

Keybridge Capital Limited

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31 December 2023

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General information

The financial statements cover Keybridge Capital Limited as a consolidated entity consisting of Keybridge Capital Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Keybridge Capital Limited's functional and presentation currency.

Keybridge Capital Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 614, Level 6
370 St Kilda Road
Melbourne, Victoria 3004

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 February 2024. The directors have the power to amend and reissue the financial statements.

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Keybridge Capital Limited
Appendix 4D
Half-year report

1. Company details

Name of entity: Keybridge Capital Limited
ABN: 16 088 267 190
Reporting period: For the half-year ended 31 December 2023
Previous period: For the financial year ended 30 June 2023
For the half-year ended 31 December 2022

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	36.8% to	240,036
Profit from ordinary activities after tax	up	367.4% to	8,650,727
Profit for the half-year	up	367.4% to	8,650,727

Dividends

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

Comments

The profit for the consolidated entity after providing for income tax amounted to \$8,650,727 (31 December 2022: loss of \$3,234,832).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>6.55</u>	<u>4.77</u>

4. Control gained over entities

Not applicable.

5. Dividends

Current period

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

Previous period

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

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

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Keybridge Capital Limited
Appendix 4D
Half-year report

8. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

9. Attachments

Details of attachments (if any):

The Interim Report of Keybridge Capital Limited for the half-year ended 31 December 2023 is attached.

A handwritten signature in black ink, appearing to read 'J. Latta', is positioned on the left side of the page.

Date: 29 February 2024

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Keybridge Capital Limited Directors' report 31 December 2023

The Directors present their report together with the condensed financial report of the consolidated entity consisting of Keybridge Capital Limited (Company or KBC) and its controlled entities (the Consolidated Entity or Keybridge) for the half-year ended 31 December 2023 (Balance Date). This financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

Keybridge is a company limited by shares that was incorporated in New South Wales in June 1999 and has been listed on the Australian Securities Exchange (ASX) since December 1999 (ASX Code: KBC).

Directors & Officers

The names of the directors in office at any time during or since the end of the financial half-year are:

Nicholas Bolton	Chief Executive Officer and Managing Director
John Patton	Non-executive Chairman
Antony Catalano	Non-executive Director

John Patton is the Company Secretary.

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$8,650,727 (31 December 2022: loss of \$3,234,832).

The operating result was impacted by:

- The Company sold its position in the Magellan Global Fund Options (ASX: MGFO) for \$17.8 million. Keybridge notes that it was only able to generate the super profits achieved on the MGFO transaction because of funding provided to the Company personally by its directors and makes special mention of the continued support received from its directors. The successful outcome was also achieved despite the active interference from the Company's largest shareholder, Wilson Asset Management, and the Board continues to be disappointed by the conduct of a shareholder which seems intent on reducing the value of its investment in Keybridge for its own shareholders and all other Keybridge stakeholders;
- To facilitate the trade, Keybridge and its Managing Director, Nicholas Bolton, agreed to enter a Standstill Agreement with Magellan Financial Group Limited (ASX: MFG), limiting future dealings in MFG and its related entities for a period of two (2) years;
- The Company has also agreed to pay Nicholas Bolton \$4.3 million (NPV) to enter into a separate restraint agreement with the Company, with the payment to be made at the end of the two (2) year period;
- With proceeds received from the Magellan Global Fund Options realisation, Keybridge repaid \$5.4 million against its RNC Loan Facility, repaying the loan plus accrued interest in full;
- Keybridge settled a long running dispute with a former law firm, resulting in a gain of approximately \$0.3 million, comprising a cash payment to Keybridge of \$0.1 million and a reversal of a \$0.2 million liability;
- On 9 November 2023, in accordance with the Loan Note Deed, Keybridge issued a termination notice to Metgasco Ltd. Keybridge has loaned \$1.44 million to Metgasco at an interest rate of 10% with attaching options in Metgasco for Keybridge's benefit;
- Stablecoin arbitrage trading has been significantly reduced due to market conditions;
- The Company advanced \$700,000 to Foundation Life by way of a short-term loan (12 months) at 10%pa;
- On 29 December 2023, Keybridge announced a cash takeover bid for Yowie Group Limited at 3.4 cents per ordinary share. At the time of announcing the takeover bid, Keybridge had a relevant interest of 35.66% in Yowie;
- As previously announced, Keybridge has been joined in proceedings based in New York, USA, relating to a claim for loan shortfall monies on the RNY Property debt facility under a purported guarantee. Keybridge denies any liability and will defend the proceedings. Details of the actions taken can be found at Index no. 610470/2022 in the Supreme Court of the State of New York County of Nassau;
- As previously announced, on 23 August 2023, Keybridge received an unfavorable judgement in relation to its claim against Muller v Bartlett & Ors and was ordered to pay the defendant's costs. Keybridge has previously advanced \$320,000 in security of potential costs. Keybridge has appealed this decision; and
- Keybridge launched proceedings against Republic Financial Holdings Limited (Republic) to recover monies in relation to a loan provided by Keybridge as announced on 1 May 2013. This facility which has a current balance exceeding US\$20 million after interest, was secured against a private equity portfolio formerly owned by Keybridge and sold to Republic. The facility was not repaid and the borrower claims that, as a result of a series of related party transactions (without Keybridge's authority), there is nil security available for Keybridge's loan.

