
kiland

Annual Report

ABN 19 091 247 166

For the year ended

30 June 2022

Corporate information

Directors

James Richard Davies (Executive Chairman)
Paul Lawrence McKenzie (Non-Executive Director)
Mitchell Bennett Taylor (Non-Executive Director)

Company Secretary

Victoria Marie Allinson

Registered Office

Unit 3B, Level 3,
60 Hindmarsh Square
Adelaide, South Australia 5000
Telephone: (08) 8227 2482
Facsimile: (08) 8223 1685

Principal Place of Business

Unit 3B, Level 3,
60 Hindmarsh Square
Adelaide, South Australia 5000

Solicitors

Allens Linklaters
Deutsche Bank Place, Level 29,
126 Phillip Street, Sydney NSW 2000

Piper Alderman Lawyers
Level 16, 70 Franklin Street
Adelaide, South Australia 5000

Bankers

Commonwealth Bank of Australia Limited
CBA Specialised Agribusiness Solutions WA SA NT
Level 14D, 300 Murray Street
Perth, Western Australia 6000

Auditor

Grant Thornton Audit Pty Ltd
Level 3, 170 Frome Street
Adelaide, South Australia 5000

Share Registry

Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell St
Adelaide, South Australia 5000
Telephone: (08) 8236 2300

Website

www.kiland.com.au

Australian Securities Exchange Code

KIL

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Director's Report

Your directors submit their report for the year ended 30 June 2022.

Directors

The names and details of the Company's Directors in office during or since the end of the financial year are as follows:

| Director | Position | Appointed | Last elected or re-elected at AGM | Resigned |
|---|------------------------|---------------|-----------------------------------|-------------|
| James Davies | Executive Chairman | 13 July 2021 | 25 Oct 2021 | - |
| Paul McKenzie | Non-Executive Director | 29 April 2005 | 25 Oct 2021 | - |
| Mitchell Taylor | Non-Executive Director | 13 July 2021 | 25 Oct 2021 | - |
| Keith Lamb⁽¹⁾ | Managing Director | 15 Oct 2018 | - | 25 Oct 2021 |
| Shauna Black⁽¹⁾ | Executive Director | 17 March 2015 | 21 Nov 2019 | 25 Oct 2021 |
| Gregory Boulton AM⁽²⁾ | Non-Executive Director | 1 Nov 2016 | 28 Oct 2020 | 21 Sep 2021 |

(1) Mr Lamb and Ms Black resigned on 25 October 2021 at the conclusion of the 2021 Annual General Meeting (AGM).

(2) Mr Boulton resigned on 21 September 2021.

Names, qualifications, experience and special responsibilities

James Davies BCompSc, MBA, GAICD

Executive Chairman



Board Member since July 2021. Appointed as Executive Chairman in October 2021.

Mr Davies has more than 35 years of experience in investment management across timberland, economic infrastructure, real estate, private equity and special situations. Most recently he was Head of Funds Management at New Forest Asset Management, overseeing \$2.5 billion worth of investments in broad acre real estate, forestry assets and environmental markets.

Prior to that, he held Director roles at Hastings Funds Management Limited and Royal Bank of Scotland's Strategic Investments Group. Mr Davies has served on numerous Investment Committees and Boards including as Chairman of both Timberlink Australia and Tasmanian-based plantation owner Forico.

Mr Davies is Chairman of ASX-listed property investor Eildon Capital (ASX: EDC) and a non-executive Director of ASX-listed New Energy Solar (ASX: NEW). He is also a member of the Advisory Board for AGR Partners, a US-based private equity firm focussed on agribusiness.

Other than as disclosed above, in the three years prior to 30 June 2022, Mr Davies held no other director positions with any other ASX listed companies.

Mr Davies holds a Bachelor of Computer Science from the University of New England, a Masters of Business Administration from London Business School and is a Graduate of the Australian Institute of Company Directors.

Director's Report

Paul McKenzie BSc (Agric), BCom, FAICD, AIAST
Non-Executive Director



Board member since April 2005. Appointed Chairman July 2009, retired as Chairman at the October 2021 AGM and was re-elected as a Non-Executive Director. Chairman of the Audit and Risk Committee.

Mr McKenzie is the Managing Partner of Agrarian Management, a leading Western Australian agriculture consultancy with offices in Geraldton, Perth and Esperance. He has more than 30 years' experience in agribusiness, management, finance and primary production, advising over \$1.4 billion of agriculture assets. He is a Fellow of the Australian Institute of Company Directors (AICD), past President of the Australian Association of Agricultural Consultants (WA) Inc and a Ministerial Appointee to various agribusiness review and advisory panels.

Mr McKenzie is a Non-Executive Director of Minbos Resources Limited (ASX: MNB) (appointed 7 December 2020), Non-Executive Director of RLF AgTech Limited (ASX: RLF) (appointed 15 December 2021) and Chairman of CRC for Honey Bee Products Ltd.

Mr McKenzie is also a director of Rural Financial Counselling Service (WA), which administers a federal government-funded program in WA under the Department of Agriculture, Fisheries and Forestry.

Mr McKenzie was the founding Chairman of Gage Roads Brewing Co (ASX: GRB) from concept to private company to ASX listing in December 2006, resigning in May 2008.

Other than as disclosed above, in the three years prior to 30 June 2022, Mr McKenzie held no other director positions with any other ASX listed companies.

Mitchell Taylor BCom, MAppFin, GAICD

Non-Executive Director



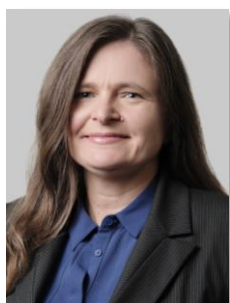
Board Member since July 2021, elected as a Non-Executive Director in October 2021. Member of the Audit and Risk Committee.

Mr Taylor is a representative of Samuel Terry Asset Management Pty Ltd, which manages the Samuel Terry Absolute Return Active Fund, the largest shareholder of Kiland. He has more than 10 years of commercial experience in funds management.

Mr Taylor has experience in a variety of commercial transactions and corporate situations across a range of industries. He holds a Bachelor of Commerce from the University of Sydney, a Masters of Applied Finance from Macquarie University and is a Graduate of the Australian Institute of Company Directors.

In the three years before 30 June 2022, Mr Taylor held no director positions with any other ASX listed companies.

Company Secretary and Chief Financial Officer



Victoria Allinson (appointed 14 May 2013)
 FCCA, AGIA

Ms Allinson is a Fellow of The Association of Certified Chartered Accountants and a member of the Governance Institute of Australia. She has more than 30 years of accounting and auditing experience, including senior accounting positions in a number of listed companies and was an audit manager for Deloitte Touche Tohmatsu. In addition, Ms Allinson has gained professional experience while living and working in both Australia and the United Kingdom.

Ms Allinson is currently Chief Financial Officer ("CFO"), Company Secretary and ASX-listed Elixir Energy Limited (ASX: EXR).

Director's Report

Her previous experience has included being Company Secretary and / or CFO for a number of ASX listed companies, including: Adelaide Energy Ltd, Buddy Technologies Ltd, Centrex Metals Ltd, Enterprise Energy NL, Island Sky Australia Ltd, Marmota Ltd and Safety Medical Products Ltd, as well as a number of unlisted companies. In her role as Company Secretary, Ms Allinson has assisted a number of companies to list on the ASX.

Ms Allinson has experience in all sizes of business from sole traders to large companies, in a wide variety of business sectors. She is based in Adelaide, South Australia.

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

As at 30 June 2022 and at the date of this report, the interests of the Directors, either directly or indirectly, in the shares of Kiland Ltd were:

Interest in ordinary shares

| | Opening interest at 1 July 2021 | Net changes during the period | Appointment / (resignation) of director | Closing interest at date of this report |
|--------------------------------|---------------------------------------|-------------------------------------|---|---|
| James Davies | - | 450,000 | - | 450,000 |
| Paul McKenzie | 2,789,860 | - | - | 2,789,860 |
| Mitchell Taylor ⁽¹⁾ | - | 14,986,507 | 15,916,041 | 30,902,548 |
| Keith Lamb ⁽²⁾ | 22,000 | | (22,000) | - |
| Shauna Black ⁽²⁾ | 421,670 | (200,000) | (221,670) | - |
| Gregory Boulton ⁽³⁾ | 193,730 | - | (193,730) | - |
| Total | 3,427,260 | 15,236,507 | 15,478,641 | 34,142,408 |

(1) Shareholding of Samuel Terry Asset Management Pty Ltd, of which Mr Taylor is a related party.

(2) Resigned on 25 October 2021

(3) Resigned on 21 September 2021

Interest in Performance Rights

On 13 September 2021, the Group announced that the Board had determined that the Performance Rights Plan approved by Shareholders on 21 November 2019 would be withdrawn. The Performance Rights were cancelled on 13th September 2021.

At the 25 October 2021 Annual General Meeting, shareholders approved a new Directors' Incentive Scheme. Under this new scheme, shareholders approved the issue on 25 October 2021 of a total of 2,902,500. Performance Rights, with an expiry date of 25 October 2024.

Individual holding of the Performance Rights issued on 1 July 2021 are as follows:

- James Davies 2,150,000
- Paul McKenzie 282,112
- Mitchell Taylor Nil

Refer to the Remuneration Report for further information on the directors' interests in performance rights.

Dividends

The Directors have resolved not to declare a dividend for the year ended 30 June 2022 (2021: Nil). No dividends were declared or paid during the previous year.

Principal Activities

The Group's principal activity during the year was agriculture.

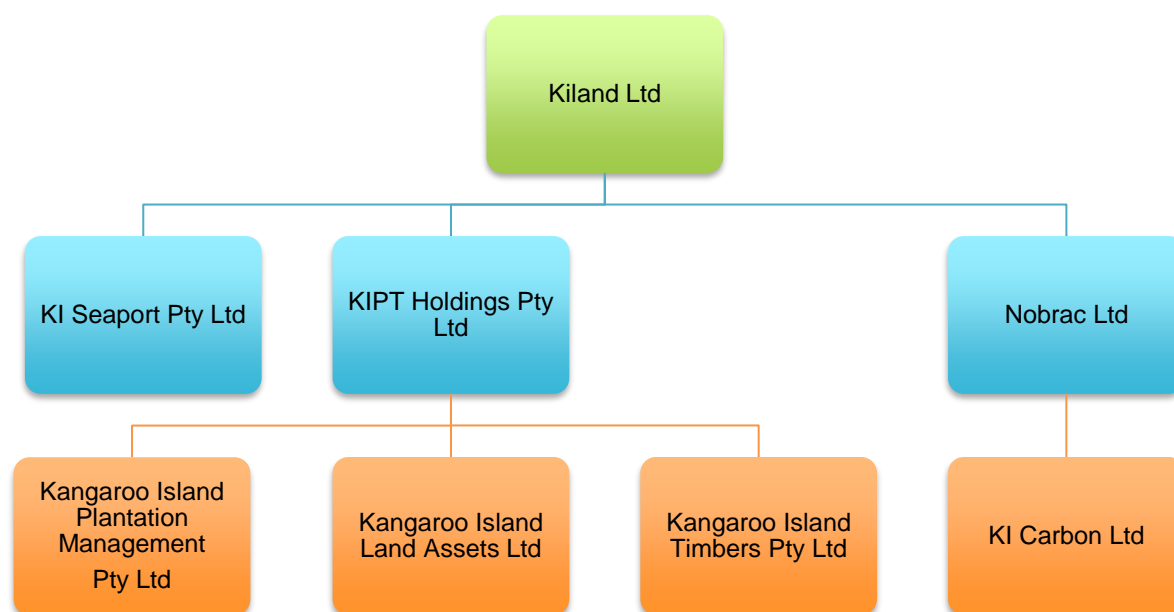
On 11 August 2021, the Group announced that the South Australia Minister for Planning had declined the development application for the Kangaroo Island Seaport at Smith Bay. The Group announced a new strategy to remove the tree crop and convert its land to agriculture. This strategy is now the main focus of the business.

Director's Report

Corporate Information

Corporate Structure

Kiland Ltd is a publicly listed company that is incorporated and domiciled in Australia. Kiland Ltd has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the following illustration ("Group"):



Nobrac Ltd and KI Carbon Ltd are newly established 100% subsidiaries that did not trade during the current or prior year. Nobrac Ltd was established after the year end.

Employees

During the year ended 30 June 2022, the consolidated entity employed 3 full time equivalent employees (2021: 15) and 1 full time equivalent Executive Director (2021: 1.4). At the 30 June 2022 the consolidated entity has no full time employees.

Operating and financial review

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 |

Director's Report

| | 2022 Income/ (Expense) \$000's | 2021 Income/ (Expense) \$000's | Increase/ (decrease) in profits \$000's |
|--|---|---|--|
| 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 changes | (4,196) | (3,301) | (895) |
| Net comprehensive profit / (loss) | 15,538 | (28,687) | 44,225 |

Performance indicators

| | 2022 \$'000 | 2021 \$'000 | 2020 \$'000 | 2019 \$'000 | 2018 \$'000 |
|---|----------------|----------------|----------------|----------------|----------------|
| Revenue and other income | 1,676 | 90 | 126 | 215 | 230 |
| Profit/(loss) from ordinary activities. | (3,206) | (25,966) | (33,870) | 247 | 13,052 |
| Profit/(loss) from discontinued operations. | - | - | - | - | - |
| Profit/(loss) attributable to members for the period. | (3,206) | (25,966) | (33,870) | 247 | 13,052 |
| Other comprehensive income. | 18,744 | (2,721) | 8,273 | - | - |
| Total comprehensive profit/(loss) after tax. | 15,538 | (28,687) | (25,597) | 247 | 13,052 |
| Basic earnings per share (cents). | (5.76) | (46.02) | (60.20) | 0.47 | 28 |
| Net tangible asset backing per security (cents). | 161 | 153 | 201 | 246 | 251 |
| Net tangible asset (excluding deferred tax) backing per security (cents). | 164 | 155 | 214 | 279 | 289 |

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.

Director's Report

Any biochar production is expected to be complementary to the Group's existing land development activities on Kangaroo Island and has the potential to offset the development cost of the Group's reversion activities, through revenue from biochar sales.

Additionally, the Group believes that biochar production may offer the opportunity for further revenue via the production and sale of approximately 1.8 million Carbon Removal Certificates (CRCs).

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 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 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.

Corporate Operations

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, 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.

Director's Report

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.

Significant changes in the state of affairs

The significant changes affecting the Group and its subsidiaries are set out in the Operating and Financial Review.

There have been no other significant changes in the state of affairs of the Group.

Significant events after balance date

Subsequent to year end, the Group announced that it had entered into a Project Development and Services Agreement with Biocare Projects Pty Ltd (Biocare) to progress the biochar project. Biocare's responsibilities under the agreement include the design and development of an in-field 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.

There have been no other events subsequent to balance date that have significantly affected, or may affect in the future, the operations of state of affairs of the Group.

Likely developments

Refer to the Operating and Financial Review.

Environmental regulation and performance

The Group's operations are subject to environmental regulations, pursuant to the conditions of tree farm planning permissions, and the requirements of planning and regulatory approvals of local government. The Group also operates under environmental legal and licence requirements governing the remaining plant at the Timber Creek sawmill. To the best of the directors' knowledge, the Group has complied with all environmental regulations relating to its activities during the year.

