Kiland Limited

ACN 091 247 166

Results for Announcement to the Market Appendix 4D

(1) Reporting Period

Current reporting period: Half-year ended 31 December 2022
Previous corresponding reporting period: Half-year ended 31 December 2021

(2) Results for Announcement to the Market

	Change %	Amount $'000
Revenue – continued operations	47% decrease	541
Loss after tax – continued operations	12% increase	(3,903)
Net loss attributable to members	12% increase	(3,903)

Brief explanation of revenue and net loss

The loss from continuing operations increased by $417K, primarily due to increased reversion costs (as at the date of this report 434 hectares have been partially remediated) of Kiland Limited ("Company") and its controlled entities ("Group"), offset by lower costs of sales, forestry costs, administrative costs and income tax benefit. A summary of the major changes is set out below:

	2022 Income / (expense) $'000s	**2021 Income / (expense) $'000s**	**(Increase) / decrease in losses $'000s**
Sales, other income and finance income have decreased	541	1,026	(485)
Cost of sales has decreased	(309)	(1,482)	1,173
Forestry expenses have decreased	-	(1,173)	1,173
Reversion expenses have increased	(4,336)	-	(4,336)
Wharf development costs have decreased	5	(75)	80
Administrative and other expenses have decreased	(1,024)	(2,589)	1,565
Income tax benefit has increased	1,220	807	413
Net comprehensive loss has decreased	**(3,903)**	**(3,486)**	**(417)**

(3) Net tangible asset (NTA) backing

	Half-year Ended 31 December 2022	Half-year Ended 31 December 2021
Net tangible asset backing per security	$1.67	$1.53

The increase in NTA is mainly due to the Company's capital raise during the June 2022 quarter and Nobrac's capital raise during December 2022, offset by forestry, reversion and administrative costs, incurred by the Group to remove the tree crop and convert the land to more traditional agricultural use.

(4) Details of entities over which control has been gained or lost during the period

In August 2022, the Group established a 100% owned subsidiary, Nobrac Limited ("Nobrac"), as an intermediate parent of KI Carbon Ltd. KI Carbon Ltd was established to undertake the carbon removal credit and biochar production project on Kiland's estate. The project is known as the Flinders Biochar Project ("Flinders Biochar Project").

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 in Nobrac (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.

(5) Loss of Control over Entities

The Group has not lost control of any entities during the half-year ended 31 December 2022.

(6) Dividends paid or proposed

There were no dividends paid, recommended or declared during the current financial period or prior financial period.

(7) Details of associates or joint ventures

Not applicable.

(8) Foreign entities

Not applicable.

(9) Review dispute or qualification

The Group is not aware of any review, dispute or qualification for the accounts for the half-year ended 31 December 2022. The half-year financial report should be read in conjunction with the annual report for the year ended 30 June 2022.

Kiland Limited

Interim Financial Report

For the half year ended 31 December 2022

ABN 19 091 247 166

www.kiland.com.au

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Contents

Directors' Report

For the half-year ended 31 December 2022.

Your Directors submit their report for the half-year ended 31 December 2022 for Kiland Limited ("Company") and its controlled entities ("Group").

Directors

The names of the Company's Directors in office during the half-year and until the date of this report are as below.

Director	Position	Appointed	Last elected or re-elected at AGM
James Davies	Executive Chairan	13 July 2021	25 October 2021
Paul McKenzie	Non-Executive Director	29 April 2005	25 October 2021
Mitchell Taylor	Non-Executive Director	13 July 2021	24 November 2022

Directors were in office for the entire period.

