



## 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 2020

Previous corresponding reporting period: Half-year ended 31 December 2019

#### Results for Announcement to the Market

	Percentage Change %	Amount \$'000
Revenue – continued operations	50% decrease	45
Loss after tax – continued operations	93% decrease	(2,580)
Net loss attributable to members	93% decrease	(2,580)

#### Dividends paid or proposed

No dividends have been paid or proposed during the period.

#### Brief explanation of revenue and net loss

Loss from continuing operations decreased by \$34,471,801, primarily due to the wildfire losses and subsequent insurance recoveries accounted for in the prior period. A summary of the major charges is set out below:

	2020 Income/ (Expense) \$'000s	2019 Income/ (Expense) \$'000s	(Increase)/ Decrease in losses \$'000s
Insurance funds received	-	60,000	(60,000)
Profit on sale of assets	-	150	(150)
Forestry expenses have increased	(1,206)	(1,017)	(189)
Crop and farm insurance have decreased	(51)	(260)	209
Fees and interest on the CBA loan decreased	-	(597)	597
Directors fees have decreased	(391)	(612)	221
Performance rights have increased	(619)	(64)	(555)
Loss on biological asset has decreased	-	(109,216)	109,216
Income tax benefit has decreased	867	15,755	(14,888)
Other changes have increased	(1,180)	(992)	(188)
<b>Net comprehensive loss has decreased</b>	<b>(2,580)</b>	<b>(36,853)</b>	<b>34,273</b>

#### NTA backing

	Half-year Ended 31 December 2020	Half-year Ended 31 December 2019
Net tangible asset backing per security	\$2.09	\$1.86

The increase is the result of net insurance funds received in the period.

#### 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 2020.

#### Details of dividends

Not applicable

#### Details of associates or joint ventures

Not applicable.



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**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 2020. The half-year financial report should be read in conjunction with the annual report for the year ended 30 June 2020.

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# Kangaroo Island Plantation Timbers Ltd

## Interim Financial Report

ABN 19 091 247 166

For the half year ended  
31 December 2020



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## Directors' Report

For the half-year ended 31 December 2020

Your Directors submit their report for the half-year ended 31 December 2020 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	Last elected or re-elected at AGM	Resigned
Paul McKenzie	Non-Executive Chair	29 April 2005	28 October 2020	-
Keith Lamb	Managing Director	15 October 2018	-	-
John Sergeant	Non-Executive Director	2 March 2013	21 November 2019	-
Shauna Black	Executive Director	17 March 2015	21 November 2019	-
Gregory Boulton AM	Non-Executive Director	1 November 2016	28 October 2020	-

Directors were in office for the entire period.

### 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 2020	Net changes during the period	Performance Rights Issued	Closing interest at Report Date
Paul McKenzie <sup>(1)</sup>	2,789,860	-	-	2,789,860
John Sergeant <sup>(2)</sup>	2,619,970	-	-	2,619,970
Shauna Black <sup>(3)</sup>	421,670	-	-	421,670
Gregory Boulton AM <sup>(4)</sup>	193,730	-	-	193,730
Keith Lamb <sup>(5)</sup>	15,000	-	-	15,000
<b>Total</b>	<b>6,040,230</b>	<b>-</b>	<b>-</b>	<b>6,040,230</b>

(1) Paul McKenzie's shares comprise:

- a. 2,132,500 (2020: 2,132,500) held by Aminac Pty Ltd <Aminac S/F A/C> of which Mr McKenzie is the managing Director; and
- b. 657,360 (2020: 657,360) 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. 812,759 (2020: 1,042,759) held by Phalaenopsis Pty Ltd ATF Sergeant Family Trust of which Mr Sergeant has effective control; and
- b. 1,807,211 (2020: 1,577,211) held by the Sergeant Family Superannuation Fund of which Mr Sergeant has effective control.
- c. Mr Sergeant is also a unitholder in the Samuel Terry Absolute Return Fund, a Managed Fund which is a substantial shareholder in the Company. Mr Sergeant has no influence on the acquisition, disposal or voting of the shares held on behalf of Samuel Terry Absolute Return Fund.

(3) Shauna Black's shares comprise:

- a. A direct interest in 66,670 (2020: 66,670) shares; and
- b. 355,000 (2020: 355,000) held by Black Stump Regional Pty Ltd ATF the Taybric Family Trust of which Ms Black has effective control.



## Directors' Report continued

For the half-year ended 31 December 2020

(4) Gregory Boulton's shares comprise:

a. 193,730 (2020: 193,730) held by G Boulton Pty Ltd ATF <Greg Boulton Family S F A/C>.

(5) Keith Lamb's shares are held directly.

### Interest in Performance Rights

	Year	Performance Rights dated 1 July 2021 \$	Performance Rights dated 30 June 2020 \$	Performance Rights dated 21 November 2019 \$	Performance Rights dated 16 October 2018 \$	Total Performance Rights \$
<b>Non-Executive Directors</b>						
P McKenzie	2020	24,929	52,439	-	-	77,368
	2019	-	-	2,856	5,031	7,887
G Boulton	2020	24,929	52,439	-	-	77,368
	2019	-	-	2,856	5,031	7,887
J Sergeant	2020	24,929	52,439	-	-	77,368
	2019	-	-	5,711	10,062	15,773
<b>Executive Directors</b>						
K Lamb	2020	99,714	209,754	-	-	309,468
	2019	-	-	5,711	-	5,711
S Black	2020	24,929	52,439	-	-	77,368
	2019	-	-	5,711	5,031	10,742
G Holdaway <sup>(1)</sup>	2020	-	-	-	-	-
	2019	-	-	5,711	10,062	15,773
<b>Total</b>	<b>2020</b>	<b>199,430</b>	<b>419,510</b>	<b>-</b>	<b>-</b>	<b>618,940</b>
	<b>2019</b>	<b>-</b>	<b>-</b>	<b>28,556</b>	<b>35,217</b>	<b>63,773</b>

(1) Mr Holdaway resigned on 6 May 2020.