Indemnification and insurance of directors and officers

During the financial year the controlled entity, on behalf of the Group, paid \$21,000 (2021: \$19,274) insurance premiums in respect of directors' and officers' insurance against liability, except wilful breach of duty. In accordance with the insurance policy, further details of the nature of the liabilities insured against and the amount of the premium are prohibited from being disclosed.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Director's Report

Directors' meetings

The number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

| | Number of Directors Meetings held while in office | Directors Meetings attended | Number of Audit & Risk Meetings held while in office | Audit & Risk Meetings attended |
|-----------------------------------|--|-----------------------------------|---|--------------------------------------|
| Paul McKenzie | 14 | 14 | 3 | 3 |
| James Davies ⁽¹⁾⁽²⁾ | 11 | 11 | - | - |
| Mitchell Taylor ⁽³⁾ | 11 | 11 | 2 | 2 |
| Keith Lamb ⁽¹⁾⁽⁴⁾ | 8 | 8 | - | - |
| Shauna Black ⁽¹⁾⁽⁵⁾ | 8 | 8 | - | - |
| Gregory Boulton AM ⁽⁶⁾ | 8 | 8 | 2 | 2 |

(1) Executive Directors attend Audit & Risk Committee meetings by invitation.

(2) Mr Davies was appointed as a director on 13 July 2021 and as Executive Chairman on 25 October 2021.

(3) Mr Taylor was appointed as a director on 13 July 2021.

(4) Mr Lamb was the Managing Director and resigned on 25 October 2021.

(5) Ms Black resigned as an executive director on 30 September 2021 and as a director on 25 October 2021.

(6) Mr Boulton resigned on 21 September 2021.

Committee membership

As at the date of this report, the Company had an Audit and Risk Committee of the Board, of which Mr McKenzie was the Chairman. The directors consider that the committee is adequate for the Company's current circumstances.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Group under ASIC Class Order 2016/191. The Group is an entity to which the Class Order applies.

Auditor independence and non-audit services

The Directors have received the auditor's independence declaration, which is included on page 21 of this report. The declaration forms part of the Directors' report.

No Director of the Group is currently, or was formerly, a partner of Grant Thornton Audit Pty Ltd.

Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

Audit Services

The Directors of Kiland Limited resolved that Iain Kemp's appointment as auditor be extended from 5 to 7 years for the audit commencing 1 July 2020, in order to maintain audit quality. Iain Kemp has confirmed that this extension would not give rise to a conflict of interest as defined in the Corporations Act and the directors agree with this statement.

Director's Report

Non-Audit Services

Grant Thornton Audit Pty Ltd were appointed as auditors on 28 August 2013 and the appointment was confirmed by shareholders at a General Meeting held on 28 August 2013.

During the year, Grant Thornton, the Group's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor; and
- The non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

See Note 20 for amounts received or due and receivable by Grant Thornton Audit Pty Ltd.

Remuneration report (audited)

This Remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report the Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purpose of this report, the term "executive" encompasses the Executive Chairman, other Executive Directors and the Executive positions listed in the table below.

Key management personnel

Key management personnel during the year were follows:

| Directors | Position |
|--------------------|------------------------|
| James Davies | Executive Chairman |
| Paul McKenzie | Non-Executive Director |
| Mitchell Taylor | Non-Executive Director |
| Keith Lamb | Managing Director |
| Shauna Black | Executive Director |
| Gregory Boulton AM | Non-Executive Director |

| Executives | Position |
|-------------------|--|
| Victoria Allinson | Company Secretary, Chief Financial Officer |
| Luke Tregurtha | Manager of Business Development |
| Peter Lockett | Approvals Manager |
| Alan Braggs | Kangaroo Island Seaport Manager |
| Rob Heathcote | Operations Manager |

Mr Davies was appointed as a director on 13 July 2021 and was appointed as Executive Chairman at the AGM on 25 October 2021.

Mr McKenzie was the Chairman until the 25 October 2021 AGM, when he was re-elected as a Non-Executive Director.

Mr Taylor was appointed as a director on 13 July 2021.

Director's Report

Mr Lamb resigned as Managing Director at the conclusion of the AGM on 25 October 2021.

Ms Black resigned as an Executive Director on 30 September 2021 and as a director at the conclusion of the AGM on 25 October 2021.

Mr Boulton resigned as a director on 21 September 2021.

There have been no other changes to Key Management Personnel after the reporting date and before the date the financial accounts were authorised for issue.

Mr Tregurtha resigned on 25 March 2022.

Mr Lockett, Mr Braggs and Mr Heathcote provided their services as contractors and had ceased to be executives of the Group by 30 September 2021.

Remuneration committee

In view of the size of the parent entity, the Directors have considered that establishing a nomination and remuneration committee would contribute little to its effective management and accordingly all Directors participate in decisions regarding the nomination and election of new Board members and the appointment of senior management.

The Board of Directors of the Group is responsible for determining and reviewing remuneration arrangements for directors and executives.

The Board assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing director and executive team.

Remuneration is usually reviewed on an annual basis, taking into consideration both qualitative and quantitative performance indicators, with reference to industry benchmarks.

A review of remuneration levels was not conducted during the year, as the Board remained of the opinion that total remuneration should only be changed once the Group's strategic plans were further developed. It is noted that the Remuneration Report for the year ended 30 June 2021 received 99.8% of 'yes' proxy votes (2020: 98.7%) and was adopted via a poll with 99.8% in favour (2020: 99.6%). The Company received no specific feedback on its Remuneration Report at the last Annual General Meeting.

The Board did not meet during the year to consider specific remuneration matters. The Board did not use the professional services of Remuneration Consultants during the year.

Remuneration philosophy and structure

The Board has structured remuneration packages for its executives and directors in order to attract and retain people with the necessary qualifications, skills and experience to assist the Group in achieving its desired results.

In addition to cash remuneration, the Board utilises Performance Rights with vesting conditions tied to Group share price performance to incentivise directors and align a portion of their remuneration with the objective of increasing shareholder wealth. The Group also has an Executive and Employee Share Plan, whereby shares can be issued to employees as a means of aligning a component of employee remuneration with the Group's share price performance.

The overall performance of the directors and the executives of the Group is considered against:

- Timely production of Group accounts and records;
- Maintenance/improvement of the Net Tangible Assets of the Group;
- Control of costs;
- Investor relations;
- Assessment of new opportunities; and
- Employee performance.

Director's Report

Performance is reviewed on an annual basis; the last review was undertaken in September 2020.

Key performance indicators

The following table shows the results of key performance indicators of the Group for the past 5 years:

| Year | Net tangible assets per share | Earnings per share | Share price at 30 June |
|------|-------------------------------|--------------------|------------------------|
| 2022 | \$1.61 | (\$0.0576) | \$1.26 |
| 2021 | \$1.53 | (\$0.4602) | \$1.08 |
| 2020 | \$2.01 | (\$0.6020) | \$0.80 |
| 2019 | \$2.46 | \$0.0047 | \$2.25 |
| 2018 | \$2.51 | \$0.2800 | \$2.15 |

With the exception of awards of Performance Rights, there is not a direct correlation between the results of key performance measures set out above and the remuneration awarded.

Non-Executive Director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The total amount paid to non-executive directors is determined by the Board from time to time for presentation to and resolution by shareholders at the Annual General Meeting. The current maximum aggregate remuneration paid in cash to non-executive directors is fixed at \$400,000 per year.

Non-Executive Directors are paid a fixed amount per year. They are not eligible for any additional payments, other than reimbursement of expenses incurred on behalf of the Group, and excluding the value of any Performance Rights issued.

In the year ended 30 June 2022:

- Non-Executive Chairman's fees were \$nil (2021: \$100,000) following Mr Davies appointment as Chair;
- Non-Executive Director fees were \$75,000 (2021: \$75,000) for each Director; and
- A Non-Executive Chairman of the Audit and Risk Committee receives an additional \$25,000 fee per annum in respect of these extra duties (2021: \$10,000).

The Directors have signed contracts setting out their obligations and remuneration.

Director performance reviews are in the form of informal annual self-review and discussion with the other directors led by the Chairman.

Executive remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities with the Group, so as to:

- Align the interest of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

At the date of this report there is only one executive director

Structure

The Group reviews its staffing requirements on an ongoing basis. At 30 June 2022, the consolidated entity employed nil full time equivalent employees (2021: 10) and 1 full time equivalent Executive Director (2021: 1).

Director's Report

The Company's Company Secretary and CFO Victoria Allinson and former executives Peter Lockett, Alan Braggs and Rob Heathcote provided their services as contractors:

- Allinson Accounting Solutions Pty Ltd is engaged to provide the Company's financial, administrative and company secretarial functions;
- Seaview Corporate Services Pty Ltd was engaged to provide the approval managerial services of Peter Lockett;
- Infrastructure Consulting Pty Ltd was engaged to provide the Kangaroo Island Seaport management services of Alan Braggs; and
- Heathcote Resources Pty Ltd was engaged to provide the operations management services of Rob Heathcote.

Executive Directors have signed contracts setting out their obligations and remuneration. In addition, Executive Directors may be entitled to Performance Rights under an approved Directors' Incentive Scheme.

There are no termination obligations, other than statutory entitlements, with respect to any of the executives. The total amount paid to executives is determined by the Board on an annual basis as part of the annual performance review of executives conducted by the Board based on KPIs set by the Board each year. The amount of salary and fees and the payment of cash bonuses, if any, are at the Board's ultimate discretion.

Total Remuneration – Key Management Personnel

Remuneration is reviewed by the Board and is set at around the mid-point for professional personnel as measured by knowledge of the members of the Board.

Details of the nature and amount of each element of the remuneration for each member of the KMP of the Group are shown in the table below:

| | | | Short term benefits | | Post employment benefits | Long term benefits | Share-based payment | | Termination benefits | |
|--------------------------------------|------|---------------------|---------------------|------------------------------|--------------------------|--------------------------|--|--------------|----------------------|-------------|
| | Year | Salary & fees \$ | Bonus \$ | Annual leave provision \$ | Super \$ | Long service leave \$ | Performance Rights ⁽¹³⁾ \$ | Shares \$ | \$ | Total \$ |
| Non-Executive Directors (NED) | | | | | | | | | | |
| P McKenzie ⁽¹¹⁾ | 2022 | 100,000 | - | - | - | - | 225,285 | - | - | 325,285 |
| | 2021 | 100,000 | - | - | - | - | 201,473 | - | - | 301,473 |
| M Taylor ⁽²⁾ | 2022 | 72,432 | - | - | - | - | - | - | - | 72,432 |
| | 2021 | - | - | - | - | - | - | - | - | - |
| G Boulton ⁽³⁾ | 2022 | 18,750 | - | - | - | - | 142,171 | - | - | 160,921 |
| | 2021 | 85,000 | - | - | - | - | 201,473 | - | - | 286,473 |
| J Sergeant ⁽⁴⁾ | 2022 | - | - | - | - | - | - | - | - | - |
| | 2021 | 57,630 | - | - | 5,475 | - | 161,984 | - | - | 225,089 |
| Total NED | 2022 | 191,182 | - | - | - | - | 367,456 | - | - | 558,638 |
| | 2021 | 242,630 | - | - | 5,475 | - | 564,930 | - | - | 813,035 |
| Executive Directors (ED) | | | | | | | | | | |
| J Davies ⁽⁵⁾ | 2022 | 187,679 | - | - | - | - | 237,467 | - | - | 425,146 |
| | 2021 | - | - | - | - | - | - | - | - | - |
| K Lamb ⁽⁶⁾ | 2022 | 100,929 | - | 6,732 | 10,093 | (8,002) | 568,684 | - | 100,000 | 778,436 |
| | 2021 | 319,635 | - | 5,021 | 30,365 | 5,159 | 805,890 | - | - | 1,166,070 |
| S Black ⁽⁷⁾ | 2022 | 40,625 | - | 2,403 | - | (10,574) | 142,171 | - | - | 174,625 |
| | 2021 | 150,000 | - | 13,295 | - | 3,947 | 201,473 | - | - | 368,715 |
| Total ED | 2022 | 329,233 | - | 9,135 | 10,093 | (18,576) | 948,322 | - | 100,000 | 1,378,207 |
| | 2021 | 469,635 | - | 18,316 | 30,365 | 9,106 | 1,007,363 | - | - | 1,534,785 |

Director's Report

| | | | Short term benefits | | Post employment benefits | Long term benefits | Share-based payment | | Termination benefits | |
|-----------------------------|------|------------------|---------------------|---------------------------|--------------------------|-----------------------|---------------------------------------|-----------|----------------------|-----------|
| | Year | Salary & fees \$ | Bonus \$ | Annual leave provision \$ | Super \$ | Long service leave \$ | Performance Rights ⁽¹³⁾ \$ | Shares \$ | \$ | Total \$ |
| Other KMP | | | | | | | | | | |
| V Allinson ⁽⁸⁾ | 2022 | 503,815 | - | - | - | - | - | - | - | 503,815 |
| | 2021 | 369,644 | - | - | - | - | - | 3,000 | - | 372,644 |
| L Tregurtha ⁽⁹⁾ | 2022 | 125,787 | 35,000 | 6,498 | 12,579 | (681) | - | - | - | 179,183 |
| | 2021 | 146,986 | - | 4,309 | 13,014 | 669 | - | 1,000 | - | 165,978 |
| P Lockett ⁽¹⁰⁾ | 2022 | 19,500 | - | - | - | - | - | - | - | 19,500 |
| | 2021 | 204,540 | - | - | - | - | - | 50,000 | - | 254,540 |
| A Braggs ⁽¹¹⁾ | 2022 | 15,691 | - | - | - | - | - | - | - | 15,691 |
| | 2021 | 280,614 | - | - | - | - | - | - | - | 280,614 |
| R Heathcote ⁽¹²⁾ | 2022 | 28,461 | - | - | - | - | - | - | - | 28,461 |
| | 2021 | 150,455 | - | - | - | - | - | - | - | 150,455 |
| Total Other KMP | 2022 | 693,254 | 35,000 | 6,498 | 12,579 | (681) | - | - | - | 746,650 |
| | 2021 | 1,152,239 | - | 4,309 | 13,014 | 669 | - | 54,000 | - | 1,224,231 |
| TOTAL | 2022 | 1,213,669 | 35,000 | 15,633 | 22,672 | (19,257) | 1,315,778 | - | 100,000 | 2,683,495 |
| | 2021 | 1,864,504 | - | 22,625 | 48,854 | 9,775 | 1,572,293 | 54,000 | - | 3,572,051 |

There were no cash bonuses or other non-monetary benefits during the current or prior year.

Notes:

- (1) Mr McKenzie's fees consisted of a Chairman's / Director's fee of \$100,000 (2021: \$100,000).
- (2) Mr Taylor was appointed as a director on 13 July 2021 and received a Director's fee of \$72,432 (2021: \$nil).
- (3) Mr Boulton's fees consisted of a Director's fee of \$18,750 (2021: \$75,000) and an Audit and Risk Committee Chairman fee of \$nil (2021: \$10,000).
- (4) Mr Sergeant resigned on 3 May 2021 in the previous financial year. In 2021, his Directors fees to the date of his resignation on 3 May 2021 consisted of a Directors fee (inclusive of superannuation) of \$63,105.
- (5) Mr Davies was appointed a Non-Executive Director on 13 July 2021 and received Non Executive Director fees of \$21,370 and Consultancy fees of \$25,644 until his appointment as Executive Chairman on 25 October 2021, since which time he has received Executive Chairman fees of \$140,664. Since the 1 July 2022, Mr Davies annual fee amounted to \$287,500 including superannuation. Mr Davies has a notice period of 3 months and there are no termination benefits.
- (6) Mr Lamb's fees to the date of his resignation on 25 October 2021 consisted of a Director's fee (inclusive of superannuation) of \$111,022 (2021: \$350,000) and a termination payment of \$100,000 (2021: \$nil).
- (7) Ms Black's fees to the date of her resignation on 25 October 2021 consisted of a Director's fee of \$18,750 (2021: \$75,000) and an Executive fee of \$21,875 (2021: \$75,000).
- (8) Ms Allinson was appointed as CFO and Company Secretary on 14 May 2013. During the year, fees for professional accounting, administration and company secretarial services, as well as fees for the provision of serviced office space of \$503,815 (2021: \$372,644) were invoiced by Allinson Accounting Solutions Pty Ltd, of which Ms Allinson has effective control. \$nil of these fees were paid in shares (2021: \$3,000: of which \$1,000 of shares were issued to Ms Allinson and \$2,000 to her staff). At 30 June 2022, \$40,141 (2021: \$54,894) of fees were payable.