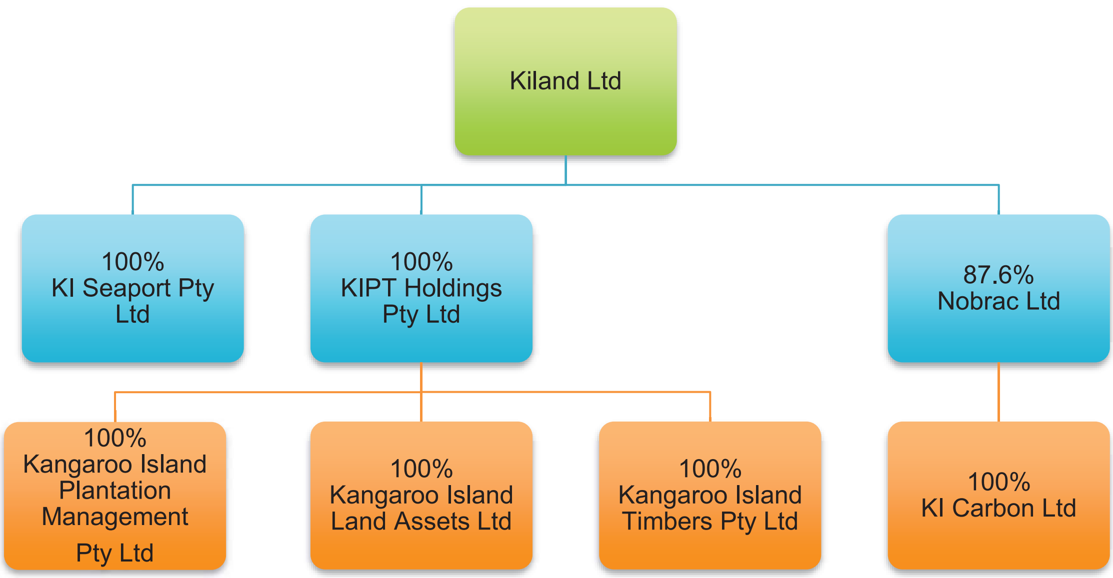
Review and results of operations

The loss from continuing operations increased by $417K, primarily due to increased reversion costs (at the date of this report 434 hectares have been partially remediated), offset by lower costs of sales, forestry costs, administrative costs and income tax benefit. A summary of the major charges is set out below:

	Dec 2022 Income / (expense) $'000s	Dec 2021 Income / (expense) $'000s	(Increase) / decrease in losses $'000s
Sales, other income and finance income have decreased	541	1,026	(485)
Cost of sales has decreased	(309)	(1,482)	1,173
Forestry expenses have decreased	-	(1,173)	1,173
Reversion expenses have increased	(4,336)	-	(4,336)
Wharf development costs have decreased	5	(75)	80
Administrative and other expenses have decreased	(1,024)	(2,589)	1,565
Income tax benefit has increased	1,220	807	413
Net comprehensive loss has decreased	**(3,903)**	**(3,486)**	**(417)**

Corporate Structure

Kiland Ltd is a publicly listed company. 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"):



Directors' Report continued

For the half-year ended 31 December 2022

Nobrac Ltd ("Nobrac") was established in August 2022 and new equity was issued to external shareholders in December 2022 diluting Kiland's shareholding to 87.6%.

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 the date of this report, 434 hectares of land have been partially reverted.

Carbon removal project

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.

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 is expected to initially consist of 2 Kiland representatives and 2 investor representatives.

Following the capital raise, Nobrac has approximately $19 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.

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.

Directors' Report continued

For the half-year ended 31 December 2022

Appointment of new Company Secretary

On 12 December 2022, the Company appointed Mr Andrew Metcalfe as Company Secretary.

Ms Vicky Allinson, who has been Company Secretary since 14 May 2013, retired from the Company on the same date.

Events after balance date

There have been no significant events after the balance date.

Rounding

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

Dividends

No dividends have been declared or paid in this financial period.

Auditor independence and non-audit services

The directors have received the auditor's independence declaration, which is included on page 9 of this report and forms part of this report.

Signed in accordance with a resolution of the directors.

James Davies
Executive Chairman
Dated this 26th day of February 2023

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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 review of Kiland Limited for the half-year ended 31 December 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 review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 26 February 2023

