

Kiland Ltd

ACN 091 247 166

Results for Announcement to the Market
Appendix 4E
Preliminary Final Report
The following information is given to the ASX under Listing Rule 4.3A
1. Reporting Period

Current reporting period: Year ended 30 June 2022

Previous reporting period: Year ended 30 June 2021

2. Results for announcement to the market

Consolidated Group	Item	2022 \$'000	2021 \$'000	% Change from the previous period
Revenue from ordinary activities from continuing operations	2.1	1,676	90	Revenue increased 1,762%
Revenue from ordinary activities from continuing and discontinued operations	2.1	1,676	90	Revenue increased 1,762%
Profit/(loss) from ordinary activities after tax	2.2	(3,206)	(25,966)	Loss decreased 88%
Profit/(loss) attributable to members for the period	2.3	(3,206)	(25,966)	Loss decreased 88%
Discontinued operations	2.3	-	-	
Total comprehensive profit/(loss) after tax	2.3	15,538	(28,687)	Profit increased 154%
Dividends	2.4			No dividends have been paid or proposed during the period.
The record date for determining entitlement to dividend	2.5	N/A		
Explanatory information	2.6			For further information refer to Commentary on Results which accompanies this announcement

Commentary on results

Agricultural Strategy and Carbon removal project

On 11 August 2021, the Group announced a strategy to remove the tree crop and convert its land to more traditional agricultural use.

Following a public tender process, the Group appointed AAGIM Investment Management Pty Ltd ("AAGIM") as Property Manager for its Kangaroo Island agricultural estate ("the estate") in January 2022. AAGIM have developed a Master Plan for the estate, which includes a multi-year operational plan and detailed funding requirements.

The Group has been acquiring reversion plant and equipment and reversion works on the estate had commenced by the date of this report.

On 16 June 2022 Kiland announced its intention to convert approximately 4.5 million tonnes of fire-damaged biomass (standing timber) into approximately 900,000 tonnes of biochar via a pyrolysis process.

The biochar market in Australia is small and underdeveloped at present and biochar sales from the island would be loss-making given the logistical challenges and costs of moving the product off the island. However production may offer the opportunity for carbon revenue from the generation of 1.8 million Carbon Removal Certificates (CRCs) which the Group believes will make the project commercially feasible.

Subsequent to year end, the Group announced that it had entered into a Project Development and Services Agreement with Biocare Projects Pty Ltd (Biocare). Biocare's responsibilities under the agreement include the design and development of an in-field biochar production system, management of the accreditation process, and marketing of carbon removal credits. AAGIM will manage biochar production operations as part of the reversion process, which continues as planned.

Land Revaluation

The 30 June 2022 independent valuation by LAWD Pty Ltd, of land and buildings owned by the Group amounts to \$72.6 million.

The fair value valuation was 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 gross rate per hectare for the productive component of the land (exclusive of remnant vegetation and water bodies) as in the range of \$6,800 per hectare to \$9,000 per hectare. The land's location, rainfall, physical attributes, location of amenities and improvements all influence where in this range a particular parcel of land is valued.

An allowance of up to \$4,000 per hectare for the cost of rehabilitating the forestry estate for agricultural use has been included in the independent valuation.

Insurance payments

In the prior year financial report, the Group disclosed a contingent asset, being an additional \$4 million tree crop insurance claim, which may be receivable, given ambiguity in the wording of its insurance policy concerning the interaction of \$5 million per-event excesses and the overall limit of claims, which is \$65 million. This insurance claim was settled in full for \$3.5 million in the year ended 30 June 2022.

Pontoon sale completed

On 26 April 2022, the Company's wholly owned subsidiary KI Seaport Pty Ltd completed the sale of its pontoon asset for cash proceeds of \$6.2 million less costs. The carrying value of the pontoon asset was \$5.8 million.

Results of operations

Revenue for the period increased by \$1,586,000 to \$1,676,000 (2021: \$90,000) mainly as a result of salvage sales of fire-damaged timber.