Director's Report

- (9) Mr Tregurtha was the Manager of Business Development and was appointed on 12 June 2020 and resigned on 25 March 2022. During the year, he was paid \$173,366 (2021: \$160,000) in salary, bonus and allowances (inclusive of superannuation).
- (10) Mr Lockett was appointed as Approvals Manager on 8 May 2017 and ceased to be an executive on 30 September 2021. During the year \$19,500 (2021: \$254,540) of professional services were invoiced by Seaview Corporate Services Pty Ltd, of which Mr Lockett has effective control. During the year \$nil (2021: \$50,000) of these fees were paid in ordinary shares. At 30 June 2022 \$nil (2021: \$29,167) of fees were payable.
- (11) Mr Braggs was appointed as KI Seaport Manager on 10 June 2020 and ceased to be an executive on 30 September 2021. During the year \$15,691 (2021: \$280,614) of professional services were invoiced by Infrastructure Consulting Pty Ltd, of which Mr Braggs has effective control.
- (12) Mr Heathcote was appointed as Operations Manager on 6 May 2020 and ceased to be an executive on 30 September 2021. During the year \$28,461 (2021: \$150,455) of professional services were invoiced by Heathcote Resources Pty Ltd, of which Mr Heathcote has effective control. At 30 June 2022 \$nil (2021: \$14,545) of fees were payable.
- (13) During the year, the Board issued Performance Rights to two directors on 25 October 2021 following shareholder approval. The Rights were valued based on AASB 2 *Share-based Payment*. Further details are set out below and in Note 24.

No options were granted as part of remuneration during the year.

Performance Rights

The value of performance rights issued during the current and prior years which has been recognised as Director Remuneration is shown below, organised by the issue date of the relevant batch of Performance Rights. No Performance Rights vested in the year (prior year: nil).

Share based Remuneration – Performance Rights

| | Year | Issued 25 October 2021 \$ | Issued 1 July 2021 \$ | Issued 30 June 2020 \$ | Total Performance Rights \$ |
|--------------------------------|-------------|---------------------------------|-----------------------------|------------------------------|--------------------------------------|
| Non-Executive Directors | | | | | |
| P McKenzie | 2022 | 83,114 | 142,171 | - | 225,285 |
| | 2021 | - | 95,430 | 106,043 | 201,473 |
| G Boulton ⁽¹⁾ | 2022 | - | 142,171 | - | 142,171 |
| | 2021 | - | 95,430 | 106,043 | 201,473 |
| J Sergeant ⁽²⁾ | 2022 | - | - | - | - |
| | 2021 | - | 72,838 | 89,146 | 161,984 |
| Executive Directors | | | | | |
| J Davies | 2022 | 237,467 | - | - | 237,467 |
| | 2021 | - | - | - | - |
| K Lamb ⁽³⁾ | 2022 | - | 568,684 | - | 568,684 |
| | 2021 | - | 381,720 | 424,170 | 805,890 |
| S Black ⁽⁴⁾ | 2022 | - | 142,171 | - | 142,171 |
| | 2021 | - | 95,430 | 106,043 | 201,473 |
| Total | 2022 | 320,581 | 995,197 | - | 1,315,778 |
| | 2021 | - | 740,848 | 831,445 | 1,572,293 |

(1) Mr Boulton resigned on 21 September 2021.

(2) Mr Sergeant resigned on 3 May 2021.

(3) Mr Lamb resigned on 25 October 2021.

(4) Ms Black resigned on 25 October 2021.

Director's Report

Directors' Incentive Scheme / Performance Rights Plan

On 13 September 2021, the Group announced that the Board had determined that the Performance Rights Plan (the Plan) approved by Shareholders on 21 November 2019 would be withdrawn.

At the 25 October 2021 Annual General Meeting, shareholders approved a new Directors' Incentive Scheme (the Scheme).

Under the Scheme, and the Plan which proceeded it, the Board can issue Performance Rights to Executive and Non-Executive Directors as remuneration for additional duties performed and to incentivise them to align their interests more closely with those of Shareholders.

Remuneration expense is then recognised over the relevant time of the Performance Rights, on the basis that the recipient must be an employee or director of the Group at the time the performance condition is met in order for the rights to vest.

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.

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 Directors have used either a Monte Carlo model or a trinomial lattice model to value the Performance Rights; refer to Note 24 for further details.

Performance Rights have varying dates of expiry as described below.

Performance Rights approved and issued on 25 October 2021

At the 25 October 2021 Annual General Meeting, shareholders approved the issue on 25 October 2021 of a total of 2,902,500 Performance Rights, with an expiry date of 25 October 2024.

The 25 October 2021 Performance Rights were granted in four tranches with different share price performance conditions as shown below:

- the one month volume-weighted average price (VWAP) of the Group's Shares is achieved at the one year anniversary date of the date on which the ASX share price for the Company's shares was first at the relevant price hurdle, subject to the value of the Company's shares traded in the 12 months to the anniversary date exceeding \$2 million; and
- the recipient must be an employee or director of the Group at the time the performance condition is met in order for the rights to vest.

| One month VWAP | James Davies Rights | Paul McKenzie Rights | Total Rights | Total Valuation \$ |
|-----------------|---------------------|----------------------|------------------|--------------------|
| \$1.50 or above | 750,000 | 262,500 | 1,012,500 | 607,978 |
| \$1.75 or above | 325,000 | 113,750 | 438,750 | 221,212 |
| \$2.00 or above | 750,000 | 262,500 | 1,012,500 | 427,560 |
| \$2.25 or above | 325,000 | 113,750 | 438,750 | 160,010 |
| Total | 2,150,000 | 752,500 | 2,902,500 | 1,416,760 |

The Directors have employed an independent consultant to value the performance rights using a Monte Carlo model. The performance rights are all American call performance rights calculated with the following inputs:

- Valuation date of 25 October 2021;
- A share price of \$1.195, being the closing share price as at 25 October 2021;
- A risk-free rate of 0.660%, based on the yield of Australian 3-year government bonds as at 25 October 2021;
- A volatility of 45.0% based on analysis of the historical volatility of ASX: KIL up to 25 October 2021, rounded to one decimal place and reflecting the period for which performance is measured; and

Director's Report

- A strike price of \$nil.

| One month VWAP | Shares to be issued | Grant date to 31 Dec 2021 \$ | 6 months to 30 Jun 2022 \$ | 6 months to 31 Dec 2022 \$ | 6 months to 30 Jun 2023 \$ |
|-----------------|---------------------|------------------------------|----------------------------|----------------------------|----------------------------|
| \$1.50 or above | 1,012,500 | 37,167 | 100,405 | 102,069 | 100,405 |
| \$1.75 or above | 438,750 | 13,523 | 36,532 | 37,138 | 36,532 |
| \$2.00 or above | 1,012,500 | 26,137 | 70,610 | 71,780 | 70,610 |
| \$2.25 or above | 438,750 | 9,782 | 26,425 | 26,863 | 26,425 |
| Total | 2,902,500 | 86,609 | 233,972 | 237,850 | 233,972 |

| One month VWAP | Shares to be issued | 6 months to 31 Dec 2023 \$ | 6 months to 30 Jun 2024 \$ | 6 months to 31 Dec 2024 \$ | Total valuation \$ |
|-----------------|---------------------|----------------------------|----------------------------|----------------------------|--------------------|
| \$1.50 or above | 1,012,500 | 102,069 | 100,960 | 64,903 | 607,978 |
| \$1.75 or above | 438,750 | 37,138 | 36,734 | 23,615 | 221,212 |
| \$2.00 or above | 1,012,500 | 71,780 | 71,000 | 45,643 | 427,560 |
| \$2.25 or above | 438,750 | 26,863 | 26,571 | 17,081 | 160,010 |
| Total | 2,902,500 | 237,850 | 235,265 | 151,242 | 1,416,760 |

The total valuation of these performance rights of \$1,416,760 will be expensed from the date of grant (25 October 2021) to the date of expiry (25 October 2024).

In the year ended 30 June 2022, \$320,581 was recognised as an expense in relation to these rights.

Performance Rights approved on 28 October 2020 and issued on 1 July 2021

On 28 October 2020, the shareholders approved the issue of performance rights. These performance rights were subsequently issued on 1 July 2021 and have an expiry date of 30 June 2022.

The 1 July 2021 Performance Rights were Issued in the three tranches with different share price performance conditions as shown below:

- the volume-weighted average price (VWAP) of the Group's Shares exceeds the relevant price, based on the most recently-traded 1,000,000 shares; and
- the recipient must be an employee or director of the Group at the time the performance condition is met in order for the rights to vest.

| Last 1,000,000 Shares Traded VWAP | Keith Lamb rights | John Sergeant Shauna Black Paul McKenzie Greg Boulton rights (total) | Total rights | Total valuation \$ |
|-----------------------------------|-------------------|--|------------------|--------------------|
| \$1.31 or above | 376,149 | 376,148 | 752,297 | 690,608 |
| \$1.57 or above | 501,533 | 501,532 | 1,003,065 | 832,545 |
| \$1.83 or above | 250,766 | 250,768 | 501,534 | 377,655 |
| Total | 1,128,448 | 1,128,448 | 2,256,896 | 1,900,808 |

These rights were cancelled by the Directors on 13 September 2021. The total valuation of these performance rights of \$1,900,808 was expensed from the date of grant (28 October 2020) to the date they were cancelled (13 September 2021).

In the year ended 30 June 2022, \$995,198 was recognised as an expense in relation to these rights. This was less than the valuation of \$1,137,369 attributable to the year ended 30 June 2022, owing to the resignation of Mr Sergeant as a director on 3 May 2021.

Director's Report

In the year ended 30 June 2021, \$740,848 was recognised as an expense in relation to these rights. This was less than the valuation of \$763,439 attributable to the year ended 30 June 2021, owing to the resignation of Mr Sergeant as a director on 3 May 2021.

Performance Rights approved and issued on 30 June 2020

On 30 June 2020, shareholders approved the issue of a total of 2,256,896 Performance Rights, with an expiry date of 29 June 2021.

The 30 June 2020 Performance Rights were granted in the three tranches with different share price performance conditions as shown below:

- the volume-weighted average price (VWAP) of the Group's Shares exceeds the relevant price, based on the most recently-traded 1,000,000 shares; and
- the recipient must be an employee or director of the Group at the time the performance condition is met in order for the rights to vest.

| Last 1,000,000 Shares Traded VWAP | Keith Lamb rights | John Sergeant Shauna Black Paul McKenzie Greg Boulton rights (total) | Total rights | Total valuation \$ |
|-----------------------------------|-------------------|--|------------------|--------------------|
| \$1.21 or above | 376,149 | 376,148 | 752,297 | 340,791 |
| \$1.57 or above | 501,533 | 501,532 | 1,003,065 | 362,106 |
| \$1.83 or above | 250,766 | 250,768 | 501,534 | 145,445 |
| Total | 1,128,448 | 1,128,448 | 2,256,896 | 848,342 |

These Rights were resolved by the Directors to have expired unvested on 29 June 2021.

In accordance with AASB 2 *Share-Based Payment*, the value of these Rights must nonetheless be recognised through profit or loss. An expense of \$831,445 was recognised in the year ended 30 June 2021, which is included in directors' remuneration. This was less than the valuation of \$848,342, owing to the resignation of Mr Sergeant as a director on 3 May 2021.

Shareholdings of key management personnel

| | Opening interest at 1 July 2021 | Net changes during the period | Appointment / (resignation) of KMP | Closing interest at 30 June 2022 |
|-----------------------------------|---------------------------------|-------------------------------|------------------------------------|----------------------------------|
| Directors | | | | |
| James Davies ⁽¹⁾ | - | 450,000 | - | 450,000 |
| Paul McKenzie ⁽²⁾ | 2,789,860 | - | - | 2,789,860 |
| Mitchell Taylor ⁽³⁾ | - | 14,986,507 | 15,916,041 | 30,902,548 |
| Keith Lamb ⁽⁴⁾ | 22,000 | (22,000) | (22,000) | - |
| Shauna Black ⁽⁵⁾ | 421,670 | (200,000) | (221,670) | - |
| Gregory Boulton AM ⁽⁶⁾ | 193,730 | - | (193,730) | - |
| Executives | | | | |
| Victoria Allinson ⁽⁷⁾ | 29,985 | 18,134 | - | 48,119 |
| Luke Tregurtha ⁽⁸⁾ | 11,093 | (2,324) | (8,769) | - |
| Peter Lockett ⁽⁹⁾ | 132,153 | (60,629) | (71,524) | - |
| Alan Braggs | - | - | - | - |
| Rob Heathcote | - | - | - | - |
| Total | 3,600,491 | 15,191,688 | 15,398,348 | 34,190,527 |

(1) Mr Davies' shares comprise:

- 350,000 (2021: nil) held by Tian Xia Pty Ltd, of which Mr Davies has effective control; and
- 100,000 (2021: nil) held by Jellyfish Superannuation Investments Pty Ltd, of which Mr Davies has effective control.

(2) Mr McKenzie's shares comprise:

Director's Report

- a. 2,132,500 (2021: 2,132,500) held by Aminac Pty Ltd ATF Aminac Superfund, of which Mr McKenzie is the Managing Director; and
 - b. 657,360 (2021: 657,360) held by Alke Pty Ltd ATF The McKenzie Family Trust No 2, of which Mr McKenzie is the Managing Director.
- (3) Shareholding of Samuel Terry Asset Management Pty Ltd, of which Mr Taylor is a related party.
- (4) On 25 October 2021, the date of his resignation, Mr Lamb's held 22,000 shares directly.
- (5) On 25 October 2021, the date of her resignation, Ms Black's shares comprised:
 - a. 66,670 (2021: 66,670) held directly; and
 - b. 155,000 (2021: 355,000) held by Black Stump Regional Pty Ltd ATF the Taybric Family Trust, of which Ms Black has effective control.
- (6) On 21 September 2021, the date of his resignation, Mr Boulton's 193,730 shares (2021: 193,730) were held by G Boulton Pty Ltd ATF the Greg Boulton Family Superannuation Fund.
- (7) Ms Allinson's shares comprise:
 - a. 40,874 (2021: 24,978) held by Allinson Accounting Solutions Pty Ltd, of which she has effective control;
 - b. 8,194 (2021: 2,976) held directly; and
 - c. nil (2021: 2,031) held by AZV Pty Ltd ATF AZV Superannuation Fund of which she has effective control.
- (8) On 25 March 2022, the date of his resignation, Mr Tregurtha's 8,769 shares were held directly.
- (9) Mr Lockett's shares were held by the Seaview Superannuation Fund, of which Mr Lockett has effective control.

Other Rights and Option holdings of key management personnel

The Group does not have any share options on issue. Shown below are the holdings of KMP in Performance Rights.

Performance rights

| | Opening interest at 1 July 2021 | Performance rights granted as compensation | Performance rights cancelled | Closing interest at date of report 30 June 2022 |
|--------------------------------|---------------------------------------|--|---------------------------------|---|
| Non-Executive Directors | | | | |
| Paul McKenzie | 282,112 | 752,500 | (282,112) | 752,500 |
| Gregory Boulton ⁽¹⁾ | 282,112 | - | (282,112) | - |
| Executive Directors | | | | |
| James Davies | - | 2,150,000 | - | 2,150,000 |
| Keith Lamb ⁽²⁾ | 1,128,448 | - | (1,128,448) | - |
| Shauna Black ⁽³⁾ | 282,112 | - | (282,112) | - |
| Total | 1,974,784 | 2,902,500 | (1,974,784) | 2,902,500 |

(1) Mr Boulton resigned on 21 September 2021.

