



Results for announcement to the market

Financial Results	% movement	31 December 2015 \$'000	31 December 2014 \$'000
Revenue from ordinary activities	22%	655	537
Profit/(loss) from ordinary activities after tax attributable to members	NA	1,183	(673)
Net profit/(loss) for the period attributable to members	NA	1,183	(673)

Dividends	Amount per Ordinary Security	Franked amount per Security
2016 interim dividend*	\$0.015	\$0.015
2015 interim dividend	\$0.015	\$0.015

Record date for determining entitlements to the 2016 interim dividends	10 February 2016
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Net Tangible Asset Backing	31 December 2015	31 December 2014
Net tangible asset backing per ordinary security	\$0.90	\$0.94

Other explanatory notes

* **Dividend** – the company declared a 1.5 cent (\$0.015) franked dividend on 3 February 2016 for the quarterly period ended 31 December 2015

The information required by listing rule 4.2A is contained in both this Appendix 4D and the attached half-year report. This half-yearly reporting information should be read in conjunction with the most recent annual financial report of the company.

Katana Capital Limited

ABN 56 116 054 301

Financial statements

For the half-year ended 31 December 2015

Katana Capital Limited

ABN 56 116 054 301

Financial statements For the half-year ended 31 December 2015

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Directors' report

Your directors present their report with respect to results of Katana Capital Limited (the "Company" or "Katana Capital") and its controlled entities (the "Group") for the half-year ended 31 December 2015 and the state of affairs for the Company at that date.

DIRECTORS

The following persons were directors of Katana Capital Limited during the whole of the half-year and up to the date of this report:

Dalton Leslie Gooding
Peter Wallace
Giuliano Sala Tenna

OPERATING AND FINANCIAL REVIEW

The profit before tax for the half-year was \$1,475,181 (2014: \$1,120,411 loss) and profit after tax for the half-year was \$1,183,400 (2014: \$673,194 loss).

EARNINGS PER SHARE

The basic and diluted profit per share is 2.65 cents (2014: -1.63 cents).

DIVIDENDS

During the half-year the Company announced dividends payable for the June 2015 quarter of 1.5 cents per ordinary share (2014: 1.5 cent per ordinary share) and for the September 2015 quarter 1.5 cents per ordinary share (2014: 1.5 cent per ordinary share). The total dividends paid to shareholders were \$1,347,028 (2014: \$1,194,708). These dividends were declared and announced to the Australian Stock Exchange (ASX). The following is the summary of the announcement made and the total dividend paid:

Half year ended 31 December 2015:

Date of ASX announcement	Date of Payment	Dividend Declared	Dividend Amount
3 August 2015	3 September 2015	1.5 cents	\$676,546
27 October 2015	2 December 2015	1.5 cents	\$670,482
			\$1,347,028

Half year ended 31 December 2014:

Date of ASX announcement	Date of Payment	Dividend Declared	Dividend Amount
24 July 2014	1 September 2014	1.5 cents	\$509,216
17 October 2014	17 November 2014	1.5 cents	\$685,492
			\$1,194,708

The Company also announced a dividend payable for the December 2015 quarter of 1.5 cents per ordinary share (2014: 1.5 cents per ordinary share). The dividend was declared and announced to the ASX on 3 February 2016 and will be paid out on 3 March 2016.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the half-year under review.

Directors' report (continued)

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In last half's outlook, we noted that *'an astounding 90%+ of the industrialised world now boast interest rates at or near zero percent.'* This half we take it one step further by noting that 17 countries now boast official interest rates that are negative! We really are living in extraordinary times and it is easy to become desensitised by just how unique this period is. To repeat our commentary from last half: *'The reality is that much of the play book has yet to be written. No prior period has witnessed the combined impact of interest rates and quantitative easing of the scale and extent to that which currently pervades our markets. There are no analogues. There are times of 'partial' similarity such as the currency wars that occurred during the period intervening the great wars. But no period has evidenced the combined and coordinated central bank machinations of this time.'*

The issue as we see it now, is that despite an unprecedented level of coordinated intervention, the central banks globally have only really succeeded in 'kicking the can down the road'. They have largely failed to create sustainable economic growth, improve credit quality, spur inflation and importantly increase sentiment and confidence.