### Performance Rights Plan

The Performance Rights Plan ("Plan") was last approved by shareholders on 21 November 2019. Under the Plan, the Board can issue performance rights to Executive and the Non-Executive Directors as remuneration for additional duties performed and to incentivise them to align their interests more closely with those of shareholders.

If the performance conditions and any other vesting conditions are met, an equivalent number of shares will be issued that rank equally with all other existing shares in all respects.

In addition, a Plan participant must not dispose of any shares acquired under the Plan before the end of the restriction period (if any) which are subject to the Plan rules and the terms of the specific offer from time to time. The performance rights have been valued through independent valuer FTI Consulting using a trinomial lattice valuation method. All performance rights expire the earlier of twelve months after issue or if they are replaced by new performance rights.

### Valuation of Performance Rights

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.



## Directors' Report continued

For the half-year ended 31 December 2020

The Directors have employed the services of FTI Consulting to value the performance rights using a trinomial lattice model; the model calculates performance right values utilising the following inputs:

- Rights type;
- Valuation date;
- Share price at valuation date;
- Expiry date;
- Risk free rate;
- Company-specific volatility;
- Strike price; and
- Maximum expected life.

### **Performance Rights to be Issued 1 July 2021**

At the 28 October 2020 Annual General Meeting, shareholders approved the issue of a total of 2,369,744 Performance Rights that expire on 30 June 2022. The performance rights Issued on 30 June 2020 expire on 29 June 2021. These performance rights issued 1 July 2021 will replace the performance rights that had been issued on 30 June 2020. Keith Lamb received 50% of the total Rights pool, with Paul McKenzie, Shauna Black, Greg Boulton and John Sergeant receiving 12.5% each. The Performance Rights are triggered by meeting the following performance vesting conditions:

- Performance rights will vest on first occurrence of meeting share price hurdle vesting condition for 20 consecutive business days.

A summary of the performance rights is shown below:

Last 1,000,000 Shares Traded VWAP	Shares to be issued to directors:			
	K Lamb	P McKenzie, S Black, G Boulton & J Sergeant Number	Total Shares Number	Escrow Period
\$1.31 or above	376,149	94,037	752,297	12 months
\$1.57 or above	501,533	125,383	1,003,065	12 months
\$1.83 or above	250,766	62,692	501,534	12 months
<b>Total</b>	<b>1,128,448</b>	<b>282,112</b>	<b>2,256,896</b>	

The total value of these rights of \$1,900,808 includes a portion (\$199,429) that has been recognised in the period ended 31 December 2020 and is reflected in the profit and loss.

### **Valuation of Performance Rights to be Issued 1 July 2021**

The Directors have employed the services of FTI Consulting to value the performance rights using a trinomial lattice model. The performance rights are all American call performance rights calculated with the following inputs:

- Valuation date of 28 October 2020;
- A share price of \$1.095, being the closing share price as at 28 October 2020;
- A risk-free rate of 0.105%, based on the yield of Australian 2-year government bonds as at 28 October 2020;
- A volatility of 88.1% based on analysis of the historical volatility of ASX:KPT for a 1 year period up to 28 October 2020, rounded to one decimal place and reflecting the period which performance is measured; and
- A strike price of \$nil.



## Directors' Report continued

For the half-year ended 31 December 2020

Last 1,000,000 Shares Traded VWAP	Shares to be issued	Grant Date to 31 Dec 2020 \$	6 months to 30 Jun 2021 \$	6 months to 31 Dec 2021 \$	6 months to 30 Jun 2022 \$	Total Valuation \$
\$1.31 or above	752,297	72,457	204,918	208,315	204,918	690,608
\$1.57 or above	1,003,065	87,349	247,034	251,128	247,034	832,545
\$1.83 or above	501,534	39,623	112,058	113,916	112,058	377,655
<b>Total</b>	<b>2,256,896</b>	<b>199,429</b>	<b>564,010</b>	<b>573,359</b>	<b>564,010</b>	<b>1,900,808</b>

The 1 July 2021 performance rights expire on 30 June 2022.

### Performance Rights Issued 30 June 2020

At the 30 June 2020 General Meeting, shareholders approved the issue of a total of 2,256,896 performance rights that expire on 29 June 2021. These performance rights replaced the expired performance rights that had been issued on 21 November 2019. Keith Lamb received 50% of the total Rights pool, with Paul McKenzie, Shauna Black, Greg Boulton and John Sergeant receiving 12.5% each. The performance rights are triggered by meeting the following performance vesting conditions:

- Performance rights will vest on first occurrence of meeting share price hurdle vesting condition for 20 consecutive business days.

A summary of the Performance rights is shown below:

Shares to be issued to directors:				
Last 1,000,000 Shares Traded VWAP	P McKenzie, S Black, G Boulton & J Sergeant Number		Total Shares Number	Escrow Period
	K Lamb			
\$1.25 or above	376,149	94,037	752,297	12 months
\$1.50 or above	501,533	125,383	1,003,065	12 months
\$1.75 or above	250,766	62,692	501,534	12 months
<b>Total</b>	<b>1,128,448</b>	<b>282,112</b>	<b>2,256,896</b>	

### Valuation of Performance Rights Issued 30 June 2020

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, 30 June 2020.