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2022

	Notes	Consolidated 31 December 2022 $'000	31 December 2021 $'000
Sales		**338**	969
Cost of sales		**(309)**	(1,482)
Gross profit / (loss)		**29**	(513)
Other income	4	**68**	43
Bank interest		**135**	14
Reversion expenses	4	**(4,336)**	-
Forestry expenses		**-**	(1,173)
Wharf development costs		**5**	(75)
Administrative and other expenses	4	**(1,024)**	(2,589)
Profit / (loss) before income tax		**(5,123)**	(4,293)
Income tax benefit / (expense)	5	**1,220**	807
Net profit / (loss) for the period		**(3,903)**	(3,486)
Profit / (loss) for the period attributable to members of the parent		**(3,903)**	(3,486)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		**-**	-
Other comprehensive income for the period net of tax		**-**	-
Total comprehensive profit /(loss) for the period attributable to members of the parent		**(3,903)**	(3,486)
Profit for the year attributable to:			
Non-controlling interest		**-**	-
Owners of Kiland Limited		**(3,903)**	(3,486)
		(3,903)	(3,486)
		EPS in cents	EPS in cents
Basic and diluted earnings per share	6	**(5.16)**	(6.56)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	Consolidated 31 December 2022 $'000	Consolidated 30 June 2022 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**48,686**	48,301
Trade and other receivables	9	**380**	238
Other current assets		**215**	83
Assets classified as held for sale	10	**806**	-
Total current assets		**50,087**	48,622
Non-current assets			
Property, plant and equipment	10	**79,443**	77,376
Other non-current assets		**4**	4
Total non-current assets		**79,447**	77,380
TOTAL ASSETS		**129,534**	126,002
LIABILITIES			
Current liabilities			
Trade and other payables		**3,404**	1,555
Employee benefits		**-**	37
Total current liabilities		**3,404**	1,592
Non-current liabilities			
Deferred tax liabilities	5	**1,037**	2,374
Total non-current liabilities		**1,037**	2,374
TOTAL LIABILITIES		**4,441**	3,966
NET ASSETS		**125,093**	122,036
EQUITY			
Contributed equity	12	**109,613**	109,613
Reserves	13	**28,540**	28,302
Accumulated profit/(loss)		**(14,139)**	(15,879)
Equity attributable to the owners of Kiland Limited		**124,014**	122,036
Non-controlling interest	14	**1,079**	-
TOTAL EQUITY		**125,093**	122,036

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

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Consolidated Statement of Cash Flows

For the half-year ended 31 December 2022

	Notes	Consolidated 31 December 2022 $'000	31 December 2021 $'000
Cash flows from operating activities			
Receipts from customers and other income		**307**	900
Payments to suppliers and employees		**(3,477)**	(4,004)
Payment to wharf development suppliers		**-**	(123)
Interest received		**135**	14
Government grant		**-**	1,443
Net cash flows (used in)/from operating activities		**(3,035)**	(1,770)
Cash flows from investing activities			
Purchase of plant and equipment		**(3,186)**	(235)
Purchase of wharf development assets		**-**	(629)
Proceeds from the sale of plant and equipment		**-**	30
Net cash flows (used in)/from investing activities		**(3,186)**	(834)
Cash flows from financing activities			
Proceeds from the Nobrac share issue		**7,070**	-
Payments for share issue costs		**(464)**	(75)
Payments for share buy-backs		**-**	(12,818)
Net cash flows from/(used in) financing activities		**6,606**	(12,893)
Net increase/(decrease) in cash and cash equivalents		**385**	(15,497)
Cash and cash equivalents at the beginning of the period		**48,301**	32,735
Cash and cash equivalents at the end of the period	8	**48,686**	17,238

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

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2022

	Issued Capital $'000	Treasury Shares $'000	Property, Plant & Equipment Revaluation Reserve $'000	Option & Performance Rights Reserve $'000	Accumulated Profits/ (Losses) $'000	Non-controlling interest $'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	-	-	-	-	(3,903)	-	(3,903)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(3,903)	-	(3,903)
Net impact of change in equity holdings in Nobrac (Note 14)	-	-	-	-	5,643	1,079	6,722
Share-based payments	-	-	-	238	-	-	238
Transactions with owners	-	-	-	238	5,643	1,079	6,960
Balance at 31 December 2022	**122,923**	**(13,310)**	**27,981**	**559**	**(14,139)**	**1,079**	**125,093**

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

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2022

1. Corporate information

The financial report of Kiland Ltd ("the Company") and its controlled entities ("the Group" or "Consolidated Entity") for the half-year ended 31 December 2022 was authorised for issue in accordance with a resolution of the directors on 26 February 2023. Kiland Ltd is a company incorporated and domiciled in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

2. Basis of preparation and accounting policies

(a) Basis of preparation

This general-purpose financial report for the half-year ended 31 December 2022 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include full note disclosures of the type normally included within the annual financial report. Accordingly, it should be read in conjunction with the Kiland Ltd annual report for the year ended 30 June 2022 and any public announcements made by Kiland Ltd during the half-year ended 31 December 2022 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and ASX Listing Rules.

Accounting policies

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

Basis of consolidation

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and share of OCI. NCI is 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.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Change in ownership without loss of control

The Group accounts for the transactions that result in changes in ownership interest without involving the loss of control as equity transactions. Any gain or loss on account arising out of such transactions i.e.,difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, is recognised under equity.

Transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense.

New or amended accounting standards and interpretations adopted

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

(b) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2022

Management has identified the following critical accounting policies for which significant judgements, estimates, and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

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

3. Fair value measurement of non-financial instruments

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as at 31 December 2022:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2022				
Property, plant and equipment				
Land held for production in Australia	-	-	69,059	**69,059**
Land and buildings	-	-	3,566	**3,566**
	-	-	72,625	**72,625**
30 June 2022				
Property, plant and equipment				
Land held for production in Australia	-	-	69,059	**69,059**
Land and buildings	-	-	3,591	**3,591**
	-	-	72,650	**72,650**

Land held for production in Australia / Land and buildings (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. The directors have reviewed the basis of the valuation and made enquiries of third parties and believe that the valuation still represents the fair value of the assets at 31 December 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.

4. Other income and expenses

	Consolidated **31 December 2022 $'000**	Consolidated 31 December 2021 $'000
(a) Other income		
Operating leases: freehold land and buildings	**3**	18
Other income	**65**	25
	68	43

The Group leases a number of assets to third parties under operating lease arrangements.

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2022

	Consolidated	
	31 December 2022 $'000	31 December 2021 $'000
(b) Reversion expenses		
Labour and other expenses	**2,132**	-
Performance fees	**1,688**	-
Depreciation	**516**	-
	4,336	-

The reversion expenses relate to the reversion of plantation land to agricultural land and includes contractor labour cost, machinery expenses and property manager fees. The Labour and Other Expenses represent actual costs incurred during the period by the third party operator, Australian Agribusiness Group (AAG), that is engaged in the reversion activities. These expenses are primarily made up of on-site labour costs. The Performance Fee is an estimate of the accrued performance fee earned by AAG. This fee is based on the increase in the value of the improved land (net of costs) over the life of the six-year contract agreement. The fee is payable upon realisation of these capital profits, or at the end of the 3rd year, and the 6th year, of this agreement.

(c) Administrative and other expenses		
Directors' fees and remuneration	**226**	370
Directors' performance rights	**238**	1,082
Total directors' remuneration	**464**	1,452
ASX / Share registry fees / ASIC fees	**38**	65
Audit and tax fees	**98**	71
Legal fees	**62**	158
Professional fees	**196**	405
Depreciation	**6**	235
Other corporate expenses	**160**	203
	1,024	2,589

5. Income tax

	Consolidated	
	31 December 2022 $'000	**31 December 2021 $'000**
a) Income tax expense / (benefit)		
The major components of income tax expense are:		
Deferred income tax	**(1,220)**	(807)
Income tax expense / (benefit) reported in profit or loss	**(1,220)**	(807)
Profit / (loss) before tax	**(5,123)**	(4,293)
At the statutory income tax rate of 25%	**(1,281)**	(1,073)
Non-deductible expenses	**61**	238
Adjustments in respect of prior year	**-**	28
Income tax expense/(benefit) reported in income statement	**(1,220)**	(807)

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2022

Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	31 December 2022 $'000	30 June 2022 $'000	**31 December 2022 $'000**	30 June 2022 $'000	**31 December 2022 $'000**	30 June 2022 $'000
Property, plant & equipment	-	-	(1,988)	(1,988)	(1,988)	(1,988)
Capital raising costs	223	201	-	-	223	201
Trade and other receivables	-	-	(4,500)	(7,500)	(4,500)	(7,500)
Trade and other payables	17	23	-	-	17	23
Tax losses	5,211	6,890	-	-	5,211	6,890
Net deferred tax assets/(liabilities)	5,451	7,114	(6,488)	(9,488)	(1,037)	(2,374)

6. Earnings per share

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

a) Earnings used in calculating earnings per share

	Consolidated	
	31 December 2022 $'000	31 December 2021 $'000
Net profit / (loss) attributable to ordinary equity holders of the parent	**(3,903)**	(3,486)

b) Weighted average number of shares

	No.	*No.*
Weighted average number of ordinary shares for basic earnings per share	**75,723,338**	53,149,565
Effect of dilution:		
Share options and performance rights	**-**	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**75,723,338**	53,149,565

c) Basic and diluted earnings per share

	Consolidated	
	31 December 2022 EPS in cents	31 December 2021 EPS in cents
Basic and diluted earnings per share	**(5.16)**	(6.56)

There are no instruments excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for either of the periods presented.

