,516
	June 2016	811,365	-	-	811,365
S Black	**Dec 2017**	-	14,921	3,451	18,372
	Jun 2017	45,400	68,605	68,605	114,005
	Dec 2016	243,505	-	-	243,505
	June 2016	270,455	-	-	270,455
G Holdaway	**Dec 2017**	-	29,843	6,903	36,746
	Jun 2017	45,400	137,209	137,209	182,609
	Dec 2016	243,505			243,505
	June 2016	270,455	-	-	270,455
Total	**Dec 2017**	**-**	**104,449**	**24,159**	**128,608**
	Jun 2017	272,400	480,235	-	752,635
	Dec 2016	1,462,013	-	-	1,462,031
	June 2016	1,622,730	-	-	1,622,730
	TOTAL	**3,336,161**	**584,684**	**24,159**	**3,965,001**

Performance Rights dated 24 February 2017

At the 24 February 2017 General Meeting, Shareholders approved performance rights dated 24 February 2017, triggered by meeting the following performance condition:

õ the volume-weighted average price (VWAP) of the Company's Shares exceeds the relevant price, based on the most recently-traded 1,000,000 (pre-share split 100,000) shares.

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2017

12. Reserves (continued)

A summary of the Performance Rights 24 February 2017 is shown below:

20 Business Day VWAP	*Shares to be issued to J Sergeant & G Holdaway Number*	*Shares to be issued to P McKenzie, S Black & G Boulton Number*	*Total Shares to be issued to Directors Number*	*Escrow period*
Post-share split				
$3.50 or above	107,140	53,570	374,990	12 months
$4.25 or above	85,720	42,860	300,020	12 months
$5.00 or above	64,280	32,140	224,980	12 months
Total	**257,140**	**128,570**	**899,990**	
Pre-share split				
$35.00 or above	10,714	5,357	37,499	12 months
$42.50 or above	8,572	4,286	30,002	12 months
$50.00 or above	6,428	3,214	22,498	12 months
Total	**25,714**	**12,857**	**89,999**	

On the 24 February 2017 the Company's share price was $2.33.

At the date of this report, none of the performance rights dated 24 February 2017 vesting conditions have been met and no performance rights have vested.

Valuation of Performance Rights dated 24 February 2017

AASB 2 *Share-Based Payment* requires that the Company record the cost of all forms of Director remuneration in the Company's accounts and sets out parameters for determining this cost.

AASB 2 sets the valuation date (termed as Grant Date) as the date at which such a right has been approved, being the date of the General Meeting, 24 February 2017.

The Directors do not believe that a Black Scholes or Monte Carlo valuation methods are suitable for the Performance Rights. The performance rights have been valued using the share price at the grant date and applied a probability to each tranche. The Rights expire on 23 February 2018. The valuation is based on the probability of achieving VWAP and the share price at 24 February 2017 of $2.33, set out in the table below.

20 Business Day VWAP	**Shares to be issued**	**Valuation $**
.50 or above	374,990	481,393
$4.25 or above	300,020	98,038
$5.00 or above	224,980	5,251
Total	**899,990**	**584,682**

Performance Rights dated 10 November 2017

At the 10 November 2017 General Meeting, Shareholders approved performance rights dated 10 November 2017, to be issued on 24 February 2018. The 10 November 2017 Performance Rights will be triggered by meeting the following performance condition:

õ the volume-weighted average price (VWAP) of the Company's Shares exceeds the relevant price, based on the most recently-traded 1,000,000 (pre-share split 100,000) shares.

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2017

12. Reserves (continued)

A summary of the Performance Rights 10 November 2017 is shown below:

20 Business Day VWAP	*Shares to be issued to J Sergeant & G Holdaway Number*	*Shares to be issued to P McKenzie, S Black & G Boulton Number*	*Total Shares to be issued to Directors Number*	*Escrow period*
$3.50 or above	107,140	53,570	374,990	12 months
$4.25 or above	85,720	42,860	300,020	12 months
$5.00 or above	64,280	32,140	224,980	12 months
Total	**257,140**	**128,570**	**899,990**	

Valuation of Performance Rights dated 10 November 2017

AASB 2 *Share-Based Payment* requires that the Company record the cost of all forms of Director remuneration in the Company's accounts and sets out parameters for determining this cost.

AASB 2 sets the valuation date (termed as Grant Date) as the date at which such a right has been approved, being the date of the General Meeting, 24 February 2017.

The Directors do not believe that a Black Scholes or Monte Carlo valuation methods are suitable for the Performance Rights. The performance rights have been valued using the share price at the grant date and applied a probability to each tranche. The Rights expire on 9 November 2018. The valuation is based on the probability of achieving VWAP and the share price at 24 February 2017 of $2.20, set out in the table below.

20 Business Day VWAP	**Shares to be issued**	**31 December 2017 $**	**30 June 2018 $**	**30 June 2019 $**	**Total Valuation $**
$3.50 or above	374,990	21,950	78,864	39,432	140,246
$4.25 or above	300,020	1,788	6,424	4,989	13,201
$5.00 or above	224,980	421	1,510	3,019	4,950
Total	**899,990**	**24,159**	**86,798**	**47,440**	**158,397**

b) Property, plant and equipment revaluation reserve

	Consolidated	
	31 December 2017 $'000	30 June 2017 $'000
Opening balance	**3,685**	3,458
Fair value gain on property, plant and equipment	**-**	322
Tax on fair gain on property, plant and equipment at 30%	**-**	(95)
Closing balance	**3,685**	3,685

The property, plant and equipment revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings.