The Directors have employed the services of FTI Consulting to value the performance rights using a trinomial lattice model. The performance rights are all American call performance rights calculated with the following inputs:

- Valuation date of 30 June 2020;
- A share price of \$0.80, being the closing share price as at 30 June 2020;
- A risk-free rate of 0.250%, based on the yield of Australian 2-year government bonds as at 30 June 2020;
- A volatility of 85.7% based on analysis of the historical volatility of ASX:KPT for a 1 year period up to 30 June 2020, rounded to one decimal place and reflecting the period which performance is measured; and
- A strike price of \$nil.



## Directors' Report continued

For the half-year ended 31 December 2020

Last 1,000,000 Shares Traded VWAP	Shares to be issued	6 months 31 Dec 2020 \$	6 months 30 Jun 2021 \$	Total Valuation \$
\$1.25 or above	752,297	168,523	172,268	340,791
\$1.50 or above	1,003,065	179,064	183,042	362,106
\$1.75 or above	501,534	71,923	73,522	145,445
<b>Total</b>	<b>2,256,896</b>	<b>419,510</b>	<b>428,832</b>	<b>848,342</b>

The 30 June 2020 performance rights expire on 29 June 2021.

## Review and results of operations

The Group experienced a loss of \$2,580,000. A summary of the losses compared with the loss in the 2019 comparable period, is set out below:

	2020 Income/ (Expense) \$'000s	2019 Income/ (Expense) \$'000s	(Increase)/ Decrease in losses \$'000s
Insurance funds received	-	60,000	(60,000)
Profit on sale of assets	-	150	(150)
Forestry expenses have increased	(1,206)	(1,017)	(189)
Crop and farm insurance have decreased	(51)	(260)	209
Fees and interest on the CBA loan decreased	-	(597)	597
Directors fees have decreased	(391)	(612)	221
Performance rights have increased	(619)	(64)	(555)
Loss on biological asset has decreased	-	(109,216)	109,216
Income tax benefit has decreased	867	15,755	(14,888)
Other changes have increased	(1,180)	(992)	(188)
<b>Net comprehensive loss has decreased</b>	<b>(2,580)</b>	<b>(36,853)</b>	<b>34,273</b>

### \$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 22<sup>nd</sup> 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 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, while some existing coal-fired plants can accept a proportion of biomass pellets.

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.



## Directors' Report continued

For the half-year ended 31 December 2020

### 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 ultimately make a decision on the suitability of Smith Bay for the proposed Seaport. The public exhibition has now concluded.

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. 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 that the fire damaged trees, which are now taller than originally anticipated, present 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 have been cut and laid down in the footprint of the plantation for collection at a later time.

In January, Harvestco commenced 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.

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.



## Directors' Report continued

For the half-year ended 31 December 2020

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 reassure them of our commitment to the project and the longer-term opportunities it provides for the benefit of our community.

### Share issue

At 31 December 2020 and as at the date of this report the ordinary shares on issue:

	No of Ordinary Fully paid Shares
As at 1 July 2020	56,463,788
Unmarketable Parcel Buy-back	(49,273)
<b>At 31 December 2020</b>	<b>56,414,515</b>
<b>At the date of this report</b>	<b>56,414,515</b>

### Events after balance date

There have been no significant events after the balance date.

### 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 11 of this report and forms part of this report.

Signed in accordance with a resolution of the directors.

Paul McKenzie  
Chairman

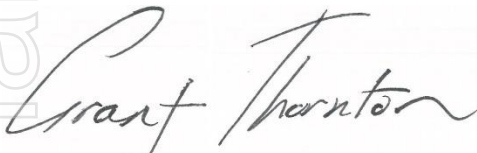
Dated this 26<sup>th</sup> February 2021

## Auditor's Independence Declaration

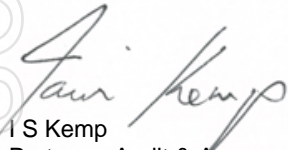
### To the Directors of Kangaroo Island Plantation Timbers Limited

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 2020, 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 AUDIT PTY LTD  
Chartered Accountants



I S Kemp  
Partner – Audit & Assurance

Adelaide, 26 February 2021



## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2020

		Consolidated 31 December 2020 \$'000	31 December 2019 \$'000
Notes			
Rent	4	3	55
Bank interest		42	35
<b>Revenue</b>		<b>45</b>	<b>90</b>
Sale of property plant and equipment		-	150
Insurance proceeds	4	-	60,000
Other income	4	27	27
Forestry expenses		(1,206)	(1,017)
Deep water wharf development costs		(661)	(814)
Administrative expenses		(111)	(134)
Other expenses	4	(1,541)	(1,097)
Finance costs		-	(598)
Loss on biological assets		-	(109,215)
<b>(Loss)/Profit before income tax</b>		<b>(3,447)</b>	<b>(52,608)</b>
Income tax benefit/(expense)	5	867	15,755
<b>Net (loss)/Profit for the period from continuing operations</b>		<b>(2,580)</b>	<b>(36,853)</b>
<b>Profit/(loss) for the period attributable to members of the parent</b>		<b>(2,580)</b>	<b>(36,853)</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified subsequently to profit or loss		-	-
<b>Other comprehensive income for the period net of tax</b>		<b>-</b>	<b>(36,853)</b>
<b>Total comprehensive income/(loss) for the period attributable to members of the parent</b>		<b>(2,580)</b>	<b>(36,853)</b>
<b>Basic and diluted earnings per share</b>	6	<b>EPS in cents (4.57)</b>	<b>EPS in cents (65.68)</b>