(2) Mr Lamb resigned on 25 October 2021.

(3) Ms Black resigned on 25 October 2021.

All directors 1 July 2021 performance rights cancelled on 13 September 2021 as resolved by the directors.

The issue of new performance rights was approved by the shareholders on 25 October 2021.

At the 25 October 2021 Annual General Meeting, shareholders approved the issue of 2,902,500 Performance Rights. These Performance Rights have been included in the column "Performance rights granted as compensation".

Director's Report

On 13 September 2021, the Group announced that the Board had determined that the Performance Rights Plan approved by Shareholders on 21 November 2019 be withdrawn. The Performance Rights approved by Shareholders on 28 October 2020 and issued on 1 July 2021 therefore cancelled with immediate effect. These Performance Rights have been included in the column "Performance Rights cancelled".

Other Related party transactions

Gosse East plantation

| <i>Director's transaction</i> | Consolidated | |
|-------------------------------|--------------|------------|
| | 2022 \$ | 2021 \$ |
| Operating lease income | - | (11,885) |

Operating lease income related to a former lease to a former director, Mr Graham Holdaway. Mr Holdaway resigned from the Board on 6 May 2020.

Mr Holdaway leased a property of 187.60 hectares, known as "Gosse East", from the Group. The lease commenced on 30 June 1999, for a term of 25 years.

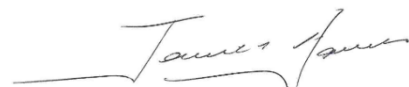
Owing to the impacts of wildfires, the Group forgave lease payments relating to the period following the fires. The contractual annual rental for year ended 30 June 2020 was \$25,144, of which \$13,259 was forgiven and \$11,885 was unpaid at 30 June 2020.

The lease over Gosse East was terminated on 17 December 2020. No rental was charged for the year ended 30 June 2021 and the \$11,885 owed at 30 June 2020 was forgiven in the financial year ended 30 June 2021.

The Group assumed ownership of all trees and forest produce at Gosse East and released Mr Holdaway from the obligation to clear and remove the plantation. The biological assets at Gosse East have been valued at zero in the Group's accounts.

End of Remuneration Report

Signed in accordance with a resolution of the Directors



James Davies
Executive Chairman

Dated this 20 day of September 2022

Grant Thornton Audit Pty Ltd
Grant Thornton House
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Adelaide SA 5000
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Adelaide SA 5001
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Auditor's Independence Declaration

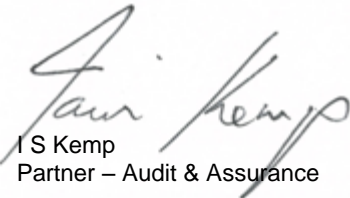
To the Directors of Kiland Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Kiland Limited for the year ended 30 June 2022, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



I S Kemp
Partner – Audit & Assurance

Adelaide, 20 September 2022

Corporate Governance Statement

Kiland Ltd ("Company") and the Board of Directors are responsible for the Corporate Governance of the Group and are committed to achieving the highest standard of Corporate Governance, business integrity and professionalism with due regard to the interests of all stakeholders. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

As such, the Company has adopted the fourth edition of the *Corporate Governance Principles and Recommendations* which was released by the ASX Corporate Governance Council on 27 February 2019 and is effective for financial years beginning on or after 1 July 2020.

The Group's Corporate Governance Statement for the financial year ending 30 June 2022 was approved by the Board on 20 September 2022. The Corporate Governance Statement is available at www.kiland.com.au.

Financial Report

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

| | Notes | Consolidated 2022 \$'000 | 2021 \$'000 |
|---|-------|--------------------------------|---------------------|
| Sales | | 1,613 | 26 |
| Cost of sales | | (2,586) | - |
| Gross profit / (loss) | | (973) | 26 |
| Operating lease income | 6a | 37 | 6 |
| Bank interest | | 26 | 58 |
| Fair value gain / (loss) on biological assets | 13 | - | (5,981) |
| Other income | 6b | 3,531 | 391 |
| Profit / (loss) on assets sold | 6c | 368 | 60 |
| Forestry expenses | | (1,537) | (3,780) |
| Wharf feasibility costs | | (838) | (872) |
| Wharf asset impaired | | - | (13,242) |
| Administrative and other expenses | 6d | (4,477) | (3,941) |
| Profit / (loss) before income tax | | (3,863) | (27,275) |
| Income tax (expense)/benefit | 7 | 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 (net of tax) | 12 | 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) |
| | | EPS in cents | EPS in cents |
| Basic and diluted earnings per share | 8 | (5.76) | (46.02) |

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 30 June 2022

| | Notes | Consolidated 2022 \$'000 | 2021 \$'000 |
|--------------------------------------|-------|--------------------------------|----------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 9 | 48,301 | 32,735 |
| Trade and other receivables | 10 | 238 | 150 |
| Other current assets | 11 | 83 | 146 |
| | | 48,622 | 33,031 |
| Assets classified as held for sale | 12 | - | 5,000 |
| Total current assets | | 48,622 | 38,031 |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 77,376 | 51,917 |
| Biological assets | 13 | - | - |
| 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 | 14 | 1,555 | 2,242 |
| Employee benefits | 15 | 37 | 189 |
| Total current liabilities | | 1,592 | 2,431 |
| Deferred tax liability | 7 | 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 | 16 | 109,613 | 90,691 |
| Reserves | 17 | 28,302 | 9,905 |
| Accumulated profit / (loss) | | (15,879) | (14,336) |
| TOTAL EQUITY | | 122,036 | 86,260 |

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

| | Notes | Consolidated 2022 \$'000 | 2021 \$'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 |
| Tax refund | | - | 43 |
| Government grant | | (1,128) | 1,195 |
| Insurance recoveries | | 3,500 | 32,412 |
| Net cash flows from operating activities | 19 | (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) |
| 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 | 9 | 48,301 | 32,735 |

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

Consolidated 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 & perform- ance 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 cancelled | - | - | - | (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 | (660) | - | - | - | - | (660) |
| Share-based payments | - | - | - | 1,316 | - | 1,316 |
| Performance rights cancelled | - | - | - | (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 |

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

Notes to the Consolidated Financial Statements

1. Corporate information

The financial report for Kiland Ltd for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the directors on 20 September 2022.

Kiland Ltd is a for-profit company incorporated and domiciled in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' report.

2. Basis of preparation and accounting policies

a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for biological assets, investment properties and freehold land that have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 2016/191. The Company is an entity to which the class order applies.

Impact of COVID-19 pandemic - Judgment has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the operations of the Group and its financial position and results. At present it is not expected that the pandemic will have any significant impact on the Group's operations.

Group personnel, key supply chains, and other important stakeholder relationships have remained largely unaffected by the pandemic. As at 30 June 2022 and the date of this report, there has been no significant impact upon the financial results and position of the Group reported on in these consolidated financial statements as a result of the COVID-19 pandemic. The Board and management will continue to monitor the impact of the pandemic on the Group's operations and state of affairs.

b) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

c) New accounting standards and interpretations

At the date of authorisation of these financial statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Group. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

The accounting policies applied by the Group in the consolidated financial statements are consistent with those applied in the prior year. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Standards, interpretations and amendments that apply for the first time in the current year did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Notes to the Consolidated Financial Statements

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Kiland Limited and its subsidiaries as at and for the period ended 30 June each year (the Group).

The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-Group transactions and dividends have been eliminated in full.

All controlled entities have a June financial year-end.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Kiland Ltd are accounted for at cost in the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other income in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised. See Note 23 for parent entity information.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

Notes to the Consolidated Financial Statements

e) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker in order to make decisions about resources to be allocated to the segment and to assess its performance and for which discrete financial information is available. This includes start-up operations, which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services
- Nature of the production processes
- Type or class of customer for the products and services
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

There have been no changes from the prior period in the measurement methods used to determine reported segment profit or loss.

f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

g) Trade and other receivables

(i) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

(ii) Impairment of trade receivables

The group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade receivables are presented as net impairment losses within other expenses. Subsequent recoveries of amounts previously written off are credited against the same line item.

Notes to the Consolidated Financial Statements

h) Biological Assets

Timber plantations

The Group has an interest in radiata pine and eucalypt plantations (the biological assets). The biological assets are valued by an external valuer or by a directors' assessment of their fair value less costs to sell each year. Fair value is determined as the net present value of expected future cashflows at harvest (discounted at a risk adjusted rate). Costs incurred in maintaining or enhancing the plantations are capitalised when incurred and are classified as additions at cost before the determination of the net increments in fair values.

Net increments or decrements in the fair value less cost to sell of the plantation trees are recognised as income or expenses in profit or loss, determined as the difference between the total fair value less costs to sell of the trees recognised as at the beginning of the period, adjusted for costs incurred in maintaining or enhancing plantation trees which are capitalised, and the total fair value less costs to sell of the plantation trees recognised as at the reporting date.

Further details including key assumptions can be found in Note 13.

Plantations which are expected to be harvested, processed and monetised within 12 months are classified as current assets; all other biological assets are classified as non-current assets.

The Group has a comprehensive risk management strategy in place to monitor and oversee its timber plantations. The policy framework is set by the Board, with risk management addressed via fire risk management, plantation management practices and experienced staff and Board.

i) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions to the instrument.

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

Financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

Notes to the Consolidated Financial Statements

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:

- incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability.

If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

Financial asset

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

on the basis of the two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset is subsequently measured at fair value through other comprehensive income if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the conditions of amortised cost and the fair value through other comprehensive income's measurement condition are subsequently measured at fair value through profit or loss.

The Company initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;

Notes to the Consolidated Financial Statements

- it is in accordance to the documented risk management or investment strategy and information about the groupings was documented appropriately, so as the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Equity instruments

At initial recognition, as long as the equity instrument is not held for trading or is not a contingent consideration recognised by an acquirer in a business combination to which AASB 3 applies, the Company made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investments will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Company's accounting policy.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Company no longer controls the asset (i.e. it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Impairment

The Company recognises a loss allowance for expected credit losses on:

Notes to the Consolidated Financial Statements

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Company uses the following approaches to impairment, as applicable under AASB 9:

- the general approach;
- the simplified approach;
- the purchased or originated credit impaired approach; and
- low credit risk operational simplification.

General approach

Under the general approach, at each reporting period, the Company assessed whether the financial instruments are credit impaired, and if:

- the credit risk of the financial instrument increased significantly since initial recognition, the Company measured the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; and
- there was no significant increase in credit risk since initial recognition, the Company measured the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables or contract assets that results from transactions that are within the scope of AASB 15: Revenue from Contracts with Customers , that contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (i.e. diversity of its customer base, appropriate groupings of its historical loss experience, etc).

Low credit risk operational simplification approach

If a financial asset is determined to have low credit risk at the initial reporting date, the Company assumed that the credit risk has not increased significantly since initial recognition and, accordingly, can continue to recognise a loss allowance of 12- month expected credit loss.

In order to make such determination that the financial asset has low credit risk, the Company applied its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if:

- there is a low risk of default by the borrower;

Notes to the Consolidated Financial Statements

- the borrower has strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term, may, but not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial asset is not considered to carry low credit risk merely due to existence of collateral, or because a borrower has a lower risk of default than the risk inherent in the financial assets, or lower than the credit risk of the jurisdiction in which it operates.

Recognition of expected credit losses in financial statements

At each reporting date, the Company recognised the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised, a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

j) Property, plant and equipment

Plant and equipment / Wharf Assets

Plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such costs include the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

| | |
|---------------------|--------------|
| Plant and equipment | 2 - 25 years |
|---------------------|--------------|

Wharf assets represented assets under construction and were therefore not depreciated.

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each financial year-end.

Freehold land and buildings

Freehold land and buildings are measured at fair value (refer to Note 2(u)) at the date of revaluation.

In accordance with AASB 13 *Fair Value Measurement* paragraph 27, the Group's valuation basis for its freehold land is at "Highest and Best Use". For the majority of the Group's freehold land and buildings this is as agricultural land and buildings, less an allowance for the cost of reversion from forestry land. 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. Further details of the plantation land and buildings fair value valuation can be found in Note 12.

Any revaluation increment is credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit and loss, in which case the increment is recognised in profit or loss.

Any revaluation decrement is recognised in the profit and loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss within other income or expenses.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Notes to the Consolidated Financial Statements

Certain leasehold land, held under perpetual crown lease, is treated in the same manner as freehold land.

Buildings are depreciated on a straight-line basis over the estimated useful life of the asset as follows:

| | |
|-----------|----------|
| Buildings | 40 years |
|-----------|----------|

Derecognition and impairment

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

k) Leases

The Group formerly leased two offices. Both leases were terminated during the financial year.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients method. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

l) Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with indefinite useful lives and non-financial assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffer impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

m) Trade and other payables

Trade payables and other payables are carried at amortised cost due to their short-term nature and are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year, for which the Group is obliged to make future payments. The amounts are unsecured and are usually paid within 30 days of recognition.

n) Provisions and employee leave benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Notes to the Consolidated Financial Statements

Employee Leave Benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date, are recognised in respect of employees' services up to the reporting date.

They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

o) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or other securities are shown in equity as a deduction, net of tax, from the proceeds.

p) Revenue and other income recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Insurance claims

The Group recognises income from insurance claims only when the realisation of income is virtually certain. Income is recognised at fair value at the time the insured event occurs. Fair value is assessed as the best estimate of the insurance proceeds to be received and is revised as necessary at reporting dates.

Timber sales

Timber sales are recognised when the Group has transferred control of the goods to the customer, which is generally when the customer has taken delivery of the goods.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Operating leases

The Group earns rental income from operating leases over some of its property (see Note 6). Rental income is recognised on a straight-line basis over the term of the lease.

q) Share-based payment transactions

Equity-settled share-based payments including the issue of performance rights made to directors and other Group personnel are measured at fair value at grant date. Market based vesting conditions, such as the achievement of specified share prices, are incorporated into the fair value assessment at grant date. The fair value of performance rights is recognised as an expense, with a corresponding increase in the share-based payments reserve in equity over the period during which the recipient becomes unconditionally entitled to the rights. The expense is not revised in subsequent reporting periods for instruments that do not vest due to a failure to meet market-based vesting conditions.

Equity-settled share-based payments to other parties are measured at the fair value of goods and services received, except where the fair value cannot be estimated reliably, in which the transaction is measured at the fair value of the equity instruments granted on the date the goods or services are received.

r) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Notes to the Consolidated Financial Statements

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures; in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Kiland Ltd and its wholly-owned Australian entities have implemented the tax consolidation legislation as of 1 July 2004.

The head entity, Kiland Ltd, and the controlled entities in the tax consolidation group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, Kiland Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and tax credits assumed from controlled entities in the tax consolidation group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed in Note 7.

Notes to the Consolidated Financial Statements

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

s) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent and adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares on issue, adjusted for any bonus element.

t) Comparative figures

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

u) Fair value measurements

Certain accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

Management has overall responsibility to oversee all significant fair value measurements and reports these to the Audit and Risk Committee. Management regularly reviews significant components of fair value measurements, including unobservable inputs and other valuation adjustments. If third party information, such as valuation reports, are used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of AASB 13 *Fair Value Measurement*, including the level in the fair value hierarchy in which such valuations should be disclosed. Significant valuation issues are reported to the Board of Directors through the Audit and Risk Committee.