Net comprehensive profit for the period was \$15,538,000 (2021: loss of \$28,687,000), this is a \$44,225,000 increase in profit which is primarily due to:

	2022 Income/ (Expense) \$000's	2021 Income/ (Expense) \$000's	Increase/ (decrease) in profits \$000's
Sales of salvaged fire-damaged timber	1,613	26	1,587
Harvest and haulage of salvaged timber (stock held at nil value)	(2,586)	-	(2,586)
Insurance recoveries on fire-affected assets	3,500	312	3,188
Fair value of biological asset (standing timber) written down to nil in prior year	-	(5,981)	5,981
Decrease in ongoing forestry costs due to change in strategy	(1,537)	(3,780)	2,243
Wharf asset impaired in prior year due to refusal of development application	-	(13,242)	13,242
Revaluation of land assets	18,744	(2,721)	21,465
Other expenses	(4,196)	(3,301)	(895)
Net comprehensive profit / (loss)	15,538	(28,687)	44,225

Corporate matters

Share issues and buy-backs

Following the announcement of the agricultural strategy, the Group conducted two share buy-backs to create liquidity for shareholders and to achieve a more efficient capital structure. A total of 10,205,133 shares were bought back (approximately 18% of issued capital) at a cost of \$12.8 million (approximately \$1.25/share) plus \$0.1 million of costs.

On 29 March 2022, the Group announced a \$32.4 million fully underwritten 7 for 11 accelerated non-renounceable entitlement offer at \$1.10 per share (the Entitlement Offer), to fund the reversion of the Group's estate from forestry to agriculture. The Entitlement Offer was split into an Institutional and Retail component.

The Institutional Entitlement Offer was successfully completed on 30 March 2022, raising \$24.7 million. The Retail Entitlement Offer was successfully completed on 5 May 2022 raising \$7.7 million. The cost of the capital raising was \$0.8m.

As at 30 June 2022 there were 75,723,338 ordinary shares on issue and 2,902,500 performance rights.

Changes to Board and Management

The Group recorded five changes to the Board during the year.

On 13 July 2021, the Group appointed two new Non-Executive Directors, Mr James Davies and Mr Mitchell Taylor. Mr James Davies was appointed Executive Chairman at the Annual General Meeting on 25 October 2021.

Mr Gregory Boulton AM resigned as a Director on 21 September 2021. Ms Shauna Black resigned as an Executive Director on 30 September 2021 and as a Director on 25 October 2021. On 25 October 2021, Mr Keith Lamb resigned as Managing Director.

3. Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

	Consolidated	
	2022	2021
	\$'000	\$'000
Sales	1,613	26
Cost of sales	(2,586)	-
Gross profit / (loss)	(973)	26
Operating lease income	37	6
Bank interest	26	58
Fair value gain / (loss) on biological assets	-	(5,981)
Other income	3,531	391
Profit / (loss) on assets sold	368	60
Forestry expenses	(1,537)	(3,780)
Wharf feasibility costs	(838)	(872)
Wharf asset impaired	-	(13,242)
Administrative and other expenses	(4,477)	(3,941)
Finance costs	-	-
Profit / (loss) before income tax	(3,863)	(27,275)
Income tax (expense)/benefit	657	1,309
Net profit / (loss) for the year	(3,206)	(25,966)
Other comprehensive income		
<i>Items that will not be classified subsequently to profit or (loss)</i>		
Net fair value gain in property, plant and equipment	18,744	(2,721)
Other comprehensive income for the year net of tax	18,744	(2,721)
Total comprehensive profit / (loss) for the year attributable to members of the parent	15,538	(28,687)

4. Statement of Financial Position

As at 30 June 2022

	Consolidated	
	2022 \$'000	2021 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	48,301	32,735
Trade and other receivables	238	150
Other current assets	83	146
	48,622	33,031
Assets classified as held for sale	-	5,000
Total current assets	48,622	38,031
Non-current assets		
Property, plant and equipment	77,376	51,917
Biological assets	-	-
Other non-current assets	4	4
Total non-current assets	77,380	51,921
TOTAL ASSETS	126,002	89,952
LIABILITIES		
Current liabilities		
Trade and other payables	1,555	2,242
Employee benefits	37	189
Total current liabilities	1,592	2,431
Deferred tax liability	2,374	1,261
Total non-current liabilities	2,374	1,261
TOTAL LIABILITIES	3,966	3,692
NET ASSETS	122,036	86,260
EQUITY		
Contributed equity	109,613	90,691
Reserves	28,302	9,905
Accumulated profit / (loss)	(15,879)	(14,336)
TOTAL EQUITY	122,036	86,260