Moving forward we see four (4) key macro risks:

1. The US equity market has rolled over technically after having rallied solidly from around 7,000 in early 2009 to an all-time high of 18,351 in mid-2015. This reflects the clear change in investor sentiment and confidence.
2. Debt markets are showing signs of stress, characterised by rising credit default swaps (CDS) and heightened volatility.
3. Chinese Debt has increased from 121% of GDP in 2000 to 290%+ in 2015, a dramatic dollar rise from \$US2.1 trillion to US\$30 trillion (*McKinsey Global Institute*).
4. Confidence in the ability of the central banks to resolve this crisis is waning.

And it is this fourth risk which has us most cautious, as it indicates that the timing may be sooner rather than later. To date, investors have been prepared to believe that central banks would be capable of managing the great credit deflation and orchestrate a return to growth and inflation. However, if investors genuinely lose confidence in the ability of the Central Banks to manage this crisis, then it will become self-fulfilling and self-perpetuating.

We accordingly have maintained an overweight cash position and where possible are focussing on short duration opportunities with imminent 'triggers'.

AUDITOR INDEPENDENCE DECLARATION

The Directors have obtained an independence declaration from the Company's auditors Ernst & Young as presented on page 15 of this half-year report.

Signed for and on behalf of the Directors in accordance with a resolution of the Board.



Dalton Gooding
Chairman
26 February 2016
Perth, Western Australia

Katana Capital Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2015

		Consolidated for the half-year ended	
		31 December 2015	31 December 2014
		\$	\$
	Notes		
Revenue			
Dividend income		596,397	357,515
Distribution income		37,824	76,471
Investment income/(loss)	3	1,806,938	(986,170)
Interest income		20,622	103,441
Total revenue		2,461,781	(448,743)
Expenses			
Fund manager's fees		(199,050)	(196,003)
Performance fee to manager		(354,267)	-
Legal and professional		(67,663)	(64,133)
Directors' fees and expenses		(73,973)	(85,625)
Administration		(291,647)	(325,907)
Total expenses		(986,600)	(671,668)
Profit/(loss) before income tax		1,475,181	(1,120,411)
Income tax (expense)/benefit		(291,781)	447,217
Profit/(loss) after income tax		1,183,400	(673,194)
Net profit/(loss) for the half-year attributable to members of Katana Capital Limited		1,183,400	(673,194)
Other comprehensive income, net of tax		-	-
Total comprehensive income/(loss) for the half-year attributable to the members of Katana Capital Limited		1,183,400	(673,194)
		Cents	Cents
Earnings per share attributable to the ordinary equity holders of the company:			
Basic and diluted earnings/(loss) per share		2.65	(1.63)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Katana Capital Limited
Consolidated statement of financial position
As at 31 December 2015

		Consolidated At	
		31 December	30 June
		2015	2015
	Notes	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	4	7,895,056	3,204,027
Trade and other receivables	5	625,199	136,205
Investments - held for trading	6	31,571,138	37,776,106
Income tax receivable		132,256	-
Other assets		<u>8,525</u>	<u>22,364</u>
Total current assets		<u>40,232,174</u>	<u>41,138,702</u>
Non-current assets			
Deferred tax assets		<u>560,053</u>	<u>782,220</u>
Total assets		<u>40,792,227</u>	<u>41,920,922</u>
LIABILITIES			
Current liabilities			
Trade and other payables	7	606,234	1,065,173
Dividends payable		3,317	3,317
Income tax payable		<u>-</u>	<u>70,515</u>
Total current liabilities		<u>609,551</u>	<u>1,139,005</u>
Non-current liabilities			
Total liabilities		<u>609,551</u>	<u>1,139,005</u>
Net assets		<u>40,182,676</u>	<u>40,781,917</u>
EQUITY			
Issued capital	8	44,482,143	44,917,756
Option premium reserve	9(a)	101,100	101,100
Profit reserve	9(b)	93,369	821,538
Accumulated losses	9(c)	<u>(4,493,936)</u>	<u>(5,058,477)</u>
Total equity		<u>40,182,676</u>	<u>40,781,917</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Katana Capital Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2015

Consolidated	Notes	Issued capital \$	Option premium reserve \$	Profit reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2014		34,607,708	101,100	-	(510,260)	34,198,548
Profit for the half-year		-	-	-	(673,194)	(673,194)
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the half-year		-	-	-	(673,194)	(673,194)
Buy-back of shares		(101,445)	-	-	-	(101,445)
Proceeds from contributions by shareholders		10,965,093	-	-	-	10,965,093
Transaction costs for issued share capital		(242,330)	-	-	-	(242,330)
Dividends provided for or paid		-	-	-	(1,194,708)	(1,194,708)
Balance at 31 December 2014		45,229,026	101,100	-	(2,378,162)	42,951,964
 Balance at 1 July 2015		 44,917,756	 101,100	 821,538	 (5,058,477)	 40,781,917
Profit for the half-year		-	-	-	1,183,400	1,183,400
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the half-year		-	-	-	1,183,400	1,183,400
Buy-back of shares	8	(1,029,943)	-	-	-	(1,029,943)
Dividend reinvestment plan	8	524,250	-	-	-	524,250
Adjustment on transaction cost from prior year	8	70,080	-	-	-	70,080
Transfer from retained earnings to profit reserve		-	-	618,859	(618,859)	-
Dividends provided for or paid		-	-	(1,347,028)	-	(1,347,028)
Balance at 31 December 2015		44,482,143	101,100	93,369	(4,493,936)	40,182,676