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Keybridge Capital Limited
Directors' report
31 December 2023

Dividends

As at 31 Dec 2023, Keybridge had:

- \$8.459 million in its Profit Reserve account, which is available to fund the payment of dividends to shareholders in the future; and
- \$7.968 million of Franking Credits, which is sufficient to fund the payment of fully franked (at Keybridge's applicable 30% company tax rate) dividends totalling \$18.6 million.

Legal Proceedings on behalf of company

The Company has been a party to the following legal proceedings during and since the financial year:

- Keybridge is seeking recovery of \$30,000,000 in unpaid monies from Ben Thynne, Nathan Thynne and Grenville Thynne. Keybridge has advanced A\$500,000 in security of potential costs, as ordered by the court, which Keybridge expects to recover on the successful prosecution of this matter;
- On 1 August 2022, Keybridge received an unfavourable verdict in relation to a claim against Bell Potter for a breach of warranty in relation to the sale of 41,264,667 shares in Molopo Energy Limited. Keybridge was ordered to pay the costs of the proceedings, and the parties are contesting the quantum of costs;
- A claim against the former directors of PR Finance Group Limited (in Liquidation) which is yet to be heard. Keybridge acquired the company relying upon representations and warranties of directors that were not accurate. Keybridge seeks to recover its loss;
- A claim by former Keybridge director, Mr William Johnson, for indemnity for the action he unsuccessfully brought against Keybridge in the Federal Court of WA. The claim amounts to \$416,164.15 (inclusive of GST), to cover the legal costs incurred by Mr Johnson. Keybridge holds the view Mr Johnson is not eligible to claim under the Company's director's indemnity, and is defending the claim; and
- A claim against the former directors of Ragusa Minerals Limited which is yet to be heard. Keybridge originally acquired Aurora Funds Management Limited relying upon representations and warranties of the directors that were not accurate. Keybridge seeks to recover its loss.

Matters subsequent to financial half-year end

Wilson Asset Management (WAM) has commenced a wind-up petition against Keybridge in the NSW Supreme Court, seeking Keybridge is wound up over circa \$275k of costs owed to WAM.

The costs relate to an earlier cost order received by WAM that Keybridge is having reviewed and assessed by a cost assessor. Keybridge had offered to pay the amount sought by WAM into the court whilst the quantum was assessed, WAM rejected this offer.

Keybridge will defend the unnecessary proceeding.