There have been no other transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

7. Operating segments

The Directors have considered the requirements of AASB 8 *Operating Segments* and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded that there are no separately identifiable segments.

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2022

8. Cash and cash equivalents

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following at 31 December 2022.

	Consolidated	
	31 December 2022 $'000	30 June 2022 $'000
Cash at bank and in hand	**48,686**	48,301

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.

9. Current assets – Trade and other receivables

	Consolidated	
	31 December 2022 $'000	30 June 2022 $'000
Trade receivables (a)	**209**	109
GST receivables and sundry debtors	**171**	129
Carrying amount of trade and other receivables	**380**	238

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

10. Non-current assets – Property, plant and equipment

Assets classified as held for sale	Consolidated	
	31 December 2022 $'000	30 June 2022 $'000
Freehold Land & Buildings	**806**	-
	806	-

At 31 December 2022, the Group are marketing for sale some of their non-core asset that are not required under the agricultural strategy.

Property, plant and equipment

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

	Freehold Land & Buildings $'000	**Plant and equipment $'000**	**Total $'000**
Half-year ended 31 December 2022			
At 1 July 2022 net of accumulated depreciation and impairment	72,650	4,726	**77,376**
Additions	-	3,395	**3,395**
Depreciation charge for the period	(25)	(497)	**(522)**
Transfer to assets classified as held for sale	(806)	-	**(806)**
At 31 December 2022 net of accumulated depreciation & impairment.	**71,819**	**7,624**	**79,443**

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2022

	Freehold Land & Buildings $'000	Plant and equipment $'000	Total $'000
Cost or fair value	71,844	8,821	80,665
Accumulated depreciation	(25)	(1,197)	(1,222)
Net carrying amount at 31 December 2022	**71,819**	**7,624**	**79,443**

b) Freehold land revaluations

At 31 December 2022, the Board and Audit Committee have reviewed the key inputs and have concluded that there are no indicators that a revaluation of the Group's freehold land and buildings is required.

11. Contingent assets and liabilities

There are no contingent assets or liabilities at the 31 December 2022.

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

12. Contributed equity

a) Issued and paid-up capital

	Consolidated	
	31 December 2022 $'000	30 June 2022 $'000
Ordinary shares fully paid	**109,613**	109,613

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

b) Movements in shares on issue

	31 December 2022		30 June 2022	
	Number of shares	**$'000**	Number of shares	$'000
Beginning of financial year	**75,723,338**	**109,613**	56,480,359	90,691
Shares issued	**-**	**-**	29,448,112	32,399
Share buy-backs	**-**	**-**	(10,205,133)	(12,818)
Share issue / buy-back costs, net of tax	**-**	**-**	-	(659)
End of the financial year	**75,723,338**	**109,613**	75,723,338	109,613

13. Reserves

	Consolidated	
	31 December 2022 $'000	30 June 2022 $'000
Share-based payments reserve (a)	**559**	321
Property, plant and equipment reserve (b)	**27,981**	27,981
	28,540	28,302

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2022

(a) Share-based payments reserve

	Consolidated 31 December 2022 $'000	30 June 2022 $'000
Opening balance	**321**	668
Movement:		
Performance rights issued on 25 October 2021	**238**	321
Performance rights issued on 1 July 2021	**-**	995
Performance rights issued on 1 July 2021 lapsed	**-**	(1,663)
Closing balance	**559**	321

Further details can be found in Note 16. The share-based payments reserve records the fair value at the grant date of options and performance rights issued to directors, employees and other parties that have been recognised as an expense at the reporting date. It also reflects the value of performance rights that are on the issue but have not yet been converted into shares.

(b) Property, plant and equipment revaluation reserve

	Consolidated 31 December 2022 $'000	30 June 2022 $'000
Opening balance	**27,981**	9,237
Increase / (decrease) based on an independent valuation	**-**	20,710
Deferred tax applicable to revaluation	**-**	(1,966)
Closing balance	**27,981**	27,981

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 reserve in relation to the asset is transferred to retained earnings.

14. Change in shareholding of Nobrac Ltd

On 30th December 2022 Nobrac Ltd. raised additional funding of $7,070k from external investors through an equity issue, which diluted Group's interest from 100% to 87.57% in Nobrac Ltd.