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 2020

		Consolidated	
	Notes	31 December 2020 \$'000	30 June 2020 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	28,596	8,521
Trade and other receivables	8	7,602	32,356
Other current assets		292	100
<b>Total current assets</b>		<b>36,490</b>	<b>40,977</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	76,768	74,858
Biological assets	10	5,981	5,942
Other non-current assets		4	4
<b>Total non-current assets</b>		<b>82,753</b>	<b>80,804</b>
<b>TOTAL ASSETS</b>		<b>119,243</b>	<b>121,781</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		877	577
Employee benefits		187	154
<b>Total current liabilities</b>		<b>1,064</b>	<b>731</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	5	6,828	7,697
<b>Total non-current liabilities</b>		<b>6,828</b>	<b>7,697</b>
<b>TOTAL LIABILITIES</b>		<b>7,892</b>	<b>8,428</b>
<b>NET ASSETS</b>		<b>111,351</b>	<b>113,353</b>
<b>EQUITY</b>			
Contributed equity	11	90,628	90,669
Reserves	12	12,577	11,958
Accumulated profits/(losses)		8,146	10,726
<b>TOTAL EQUITY</b>		<b>111,351</b>	<b>113,353</b>

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 2020

Notes	Consolidated	
	31 December 2020 \$'000	31 December 2019 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers and other income	21	82
Payments to suppliers and employees	(2,109)	(1,999)
Payment to wharf development expense suppliers	(519)	(801)
Interest received	42	35
Tax refund	43	-
Borrowing costs	-	(690)
Government grant	68	-
Insurance recovery	24,600	-
<b>Net cash flows (used in)/from operating activities</b>	<b>22,146</b>	<b>(3,373)</b>
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(33)	-
Purchase of Wharf development assets	(1,996)	(655)
Proceeds from the sale of plant and equipment	-	150
<b>Net cash flows from/(used in) investing activities</b>	<b>(2,029)</b>	<b>(505)</b>
<b>Cash flows from financing activities</b>		
Proceeds from share issue	-	660
Payment for share issue costs	-	(5)
Unmarketable parcel buyback	(42)	-
<b>Net cash flows (used in)/from financing activities</b>	<b>(42)</b>	<b>655</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>20,075</b>	<b>(3,223)</b>
Cash and cash equivalents at beginning of period	8,521	9,511
<b>Cash and cash equivalents at end of period</b>	<b>28,596</b>	<b>6,288</b>

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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 2020

	Issued Capital \$'000	Treasury Shares \$'000	Property, plant & equipment Revaluation Reserve \$'000	Option Reserve \$'000	Accumulated Profits/ (Losses) \$'000	Total \$'000
<b>Balance at 1 July 2019</b>	90,399	(450)	3,685	125	44,296	138,055
Profit for the period	-	-	-	-	(33,870)	(33,870)
Other comprehensive income	-	-	8,273	-	-	8,273
<b>Total comprehensive income</b>	-	-	8,273	-	(33,870)	(25,597)
Shares issued	660	-	-	-	-	660
Share issue costs	(5)	-	-	-	-	(5)
<b>Net shares issued</b>	655	-	-	-	-	655
Performance rights lapsed	-	-	-	(300)	300	-
Share-based payments	67	-	-	175	-	242
Share issue costs	(2)	-	-	-	-	(2)
Transaction with owners	720	-	-	(125)	300	895
<b>Balance at 30 June 2020</b>	91,119	(450)	11,958	-	10,726	113,353
<b>Balance at 1 July 2020</b>	91,119	(450)	11,958	-	10,726	113,353
Loss for the period	-	-	-	-	(2,580)	(2,580)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-	(2,580)	(2,580)
Performance rights lapsed	-	-	-	-	-	-
UMP Buyback	(41)	-	-	-	-	(41)
Share-based payments	-	-	-	619	-	619
Transactions with owners	(41)	-	-	619	-	578
<b>Balance at 31 December 2020</b>	<b>91,078</b>	<b>(450)</b>	<b>11,958</b>	<b>619</b>	<b>8,146</b>	<b>111,351</b>

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 2020

### 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 2020 was authorised for issue in accordance with a resolution of the directors on 26 February 2020. 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 2020 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 2020 and any public announcements made by Kangaroo Island Plantation Timbers Ltd during the half-year ended 31 December 2020 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and ASX Listing Rules.

#### Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

#### New or amended accounting standards and interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

#### (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.

Refer to Notes 3, 8, 9 and 10 for further details.

### 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 as at 31 December 2020:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>31 December 2020</b>				
<b>Property, plant and equipment</b>				
Land held for production in Australia	-	-	56,782	<b>56,782</b>
Land held for sale	-	-	29	<b>29</b>
Land and buildings	-	-	2,419	<b>2,419</b>
	-	-	59,230	<b>59,230</b>
<b>Biological assets</b>				
Standing timber	-	-	5,981	<b>5,981</b>



## Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2020

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>30 June 2020</b>				
<b>Property, plant and equipment</b>				
Land held for production in Australia	-	-	56,778	<b>56,778</b>
Land and buildings	-	-	2,502	<b>2,502</b>
	-	-	59,280	<b>59,280</b>
<b>Biological assets</b>				
Standing timber	-	-	5,942	<b>5,942</b>

### **Land held for production in Australia (Level 3)**

The fair value of the plantation land assets was calculated by an independent expert, JLL Valuations and Advisory, in their report dated 30 June 2020.