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Keybridge Capital Limited
Directors' report
31 December 2023

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors



John Patton
Chairman

29 February 2024

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Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the directors of Keybridge Capital Limited

As lead auditor for the review of Keybridge Capital Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

N. S. Benbow

N. S. Benbow
Director
Melbourne, 29 February 2024

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Keybridge Capital Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

	Note	Consolidated 31 Dec 2023 \$	31 Dec 2022 \$
Profit from Stablecoin arbitrage			
Sale of Stablecoin		24,961	31,715,918
Cost of Stablecoin sold		(31,430)	(31,783,228)
Gross (loss) / profit		<u>(6,469)</u>	<u>(67,310)</u>
Other revenue			
Fees		39,200	83,832
Interest revenue		240,036	175,450
Dividend revenue		2,684	2,345,207
Recovery of legal fees	3	118,500	395,000
Other gains and losses	4	15,480,363	(1,799,936)
Expenses			
Fair value loss on equity investment		-	(1,261,588)
Personnel expenses		(617,179)	(379,266)
Corporate expenses		(305,876)	(97,204)
Legal expenses		(984,457)	(2,150,191)
Administration expenses		(37,145)	(144,268)
Other expenses		(12,828)	(9,804)
Finance expenses		(869,564)	(309,383)
Impairment on loans		(10,880)	(15,371)
Restraint of trade expense		<u>(4,385,658)</u>	<u>-</u>
Profit/(loss) before income tax expense		8,650,727	(3,234,832)
Income tax expense		<u>-</u>	<u>-</u>
Profit/(loss) after income tax expense for the half-year		8,650,727	(3,234,832)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Translation of foreign operations		<u>334</u>	<u>(844)</u>
Other comprehensive income for the half-year, net of tax		<u>334</u>	<u>(844)</u>
Total comprehensive income for the half-year		<u><u>8,651,061</u></u>	<u><u>(3,235,676)</u></u>
Basic and diluted earnings/(loss) per share (cents) attributable to the ordinary equity holders of the company			
		6.55	(1.58)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Keybridge Capital Limited
Statement of financial position
As at 31 December 2023

		Consolidated	
	Note	31 Dec 2023	30 Jun 2023
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		8,130,278	105,572
Financial assets at fair value through profit or loss	5	4,871,708	6,074,371
Inventories		6,852	1,282
Trade and other receivables	6	683,888	138,311
Other assets		61,073	34,694
Security deposit		320,000	320,000
Total current assets		<u>14,073,799</u>	<u>6,674,230</u>
Non-current assets			
Financial assets at fair value through profit or loss	5	630,975	630,975
Trade and other receivables	6	7,438,911	6,379,058
Total non-current assets		<u>8,069,886</u>	<u>7,010,033</u>
Total assets		<u>22,143,685</u>	<u>13,684,263</u>
Liabilities			
Current liabilities			
Trade and other payables	7	4,544,382	3,373,064
Borrowings		72,116	5,906,514
Employee benefits		252,400	228,925
Provision for restraint of trade expense		4,385,658	-
Total current liabilities		<u>9,254,556</u>	<u>9,508,503</u>
Non-current liabilities			
Borrowings		62,308	-
Total non-current liabilities		<u>62,308</u>	<u>-</u>
Total liabilities		<u>9,316,864</u>	<u>9,508,503</u>
Net assets		<u>12,826,821</u>	<u>4,175,760</u>
Equity			
Issued capital		257,044,033	257,044,033
Reserves		17,567,800	8,916,739
Accumulated losses		(261,785,012)	(261,785,012)
Total equity		<u>12,826,821</u>	<u>4,175,760</u>

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

Keybridge Capital Limited
Statement of changes in equity
For the half-year ended 31 December 2023

Consolidated	Issued capital \$	Share-based payments \$	Profit reserve \$	Foreign currency translation \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	257,009,533	321,600	8,459,287	137,726	(252,839,503)	13,088,643
Loss after income tax expense for the half-year	-	-	-	-	(3,234,832)	(3,234,832)
Other comprehensive income for the half-year, net of tax	-	-	-	(844)	-	(844)
Total comprehensive income for the half-year	-	-	-	(844)	(3,234,832)	(3,235,676)
Transactions with owners in their capacity as owners:						
Shares issued	34,500	-	-	-	-	34,500
Balance at 31 December 2022	<u>257,044,033</u>	<u>321,600</u>	<u>8,459,287</u>	<u>136,882</u>	<u>(256,074,335)</u>	<u>9,887,467</u>