The Group uses observable data as much as possible when measuring the fair value of an asset or liability. Fair values of assets or liabilities are categorised into different levels in the fair value hierarchy based on the lowest input used in the valuation techniques as follows:

Notes to the Consolidated Financial Statements

- Level 1: quoted (unadjusted market prices in active markets for identical assets or liabilities).
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 12: Property, Plant and Equipment; and
- Note 13: Biological Assets.

The fair value of cash and short-term deposits, trade receivables, other current financial assets, trade payables and other current liabilities approximate their carrying values largely due to the short-term maturities of these instruments. Management reviews this assessment at least annually.

v) 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.

Key Estimate – Valuation of biological assets

The Board has resolved to value the Group's biological assets using a 30 June 2022 director's valuation of \$nil (2021: \$nil). The director's valuation assumes that:

- until the Board has confirmed a viable strategy to remove the damaged timber from other plantations, a fair value of \$nil has been determined for all damaged or partially damaged timber plantations; and
- with the refusal of development approval for the wharf; viable exploitation of the undamaged timber resource is now less than probable.

The fair value of the Group's biological assets has been calculated using a director's valuation, which allows the Group to estimate the value of its timber under various scenarios and to consider the impact of variables within and outside the Group's control, such as harvesting costs, internal road construction costs, haulage, wharf charges, exchange rates and international timber prices. Like any forward-looking valuation, the outputs are sensitive to the choice of assumptions.

Key Estimate – Valuation of Land

The fair value of plantation and non-plantation land and building assets was calculated by an independent expert, LAWD Pty Ltd ('LAWD'), in their report dated 30 June 2022. The value provided is that of the Market Value of the Group's portfolio and also takes into account fair value measurements in accordance with Australian Accounting Standards Board (AASB) 13. The combined approach utilises

Notes to the Consolidated Financial Statements

the Highest and Best Use (HBU) of each property, observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use.

A significant assumption in LAWD's valuation is that the HBU of forestry plantations is agriculture. Forestry plantations have been valued as agricultural land less an allowance for the cost of reversion from forestry land.

Key Estimate – Carrying value of Wharf asset

With the refusal of the development approval of the wharf, costs incurred in developing the Wharf asset (refer to note 12 for further detail) exceeded the recoverable amount and an impairment charge was required, under AASB 116 *Property, Plant and Equipment*. In accordance with AASB 136 *Impairment of Assets* the recoverable amount was determined using the fair value less costs to sell of the group of assets referred to as the Wharf asset, based on an independent valuation of \$5.0 million of the floating pontoon (which is the only asset with any realisable value). At 30 June 2021, the wharf asset was classified as a current asset held for sale. The floating pontoon was sold during the current financial year ended 30 June 2022.

Key Estimate – Valuation of Performance rights

The fair value of performance rights is measured at grant date using probabilistic estimates in relation to future share prices and taking into account the terms and conditions upon which the rights were granted.

The expense is recognised over the performance rights vesting period. Refer to Notes 17 and 24 for further details.

Key Estimate – Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences if management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

3. Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. Primary responsibility for identification and control of financial risks is shared between the Board members and executive management.

Categories of Financial Assets and Liabilities

| 30 June 2022 | Note | Assets at FVTPL \$'000 | Financial assets at amortised cost \$'000 | Total \$'000 |
|-----------------------------|------|------------------------------|--|-----------------|
| Financial Assets | | | | |
| Cash and cash equivalents | 9 | - | 48,301 | 48,301 |
| Trade and other receivables | 10 | - | 238 | 238 |
| | | - | 48,539 | 48,539 |

Notes to the Consolidated Financial Statements

| | Note | *Designated at FVTPL \$'000 | *Other liabilities at FVTPL \$'000 | #Other liabilities \$'000 | Total \$'000 |
|------------------------------|------|-----------------------------------|---|---------------------------------|-----------------|
| Financial Liabilities | | | | | |
| Trade and other payables | 14 | - | - | 602 | 602 |
| Total | | - | - | 602 | 602 |

| | Note | Assets at FVTPL \$'000 | Financial assets at amortised cost \$'000 | Total \$'000 |
|-----------------------------|------|------------------------------|--|-----------------|
| 30 June 2021 | | | | |
| Financial Assets | | | | |
| Cash and cash equivalents | 9 | - | 32,735 | 32,735 |
| Trade and other receivables | 10 | - | 150 | 150 |
| | | - | 32,885 | 32,885 |

| | Note | *Designated at FVTPL \$'000 | *Other liabilities at FVTPL \$'000 | #Other liabilities \$'000 | Total \$'000 |
|------------------------------|------|-----------------------------------|---|---------------------------------|-----------------|
| Financial Liabilities | | | | | |
| Trade and other payables | 14 | - | - | 1,010 | 1,010 |
| Total | | - | - | 1,010 | 1,010 |

- * Carried at fair value
Carried at amortised cost

Risk Exposures and Responses

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing liabilities and short-term deposits.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

| | Consolidated 2022 \$'000 | 2021 \$'000 |
|------------------------------|--------------------------------|----------------|
| Financial assets | | |
| Cash and cash equivalents | 48,301 | 32,735 |
| Term deposits | - | - |
| | 48,301 | 32,735 |
| Financial liabilities | | |
| Interest bearing liabilities | - | - |
| Net exposure | 48,301 | 32,735 |

At 30 June 2022, if interest rates had moved as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been affected as follows:

Notes to the Consolidated Financial Statements

| Judgements of reasonably possible movements: | Post-tax profit Higher/(lower) | | Equity Higher/(lower) | |
|--|-----------------------------------|----------------|--------------------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Consolidated | | | | |
| +2% (2021: +1%) | 966 | 327 | - | - |
| -1% (2021: -0.5%) | (484) | (164) | - | - |

The movements in profit are due to higher/lower interest income from cash balances.

Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

Cash at bank is held at the Commonwealth Bank, which has an S&P (Standard & Poors) rating of AA-.

Credit risk in trade and other receivables is managed in the following ways:

- a regular risk review takes place on all receivables and loan balances; and
- The Chief Financial Officer has direct responsibility for the recovery of outstanding accounts. All overdue accounts are now sent directly to the Group's lawyers for legal action after other avenues of recovery have been exhausted.

Legal action on those particular accounts where the matter is being defended are dealt with directly by the Chief Financial Officer and the lawyers involved.

The Chief Financial Officer regularly reports to the Board of Directors on these matters.

Refer to Note 10 for an ageing analysis of receivables.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other available credit lines.

The remaining contractual maturities of the Group's financial liabilities are:

| | Consolidated | |
|------------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 |
| 6 months or less | (602) | (1,010) |
| 6-12 months | - | - |
| 1-5 years | - | - |
| Over 5 years | - | - |
| | (602) | (1,010) |

Maturity analysis of financial assets and liability based on management's expectations

Trade payables and other financial liabilities mainly originate from the financing of assets used in ongoing operations. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities, as well as to enable an effective controlling of future risks, Kiland Ltd has established risk reporting that reflects the expectations of management in regards to the expected settlement of financial assets and liabilities.

Notes to the Consolidated Financial Statements

| | < 6 months \$'000 | 6-12 months \$'000 | 1-5 years \$'000 | > 5 years \$'000 | Total \$'000 |
|--------------------------------|-------------------------|--------------------------|------------------------|------------------------|-----------------|
| Year ended 30 June 2022 | | | | | |
| Financial Assets | | | | | |
| Cash and cash equivalents | 48,301 | - | - | - | 48,301 |
| Trade and other receivables | 238 | - | - | - | 238 |
| | 48,539 | - | - | - | 48,539 |
| Financial Liabilities | | | | | |
| Trade and other payables | (602) | - | - | - | (602) |
| | (602) | - | - | - | (602) |
| Net Maturity | 47,937 | - | - | - | 47,937 |
| | < 6 months \$'000 | 6-12 months \$'000 | 1-5 years \$'000 | > 5 years \$'000 | Total \$'000 |
| Year ended 30 June 2021 | | | | | |
| Financial Assets | | | | | |
| Cash and cash equivalents | 32,735 | - | - | - | 32,735 |
| Trade and other receivables | 150 | - | - | - | 150 |
| | 32,885 | - | - | - | 32,885 |
| Financial Liabilities | | | | | |
| Trade and other payables | (1,010) | - | - | - | (1,010) |
| | (1,010) | - | - | - | (1,010) |
| Net Maturity | 31,875 | - | - | - | 31,875 |

Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

Price risk

The Group's exposure to commodity and equity securities price risk is minimal as the Group does not hold investments in equity securities.

4. Fair value measurement of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 30 June 2022:

| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|---------------------------------------|-------------------|-------------------|-------------------|-----------------|
| 30 June 2022 | | | | |
| Property, plant and equipment | | | | |
| Land held for production in Australia | - | - | 69,059 | 69,059 |
| Other land and buildings | - | - | 3,591 | 3,591 |
| | - | - | 72,650 | 72,650 |
| Biological assets | | | | |
| Standing timber | - | - | - | - |

Notes to the Consolidated Financial Statements

| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|---------------------------------------|-------------------|-------------------|-------------------|-----------------|
| 30 June 2021 | | | | |
| Property, plant and equipment | | | | |
| Land held for production in Australia | - | - | 49,010 | 49,010 |
| Other land and buildings | - | - | 2,412 | 2,412 |
| | - | - | 51,422 | 51,422 |
| Biological assets | | | | |
| Standing timber | - | - | - | - |

Land held for production in Australia (Level 3)

The fair value of the plantation land assets was calculated by an independent expert, LAWD Pty Ltd, in their valuation dated 30 June 2022.

Refer to Note 12 for further details.

Biological assets (Level 3)

The fair value of the Group's biological assets was calculated by a director's valuation. Owing 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 determined that the fair value of the Group's biological assets amounts to \$nil (2021: \$nil):

- The fair value of damaged timber plantations has been determined to be \$nil (2021: \$nil).
- With the refusal of development approval for the wharf; the fair value of the undamaged timber resource has been determined to be \$nil (2021: \$nil).

5. Segment reporting

The Group has operations in one business segment, agriculture. The Group is engaged in removing the trees from its timber plantations and converting its land to more traditional agricultural use. The group continues to pursue opportunities to salvage the tree crop.

All operations are conducted in Australia.

6. Revenue and expenses

| | Consolidated 2022 \$'000 | 2021 \$'000 |
|---|--------------------------------|----------------|
| (a) Operating lease income | | |
| Operating leases: freehold land and buildings | 37 | 18 |
| Debt forgiven | - | (12) |
| | 37 | 6 |

The Group leases freehold land and buildings to third parties under operating lease arrangements:

- The Group leased a property of 187.60 hectares, known as "Gosse East", to a former director, Mr Graham Holdaway. The lease commenced on 30 June 1999 for a term of 25 years. Mr Holdaway resigned from the Board on 6 May 2020.

Owing to the impacts of wildfires, the Company forgave lease payments relating to the period following the fires. The contractual annual rental for year ended 30 June 2020 was \$25,144, of which \$13,259 was forgiven and \$11,885 was unpaid at 30 June 2020.

Notes to the Consolidated Financial Statements

The lease over Gosse East was terminated on 17 December 2020. No rental was charged for the year ended 30 June 2021 and the \$11,885 owed at 30 June 2020 was forgiven.

- The Group also lets out some of its residential properties on a short-term basis and receives rental for a government communications site.

| | Consolidated | |
|---|---------------------|--------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| (b) Other income | | |
| Government rebates | - | 67 |
| Insurance recoveries | 3,500 | 312 |
| Other income | 31 | 12 |
| | 3,531 | 391 |
| (c) Sale of assets | | |
| Sale of property, plant and equipment | 6,226 | 95 |
| Carrying value of assets sold and costs of sale | (5,858) | (35) |
| Profit / (loss) on assets sold | 368 | 60 |
| (d) Administrative and other expenses | | |
| Share-based payment | 1,316 | 1,636 |
| Audit and tax fees | 118 | 79 |
| ASIC fees | 8 | 7 |
| Depreciation | 353 | 291 |
| ASX/share registry fees | 89 | 107 |
| Directors' fees (excluding share-based payment) | 520 | 712 |
| Legal fees | 353 | 113 |
| Professional fees | 674 | 466 |
| Other corporate expenses | 1,046 | 530 |
| | 4,477 | 3,941 |
| (e) Finance costs | | |
| Borrowing costs | - | - |
| Other interest | - | - |
| | - | - |
| (f) Employee benefits expense | | |
| Wages and salaries (including Executive Directors fees) | 794 | 1,117 |
| Non-Executive Directors' fees (including super) | 191 | 248 |
| Share based payments | - | 11 |
| Performance rights | 1,316 | 1,572 |
| Annual leave provision | (24) | 53 |
| Long service leave provision | (42) | 1 |
| Superannuation | 46 | 91 |
| | 2,281 | 3,093 |

Notes to the Consolidated Financial Statements

7. Income Tax

| | Consolidated | |
|--|---------------------|----------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| a) Income tax expense | | |
| The major components of income tax expense are: | | |
| Current income tax | - | - |
| Deferred income tax | (657) | (1,309) |
| Income tax expense/(benefit) reported in profit or loss | (657) | (1,309) |
| Profit/(loss) before tax | (3,863) | (27,275) |
| Tax expense/(benefit) at the statutory income tax rate of 25% (2021: 30%) | (966) | (8,182) |
| Adjustments for deferred tax of prior periods | 28 | - |
| Non-deductible expenses/capital gain on sale of land | 330 | 469 |
| Restate deferred tax balances at expected future rate of 25% (2021: 26%) | (49) | 316 |
| Derecognise deferred tax assets on capital losses | - | 6,088 |
| Income tax expense/(benefit) reported in income statement | (657) | (1,309) |
| b) Amounts charged / (credited) to equity | | |
| Share issue costs | 218 | (2) |
| Revaluation of land | (1,988) | (5,125) |
| Income tax expense reported in equity | 1,770 | (5,127) |

Tax Consolidation

The Company and its 100% owned controlled entities have formed a tax consolidated group. Members of the Consolidated Entity have entered into a tax sharing arrangement in order to allocate income tax expenses to the wholly owned controlled entities on a pro-rata basis. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote. The head entity of the tax consolidated group is Kiland Ltd.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group. Deferred taxes are allocated to members of the tax consolidated Group in accordance with a group allocation approach which is consistent with the principles of AASB 112 *Income Taxes*.

The allocation of taxes under the tax funding agreement is recognised as an increase/(decrease) in the member entities' intercompany accounts with the tax consolidated group head company, Kiland Ltd. In this regard the Company, has assumed the benefit of tax losses from the member entities as of the balance date. The nature of the tax funding agreement is such that no tax consolidation contributions by or distributions to equity participants are required.

Tax losses recognised

The gross value of tax losses recognised at 30 June 2022 amounted to \$27,559,851 (2021: \$17,970,347).

Tax losses not recognised

The gross value of capital tax losses not recognised at 30 June 2022 amounted to \$nil (2021: \$12,755,674).