The valuation was carried out in accordance with AASB 13 Fair Value Measurement, AASB 116 Property, Plant and Equipment. This valuation method has been used by JLL as it provides the best estimate of a price reasonably obtainable in the property market at the report date. The fair value valuation has been prepared using a 'Summation Approach' whereby the land value has been assessed as a rate per hectare which is summated with the added value of any structural improvement. The independent expert has assessed the rate per hectare for the productive component of the land (exclusive of remnant vegetation and water bodies) as in the range of \$2,730 per hectare to \$3,413 per hectare. The land's location, rainfall, physical attributes, location of amenities and improvements all influence where in this range a particular is valued.

Since 30 June 2020, the Company has had one land title converted from crown lease to freehold. The cost of this transaction was \$32,999 and has been added to the land asset value.

### **Biological assets (Level 3)**

The fair value of the Group's biological assets was calculated by an independent expert, Geddes Management Pty Ltd, as at 30 June 2019. Due to wildfires that started in December 2019 approximately 95% of the plantation has been damaged, leaving three plantations with limited fire damage, of which 512.5 acres is undamaged. The Board has resolved to value these three plantations using the 30 June 2019 book value which amounts to \$5,942,626 and has further resolved that, until the Board has confirmed a viable strategy to remove the damaged timber from other plantations, a salvage value of \$nil has been determined for all damaged or partially damaged timber. \$38,602 for planting carried out in the period has been added to the biological asset at cost. Refer to Note 10 for further details.

## **4. Other income and expenses**

### **(a) Operating leases income**

Operating leases: freehold land and buildings

	<b>Consolidated</b>	
	<b>31 December 2020</b>	31 December 2019
	<b>\$'000</b>	\$'000
	<b>3</b>	<b>55</b>
	<b>3</b>	<b>55</b>

The Group leases a number of assets on operating leases:

Operating leases: freehold land and buildings \$3,000 (2019: \$54,998);

- The Lease agreement between Graham Holdaway and the Group commenced on 30 June 1999 and ceased on 31 December 2020. Due to the impacts of wildfires, the Company forgave lease payments relating to the period following the fires. The remaining debt pertaining to this lease and totaling \$11,885 was forgiven on 31 December 2020 (prior year annual rent excluding GST: \$25,144);



## Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2020

- The Group also has a residential lease on 2 (2019: 10) properties. The agreement is cancellable and the annual rent received amounted to \$4,564 (2019: \$36,205). The difference in property numbers and rent received pertains directly to the December 2019 wildfires which effected 8 of the residential dwellings;
- The Group also casually leases out certain properties for agistment and other purposes. The annual income amounted to \$9,867 (2019: \$6,221).

	<b>Consolidated</b>	
	<b>31 December</b>	31 December
	<b>2020</b>	2019
	<b>\$'000</b>	<b>\$'000</b>
<b>(b) Other income</b>		
Other Income	27	27
	<b>27</b>	<b>27</b>
<b>(c) Other income</b>		
Insurance proceeds 8(a)	-	60,000
	-	60,000
<b>(d) Other Expenses</b>		
Directors' fees and remuneration	391	612
Directors' performance rights	619	64
Total directors' remuneration	<b>1,010</b>	676
Share based payments	-	25
Professional fees	207	142
Legal fees	10	61
ASX/Share registry fees/ASIC fees	50	45
Audit fees	36	44
Depreciation	144	65
Other corporate expenses	84	39
	<b>1,541</b>	<b>1,097</b>

### 5. Income tax

	<b>Consolidated</b>	
	<b>31 December</b>	31 December
	<b>2020</b>	2019
	<b>\$'000</b>	<b>\$'000</b>
<b>a) Income tax expense</b>		
The major components of income tax expense are:		
Income Statement		
<i>Deferred income tax</i>	(867)	(15,755)
Income tax expense/(benefit) reported in profit or loss	<b>(867)</b>	<b>(15,755)</b>
Profit/(loss) before tax	<b>(3,448)</b>	<b>(52,608)</b>
At the statutory income tax rate of 30% (2019: 30%)	<b>(1,034)</b>	<b>(15,782)</b>
Other deductions	167	27
Tax losses brought into account as a deferred tax asset	-	-
Adjustments in respect of prior year	-	-
Income tax expense/(benefit) reported in income statement	<b>(867)</b>	<b>(15,755)</b>



## Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2020

### Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	31 December 2020	30 June 2020	31 December 2020	30 June 2020	31 December 2020	30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CONSOLIDATED</b>						
Trade and other receivables	129	374	(13,554)	(16,830)	(13,425)	(16,456)
Property, plant and equipment	2,637	2,034	(9,917)	(9,384)	(7,280)	(7,350)
Biological assets	9,068	9,079	-	-	9,068	9,079
Trade and other payables	69	62	-	-	69	62
Tax losses	4,740	6,968	-	-	4,740	6,968
Net tax assets/(liabilities)	16,643	18,517	(23,471)	(26,214)	(6,828)	(7,697)

### 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 2020	31 December 2019
	\$'000	\$'000
Continuing Net profit/(loss) attributable to ordinary equity holders of the parent	(2,580)	(36,853)

#### b) Weighted average number of shares

##### Post-share split

Weighted average number of ordinary shares for basic earnings per share

No.	No.
56,264,204	56,105,517

Effect of dilution:

Share options and performance rights

Weighted average number of ordinary shares adjusted for the effect of dilution

-	-
56,264,204	56,105,517

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 2020.



## Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2020

	<b>Consolidated</b>	
	<b>31 December</b>	30 June
	<b>2020</b>	2020
	<b>\$'000</b>	\$'000
Cash at bank and in hand	<b>28,596</b>	8,521

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 31 December 2020 \$Nil (30 June 2020: \$2,534,436, 31 December 2019: \$3,155,148) is held in a restricted savings account.