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Katana Capital Limited
Consolidated statement of cash flow
For the half-year ended 31 December 2015

	Consolidated for the half-year ended	
	31 December 2015	31 December 2014
Notes	\$	\$
Cash flows from operating activities		
Proceeds on sale of financial assets	44,421,545	51,008,278
Payments for purchases of financial assets	(37,666,804)	(53,274,514)
Payments to suppliers and employees	(660,332)	(1,535,381)
Interest received	20,604	103,346
Dividends/distributions received	688,528	543,342
Other revenue	4,485	4,951
Tax paid	(264,276)	(272,127)
Net inflow/(outflow) from operating activities	<u>6,543,750</u>	<u>(3,422,105)</u>
Cash flows from financing activities		
Dividends paid	(822,778)	(1,194,708)
Payments for shares bought back	(1,029,943)	(101,445)
Proceeds from contributions by shareholders	-	10,722,763
Net inflow/(outflow) from financing activities	<u>(1,852,721)</u>	<u>9,426,610</u>
Net increase in cash and cash equivalents	4,691,029	6,004,505
Cash and cash equivalents at the beginning of the half-year	<u>3,204,027</u>	<u>5,647,123</u>
Cash and cash equivalents at end of the half-year	<u>7,895,056</u>	<u>11,651,628</u>

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The above consolidated statement of cash flow should be read in conjunction with the accompanying notes.

1 Corporate information

The financial report of Katana Capital Limited (the "Company") and its subsidiaries (the "Group" or the "Consolidated Entity") for the half-year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors of Katana Capital Limited on 26 February 2016.

Katana Capital Limited was incorporated on 19 September 2005. In July 2006 it incorporated a wholly owned subsidiary - Kapital Investments (WA) Pty Ltd.

Katana Capital Limited is a company limited by shares, incorporated and domiciled in Australia and whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principle activities are described in the Directors' report. The Company and its subsidiary are for-profit entities.

2 Summary of significant accounting policies

(a) Basis of preparation

The general purpose condensed financial report for the half-year ended 31 December 2015 has been prepared in accordance with AASB 134 *Interim Financial reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2015 and considered together with any public announcements made by Katana Capital Limited during the half-year ended 31 December 2015 in accordance with the continuous disclosure obligations of the ASX listing rules.

(b) Changes in accounting policy

The accounting policies and methods of computation are consistent with those of the most recent annual financial report, except for the adoption of new standards and interpretations as of 1 July 2015, noted below.

Reference	Title
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 <i>Materiality</i> The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.
AASB 2015-4	Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent The amendment aligns the relief available in AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures in respect of the financial reporting requirements for Australian groups with a foreign parent.

The adoption of new standards and interpretations has not resulted in a material change to the financial performance or position of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3 Investment income/(loss)

	Consolidated	
	Half-year ended	
	31 December 2015	31 December 2014
	\$	\$
Realised (losses)/gains on investments held for trading	(947,218)	1,396,317
Unrealised gains/(losses) on investments held for trading	2,749,671	(2,387,543)
Other revenue	4,485	5,056
	<u>1,806,938</u>	<u>(986,170)</u>

4 Current assets - Cash and cash equivalents

	Consolidated	
	At	
	31 December 2015	30 June 2015
	\$	\$
Cash at bank	<u>7,895,056</u>	<u>3,204,027</u>
	<u>7,895,056</u>	<u>3,204,027</u>

5 Current assets - Trade and other receivables

	Consolidated	
	At	
	31 December 2015	30 June 2015
	\$	\$
Unsettled trades - listed equities	625,176	63,425
Interest receivable	23	5
Dividends receivable	-	72,775
	<u>625,199</u>	<u>136,205</u>

There are no receivables past due or impaired.