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2017

13. Share-based Payment

Recognised share-based payment expenses

The expense recognised for employee services received during the period is shown in the table below:

	Consolidated	
	31 December 2017 $'000	31 December 2016 $'000
Performance rights [(a)]	**129**	1,462
Expense arising from equity-settled share-based payment transactions [(b)]	**19**	-
Total expense from share-based payment transactions	**148**	1,462

Equity-settled share-based payment transactions are as follows:

(a) During the period the following $128,610 (31 December 2016: $1,461,031) of directors' remuneration related to performance rights. The performance rights issued have been valued in accordance with AASB 2 *Share-based payments*:

1) Performance Rights Dated 10 November 2017 valued at $158,397:
   i. $24,159 is recognised in the six month period ended 31 December 2017;
   ii. $86,798 is recognised in the six month period ended 30 June 2017 ; and
   iii. $47,440 is recognised in the year ended 30 June 2018.

2) Performance Rights Dated 24 February 2017 valued at $584,684:
   i. $104,451 is recognised in the six month period ended 31 December 2017; and
   ii. $480,233 is recognised in the six month period ended 30 June 2017.

3) Performance Rights Dated 18 January 2016 valued at $3,356,161:
   i. $nil is recognised in the six month period ended 31 December 2017;
   ii. $272,400 is recognised in the six month period ended 30 June 2017;
   iii. $1,461,031 is recognised in the six month period ended 31 December 2016; and
   iv. $1,622,730 is recognised in the six month period ended 30 June 2016.

The Performance Rights dated 24 February 2017 will expire on 23 February 2018; then the Company will issue 899,990 Rights dated 10 November 2017, as approved by shareholders. The number of Rights and terms are identical for both the Rights dated 24 February 2017 and the Rights dated 10 November 2017.

(b) Shares issued in lieu of consulting fees

Peter Lockett was appointed as Approvals Manager on 8 May 2017. Mr Lockett's processional services are invoiced by Seaview Corporate Services Pty Ltd, of which, Mr Lockett has effective control.

During the period 9,388 ordinary shares were issued in respect of $19,897 of services:
- 5,708 shares at $2.19 as payment for $12,500 of services incurred in the current period; and
- 3,680 shares at $2.01 as payment for $7,397 of accrued services in the period ended 30 June 2017.

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2017

14. Commitments

Commitments

	Consolidated Lease Commitments		**Consolidated Other Commitments**	
	31 December 2017 $'000	30 June 2017 $'000	**31 December 2017 $'000**	30 June 2017 $'000
Due no later than one year	**31**	31	**-**	3,021
Later than one year but no later than 2 years	**-**	-	**-**	-
Later than 2 years but no later than 5 years	**-**	-	**-**	-
Later than 5 years	**-**	-	**-**	-
Total	**31**	31	**-**	3,021

The Group has leased two offices during the year ended 30 June 2017.

At the 30 June 2017, the Group had committed to acquire a US$2.9 million pontoon; $0.8 million had been paid, leaving a commitment of $3.02 million at 30 June 2017. The remaining $3.02 million was paid in the period to 31 December 2017.

There are no other commitments at 31 December 2017 or 30 June 2017.

15. Contingent assets and liabilities

The directors are not aware of any matter or circumstance not otherwise dealt with in the report or consolidated financial statements that has significantly or may significantly affect the operations of the consolidated entity.

There are no other contingent assets or contingent liabilities at 31 December 2017.

16. Operating segments

The Directors have considered the requirements of AASB 8 – Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded that there are no separately identifiable segments.

17. Events after balance date

The Group held a General Meeting on 5 February 2018. The following matters were approved by Shareholders at the General Meeting:

- ratification of the $19.8 million Share issue; and
- approval of issue of 360,000 Shares to Directors and Key Management Personnel at $2.00 per Share.

On 31 January 2018, 5,816 ordinary shares were issued in respect of services provided by Mr Peter Lockett.

The Group changed the names of following three subsidiaries on 5 February 2018:

Prior name	***New name***
RuralAus Landholdings Limited	Kangaroo Island Land Assets Limited
RuralAus Plantation Management Pty Ltd	Kangaroo Island Plantation Management Pty Ltd
RuralAus Plantation Timbers Pty Ltd	Kangaroo Island Timbers Pty Ltd

The Group is not aware of any other significant events occurring after 31 December 2017.

Directors' Declaration

In accordance with a resolution of the directors of Kangaroo Island Plantation Timbers Ltd, I state that:

In the opinion of the directors:

a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
   i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;
   ii) Comply with Accounting Standards AASB 134 Interim Financial Reporting; and
b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Paul McKenzie
Chairman

Dated this 20th day of February 2018

Grant Thornton

Grant Thornton House
Level 3
170 Frome Street
Adelaide, SA 5000
Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report
To the Members of Kangaroo Island Plantation Timbers Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Kangaroo Island Plantation Timbers Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Kangaroo Island Plantation Timbers Limited does not give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the Corporations Act 2001, including complying with Accounting Standard AASB 134 Interim Financial reporting.

Director's Responsibility for the Half Year Financial Report

The Directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kangaroo Island Plantation Timbers Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Iain Kemp

I S Kemp
Partner – Audit & Assurance

Adelaide, 20 February 2018