### 8. Current assets – Trade and other receivables

	<b>Consolidated</b>	
	<b>31 December</b>	30 June
	<b>2020</b>	2020
	<b>\$'000</b>	\$'000
Trade receivables (a)	<b>62</b>	128
Insurance proceeds receivable	<b>7,500</b>	32,100
Sundry Debtors	<b>40</b>	128
Carrying amount of trade and other receivables	<b>7,602</b>	32,356

(a) Trade receivables are non-interest bearing and generally on 30-day terms.

### 9. Non-current assets – Property, plant and equipment

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

	<b>Freehold Land &amp; Buildings \$'000</b>	<b>Plant and equipment \$'000</b>	<b>Wharf Asset \$'000</b>	<b>Total \$'000</b>
<b>Half-year ended 31 December 2020</b>				
At 1 July 2020 net of accumulated depreciation and impairment	59,280	334	15,244	<b>74,858</b>
Additions	49	86	1,919	<b>2,054</b>
Depreciation charge for period	(99)	(45)	-	<b>(144)</b>
<b>At 31 December 2020 net of accumulated depreciation &amp; impairment.</b>	<b>59,230</b>	<b>375</b>	<b>17,163</b>	<b>76,768</b>
Cost or fair value	59,329	933	17,163	<b>77,425</b>
Accumulated depreciation	(99)	(558)	-	<b>(657)</b>
<b>Net carrying amount at 31 December 2020</b>	<b>59,230</b>	<b>375</b>	<b>17,163</b>	<b>76,768</b>
<b>Year ended 30 June 2020</b>				
At 1 July 2019 net of accumulated depreciation and impairment	47,485	318	14,288	62,091
Additions	-	264	956	1,220
Disposals	-	(605)	-	(605)
Revaluation	11,812	-	-	11,812



## Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2020

	Freehold Land & Buildings \$'000	Plant and equipment \$'000	Wharf Asset \$'000	Total \$'000
Adjustment in accumulated depreciation in relation to disposal/revaluation	-	499	-	499
Depreciation charge for year	(17)	(142)	-	(159)
At 30 June 2020 net of accumulated depreciation and impairment	59,280	334	15,244	74,858
Cost or fair value	59,280	847	15,244	75,371
Accumulated depreciation and impairment	-	(513)	-	(513)
Net carrying amount at 30 June 2020	59,280	334	15,244	74,858

At 31 December 2020, 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.

The Increase in wharf assets during the period is due to improvements to a floating pontoon and related costs totalling \$1.92 million (June 2020: \$0.96 million). The wharf asset is not operational and therefore no depreciation has been charged during the period (June 2020: \$nil).

### 10. Biological assets

	Consolidated 31 December 2020 \$'000	30 June 2020 \$'000
At 1 July plantation timber at fair value	5,942	115,158
Add plantings	39	-
Add fair value adjustment:	-	-
Fair value loss	-	(109,216)
Total biological assets	5,981	5,942
Plantation timber at cost	25,217	25,178
Accumulated fair value (loss)/gain	(19,236)	(19,236)
Total biological assets	5,981	5,942
Classified as current		
Classified as non-current	5,981	5,942

The Board has resolved to value the biological assets using the 30 June 2020 book value which amounts to \$5,942,626 plus additional plantings for the period. Until the Board has confirmed a viable strategy to remove timber damaged by the December 2019 fires from other plantations, a salvage value of \$nil has been determined for all damaged or partially damaged timber. The small increase to the asset value of \$38,602 pertains to new seedlings planted in November 2020. This planting was planned prior to the fires.

### 11. Contributed equity

#### a) Issued and paid up capital

	Consolidated 31 December 2020 \$'000	30 June 2020 \$'000
Ordinary shares fully paid	90,628	90,669

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 2020

### a) Movements in shares on issue

	31 December 2020		30 June 2020	
	Number of shares	\$'000	Number of shares	\$'000
Beginning of financial year	56,463,788	90,669	56,081,499	89,949
Placement			330,000	660
Unmarketable parcel buy-back	(49,273)	(41)	-	-
Share-based payment (Note 14)	-	-	52,289	67
Share issue costs	-	-	-	(7)
End of the financial year	56,414,515	90,628	56,463,788	90,669

## 12. Reserves

	Consolidated	
	31 December 2020	30 June 2020
	\$'000	\$'000
Option reserve (a)	619	-
Property, plant and equipment reserve	11,958	11,958
	12,577	11,958

### (a) Option reserve

	Consolidated	
	31 December 2020	30 June 2020
	\$'000	\$'000
Opening balance	-	125
Movement:		
Performance rights dated 1 July 2020	199	-
Performance rights dated 30 June 2020	420	-
Performance rights dated 21 November 2019	-	140
Performance rights dated 16 October 2018	-	35
Performance rights dated 21 November 2019 lapsed	-	(140)
Performance rights dated 16 October 2018 lapsed	-	(160)
Closing balance	619	-

Further details can be found in Note 19. The option reserve is used to recognise the grant date fair value of options and performance rights issued to employees but not yet exercised.