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

6 Current assets - Investments held for trading

	Consolidated	
	At	
	31 December 2015	30 June 2015
	\$	\$
Equity securities - classified as held at fair value through profit or loss	29,085,471	33,812,802
Australian equity options	60	-
Australian listed trusts	1,936,002	2,923,029
Australian unlisted trusts	549,605	1,040,275
	<u>31,571,138</u>	<u>37,776,106</u>

Held for trading investments consist of investments in ordinary shares and therefore have no fixed maturity date or coupon rate.

7 Current liabilities - Trade and other payables

	Consolidated	
	At	
	31 December 2015	30 June 2015
	\$	\$
Unsettled trades - listed equities	-	776,316
Management fee - Katana Asset Management Ltd	127,403	135,135
Trade creditors	-	31,148
Audit fee payable	17,500	-
Custody fees payable	93,991	23,397
Performance fee payable	367,340	13,073
Redemptions Payable	-	86,104
	<u>606,234</u>	<u>1,065,173</u>

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

8 Issued capital

	Consolidated		Consolidated	
	At		At	
	31 December 2015	30 June 2015	31 December 2015	30 June 2015
	Shares	Shares	\$	\$
Ordinary shares fully paid	<u>44,664,294</u>	<u>45,342,549</u>	<u>44,482,143</u>	<u>44,917,756</u>

(a) Movements in ordinary share capital:

Date	Details	Number of shares	\$
1 July 2014	Opening balance	34,002,419	34,607,708
	Proceeds from contributions by shareholders	11,790,421	10,965,093
	Buy-back of shares	(780,780)	(719,827)
	Dividend reinvestment plan	330,489	298,382
	Decrease due to transaction costs for issued share capital	-	(233,600)
30 June 2015	Balance	<u>45,342,549</u>	<u>44,917,756</u>
1 July 2015	Opening balance	45,342,549	44,917,756
	Proceeds from contributions by shareholders	-	-
	Adjustment on transaction cost from prior year	-	70,080
	Buy-back of shares	(1,320,435)	(1,029,943)
	Dividend reinvestment plan	642,180	524,250
31 December 2015	Balance	<u>44,664,294</u>	<u>44,482,143</u>

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

During the period from 1 July 2015 to 31 December 2015, 1,320,435 shares were bought back on market and were subsequently cancelled. The shares were acquired at an average price of \$0.78 with the price ranging from \$0.76 to \$0.83 per share.

8 Issued capital (continued)

(b) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. Management is constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. The Company defines its capital as the total funds under management, being \$40,792,228 at 31 December 2015 (30 June 2015: \$41,920,922), including equities and cash reserves. The Company does not have any additional externally imposed capital requirements however has as a goal the ability to continue to grow assets under management and maintain a sustainable dividend return to shareholders. To assist with meeting its internal guidelines, Katana Asset Management Ltd holds regular Investment Committee meetings to assess the equity portfolio.

9 Reserves and Accumulated losses

	Consolidated	
	At	
	31 December	30 June
	2015	2015
	\$	\$
(a) Reserves		
Option premium reserve	<u>101,100</u>	101,100
	<u>101,100</u>	101,100

The option premium reserve is used to record the value of share based payments provided to employees, including KMP, as part of their remuneration.

(b) Profit reserve

The profit reserve is made up of amounts allocated from retained earnings that are preserved for future dividend payments. Movement in profit reserve were as follows:

	Consolidated	
	At	
	31 December	30 June
	2015	2015
	\$	\$
Opening balance	821,538	-
Transferred from retained earnings (i)	618,859	1,510,705
Dividends paid	<u>(1,347,028)</u>	<u>(689,167)</u>
	<u>93,369</u>	821,538

(c) Accumulated losses

Movements in accumulated losses were as follows:

	Consolidated	
	At	
	31 December	30 June
	2015	2015
	\$	\$
Balance 1 July	(5,058,477)	(510,260)
Net profit/(loss) after tax attributable to members of the Company	1,183,400	(1,157,799)
Profit reserves (i)	(618,859)	(1,510,705)
Dividends	-	(1,879,713)
Balance 31 December	<u>(4,493,936)</u>	<u>(5,058,477)</u>

10 Related party transactions

(a) Directors

The names of persons who were Directors of Katana Capital Limited at any time during the half-year and of this report are as follows: Mr Dalton Gooding, Mr Giuliano Sala Tenna and Mr Peter Wallace.

(b) Related party transactions

Transactions between the Parent Company and related parties noted above during the year are outlined below:

Dalton Gooding is a partner of Gooding Partners Chartered Accounting firm and as part of providing taxation advisory services, Gooding Partners received \$38,471 (2014: \$nil) for tax services provided.