Notes to the Consolidated Financial Statements

Recognised deferred tax assets and liabilities

| | Assets | | Liabilities | | Net | |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Property, plant & equipment | - | - | (1,988) | - | (1,988) | - |
| Assets classified as held for sale | - | 5,321 | - | - | - | 5,321 |
| Biological assets | - | - | - | - | - | - |
| Capital raising costs | 201 | 111 | - | - | 201 | 111 |
| Trade and other receivables | - | - | (7,500) | (11,421) | (7,500) | (11,421) |
| Trade and other payables | 23 | 56 | - | - | 23 | 56 |
| Tax losses | 6,890 | 4,672 | - | - | 6,890 | 4,672 |
| Net deferred tax assets/(liabilities) | 7,114 | 10,160 | (9,488) | (11,421) | (2,374) | (1,261) |

Deferred income tax

Deferred income tax for the year ended 30 June 2022 relates to the following:

| Movements in temporary differences during the year | Balance 30 June 21 \$'000 | Recognised in income \$'000 | Recognised in equity \$'000 | Balance 30 June 22 \$'000 |
|--|---------------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| Property, plant & equipment | - | - | (1,988) | (1,988) |
| Assets classified as held for sale | 5,321 | (5,321) | - | - |
| Biological assets | - | - | - | - |
| Capital raising costs | 111 | (128) | 218 | 201 |
| Trade and other receivables | (11,421) | 3,921 | - | (7,500) |
| Trade and other payables | 56 | (33) | - | 23 |
| Tax losses | 4,672 | 2,218 | - | 6,890 |
| | (1,261) | 657 | (1,770) | (2,374) |

| Movements in temporary differences during the year | Balance 30 June 20 \$'000 | Recognised in income \$'000 | Recognised in equity \$'000 | Transfer \$'000 | Balance 30 June 21 \$'000 |
|--|---------------------------------|-----------------------------------|-----------------------------------|--------------------|---------------------------------|
| Property, plant & equipment | (7,350) | 7,546 | 5,125 | (5,321) | - |
| Assets classified as held for sale | - | - | - | 5,321 | 5,321 |
| Biological assets | 9,079 | (9,079) | - | - | - |
| Capital raising costs | 373 | (264) | 2 | - | 111 |
| Trade and other receivables | (16,829) | 5,408 | - | - | (11,421) |
| Trade and other payables | 62 | (6) | - | - | 56 |
| Tax losses | 6,968 | (2,296) | - | - | 4,672 |
| | (7,697) | 1,309 | 5,127 | - | (1,261) |

Notes to the Consolidated Financial Statements

8. Earnings per share

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

| | Consolidated | |
|---|---------------------|-----------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| a) Earnings used in calculating earnings per share | | |
| Net profit/(loss) attributable to ordinary equity holders of the parent | (3,206) | (25,966) |
| There is no dilutive effect of the Performance Rights on earnings. | | |
| | 2022 | 2021 |
| | Number | Number |
| | Thousands | Thousands |
| b) Weighted average number of shares | | |
| <i>Weighted average number of ordinary shares for basic earnings per share</i> | 55,706 | 56,424 |
| Effect of dilution: | | |
| Share options and performance rights | - | - |
| <i>Weighted average number of ordinary shares adjusted for the effect of dilution</i> | 55,706 | 56,424 |
| c) Basic and diluted earnings per share | | |
| | EPS in | EPS in |
| | cents | cents |
| Basic and diluted earnings per share | (5.76) | (46.02) |

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 both periods presented.

There have been no 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.

9. Current assets – Cash and cash equivalents

| | Consolidated | |
|--------------------------|---------------------|--------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Cash at bank and in hand | 48,301 | 32,735 |
| | 48,301 | 32,735 |

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 30 June 2022 \$nil (2021: \$1,127,500) in grant monies received from the Commonwealth government's Forestry Recovery Development Fund is held in a restricted bank account. The grant was to 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. The change in the Group's strategy to revert its estate to an agricultural enterprise does not include the development of the pellet mill. Given this, the Australian Commonwealth Government informed the Group that its application no longer aligns with the requirements of the grant program and the \$2.6 million was repaid to the Australian Commonwealth Government.

Notes to the Consolidated Financial Statements

10. Current assets – Trade and other receivables

| | Consolidated 2022 \$'000 | 2021 \$'000 |
|--|--------------------------------|----------------|
| Trade receivables (a) | 109 | 43 |
| Insurance receivable | - | - |
| Sundry debtors | 129 | 107 |
| Carrying amount of trade and other receivables | 238 | 150 |

a) Terms of trade

Trade debtors are non-interest bearing and generally on 30-day terms.

b) Ageing analysis of trade and other receivables

At 30 June 2022, the ageing analysis of trade and other receivables is as follows:

| | 0 – 30 days \$000 | 31 – 60 days \$000 | 61 – 90 days \$000 | 91+ days \$000 | Total \$000 |
|-------------------|-------------------------|--------------------------|--------------------------|-------------------|----------------|
| Trade receivables | 95 | - | - | 14 | 109 |
| Sundry debtors | 129 | - | - | - | 129 |
| | 224 | - | - | 14 | 238 |

At 30 June 2021, the ageing analysis of trade and other receivables is as follows:

| | 0 – 30 days \$000 | 31 – 60 days \$000 | 61 – 90 days \$000 | 91+ days \$000 | Total \$000 |
|----------------------|-------------------------|--------------------------|--------------------------|-------------------|----------------|
| Trade receivables | 43 | - | - | - | 43 |
| Insurance receivable | - | - | - | - | - |
| Sundry debtors | 107 | - | - | - | 107 |
| | 150 | - | - | - | 150 |

c) Credit risk and effective interest rate risk and fair values

Details regarding the credit risk and effective interest rate of current receivables are disclosed in Note 3. The net carrying amount of trade and other receivables is assumed to approximate their fair value.

11. Other Current Assets

| | Consolidated 2022 \$'000 | 2021 \$'000 |
|-------------|--------------------------------|----------------|
| Prepayments | 83 | 146 |
| | 83 | 146 |

12. Property, plant and equipment

Assets classified as held for sale

| | Consolidated 2022 \$'000 | 2021 \$'000 |
|-------------|--------------------------------|----------------|
| Wharf asset | - | 5,000 |
| | - | 5,000 |

Notes to the Consolidated Financial Statements

Property, plant and equipment

a) Reconciliation of carrying amounts of property, plant and equipment at the beginning and end of the period.

| | Freehold land and Buildings \$'000 | Plant and equipment \$'000 | Wharf asset \$'000 | Total \$'000 |
|--|---|----------------------------------|--------------------------|-----------------|
| Year ended 30 June 2022 | | | | |
| At 1 July 2021 net of accumulated depreciation and impairment | 51,422 | 495 | - | 51,917 |
| Additions | 518 | 4,561 | - | 5,079 |
| Disposals | - | - | - | - |
| Revaluation | 20,710 | - | - | 20,710 |
| Adjustment in accumulated depreciation in relation to disposal/revaluation | 23 | - | - | 23 |
| Depreciation charge for year | (23) | (330) | - | (353) |
| At 30 June 2022 net of accumulated depreciation and impairment | 72,650 | 4,726 | - | 77,376 |
| At 30 June 2022 | | | | |
| Cost or fair value | 72,650 | 5,457 | - | 78,107 |
| Accumulated depreciation and impairment | - | (731) | - | (731) |
| Net carrying amount | 72,650 | 4,726 | - | 77,376 |
| Year ended 30 June 2021 | | | | |
| At 1 July 2020 net of accumulated depreciation and impairment | 59,280 | 334 | 15,244 | 74,858 |
| Additions | 33 | 436 | 2,998 | 3,467 |
| Disposals | (29) | - | - | (29) |
| Revaluation | (7,862) | - | (13,242) | (21,104) |
| Adjustment in accumulated depreciation in relation to disposal/revaluation | 16 | - | - | 16 |
| Depreciation charge for year | (16) | (275) | - | (291) |
| Transfer to assets classified as held for sale | - | - | (5,000) | (5,000) |
| At 30 June 2021 net of accumulated depreciation and impairment | 51,422 | 495 | - | 51,917 |
| At 30 June 2021 | | | | |
| Cost or fair value | 51,422 | 1,283 | - | 52,705 |
| Accumulated depreciation and impairment | - | (788) | - | (788) |
| Net carrying amount | 51,422 | 495 | - | 51,917 |

Additions to wharf assets of \$2,998,000 during the previous financial year ended 30 June 2021 mainly related to improvements to the floating pontoon. The wharf was not operational and was transferred to assets classified as held for sale during the year, therefore no depreciation was charged during the year.

b) Freehold land revaluations

The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation.

Notes to the Consolidated Financial Statements

The fair value measurements of the Group's plantation land and buildings as at 30 June 2022 and 30 June 2021 are based on an independent expert's valuation.

The fair value measurements of the Group's other land and buildings as at 30 June 2022 are at a directors valuation, while the June 2021 measurement was based on an independent expert's valuation.

The net result of the 30 June 2022 revaluation amounted to \$18,744,000 of which \$20,710,000 was recognised in the asset revaluation reserve and \$1,966,000 as deferred tax.

Independent expert's valuation technique - Plantation land and buildings

The Board has elected to use valuations of plantation land and buildings provided by an independent external valuer, LAWD Pty Ltd ('LAWD'). Plantation land and buildings represent approximately 97% of the value of total land and buildings.

The fair value of the plantation land and building assets was calculated by LAWD with a valuation date of 30 June 2022. The valuation was carried out in accordance with AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*. This valuation method has been used by LAWD 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 \$6,800 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 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.

Directors' valuation - Other land and buildings

The fair value of other land and building assets was determined by the directors with reference to a Restricted Desktop Indicative Assessment by LAWD. A Restricted Desktop Indicative Assessment is an indicative assessment without the benefit of a full inspection of properties and is not a full valuation undertaken in accordance with Australian Property Institute and valuation industry standards. The Group did conduct a full valuation of other land and buildings at 30 June 2021 and the directors believe that the Restricted Desktop Indicative Assessment is an accurate representation of the fair value of other land and buildings. The directors believe the land and buildings is primarily residential properties and they have undertaken a review of recent sales of comparable properties. The full valuation of other land and buildings at 30 June 2021 was \$1,800,000. The valuation of other land and buildings at 30 June 2022 was \$2,400,000. This represents an increase of \$600,000, of which \$500,000 relates to land and buildings purchased in June 2022.

Fair value hierarchy

All fair value estimates for land and buildings are included in Level 3 of the fair value hierarchy.

Significant Observable Inputs

- (i) Recent sales of land on Kangaroo Island and recent trends in the sale of land in other agricultural regions, adjusted for comparability considerations.
- (ii) Land use deemed as Agricultural (Grazing).

Significant Unobservable Inputs

- (i) Estimated price per hectare is determined by the independent expert after observing each asset's:
 - a. location including surrounding land use, amenities and local services;
 - b. improvement including structural, fencing and water;
 - c. land and climatic characteristics including soil, climate and rainfall;
 - d. plantation details including planted hectares and age; and

Notes to the Consolidated Financial Statements

- e. occupancy including dwellings, structures and licenses/leases.
- (ii) Estimated cost of reversion from Forestry to Agricultural use.
- (iii) Economic overview including local, State and industry economic overview.

Sensitivity analysis

The fair value measurement of freehold land is sensitive to changes in the unobservable inputs which may result in a significantly higher or lower fair value measurement. The following tables demonstrate the sensitivity to a reasonably possible change in significant unobservable inputs, with all other variables held constant (change in profit and equity):

| | Consolidated | |
|--|---------------------|---------------|
| | 2022 | 2021 |
| Agricultural land | \$'000 | \$'000 |
| Increase in estimated market value per hectare by 2% | 1,381 | 980 |
| Decrease in estimated market per hectare by 2% | (1,381) | (980) |
| | - | - |

c) Wharf asset

In the previous financial year ended 30 June 2021, with the refusal of the development approval of the wharf, costs incurred in developing the Wharf asset exceeded the recoverable amount and an impairment charge was recognised in accordance with AASB 116 *Property, Plant and Equipment*. In accordance with AASB 136 *Impairment of Assets* the recoverable amount was determined using the fair value less costs to sell of the group of assets referred to as the Wharf asset, based on an independent valuation of \$5.0 million.

With respect to the wharf asset, only the floating pontoon was believed to have any realisable value. An agent was appointed to sell the pontoon with a sale expected to have been completed within 12 months. As a result, the wharf asset was reclassified in the Statement of Financial Position from non-current "Property, plant and equipment" to current "Assets classified as held for sale".

The floating pontoon was sold during the current financial year ended 30 June 2022.

d) Operating lease

The Group earns rental income from operating leases of certain of its freehold land and buildings (see Note 6).

13. Biological assets

| | Consolidated | |
|--------------------------------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Opening balance at 1 July | - | 5,942 |
| Add fair value adjustment: | - | 39 |
| Fair value gain / (loss) | - | (5,981) |
| Closing balance as at 30 June | - | - |
| Plantation timber at cost | - | 25,217 |
| Accumulated fair value gain / (loss) | - | (25,217) |
| Total biological assets | - | - |
| Classified as non-current | - | - |

Notes to the Consolidated Financial Statements

Fair value at 30 June 2022 and at 30 June 2021

On 11 August 2021, the Group announced a strategy to remove the tree crop and convert its land for more traditional agricultural use. The Group will continue to pursue any salvage harvest opportunities, particularly for softwood plantations, if they present attractive risk adjusted returns to shareholders.

As a result of the agricultural strategy, the biological assets, previously valued at \$5.9 million, were determined to have fair value of nil at 30 June 2021.

At 30 June 2022, the Directors have again determined that the fair value of the biological assets is nil.

14. Current liabilities – Trade and other payables

| | Consolidated | |
|-----------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Trade payables | 598 | 1,001 |
| Unearned income | - | 1,128 |
| Other payables | 957 | 113 |
| | 1,555 | 2,242 |

Trade payables are unsecured, non-interest bearing and are usually paid within 30 days of recognition.

Unearned income related to a grant from the Commonwealth Government to develop a pellet mill as part of the 2019-20 Bushfires Relief Recovery program, where the Group had not yet spent the monies on approved expenditure. The grant was repaid in the year ended 30 June 2022.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

15. Current liabilities – employee benefits

| | Consolidated | |
|--------------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Employee benefits | | |
| Annual leave | 23 | 126 |
| Long service leave | 13 | 54 |
| Superannuation | 1 | 9 |
| | 37 | 189 |

Employee benefits are non-interest bearing.

16. Contributed equity

| | Consolidated | |
|-------------------------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| a) Issued and paid-up capital | | |
| Ordinary shares fully paid | 109,613 | 90,691 |

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

b) Movements in shares on issue

| | 2022 | | 2021 | |
|-----------------------------|-------------------|---------------|------------------|---------------|
| | Number of | \$'000 | Number of | \$'000 |
| | shares | | shares | |
| Beginning of financial year | 56,480,359 | 90,691 | 56,463,788 | 90,669 |

Notes to the Consolidated Financial Statements

| | 2022 | | 2021 | |
|--|---------------------|----------|---------------------|--------|
| | Number of shares | \$'000 | Number of shares | \$'000 |
| Shares issued | 29,448,112 | 32,399 | - | - |
| Share buy-backs | (10,205,133) | (12,818) | (49,273) | (42) |
| Share issue / buy-back costs, net of tax | - | (659) | - | - |
| Share-based payment (Note 24) | - | - | 65,844 | 64 |
| End of the financial year | 75,723,338 | 109,613 | 56,480,359 | 90,691 |

c) 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 monitors capital through the gearing ratio (net debt/total capital). The gearing ratios at 30 June 2022 and 30 June 2021 were as follows:

| | Consolidated | |
|--------------------------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 |
| Trade and other payables | 1,555 | 2,242 |
| Interest bearing liabilities | - | - |
| Less cash and cash equivalents | (48,301) | (32,735) |
| Net debt | (46,746) | (30,493) |
| Gearing Ratio | - | - |

As at 30 June 2022 the Group's net cash exceeds debt.

The Group is not subject to any externally imposed capital requirements.