Transaction costs associated with the capital raise of $348k (net of tax effect) were incurred. The net consideration of $6,722k ($7,070k minus $348k) was received from external shareholders (Non Controlling Interests) which exceeds 12.43% of the net assets (post-funding value of Nobrac Ltd). The carrying value of net assets was $8,677k.

Following is the schedule of reconciling the loss on the shareholding interest in Nobrac Ltd:

	$'000
Net consideration received from non-controlling shareholders	**6,722**
Carrying value of the interest lost in Nobrac Ltd.	**1,079**
Gain recognised directly in retained earnings	**5,643**

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2022

	Consolidated	
	31 December 2022 $'000	30 June 2022 $'000
Opening balance	**-**	-
Contributed equity	**1,079**	-
Reserves	**-**	-
Accumulated profit/(loss)	**-**	-
Closing balance	**1,079**	-

Interest in subsidiary undertakings

Director, Paul McKenzie participated in the Nobrac Share issue and acquired 100,000 shares at $0.83 per share in December 2022 (prior period: nil). These shares are held by Aminac Pty Ltd ATF Aminac Superfund, of which Mr McKenzie is the Managing Director.

15. 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 **31 Dec 2022 %**	30 Jun 2022 %
KI Seaport Pty Ltd(i)	Australia	**100.00**	100.00
KIPT Holdings Pty Ltd(ii)	Australia	**100.00**	100.00
Kangaroo Island Plantation Management Pty Ltd	Australia	**100.00**	100.00
Kangaroo Island Land Assets Ltd	Australia	**100.00**	100.00
Kangaroo Island Timbers Pty Ltd	Australia	**100.00**	100.00
Nobrac Ltd(iii)	Australia	**87.57**	-
KI Carbon Ltd(iii)	Australia	**100.00**	100.00

Proportion of equity interest held by Non-Controlling Interests (NCI):

Name	Country of incorporation	Percentage of equity interest held by NCI	
Nobrac Ltd(iii)	Australia	**12.43**	-

(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) Nobrac Ltd was incorporated on 25 August 2022 and is an 87.57% owned subsidiary of Kiland Ltd and is the immediate parent entity to KI Carbon Ltd.

Interest in ordinary shares

The interests of the directors, either directly or indirectly, in the shares of Kiland Limited and its subsidiary undertakings were:

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2022

	Opening interest at 1 July 2022	Net changes during the period	Appointment / (resignation) of director	Closing interest at 31 December 2022
James Davies[1]	450,000	-	-	450,000
Paul Mcenzie[2]	2,789,860	-	-	2,789,860
Mitchell Taylor[3]	30,902,548	450,000	-	31,352,548
Total	**34,142,408**	**-**	**-**	**34,592,408**

(1) Mr Davies' shares comprise:

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

b. 100,000 (2021: nil) held by Jellyfish Superannuation Investments Pty Ltd, of which Mr Davies has effective control.

(2) Mr McKenzie's shareholdings comprise:

a. 2,132,500 (June 2022: 2,132,500) held by Aminac Pty Ltd ATF Aminac Superfund, of which Mr McKenzie is the Managing Director; and

b. 657,360 (June 2022: 657,360) held by Alke Pty Ltd ATF The McKenzie Family Trust No 2, of which Mr McKenzie is the Managing Director.

(3) Mr Taylor acquired an indirect interest in 450,000 shares on market in November 2022. The 31,352,548 (June 2022: 30,902,548) shares are controlled held by Samuel Terry Asset Management Pty Ltd, of which Mr Taylor is a related party.

Interest in Performance Rights

	Opening interest at 1 July 2022	Performance rights granted	Performance rights lapsed	Closing interest at 31 December 2022
Non-Executives				
Paul McKenzie	752,500	-	-	752,500
Mitchell Taylor	-	-	-	-
Executive Directors				
James Davies	2,150,000	-	-	2,150,000
Total	**2,902,500**	**-**	**-**	**2,902,500**

16. Share-based payments

Recognised share-based payment expenses

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

	Consolidated	
	31 December 2022 $'000	31 December 2021 $'000
Performance Rights approved 25 October 2021	**238**	87
Performance Rights approved 1 July 2021	**-**	573
Performance Rights approved 30 June 2020	**-**	422
Performance rights (a)	**238**	1,082
Total expense from share-based payment transactions	**238**	1,082

a) Performance rights

During the period, $237,850 (31 December 2021: $1,081,806) of Directors' remuneration related to performance rights. The performance rights issued have been valued in accordance with AASB 2 *Share-based payments*:

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2022

1) Performance Rights dated 25 October 2021 valued at $1,416,760:
   i. $86,609 recognised from the grant date of 25 October 2021 to 31 December 2021;
   ii. $233,972 recognised in the six-month period ended 30 June 2022;
   iii. $237,850 recognised in the six-month period ended 31 December 2022;
   iv. $233,972 to be recognised in the six-month period ended 30 June 2023;
   v. $237,850 to be recognised in the six-month period ended 31 December 2023;
   vi. $235,265 to be recognised in the six-month period ended 30 June 2024; and
   vii. $151,242 to be recognised in the six-month period ended 31 December 2024.
2) Performance Rights dated 1 July 2021 were valued at $1,900,808:
   i. $199,430 recognised from the grant date of 28 October 2020 to 31 December 2020;
   ii. $564,010 recognised in the six-month period ended 30 June 2021;
   iii. $573,358 recognised in the six-month period ended 31 December 2021; and
   iv. $564,010 should have been recognised in the six-month period ended 30 June 2022, this was partially recognised in the six-month period ended 31 December 2021, as the plan expired, and Mr Sergeant has resigned on 3 May 2021. As a result, $995,197 was recognised in the half-year ended 31 December 2021.
   v. These performance rights were cancelled on 13 September 2022 and therefore a cost of $995,197 was immediately recognised with respect to the period ended 31 December 2021.

	Half year	Performance Rights issued 25 October 2021 $	Performance Rights issued 1 July 2021 $	Total Performance Rights $
Non-Executives				
Paul McKenzie	**2022**	**61,665**	**-**	**61,665**
	2021	22,454	142,171	164,625
Gregory Boulton(1)	**2022**	**-**	**-**	**-**
	2021	-	142,171	142,171
Executive Directors				
James Davies	**2022**	**176,185**	**-**	**176,185**
	2021	64,155	-	64,155
Keith Lamb(2)	**2022**	**-**	**-**	**-**
	2021	-	568,684	568,684
Shauna Black(3)	**2022**	**-**	**-**	**-**
	2021	-	142,171	142,171
Total	**2022**	**237,850**	**-**	**237,850**
	2021	86,609	995,197	1,081,806

(1) Mr Boulton resigned on 21 September 2021.
(2) Mr Lamb resigned on 25 October 2021.
(3) Ms Black resigned on 25 October 2021.

Directors Holdings of Performance rights

	Opening interest at 1 July 2022	**Performance rights granted**	**Performance rights lapsed**	**Closing interest at date of report**
Non-Executives				
Paul McKenzie	**752,500**	-	-	752,500
Mitchell Taylor	**-**	-	-	-
Executive Directors				
James Davies	**2,150,000**	-	-	2,150,000
Total	**2,902,500**	**-**	**-**	**2,902,500**

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2022

Performance Rights Plan

On 13 September 2021, the Group announced that the Board had determined that the Performance Rights Plan approved by Shareholders on 21 November 2019 should be withdrawn. A new Performance Rights Plan ("Plan") was approved by Shareholders at the 25 October 2021 Annual General Meeting.

Under the Plan (and the previous plan), 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.

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 and an assessed probability of achievement. 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 in the employ 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 lapsed or expired is transferred from the share-based payment reserve to accumulated profit.

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

17. Commitments

Commitments

	Consolidated Plant & equipment		**Consolidated Other Commitments**	
	31 December 2022 $'000	30 June 2022 $'000	**31 December 2022 $'000**	30 June 2022 $'000
Due no later than one year	**1,447**	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	**1,447**	2,480	**-**	-

There are no other commitments at 31 December 2022 or 30 June 2022.

18. Events after balance date

The Group is not aware of any significant events occurring after the balance date.

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Directors' Declaration

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

In the opinion of the directors:

a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

   i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date;

   ii) Complying with Accounting Standards AASB 134 Interim Financial Reporting; and

b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

James Davies
Executive Chairman

Dated this 26th day of February 2023

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Independent Auditor's Review Report

To the Members of Kiland Limited

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Kiland Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

a giving a true and fair view of the Kiland Limited financial position as at 31 December 2022 and of its performance for the half year ended on that date; and

b complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001.*

Basis for Conclusion

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

Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on other legal and regulatory requirements

Form and content of this section of the auditor's review report will vary depending on the nature of the auditor's other reporting responsibilities.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 26 February 2023