All related party transactions are made at arm's length on normal commercial terms and conditions.

Outstanding balances at half-year end are unsecured and settlement occurs in cash.

11 Financial Risk Management

(a) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- (a) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (b) Level 2 - valuation technique for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- (c) Level 3 - valuation technique for which the lowest level input that is significant to the fair value movement that is not observable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table presents the Company's assets and liabilities measured and recognised at fair value at 31 December and 30 June 2015.

Group - as at 31 December 2015	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Financial assets held at fair value through profit or loss:				
- Equity securities	29,085,471	-	-	29,085,471
- Listed Unit Trust	1,936,002	-	-	1,936,002
- Options	-	-	60	60
- Unlisted Unit Trust	-	549,605	-	549,605
Total assets	31,021,473	549,605	60	31,571,138
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Liabilities				
Financial liabilities held at fair value through profit or loss:				
- Options	-	-	-	-
Total liabilities	-	-	-	-

11 Financial risk management (continued)

(a) Fair value measurements (continued)

Group - as at 30 June 2015	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Financial assets held at fair value through profit and loss				
- Equity securities	33,312,802	-	500,000	33,812,802
- Listed Unit Trust	2,923,029	-	-	2,923,029
- Unlisted Unit Trust	-	1,040,275	-	1,040,275
Total assets	36,235,831	1,040,275	500,000	37,776,106
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Liabilities				
Financial liabilities held at fair value through profit or loss:				
- Options	-	-	-	-
Total liabilities	-	-	-	-

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available for sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, unlisted investments) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. In determining the fair value of the securities the company holds in unlisted investments, the company refers to the Net Tangible Assets of that investment, recent trading in units of the investment and all other market factors associated with the unlisted investment.

Financial assets at fair value through profit or loss are dependent on the change of input variables used to determine fair value, namely changes in market prices of equity securities. The majority of the investments are invested in shares of companies listed on the Australian Stock Exchange which are valued based on market observable information.

There were no transfers between level 1 and level 2 during the year.

The only movement in the level 3 equity securities since 30 June 2015 was \$(499,940).

12 Segment reporting

For management purposes, the Group is organised into one main operating segment, which invests in equity securities, debt instruments, and related derivatives. All of the Group's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating disclosures are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

The Group operates from one geographic location, being Australia, from where its investing activities are managed.

The Group does not derive revenue of more than 10% from any one of its investments held.

13 Events occurring after reporting date

Other than the franked 1.5 cents dividend per share declared on 3 February 2016 and the Board resolution of 2 February 2016 to transfer \$2,978,106 from current year earnings to a separate equity retained profits account being the after tax earnings for the period 1 October to 31 December 2015, the Directors are not aware of any matter or circumstance that has significantly or may significantly affect the operation of the Company or the results of those operations, or the state of affairs of the Company in subsequent financial years.

14 Commitments and contingencies

There are no outstanding contingent liabilities or commitments as at 31 December 2015 (30 June 2015: Nil)

Directors' declaration

In accordance with a resolution of the directors of Katana Capital Limited, I state that:

- (a) The financial statements and notes of the consolidated entity set out on pages 3 to 13 are in accordance with the *Corporations Act 2001*, including
 - (i) Giving a true and fair view of the financial position as at 31 December 2015 and of its performance for the half-year ended on that date of the consolidated entity.
 - (ii) Complying with Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2011*;
- (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
Katana Capital Limited



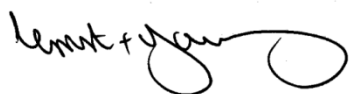
Dalton Gooding
Chairman
Dalton Gooding
26 February 2016

Auditor's independence declaration to the Directors of Katana Capital Limited


As lead auditor for the review of Katana Capital Limited for the half-year ended 31 December 2015, I declare 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.

This declaration is in respect of Katana Capital Limited and the entities it controlled during the financial period.



Ernst & Young



G H Meyerowitz
Partner
26 February 2016

To the members of Katana Capital Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Katana Capital Limited, which comprises the condensed statement of financial position as at 31 December 2015, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 controls as the directors determine are necessary to enable the preparation of the half-year financial report that 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 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 Katana Capital Limited and the entities it controlled during the half year, 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.

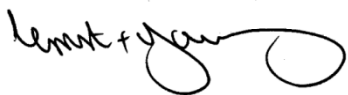
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Katana Capital Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 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*.



Ernst & Young



G H Meyerowitz
Partner
Perth
26 February 2016