17. Reserves

| | Consolidated | |
|---|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 |
| Share based payments reserve (a) | 321 | 668 |
| Property, plant and equipment revaluation reserve (b) | 27,981 | 9,237 |
| | 28,302 | 9,905 |

a) Share based payments reserve

| | Consolidated | |
|---|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 |
| Opening balance at 1 July | 668 | - |
| Movement: | | |
| Performance rights issued on 25 October 2021 | 321 | - |
| Performance rights issued on 1 July 2021 | 995 | 741 |
| Performance rights issued on 1 July 2021 cancelled | (1,663) | (73) |
| Performance rights issued on 30 June 2020 | - | 831 |
| Performance rights issued on 30 June 2020 cancelled | - | (831) |
| Closing balance at 30 June | 321 | 668 |

Notes to the Consolidated Financial Statements

The share-based payments reserve records the fair value at grant date of performance rights issued to directors, employees and other parties that has been recognised as an expense at the reporting date. It also reflects the value of performance rights that are on issue but have not yet converted into shares.

On 30 June 2020, 2,256,896 Performance Rights were issued in the allocations and with the share price performance conditions outlined in Note 24. These rights expired unvested on 29 June 2021.

On 1 July 2021, 2,256,896 Performance Rights were issued in the allocations and with the share price performance conditions outlined in Note 24. These rights cancelled on 13 September 2021

On 25 October 2021, 2,902,500 Performance Rights were issued in the allocations and with the share price performance conditions outlined in Note 24.

Share-based payment expense for the year ended 30 June 2022 totalling \$1,315,778 (2021: \$1,572,293) consists of part of the value of the 25 October 2021 issue (\$320,581) and part of the value of the 1 July 2021 rights (\$995,197). The remaining value of the 25 October 2021 rights will be recognised in future financial periods.

The value of the 30 June 2020 rights was transferred from the share-based payment reserve to accumulated profits at 29 June 2021, as they expired without vesting.

Part of the value of the 1 July 2021 rights was transferred from the share-based payment reserve to accumulated profits on 3 May 2021, when Mr John Sergeant resigned as a director, these rights lapsing without vesting.

The remaining value of the 1 July 2021 rights was transferred from the share-based payment reserve to accumulated profits at 13 September 2021, as they expired without vesting.

Refer to Note 24 for further detail of the terms, conditions and allocations of the rights issued during the current financial year and related share-based payment expense.

b) Property, plant and equipment revaluation reserve

| | Consolidated | |
|--|---------------------|---------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Opening balance at 1 July | 9,237 | 11,958 |
| Increase / (decrease) based on independent valuation | 20,710 | (7,846) |
| Deferred tax applicable to revaluation | (1,966) | 5,125 |
| Closing balance at 30 June | 27,981 | 9,237 |

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

18. Contingent assets and liabilities

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.

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

Notes to the Consolidated Financial Statements

19. Reconciliation of statement of cash flows

| | Consolidated 2022 \$'000 | 2021 \$'000 |
|---|--------------------------------|----------------|
| Reconciliation from the net profit after tax to the net cash flows from operations | | |
| Net profit/(loss) | (3,206) | (25,966) |
| <i>Adjustments for:</i> | | |
| Depreciation | 353 | 291 |
| (Profit) / loss on sale of property, plant and equipment | (368) | (60) |
| Net fair value decreases in biological assets | - | 5,981 |
| Impairment of wharf asset | - | 13,242 |
| Share-based payments (Note 24) | 1,316 | 1,636 |
| <i>Changes in assets and liabilities</i> | | |
| Increase/(decrease) in deferred tax | (657) | (1,311) |
| (Increase)/decrease in receivables and other current assets | (25) | 32,160 |
| Increase/(decrease) in payables and employee benefits | (506) | 1,453 |
| Net cash from operating activities | (3,093) | 27,426 |
| Loan facilities | | |
| Facilities available | - | - |
| Facilities used at 30 June | - | - |

20. Auditor remuneration

The auditor of Kiland Ltd is Grant Thornton Audit Pty Ltd.

| | Consolidated 2022 \$ | 2021 \$ |
|---|----------------------------|---------------|
| An audit or review of the financial report of the Group | 77,300 | 66,359 |
| Taxation services | 40,800 | 17,875 |
| Total | 118,100 | 84,234 |

21. Key management personnel

(a) Compensation of key management personnel

| | Consolidated 2022 \$ | 2021 \$ |
|----------------------------------|----------------------------|------------------|
| Non-executive Directors | | |
| Short-term benefits | 191,182 | 242,630 |
| Superannuation | - | 5,475 |
| Performance Rights | 367,456 | 564,930 |
| | 558,638 | 813,035 |
| Executives | | |
| Short-term benefits | 1,073,120 | 1,644,499 |
| Superannuation | 22,672 | 43,379 |
| Long service leave | (19,257) | 9,775 |
| Performance Rights | 948,322 | 1,007,363 |
| Share-based remuneration payment | - | 54,000 |
| Termination benefits | 100,000 | - |
| | 2,124,857 | 2,759,016 |
| Total | 2,683,495 | 3,572,051 |

Notes to the Consolidated Financial Statements

The directors and executives have been reimbursed for Group expenses incurred during the year.

22. Related party disclosures

Ultimate parent

The ultimate parent entity is Kiland Ltd, a publicly listed company domiciled and incorporated in Australia.

Subsidiaries

The consolidated financial statements include the financial statements of Kiland Ltd and the subsidiaries listed in the following table:

| Name | Country of incorporation | Percentage of equity interest held by the consolidated entity | |
|---|--------------------------|---|--------|
| | | 2022 % | 2021 % |
| KI Seaport Pty Ltd ⁽ⁱ⁾ | Australia | 100 | 100 |
| KIPT Holdings Pty Ltd ⁽ⁱⁱ⁾ | Australia | 100 | 100 |
| Kangaroo Island Plantation Management Pty Ltd | Australia | 100 | 100 |
| Kangaroo Island Land Assets Ltd | Australia | 100 | 100 |
| Kangaroo Island Timbers Pty Ltd | Australia | 100 | 100 |
| KI Carbon Ltd ⁽ⁱⁱⁱ⁾ | Australia | 100 | - |

(i) KI Seaport Pty Ltd was incorporated on 29 January 2014 and is a wholly owned subsidiary of Kiland Ltd.

(ii) KIPT Holdings Pty Ltd is a wholly owned subsidiary of Kiland Ltd and is the immediate parent entity to Kangaroo Island Plantation Management Pty Ltd, Kangaroo Island Land Assets Ltd and Kangaroo Island Timbers Pty Ltd.

(iii) KI Carbon Ltd was incorporated on 24 June 2022 and is a wholly owned subsidiary of Kiland Ltd.

Transactions with related parties

Controlled Entities

Transactions between Kiland Ltd and other entities in the wholly owned group during the period consisted of:

- Loans advanced by Kiland Ltd; and
- Loans advanced to Kiland Ltd.

Loans provided by the Company to wholly owned entities are made on an interest free basis and are repayable on demand.

All inter-entity transactions and balances are eliminated in the consolidated financial statements.

Key management personnel

Details of the remuneration of key management personnel are included in Notes 21 and 24 and in the Remuneration Report.

Gosse East plantation

| | Consolidated 2022 \$ | 2021 \$ |
|--------------------------------|----------------------------|------------|
| Directors' transactions | | |
| Operating lease income | - | (11,885) |

Operating lease income related to a former lease to a former director, Mr Graham Holdaway. Mr Holdaway resigned from the Board on 6 May 2020.

Notes to the Consolidated Financial Statements

Mr Holdaway leased a property of 187.60 hectares, known as "Gosse East", from the Group. The lease commenced on 30 June 1999, for a term of 25 years.

Owing to the impacts of wildfires, the Company forgave lease payments relating to the period following the fires. The contractual annual rental for year ended 30 June 2020 was \$25,144, of which \$13,259 was forgiven and \$11,885 was unpaid at 30 June 2020.

The lease over Gosse East was terminated on 17 December 2020. No rental was charged for the year ended 30 June 2021 and the \$11,885 owed at 30 June 2020 was forgiven.

The Group assumed ownership of all trees and forest produce at Gosse East and released Mr Holdaway from the obligation to clear and remove the plantation. The biological assets at Gosse East have been valued at zero in the Group's accounts.

23. Parent Entity disclosures

Information relating to Kiland Ltd:

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Current assets | 47,975 | 32,297 |
| Non-current assets | 2,058 | 5,705 |
| Intercompany assets | 39,849 | 35,358 |
| Total assets | 89,882 | 73,360 |
| Current liabilities | 186 | 1,413 |
| Non-current liabilities | - | - |
| Total liabilities | 186 | 1,413 |
| Total net assets | 89,696 | 71,947 |
| Issued capital | 109,613 | 90,691 |
| Option and performance rights reserve | 321 | 668 |
| Property, plant and equipment revaluation reserve | 1,133 | 768 |
| Retained earnings | (21,371) | (20,180) |
| Total shareholders' equity | 89,696 | 71,947 |
| Profit / (loss) of the parent entity | (2,854) | (3,336) |
| Net fair value gain in property, plant and equipment | (368) | (202) |
| Total comprehensive (loss) | (3,222) | (3,538) |

Parent entity guarantees, commitments and contingent liabilities

The Directors are not aware of any guarantees, commitments or contingent liabilities of the parent entity.

24. Share based payments

Recognised share-based payment expenses

The expense recognised for remuneration and other services received during the year is shown in the table below:

| | Consolidated 2022 \$ | 2021 \$ |
|--|----------------------------|------------|
| Performance Rights - Directors ^(a) | 1,315,778 | 1,572,293 |
| Shares issued to employees under the EESP ^(b) | - | 11,000 |
| Shares issued in lieu of consulting fees ^(c) | - | 53,000 |
| Total | 1,315,778 | 1,636,293 |

(a) Performance Rights – Directors

No Performance Rights vested in the year (prior year: nil).

Notes to the Consolidated Financial Statements

At the 25 October 2021 Annual General Meeting, shareholders approved the issue on 25 October 2021 of a total of 2,902,500 Performance Rights, with an expiry date of 25 October 2024.

The allocations and share price performance conditions of the 25 October 2021 Performance Rights issue are outlined in further detail below.

Share-based payment expense for the year ended 30 June 2022 totalling \$1,315,778 consists of \$320,581 in respect of the 25 October 2021 issue and \$995,197 in respect of the 1 July 2021 issue. The balance of the value of the 25 October 2021 Rights will be recognised in future financial periods.

Detail of share-based payment expense for the year is shown below.

| | Year | Issued 25 October 2021 \$ | Issued 1 July 2021 \$ | Issued 30 June 2020 \$ | Total Performance Rights \$ |
|--------------------------------|-------------|---------------------------------|-----------------------------|------------------------------|--------------------------------------|
| Non-Executive Directors | | | | | |
| P McKenzie | 2022 | 83,114 | 142,171 | - | 225,285 |
| | 2021 | - | 95,430 | 106,043 | 201,473 |
| G Boulton ⁽¹⁾ | 2022 | - | 142,171 | - | 142,171 |
| | 2021 | - | 95,430 | 106,043 | 201,473 |
| J Sergeant ⁽²⁾ | 2022 | - | - | - | - |
| | 2021 | - | 72,838 | 89,146 | 161,984 |
| Executive Directors | | | | | |
| J Davies | 2022 | 237,467 | - | - | 237,467 |
| | 2021 | - | - | - | - |
| K Lamb ⁽³⁾ | 2022 | - | 568,684 | - | 568,684 |
| | 2021 | - | 381,720 | 424,170 | 805,890 |
| S Black ⁽⁴⁾ | 2022 | - | 142,171 | - | 142,171 |
| | 2021 | - | 95,430 | 106,043 | 201,473 |
| Total | 2022 | 320,581 | 995,197 | - | 1,315,778 |
| | 2021 | - | 740,848 | 831,445 | 1,572,293 |

(1) Mr Boulton resigned on 21 September 2021.

(2) Mr Sergeant resigned on 3 May 2021.

(3) Mr Lamb resigned on 25 October 2021.

(4) Ms Black resigned on 25 October 2021.

Director Holdings of Performance rights

| | Opening interest at 1 July 2021 | Performance rights granted as compensation | Performance rights cancelled | Closing interest at 30 June 2022 |
|----------------------------|---------------------------------------|--|---------------------------------|--|
| Non-Executives | | | | |
| Paul McKenzie | 282,112 | 752,500 | (282,112) | 752,500 |
| Mitchell Taylor | - | - | - | - |
| Gregory Boulton | 282,112 | - | (282,112) | - |
| Executive Directors | | | | |
| James Davies | - | 2,150,000 | - | 2,150,000 |
| Keith Lamb | 1,128,448 | - | (1,128,448) | - |
| Shauna Black | 282,112 | - | (282,112) | - |
| Total | 1,974,784 | 2,902,500 | (1,974,784) | 2,902,500 |

All directors 1 July 2021 performance rights cancelled on 13 September 2021 as resolved by the directors.

The issue of new performance rights was approved by the shareholders on 25 October 2021.

Notes to the Consolidated Financial Statements

Directors' Incentive Scheme / Performance Rights Plan

On 13 September 2021, the Group announced that the Board had determined that the Performance Rights Plan (the Plan) approved by Shareholders on 21 November 2019 would be withdrawn.

At the 25 October 2021 Annual General Meeting, shareholders approved a new Directors' Incentive Scheme (the Scheme).

Under the Scheme, and the Plan which proceeded it, the Board can issue Performance Rights to Executive and 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.

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.

All performance rights plans contain an underlying service condition, that is, the employee/director has to remain employed until the performance conditions of the relevant plans are met in order for the rights to vest.

Valuation and Recognition of Remuneration

Under AASB 2 *Share-Based Payment* the fair value of any share-based remuneration is determined at the grant date and then recognised as an expense over the relevant vesting period. Performance rights are normally valued based on the Company's share price at the Grant Date. Vesting conditions that are market-based (such as achievement of a particular share price) are included in the fair value assessment. The directors have used an adapted Monte Carlo valuation method to value the performance rights.

Remuneration expense is then recognised over the relevant term of the performance rights, on the basis that the recipient must be an employee or director of the Group at the time a performance condition is met in order for the rights to vest. Amounts recognised as remuneration expense are not reversed through profit and loss if the rights do not vest because of a failure to meet a market-based performance condition. However, the value of performance rights that have been cancelled or expired is transferred from the share-based payment reserve to accumulated profit.

The Performance Rights expire of between one and three years after approval or if they are replaced with new Performance Rights.

Performance Rights approved and issued on 25 October 2021

At the 25 October 2021 General Meeting, shareholders approved the issue on 25 October 2021 of a total of 2,902,500 Performance Rights, with an expiry date of 25 October 2024.

The total valuation of these performance rights of \$1,416,760 will be expensed from the date of grant (25 October 2021) to the date of expiry (25 October 2024). This is considered to be the service period of the performance rights.

In the half-year ended 31 December 2021, \$320,581 was recognised as an expense in relation to these rights.

The 25 October 2021 Performance Rights were granted in four tranches with different share price performance conditions as shown below:

- the one month volume-weighted average price (VWAP) of the Group's Shares is achieved at the one year anniversary date of the date on which the ASX share price for the Company's shares was first at the relevant price hurdle, subject to the value of the Company's shares traded in the 12 months to the anniversary date exceeding \$2 million; and
- the recipient must be an employee or director of the Group at the time the performance condition is met in order for the rights to vest.

