

Results for Announcement to the Market

Appendix 4E

Preliminary Final Report

The following information is given to the ASX under Listing Rule 4.3A

1. Reporting Period

Current Reporting period: Year ended 30 June 2023

Previous Reporting Period: Year ended 30 June 2022

2. Results for announcement to the market

Consolidated Group	Item	2023 \$'000	2022 \$'000	% Change from the previous period
Revenue from ordinary activities from continuing operations	2.1	338	1,613	Revenue decreased 79%
Profit/(loss) from ordinary activities after tax	2.2	(9,668)	(3,206)	Loss increased 202%
Profit/(loss) attributable to members for the period.	2.3	(9,544)	(3,206)	Loss increased 198%
Total comprehensive income	2.3	6,702	15,538	Profit decreased 57%
Dividends	2.4	No dividends have been paid or proposed during the period.		
The record date for determining entitlements to dividend	2.5	N/A		
Explanatory Information	2.6	For further information refer to <i>Commentary on Results</i> which accompanies this announcement		

Commentary on Results

Agricultural Estate

In August 2021, the Group announced a strategy to remove the tree crop and convert its land to more traditional agricultural use. The Group plans to sell some of its non-core assets that are no longer required under this strategy.

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.

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

The Group acquired reversion plant and equipment and reversion works on the estate commenced in August 2022. At 30 June 2023, 960.2 hectares of land have been partially reverted.

Carbon removal project

In August 2022, the Group established a 100% subsidiary, Nobrac, as an intermediate parent of KI Carbon Ltd.

Kiland initially capitalised Nobrac with \$2 million cash and has provided it with a shareholder loan facility of up to \$10 million. The shareholder loan facility has an interest rate of 7% per annum (cash or payment-in-kind) and 3-year term; there have been no drawdowns against this loan at the date of this report.

On 9 November 2022, Kiland announced Nobrac would undertake an equity fundraise from 3rd-party investors to undertake its biochar project. The raise was completed in December 2022 raising \$7.1 million (gross of issue costs amounting to \$463,668) at a \$50 million pre-money equity valuation. The post-money equity valuation is, therefore, \$57.1 million and Kiland's equity ownership of Nobrac has reduced from 100% to 87.6%. Nobrac owns 100% of KI Carbon Limited. Kiland is considered to control Nobrac by virtue of its 87.6% shareholding in Nobrac. Following the capital raise the Board of Nobrac consists of 2 Kiland representatives and 2 investor representatives.

Following the capital raise, Nobrac has approximately \$13.5 million available funding to develop the Flinders Biochar Carbon Removal Project on Kangaroo Island in South Australia.

Nobrac owns 100% of KI Carbon Limited which in-turn owns the rights to the Flinders Biochar Project. Kiland's subsidiary Kangaroo Island Land Assets Limited has entered into an agreement to deliver harvested biomass to KI Carbon Limited for a nominal tolling fee.

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

Kiland believes that the Flinders Biochar Project is an institutional-grade carbon development project with significant opportunity for future cashflow generation, with forecast revenue from Carbon Removal Credits as well as by-product biochar sales. Nobrac is an early-stage company in an early-stage industry, accordingly, there is significant operational, market and regulatory risk as it executes its strategy.

Through the Flinders Biochar Project, Nobrac will seek to capitalise on rapidly developing global carbon opportunities and create an institutional-grade carbon platform, while also meaningfully contributing to net-zero targets and driving climate change action by permanently removing carbon from the atmosphere.

Land Revaluation

The 30 June 2023 independent valuation by LAWD Pty Ltd, of land and buildings owned by the Group resulted in an increase of \$20.8 million to \$93.6 million.

The valuation was prepared using a Summation Approach whereby the land value was assessed at a dollar per hectare rate, applied to the number of hectares and added to the value of structural improvements. The independent expert has assessed the rate per hectare for the productive component of the agricultural estate (inclusive of remnant vegetation and water bodies) as \$3,571 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.

Corporate matters

Share buy-backs

Following the announcement on 8 March 2023 the Group conducted a share buy-back to create liquidity for shareholders and to achieve a more efficient capital structure. A total of 3,810,427 shares were bought back (approximately 5% of issued capital) at a cost of \$7.1 million (approximately \$1.85/share), plus \$0.035 million of costs.

As at 30 June 2023 there were 71,912,911 ordinary shares on issue and 2,902,500 performance rights.

Changes to Board and Management

There were no changes to the Board in the financial year ended 30 June 2023.

The Group recorded two changes to management during the year:

In December 2022, Ms Vicky Allison resigned as company secretary and was replaced by Mr Andrew Metcalfe.

In March 2023, Ms Vicky Allison resigned as CFO and was replaced by Mr Alastair Beard.

3. Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Consolidated	
	2023	2022
	\$'000	\$'000
Sales	338	1,613
Cost of sales	(284)	(2,586)
Gross profit / (loss)	54	(973)
Operating lease income	12	37
Bank interest	714	26
Other income	199	3,531
Profit on assets sold	231	368
Forestry expenses	(9)	(1,537)
Reversion expenses	(10,835)	-
Wharf feasibility costs	-	(838)
Finance Costs	(104)	-
Administrative and other expenses	(2,873)	(4,477)
Share of associate's profit/(loss) after tax	(91)	-
Profit / (loss) before income tax	(12,702)	(3,863)
Income tax (expense)/benefit	3,034	657
Net profit / (loss) for the year	(9,668)	(3,206)
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)	16,370	18,744
Other comprehensive income for the year net of tax	16,370	18,744
Total comprehensive income for the year attributable to members of the parent	6,702	15,538
Profit/ (loss) attributable to:		
Non-controlling interest	(124)	-
Owners of Kiland Limited	(9,544)	(3,206)
Profit/(loss) for the year	(9,668)	(3,206)
Total comprehensive income for the year attributable to:		
Non-controlling interest	(124)	-
Owners of Kiland Limited	6,826	15,538
Total comprehensive income for the year	6,702	15,538
	30 June 2023	30 June 2022
	Cents	Cents
Basic and diluted earnings/(loss) per share	(12.70)	(5.76)