5. Statement of Cash Flows

For the year ended 30 June 2022

	Consolidated	
	2022	2021
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	1,593	150
Payments to suppliers and employees	(6,187)	(5,589)
Payments to wharf development suppliers	(897)	(843)
Interest received	26	58
Borrowing costs	-	-
Tax refund	-	43
Government grant	(1,128)	1,195
Insurance recoveries	3,500	32,412
Net cash flows from operating activities	(3,093)	27,426
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	6,226	95
Purchase of wharf development assets	(1,163)	(2,794)
Purchase of plant and equipment	(5,108)	(469)
Net cash flows used in investing activities	(45)	(3,168)
Cash flows from financing activities		
Proceeds from the issue of shares	32,400	-
Payment for share issue costs	(878)	(2)
Purchase of shares	(12,818)	(42)
Repayment of bank borrowings	-	-
Net cash flows used in financing activities	18,704	(44)
Net increase in cash and cash equivalents	15,566	24,214
Cash and cash equivalents at beginning of year	32,735	8,521
Cash and cash equivalents at end of year	48,301	32,735

6. Statement of Changes in Equity

For the year ended 30 June 2022

	Issued capital \$'000	Treasury shares \$'000	Property, plant & equipment revaluation reserve \$'000	Option & performance rights reserve \$'000	Accum- ulated profit \$'000	Total \$'000
Balance at 1 July 2020	91,119	(450)	11,958	-	10,726	113,353
Loss for the period	-	-	-	-	(25,966)	(25,966)
Other comprehensive income	-	-	(2,721)	-	-	(2,721)
Total comprehensive income	-	-	(2,721)	-	(25,966)	(28,687)
Shares issued	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-
Net shares issued	-	-	-	-	-	-
Unmarketable parcel buy- back	-	(42)	-	-	-	(42)
Share-based payments	64	-	-	1,572	-	1,636
Performance rights lapsed	-	-	-	(904)	904	-
Transaction with owners	64	(42)	-	668	904	1,594
Balance at 30 June 2021	91,183	(492)	9,237	668	(14,336)	86,260
Balance at 1 July 2021	91,183	(492)	9,237	668	(14,336)	86,260
Loss for the period	-	-	-	-	(3,206)	(3,206)
Other comprehensive income	-	-	18,744	-	-	18,744
Total comprehensive income	-	-	18,744	-	(3,206)	15,538
Shares issued	32,400	-	-	-	-	32,400
Share buy-backs	-	(12,818)	-	-	-	(12,818)
Share issue & buy-back costs (net of tax)	(660)	-	-	-	-	(660)
Share-based payments	-	-	-	1,316	-	1,316
Performance rights lapsed	-	-	-	(1,663)	1,663	-
Transaction with owners	31,740	(12,818)	-	(347)	1,663	20,238
Balance at 30 June 2022	122,923	(13,310)	27,981	321	(15,879)	122,036

7. Dividends paid or recommended

The Board has neither recommended nor paid any dividends during the year ended 30 June 2022 (2021: nil).

8. Details of any Dividend or distribution reinvestment plans

Not applicable.

9. Net tangible assets per security

	30 June 2022	30 June 2021
Number of securities	75,723,338	56,480,359
Net tangible assets per security	\$1.61	\$1.53

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

A new subsidiary, KI Carbon Ltd was incorporated during the year. There have been no other changes in controlled entities during the year ended 30 June 2022 nor in the prior year.

11. Details of associates and joint venture entities

Not applicable.

12. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position

Refer *Commentary on Results* which accompanies this announcement.

13. Foreign entities disclosures

Not applicable.

14. Commentary on the results for the period

Refer *Commentary on Results* which accompanies this announcement.

<u>Earnings per Share</u>	30 June 2022	30 June 2021
	cents	cents
<i>Continued operations</i>		
Basic earnings per share:	(5.76)	(46.02)

After Balance Date Events

There have been no significant events after the balance date.

15. Audit status

The Preliminary Final Report is unaudited.

16. Audit dispute or qualification

The Group is not aware of any audit dispute or qualification for the accounts for the year ending 30 June 2022.