Consolidated	Issued capital \$	Share-based payments \$	Profit reserve \$	Foreign currency translation \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2023	257,044,033	321,600	8,459,287	135,852	(261,785,012)	4,175,760
Profit after income tax expense for the half-year	-	-	8,650,727	-	-	8,650,727
Other comprehensive income for the half-year, net of tax	-	-	-	334	-	334
Total comprehensive income for the half-year	-	-	-	334	-	8,651,061
Balance at 31 December 2023	<u>257,044,033</u>	<u>321,600</u>	<u>17,110,014</u>	<u>136,186</u>	<u>(261,785,012)</u>	<u>12,826,821</u>

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

Keybridge Capital Limited
Statement of cash flows
For the half-year ended 31 December 2023

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$	\$
Cash flows from operating activities		
Receipts from Stablecoin arbitrage	24,961	31,715,918
Payments for Stablecoin	(37,000)	(31,758,502)
Fees received	39,201	83,832
Other income received	-	395,000
Payments to suppliers and employees	(1,425,284)	(1,721,828)
Net cash used in operating activities	<u>(1,398,122)</u>	<u>(1,285,580)</u>
Cash flows from investing activities		
Proceeds from sale of financial assets at fair value through profit or loss	18,490,354	11,413,699
Payments for financial assets at fair value through profit or loss	(1,641,189)	(12,464,184)
Dividends received	2,684	2,345,207
Interest received	2,031	2
Net cash from investing activities	<u>16,853,880</u>	<u>1,294,724</u>
Cash flows from financing activities		
Proceeds from borrowings	134,424	2,250,000
Proceeds from borrowings from related parties	1,327,841	4,789,017
Payments for loans and receivables advanced	(6,374,624)	(2,227,021)
Repayment of borrowings related to related parties	(2,292,828)	(4,702,313)
Finance expenses	(217,078)	-
Net cash from/(used in) financing activities	<u>(7,422,265)</u>	<u>109,683</u>
Net increase in cash and cash equivalents	8,033,493	118,827
Cash and cash equivalents at the beginning of the financial half-year	105,572	54,680
Effects of exchange rate changes on cash and cash equivalents	(8,787)	-
Cash and cash equivalents at the end of the financial half-year	<u><u>8,130,278</u></u>	<u><u>173,507</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Keybridge Capital Limited
Notes to the financial statements
31 December 2023

Note 1. Basis of preparation

Keybridge Capital Limited (ASX:KBC) (KBC or Company) is a company incorporated and domiciled in Australia and listed on the Australian Securities Exchange (ASX). The Consolidated Financial Statements as at and for the financial half year ended 31 December 2023 comprise the Company and its subsidiaries (Keybridge or Consolidated Entity or Group). Keybridge is a 'for-profit' investment and financial services group with a diversified portfolio of listed and unlisted investments/loan assets. The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The financial statements are presented in Australian dollars, which is the Consolidated Entity's functional and presentation currency.

The accounting policies and methods of computation adopted in the preparation of the half year financial statements are consistent with those adopted and disclosed in the Company's financial statements for the financial year ended 30 June 2023. The Keybridge 2023 Annual Report is available upon request and may be downloaded from the Company's website: www.keybridge.com.au or the ASX website (www.asx.com.au).

The condensed interim financial statements were authorised for issue by the directors of the Company as at the date of this report.

Statement of Compliance

The half year financial statements are a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These half year financial statements do not include notes of the type normally included in the annual financial statements and should be read in conjunction with the most recent annual financial statements and the Company's ASX announcements released from 1 July 2023 to the date of this report.

Amendments to Accounting Standards and new Interpretations that are mandatorily effective for the current reporting period

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. None of these Accounting Standards and Interpretations had a material effect.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Uses of estimates and judgements

In preparing these half-year financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Consolidated Entity's accounting policies and key sources of estimation uncertainty were the same as those applied to the Consolidated Financial Statements as at and for the year ended 30 June 2023.

Note 2. Segment information

The Consolidated Entity has three strategic business segments as described below:

(a) Equity Investments comprise investments in listed and unlisted equities with exposure to various sectors from time to time;

(b) Debt investments comprise loans advanced, debts secured via assignment and investments in debt instruments with exposure to a number of different sectors; and

Keybridge Capital Limited
Notes to the financial statements
31 December 2023

Note 2. Segment information (continued)

(c) Stablecoin arbitrage trading with the purpose of generating a profit from fluctuations in price and broker-traders' margin.