Notes to the Consolidated Financial Statements

| One month VWAP | James Davies Rights | Paul McKenzie Rights | Total Rights | Total Valuation \$ |
|-----------------|---------------------|----------------------|------------------|--------------------|
| \$1.50 or above | 750,000 | 262,500 | 1,012,500 | 607,978 |
| \$1.75 or above | 325,000 | 113,750 | 438,750 | 221,212 |
| \$2.00 or above | 750,000 | 262,500 | 1,012,500 | 427,560 |
| \$2.25 or above | 325,000 | 113,750 | 438,750 | 160,010 |
| Total | 2,150,000 | 752,500 | 2,902,500 | 1,416,760 |

The Directors employed an independent consultant to value the performance rights using a Monte Carlo model. The performance rights are all American call performance rights calculated with the following inputs:

- Valuation date of 25 October 2021;
- A share price of \$1.195, being the closing share price as at 25 October 2021;
- A risk-free rate of 0.660%, based on the yield of Australian 3-year government bonds as at 25 October 2021;
- A volatility of 45.0% based on analysis of the historical volatility of ASX: KIL up to 25 October 2021, rounded to one decimal place and reflecting the period for which performance is measured; and
- A strike price of \$nil.

| One month VWAP | Shares to be issued | Grant date to 31 Dec 2021 \$ | 6 months to 30 Jun 2022 \$ | 6 months to 31 Dec 2022 \$ | 6 months to 30 Jun 2023 \$ |
|-----------------|---------------------|------------------------------|----------------------------|----------------------------|----------------------------|
| \$1.50 or above | 1,012,500 | 37,167 | 100,405 | 102,069 | 100,405 |
| \$1.75 or above | 438,750 | 13,523 | 36,532 | 37,138 | 36,532 |
| \$2.00 or above | 1,012,500 | 26,137 | 70,610 | 71,780 | 70,610 |
| \$2.25 or above | 438,750 | 9,782 | 26,425 | 26,863 | 26,425 |
| Total | 2,902,500 | 86,609 | 233,972 | 237,850 | 233,972 |

| One month VWAP | Shares to be issued | 6 months to 31 Dec 2023 \$ | 6 months to 30 Jun 2024 \$ | 6 months to 31 Dec 2024 \$ | Total valuation \$ |
|-----------------|---------------------|----------------------------|----------------------------|----------------------------|--------------------|
| \$1.50 or above | 1,012,500 | 102,069 | 100,960 | 64,903 | 607,978 |
| \$1.75 or above | 438,750 | 37,138 | 36,734 | 23,615 | 221,212 |
| \$2.00 or above | 1,012,500 | 71,780 | 71,000 | 45,643 | 427,560 |
| \$2.25 or above | 438,750 | 26,863 | 26,571 | 17,081 | 160,010 |
| Total | 2,902,500 | 237,850 | 235,265 | 151,242 | 1,416,760 |

Performance Rights approved on 28 October 2020 and issued on 1 July 2021

At the 28 October 2020 General Meeting, shareholders approved the issue on 1 July 2021 of a total of 2,256,896 Performance Rights, with an expiry date of 30 June 2022. These Rights were resolved by the Directors to have been cancelled on 13 September 2021.

The total valuation of these performance rights of \$1,900,808 was expensed from the date of grant (28 October 2020) to the date they were cancelled (13 September 2021).

In the year ended 30 June 2022, \$995,198 was recognised as an expense in relation to these rights. This was less than the valuation of \$1,137,369 attributable to the year ended 30 June 2022, owing to the resignation of Mr Sergeant as a director on 3 May 2021.

In the year ended 30 June 2021, \$740,848 was recognised as an expense in relation to these rights. This was less than the valuation of \$763,439 attributable to the year ended 30 June 2021, owing to the resignation of Mr Sergeant as a director on 3 May 2021.

Notes to the Consolidated Financial Statements

The 1 July 2021 Performance Rights were issued in the three tranches with different share price performance conditions as shown below:

- the volume-weighted average price (VWAP) of the Group's Shares exceeds the relevant price, based on the most recently-traded 1,000,000 shares; and
- the recipient must be an employee or director of the Group at the time the performance condition is met in order for the rights to vest.

| Last 1,000,000 Shares Traded VWAP | Keith Lamb Rights | John Sergeant Shauna Black Paul McKenzie Greg Boulton | Total Rights | Total Valuation \$ |
|---|----------------------|--|------------------|--------------------------|
| | | Rights (equal share) | | |
| \$1.31 or above | 376,149 | 376,148 | 752,297 | 690,608 |
| \$1.57 or above | 501,533 | 501,532 | 1,003,065 | 832,545 |
| \$1.83 or above | 250,766 | 250,768 | 501,534 | 377,655 |
| Total | 1,128,448 | 1,128,448 | 2,256,896 | 1,900,808 |

The Directors employed an independent consultant 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:KIL (previously KPT) for a 1-year period up to 28 October 2020, rounded to one decimal place and reflecting the period for which performance is measured; and
- A strike price of \$nil.

| 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 |
| Total | 2,256,896 | 199,429 | 564,010 | 573,359 | 564,010 | 1,900,808 |

Performance Rights approved and issued on 30 June 2020

On 30 June 2020, shareholders approved the issue of a total of 2,256,896 Performance Rights, with an expiry date of 29 June 2021. These Rights were resolved by the Directors to have expired unvested on 29 June 2021.

In the year ended 30 June 2021, \$831,445 was recognised as an expense in relation to these rights, which was less than the valuation of \$848,342, owing to the resignation of Mr Sergeant as a director on 3 May 2021.

The 30 June 2020 Performance Rights were issued in the three tranches with different share price performance conditions as shown below:

- the volume-weighted average price (VWAP) of the Group's Shares exceeds the relevant price, based on the most recently-traded 1,000,000 shares; and
- the recipient must be an employee or director of the Group at the time the performance condition is met in order for the rights to vest.

Notes to the Consolidated Financial Statements

| Last 1,000,000 Shares Traded VWAP | Keith Lamb Rights | John Sergeant Shauna Black Paul McKenzie Greg Boulton | Total Rights | Total Valuation \$ |
|---|----------------------|--|------------------|--------------------------|
| | | Rights (equal share) | | |
| \$1.25 or above | 376,149 | 376,148 | 752,297 | 340,791 |
| \$1.50 or above | 501,533 | 501,532 | 1,003,065 | 362,106 |
| \$1.75 or above | 250,766 | 250,768 | 501,534 | 145,445 |
| Total | 1,128,448 | 1,128,448 | 2,256,896 | 848,342 |

The Directors employed an independent consultant 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:KIL (previously KPT) for a 1-year period up to 30 June 2020, rounded to one decimal place and reflecting the period for which performance is measured; and
- A strike price of \$nil.

| 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 |
| Total | 2,256,896 | 419,510 | 428,832 | 848,342 |

(b) Shares issued under Executive & Employee Share Plan (EESP)

No shares (2021: 9,559) were issued to employees during the year under the EESP.

With respect to the prior year issue: 11 employees were issued 869 shares each. The shares were valued at the Company's closing price of \$1.15 on the ASX on the date of issue and remuneration expense of \$11,000 was recognised.

(c) Shares issued in lieu of consulting fees

The Group's former Approvals Manager Mr Peter Lockett invoiced his services via Seaview Corporate Services Pty Ltd, of which Mr Lockett has effective control. During the year \$nil (2021: \$50,000) of these services have been paid in shares. Shares were paid at 20-day VWAP as at the last day of each quarter. Mr Lockett's shares issued in lieu of fees for the prior year are outlined in the table below.

| Date of Issue | Fees Invoiced \$ | 20-Day VWAP | Shares Issued | Consideration \$ |
|---------------|---------------------|----------------|------------------|---------------------|
| 11 June 2021 | 12,500 | \$0.818 | 15,278 | 12,500 |
| 11 June 2021 | 12,500 | \$0.813 | 15,380 | 12,500 |
| 11 June 2021 | 12,500 | \$1.192 | 10,484 | 12,500 |
| 11 June 2021 | 12,500 | \$0.931 | 12,536 | 12,500 |
| | 50,000 | | 53,678 | 50,000 |

Ms Victoria Allinson is the Group's Company Secretary and Chief Financial Officer and provides professional accounting, administration and company secretarial fees which are invoiced by Allinson Accounting Solutions Pty Ltd, of which Ms Allinson is Managing Director and shareholder.

During the year \$nil (2021: 3,000) of these fees were paid in shares, of which \$nil (2021: 1,000) of shares were issued to Ms Allinson and \$nil (2021: 2,000) to her employees.

Notes to the Consolidated Financial Statements

With respect to the prior year issues, 2,607 shares were issued at \$1.15 per share, 869 shares to Ms Allinson and 1,738 to her employees.

25. Commitments

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

| | Consolidated Plant & equipment | |
|---|---|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Due no later than one year | 2,480 | - |
| 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 | 2,480 | - |

There are no other commitments as at 30 June 2022.

26. Events after balance date

Subsequent to year end, the Group announced that it had entered into a Project Development and Services Agreement with Biocare Projects Pty Ltd (Biocare) to progress the biochar project. Biocare's responsibilities under the agreement include the design and development of an in-field 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.

The biochar project intends to convert approximately 4.5m tonnes of fire damaged biomass (standing timber) into approximately 900,000 tonnes of biochar.

Any biochar production is expected to be complementary to the Group's existing land development activities on Kangaroo Island and has the potential to offset the development cost of the Group's reversion activities, through revenue from biochar sales.

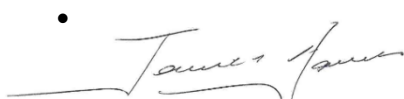
Additionally, the Group believes that biochar production may offer the opportunity for further revenue via the production and sale of approximately 1.8 million Carbon Removal Certificates (CRCs).

There have been no other events subsequent to balance date that have significantly affected, or may affect in the future, the operations of state of affairs of the Group.

Directors' Declaration

In accordance with a resolution of the directors of Kiland Ltd, I state that:

- In the opinion of the directors:
 - The consolidated financial statements and notes of Kiland Ltd for the financial year ended 30 June 2022 are in accordance with the Corporations Act 2001, including:
 - Giving a true and fair view of its financial position as at 30 June 2022 and of its performance for the financial year ended on that date;
 - Complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and
- The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a); and
- There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2022.

- 

On behalf of the Board

Chairman

Dated this 20th day of September 2022

Independent Auditor's Report

To the Members of Kiland Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Kiland Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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 year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Valuation of Land (Note 12) | |
| Land is subject to a revaluation policy and as at 30 June 2022 the value is based on a valuation prepared by third party. | Our procedures included, amongst others: |
| Estimating the fair value of land is a complex process including a model that uses several judgements and estimates regarding various inputs from both internal and external sources. | <ul style="list-style-type: none">• Reviewed the Group's assessment of the fair value of land; |
| This area is a key audit matter due to the significant level of judgement, including: | <ul style="list-style-type: none">• Reviewed external sources to determine if there had been any events that would significantly affect the carrying value; |
| <ul style="list-style-type: none">• Estimated price per hectare taking into consideration land location, land improvements, plantation details and occupancy; and | <ul style="list-style-type: none">• Tested various inputs used by the valuer; |
| <ul style="list-style-type: none">• The best use of the land. | <ul style="list-style-type: none">• Assessed the expertise and qualification of management's expert; and• Assessed the appropriateness of the related disclosures within the financial statements. |

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the financial report

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2022.

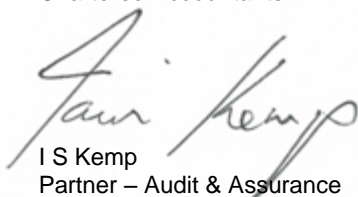
In our opinion, the Remuneration Report of Kiland Limited, for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



I S Kemp
Partner – Audit & Assurance

Adelaide, 20 September 2022

Investors' supplementary information

As at 13 September 2022

The information contained below is to be read in conjunction with the annual report of Kiland Ltd dated 30 June 2022.

Details of top 20 shareholders

The following is a list of the top 20 Shareholders of the Company:

| 1 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 27,967,558 | 36.93 |
|--|--|-------------------|--------------|
| 2 | WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED | 14,027,639 | 18.52 |
| 3 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 4,065,319 | 5.37 |
| 4 | SAMUEL TERRY ASSET MANAGEMENT PTY LTD <SAMUEL TERRY ABSOLUTE RETURN ACTIVE FUND A/C> | 3,000,000 | 3.96 |
| 5 | MR PHILIP KIDMAN REID | 2,143,534 | 2.83 |
| 6 | AMINAC PTY LTD <AMINAC SUPER FUND A/C> | 2,132,500 | 2.82 |
| 7 | AUSTRALIAN PHILANTHROPIC SERVICES FOUNDATION PTY LTD <APS FOUNDATION A/C> | 2,000,000 | 2.64 |
| 8 | H&G HIGH CONVICTION LIMITED | 1,665,593 | 2.20 |
| 9 | MR JOHN SERGEANT + MS JENNIFER SERGEANT <SERGEANT FAMILY S/F A/C> | 1,400,000 | 1.85 |
| 10 | BROADGATE INVESTMENTS PTY LTD | 1,135,000 | 1.50 |
| 11 | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 797,346 | 1.05 |
| 12 | SHANDORA ONE PTY LTD <BENGER SUPER FUND A/C> | 796,500 | 1.05 |
| 13 | ALKE PTY LTD <THE P MCKENZIE FAMILY N2 A/C> | 657,360 | 0.87 |
| 14 | PERPETUAL CORPORATE TRUST LTD <AIF> | 642,040 | 0.85 |
| 15 | WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED | 493,997 | 0.65 |
| 16 | NATIONAL NOMINEES LIMITED | 460,000 | 0.61 |
| 17 | AAG INVESTMENT MANAGEMENT PTY LTD | 445,000 | 0.59 |
| 18 | BENJAMIN HORNIGOLD LTD | 401,526 | 0.53 |
| 19 | G CHAN PENSION PTY LIMITED <CHAN SUPER FUND A/C> | 383,386 | 0.51 |
| 20 | NEJA PTY LTD | 350,000 | 0.46 |
| 20 | TIAN XIA PTY LTD | 350,000 | 0.46 |
| TOTALS: TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES | | 65,314,298 | 86.25 |
| TOTAL REMAINING HOLDERS BALANCE | | 10,409,040 | 13.75 |

Distribution of shareholder numbers

| Range | Total holders | Number of Shares | % of Shares |
|------------------|---------------|-------------------|---------------|
| 1 - 1,000 | 167 | 92,954 | 0.12 |
| 1,001 - 5,000 | 147 | 372,658 | 0.49 |
| 5,001 - 10,000 | 64 | 507,079 | 0.67 |
| 10,001 - 100,000 | 127 | 4,742,372 | 6.26 |
| 100,001 and over | 48 | 70,008,275 | 92.46 |
| TOTAL | 553 | 75,723,338 | 100.00 |

Number of shareholders with less than a marketable parcel of securities

As at 13 September 2022, there were a total of 39 shareholders with less than a marketable parcel of securities held in Kiland Ltd.

Details of substantial shareholders

The following is a list of substantial shareholders of the Company and their associates:

| Name of substantial shareholder | Registered holder of the shares | Number of shares held | % of total shares |
|---|--|-----------------------|-------------------|
| Samuel Terry Asset Management Pty Ltd | JP Morgan Nominees Australia Limited | 27,902,548 | 36.85% |
| | Samuel Terry Asset Management Pty Ltd <Samuel Terry Absolute Return Active Fund A/ > | 3,000,000 | 3.96% |
| | Mr Frederick Woollard | 1,965 | 0.00% |
| | Total | 30,904,513 | 40.81% |
| Washington H Soul Pattinson and Company Limited | Washington H Soul Pattinson and Company Limited | 14,521,636 | 19.18% |
| Brickworks Limited | Shareholding in Washington H Soul Pattinson and Company Limited | 14,521,636 | 19.18% |

Unlisted options

There are no unlisted options.

Performance rights

There are 2,902,500 performance rights on issue.

Types of securities and voting rights

There is one class of ordinary shares. Each share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Number and class of shares held in escrow

There are currently no ordinary shares held in escrow.

Buy Backs

There are currently no buy back.

Securities Exchange

The Company is listed on the Australian Securities Exchange under the ASX stock code KIL.