4. Consolidated Statement of Financial Position

As at 30 June 2023

	Consolidated 2023 \$'000	2022 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	38,250	48,301
Trade and other receivables	309	238
Other current assets	637	83
	39,196	48,622
Assets classified as held for sale	307	-
Total current assets	39,503	48,622
Non-current assets		
Property, plant and equipment	104,327	77,376
Investments in associates	3,067	-
Other non-current assets	-	4
Total non-current assets	107,394	77,380
TOTAL ASSETS	146,897	126,002
LIABILITIES		
Current liabilities		
Trade and other payables	2,171	1,555
Other financial liabilities	4	-
Employee benefits	-	37
Total current liabilities	2,175	1,592
Trade and other payables	2,935	-
Deferred tax liability	4,423	2,374
Borrowings	8,481	-
Other financial liabilities	158	-
Total non-current liabilities	15,997	2,374
TOTAL LIABILITIES	18,172	3,966
NET ASSETS	128,725	122,036
EQUITY		
Contributed equity	102,406	109,613
Reserves	45,144	28,302
Accumulated profit / (loss)	(19,780)	(15,879)
Non-controlling interest	955	-
TOTAL EQUITY	128,725	122,036

5. Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Consolidated 2023 \$'000	2022 \$'000
Cash flows from operating activities		
Receipts from customers	504	1,593
Payments to suppliers and employees	(9,370)	(6,187)
Payments to wharf development suppliers	-	(897)
Interest received	714	26
Government grant	-	(1,128)
Insurance recoveries	-	3,500
Net cash flows from operating activities	(8,152)	(3,093)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	730	6,226
Purchase of wharf development assets	-	(1,163)
Purchase of plant and equipment	(7,625)	(5,108)
Investment in Associate – Biocare Projects Pty Ltd	(3,000)	-
Net cash flows used in investing activities	(9,895)	(45)
Cash flows from financing activities		
Proceeds from the issue of shares in parent	-	32,400
Proceeds from the issue of shares in subsidiary	7,070	-
Payment for share issue costs	(464)	(878)
Purchase of shares	(7,091)	(12,818)
Proceeds from borrowings	8,803	-
Repayment of borrowings	(322)	-
Net cash flows used in financing activities	7,996	18,704
Net increase in cash and cash equivalents	(10,051)	15,566
Cash and cash equivalents at beginning of year	48,301	32,735
Cash and cash equivalents at end of year	38,250	48,301

6. Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	Issued capital \$'000	Treasury shares \$'000	Property, plant & equipment revaluation reserve \$'000	Option & performance rights reserve \$'000	Accumulated profit \$'000	Non-controlling Interests \$'000	Total \$'000
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
Balance at 1 July 2022	122,923	(13,310)	27,981	321	(15,879)	-	122,036
Loss for the period	-	-	-	-	(9,544)	(124)	(9,668)
Other comprehensive income	-	-	16,370	-	-	-	16,370
Total comprehensive income	-	-	16,370	-	(9,544)	(124)	6,702
Net impact of change in equity holdings in Nobrac	-	-	-	-	5,643	1,079	6,722
Share buy-backs	(7,056)	-	-	-	-	-	(7,056)
Share issue & buy-back costs	(151)	-	-	-	-	-	(151)
Share-based payments	-	-	-	472	-	-	472
Treasury Shares cancelled	(13,310)	13,310	-	-	-	-	-
Transaction with owners	(20,517)	13,310	-	472	5,643	1,079	(13)
Balance at 30 June 2023	102,406	-	44,351	793	(19,780)	955	128,725

7. Dividends paid

The board has neither recommended nor paid any dividends during the year ended 30 June 2023 (2022: nil).

8. Details of Dividends

Not applicable.

9. Net tangible assets per security

	30 June 2023	30 June 2022
Number of securities	71,912,911	75,725,338
Net tangible assets per security	\$1.79	\$1.61

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

Kiland's equity ownership of Nobrac has reduced from 100% to 87.6%. Nobrac owns 100% of KI Carbon Limited. Kiland is considered to control Nobrac by virtue of its 87.6% shareholding in Nobrac. There have been no other changes in controlled entities during the year ended 30 June 2023.

11. Details of associates and joint venture entities

Kiland Ltd's subsidiary Nobrac acquired a 20% interest in the Australian private company BioCare Projects Pty Ltd during the year. The investment in Biocare Projects Pty Ltd has been recognised as an Associate due to significant influence and equity accounting treatment has been applied. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control such decisions.

Under the equity method, the investment in Biocare Projects Pty Ltd is initially recognised at cost. The carrying amount of the investment has been adjusted to recognise changes in Nobrac's share of Biocare Projects Pty Ltd's net assets since the acquisition date.

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

Refer *commentary on Results* which accompanies this announcement.

13. Foreign entities disclosures

Not applicable.

14. Commentary on results for the period

Refer *Commentary on Results* which accompanies this announcement.

	30 June 2023 Cents	30 June 2022 Cents
Continued Operations		
Basic earnings per share	(12.70)	(5.76)

After Balance Date Events

There have been no significant events after balance date.

15. Audit status

The Preliminary Final Report is unaudited.

16. Audit dispute or qualification

The group is not aware of any audit dispute or qualification for the accounts for the year ending 30 June 2023. The audit remains in progress at the date of this release.