## 13. Share-based Payment

### Recognised share-based payment expenses

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

	Consolidated	
	31 December 2020	31 December 2019
	\$'000	\$'000
Performance rights <sup>(a)</sup>	619	63
Expense arising from equity-settled share-based payment transactions	-	25



## Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2020

Paid to employees under Executive & Employee Share Plan	-	-
Total expense from share-based payment transactions	<b>619</b>	<b>88</b>

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

- (a) During the period the following \$618,939 (31 December 2019: \$63,773) 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 30 June 2020 valued at \$848,342:
    - i. \$419,510 is recognised in the six-month period ended 31 December 2020; and
    - ii. \$428,832 to be recognised in the six-month period ended 30 June 2021.
  - 2) Performance Rights Dated 1 July 2021 valued at \$1,900,808:
    - i. \$199,429 is recognised from the grant date of 28 October 2020 to the end of the current period;
    - ii. \$564,010 to be recognised in the six-month period ended 30 June 2021;
    - iii. \$573,359 to be recognised in the six-month period ended 31 December 2021; and
    - iv. \$564,010 to be recognised in the six-month period ended 30 June 2022.

## 14. Commitments

### Commitments

	<b>Consolidated Lease Commitments</b>		<b>Consolidated Other Commitments</b>	
	<b>31 December 2020 \$'000</b>	<b>30 June 2020 \$'000</b>	<b>31 December 2020 \$'000</b>	<b>30 June 2020 \$'000</b>
Due no later than one year	<b>35</b>	35	-	-
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	<b>35</b>	35	-	-

The Group leases two offices. There are no other commitments at 31 December 2020 or 30 June 2020.

### AASB 16 Leases

The Group has elected to account for its leases using one of the practical expedients as described in AASB 16 C10(c), due to the short-term nature of the lease terms. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases and low value leases are recognised as an expense in profit or loss on a straight-line basis over the lease terms.

## 15. Contingent assets and liabilities

The Group has determined a nil value for the rights and salvage value of fire affected timber, hence in addition to the \$7.5m accounted for as receivable, a further \$5.0m is expected to be recovered. Finalisation is anticipated in early 2021.

In December, the Group was awarded a \$5m Forestry Development Fund Grant, this asset is contingent upon the Group incurring eligible pellet mill expenditure. An asset will be recognised in relation to this grant funding at the earlier of incurring eligible expenditure and receipt of funds.

The Directors are not aware of any other matter or circumstance not otherwise dealt with in the report or consolidated financial statements that have significantly affected, or may significantly affect, the operations of the consolidated entity.

There are no other contingent assets or contingent liabilities at 31 December 2020.



## Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2020

### 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 is not aware of any other significant events occurring after 31 December 2020.

### 18. Performance Rights

	Year	Performance Rights dated 1 July 2020 \$	Performance Rights dated 30 June 2020 \$	Performance Rights dated 21 November 2019 \$	Performance Rights dated 16 October 2018 \$	Total Performance Rights \$
<b>Non-Executive Directors</b>						
P McKenzie	2020	24,929	52,439	-	-	77,368
	2019	-	-	2,856	5,031	7,887
G Boulton	2020	24,929	52,439	-	-	77,368
	2019	-	-	2,856	5,031	7,887
J Sergeant	2020	24,929	52,439	-	-	77,368
	2019	-	-	5,711	10,062	15,773
<b>Executive Directors</b>						
K Lamb	2020	99,714	209,754	-	-	309,468
	2019	-	-	5,711	-	5,711
S Black	2020	24,929	52,439	-	-	77,368
	2019	-	-	5,711	5,031	10,742
G Holdaway <sup>(1)</sup>	2020	-	-	-	-	-
	2019	-	-	5,711	10,062	15,773
<b>Total</b>	<b>2020</b>	<b>199,430</b>	<b>419,510</b>	<b>-</b>	<b>-</b>	<b>618,940</b>
	<b>2019</b>	<b>-</b>	<b>-</b>	<b>28,556</b>	<b>35,217</b>	<b>63,773</b>

(1) Mr Holdaway resigned on 6 May 2020.

#### Performance Rights Plan

The Performance Rights Plan ("Plan") was last approved by shareholders on 21 November 2019. Under the Plan, the Board can issue performance rights to Executive and the Non-Executive Directors as remuneration for additional duties performed and to incentivise them to align their interests more closely with those of shareholders.

If the performance conditions and any other vesting conditions are met, an equivalent number of shares will be issued that rank equally with all other existing shares in all respects.

In addition, a Plan participant must not dispose of any shares acquired under the Plan before the end of the restriction period (if any) which are subject to the Plan rules and the terms of the specific offer from time to time. The performance rights have been valued through independent valuer FTI Consulting using a trinomial lattice valuation method. All performance rights expire the earlier of twelve months after issue or if they are replaced by new performance rights.



## Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2020

### Valuation of Performance Rights

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.

The Directors have employed the services of FTI Consulting to value the performance rights using a trinomial lattice model; the model calculates performance right values utilising the following inputs:

- Rights type;
- Valuation date;
- Share price at valuation date;
- Expiry date;
- Risk free rate;
- Company-specific volatility;
- Strike price; and
- Maximum expected life.

### Performance Rights to be Issued 1 July 2021

At the 28 October 2020 Annual General Meeting, shareholders approved the issue of a total of 2,369,744 Performance Rights that expire on 30 June 2022. The performance rights Issued on 30 June 2020 expire on 29 June 2021. These performance rights issued 1 July 2021 will replace the performance rights that had been issued on 30 June 2020. Keith Lamb received 50% of the total Rights pool, with Paul McKenzie, Shauna Black, Greg Boulton and John Sergeant receiving 12.5% each. The Performance Rights are triggered by meeting the following performance vesting conditions:

- Performance rights will vest on first occurrence of meeting share price hurdle vesting condition for 20 consecutive business days.

A summary of the performance rights is shown below:

Last 1,000,000 Shares Traded VWAP	Shares to be issued to directors:			
	K Lamb	P McKenzie, S Black, G Boulton & J Sergeant Number	Total Shares Number	Escrow Period
\$1.31 or above	376,149	94,037	752,297	12 months
\$1.57 or above	501,533	125,383	1,003,065	12 months
\$1.83 or above	250,766	62,692	501,534	12 months
<b>Total</b>	<b>1,128,448</b>	<b>282,112</b>	<b>2,256,896</b>	

The total value of these rights of \$1,900,808 includes a portion (\$199,429) that has been recognised in the period ended 31 December 2020 and is reflected in the profit and loss.

### Valuation of Performance Rights to be Issued 1 July 2021

The Directors have employed the services of FTI Consulting to value the performance rights using a trinomial lattice model. The performance rights are all American call performance rights calculated with the following inputs:

- Valuation date of 28 October 2020;
- A share price of \$1.095, being the closing share price as at 28 October 2020;
- A risk-free rate of 0.105%, based on the yield of Australian 2-year government bonds as at 28 October 2020;
- A volatility of 88.1% based on analysis of the historical volatility of ASX:KPT for a 1 year period up to 28 October 2020, rounded to one decimal place and reflecting the period which performance is measured; and
- A strike price of \$nil.



## Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2020

Last 1,000,000 Shares Traded VWAP	Shares to be issued	Grant Date to 31 Dec 2020 \$	6 months to Jun 2021 \$	6 months to Dec 2021 \$	6 months to 30 Jun 2022 \$	Total Valuation \$
\$1.31 or above	752,297	72,457	204,918	208,315	204,918	690,608
\$1.57 or above	1,003,065	87,349	247,034	251,128	247,034	832,545
\$1.83 or above	501,534	39,623	112,058	113,916	112,058	377,655
<b>Total</b>	<b>2,256,896</b>	<b>199,429</b>	<b>564,010</b>	<b>573,359</b>	<b>564,010</b>	<b>1,900,808</b>

The 1 July 2021 performance rights expire on 30 June 2022.

### Performance Rights Issued 30 June 2020

At the 30 June 2020 General Meeting, shareholders approved the issue of a total of 2,256,896 Performance Rights that expire on 29 June 2021. These performance rights replaced the expired performance rights that had been issued on 21 November 2019. Keith Lamb received 50% of the total Rights pool, with Paul McKenzie, Shauna Black, Greg Boulton and John Sergeant receiving 12.5% each. The performance rights are triggered by meeting the following performance vesting conditions:

- Performance rights will vest on first occurrence of meeting share price hurdle vesting condition for 20 consecutive business days.

A summary of the performance rights is shown below:

Last 1,000,000 Shares Traded VWAP	Shares to be issued to directors:			
	K Lamb	P McKenzie, S Black, G Boulton & J Sergeant Number	Total Shares Number	Escrow Period
\$1.25 or above	376,149	94,037	752,297	12 months
\$1.50 or above	501,533	125,383	1,003,065	12 months
\$1.75 or above	250,766	62,692	501,534	12 months
<b>Total</b>	<b>1,128,448</b>	<b>282,112</b>	<b>2,256,896</b>	

### Valuation of Performance Rights Issued 30 June 2020

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, 30 June 2020.

The Directors have employed the services of FTI Consulting to value the performance rights using a trinomial lattice model. The performance rights are all American call performance rights calculated with the following inputs:

- Valuation date of 30 June 2020;
- A share price of \$0.80, being the closing share price as at 30 June 2020;
- A risk-free rate of 0.250%, based on the yield of Australian 2-year government bonds as at 30 June 2020;
- A volatility of 85.7% based on analysis of the historical volatility of ASX:KPT for a 1 year period up to 30 June 2020, rounded to one decimal place and reflecting the period which performance is measured; and
- A strike price of \$nil.



## Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2020

<b>Last 1,000,000 Shares Traded</b>	<b>Shares to be issued</b>	<b>6 months 31 Dec 2020 \$</b>	<b>6 months 30 Jun 2021 \$</b>	<b>Total Valuation \$</b>
<b>VWAP</b>				
<b>\$1.25 or above</b>	752,297	168,523	172,268	340,791
<b>\$1.50 or above</b>	1,003,065	179,064	183,042	362,106
<b>\$1.75 or above</b>	501,534	71,923	73,522	145,445
<b>Total</b>	<b>2,256,896</b>	<b>419,510</b>	<b>428,832</b>	<b>848,342</b>

The 30 June 2020 performance rights expire on 29 June 2021.



## 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 2020 and of its performance for the half-year ended on that date;
  - ii) Complying 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 26<sup>th</sup> day of February 2021

# Independent Auditor's Review Report

To the Members of the Board of Kangaroo Island Plantation Timbers Limited

Report on the review of 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 2020, 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, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Kangaroo Island Plantation Timbers Limited does not comply with the Corporations Act 2001 including:

- (a) giving a true and fair view of the Kangaroo Island Plantation Timbers Limited financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

## Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (*including Independence Standards*) (the Code) that are relevant to audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

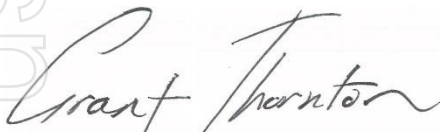
## Directors' responsibility for the half year financial report

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.

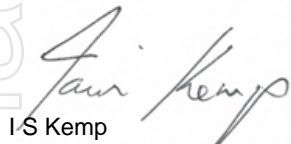
### Auditor's responsibility

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 2020 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*.

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.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



I S Kemp  
Partner – Audit & Assurance

Adelaide, 26 February 2021