31 Dec 2023	Equity	Debt	Stablecoin	Corporate	Total
Segment profit and loss	investments	investments	arbitrage		
	\$	\$	\$	\$	\$
Revenue and income	15,482,052	167,899	24,961	230,834	15,905,746
Expenses	(890,471)	(297,770)	(31,430)	(832,612)	(2,052,283)
Finance expenses	-	-	-	(217,078)	(217,078)
Profit/(Loss) before Income Tax	14,591,581	(129,871)	(6,469)	(818,856)	13,636,385
Income tax expense	-	-	-	-	-
Profit/(Loss) for the year	14,591,581	(129,871)	(6,469)	(818,856)	13,636,385

	Equity	Debt	Corporate	Total
	investments	investments		
	\$	\$	\$	\$
Segment assets	13,483,528	7,465,537	1,076,659	22,025,724
Segment liabilities	(2,070,929)	(111,915)	(2,030,401)	(4,213,245)
	11,412,599	7,353,622	(953,742)	17,812,479

31 Dec 2022	Equity	Debt	Stablecoin	Corporate	Total
Segment profit and loss	investments	investments	arbitrage		
	\$	\$		\$	\$
Revenue and income	3,128,428	175,449	31,715,918	475,179	35,494,974
Expenses	(4,551,238)	(485,027)	(31,783,228)	(1,910,313)	(38,729,806)
Finance expenses	-	-	-	-	-
Profit/(Loss) before income tax	(1,422,810)	(309,578)	(67,310)	(1,435,134)	(3,234,832)
Income tax expense	-	-	-	-	-
Profit/(Loss) for the year	(1,422,810)	(309,578)	(67,310)	(1,435,134)	(3,234,832)

	Equity	Debt	Corporate	Total
	investments	investments		
	\$	\$	\$	
Segment assets	11,255,949	7,255,860	137,716	18,649,525
Segment liabilities	(2,220,929)	(5,027,187)	(1,513,942)	(8,762,058)
	9,035,020	2,228,673	(1,376,226)	9,887,467

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Keybridge Capital Limited
Notes to the financial statements
31 December 2023

Note 3. Recovery of legal fees

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$	\$
Recovery of legal fees	<u>118,500</u>	<u>395,000</u>

Pursuant to an agreement with Molopo dated 12 July 2018, Molopo agreed to reimburse Keybridge for legal fees paid by Keybridge up until the time Molopo was substituted as the plaintiff in the Proceedings.

The proceedings being Supreme Court proceedings S CI 2017 04752 and S CI 2018 00120.

Note 4. Other gains and losses

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$	\$
Realised gain /(loss) on financial assets at fair value through profit or loss	14,863,492	(299,132)
Unrealised gain /(loss) on financial assets at fair value through profit or loss	625,989	(1,373,540)
Gain on revaluation of foreign currency assets	<u>(9,118)</u>	<u>(127,264)</u>
	<u>15,480,363</u>	<u>(1,799,936)</u>

The realised gains include the sale of the company's position in the Magellan Global Fund Options (ASX:MGFO) for \$17.8 million.

To facilitate the trade, Keybridge and its Managing Director, Nicholas Bolton, agreed to enter a Standstill Agreement with Magellan Finance Group Limited (ASX:MFG), limiting future dealings in MFG and its related entities for a period of two (2) years.

Note 5. Financial assets at fair value through profit or loss

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$	\$
<i>Current assets</i>		
Shares in listed investments	4,631,753	5,862,147
Unlisted investments at fair value	246,428	218,697
Futures derivatives at fair value	<u>(6,473)</u>	<u>(6,473)</u>
	<u>4,871,708</u>	<u>6,074,371</u>
<i>Non-current assets</i>		
Shares in unlisted investments	<u>630,975</u>	<u>630,975</u>

Futures derivatives comprise exchange traded index futures contracts.

Financial instruments carried at fair value are categorised under a three level hierarchy, reflecting the availability of observable market inputs when estimating the fair value. If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

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Keybridge Capital Limited
Notes to the financial statements
31 December 2023

Note 5. Financial assets at fair value through profit or loss (continued)

The following table shows the financial assets recorded at fair value, analysed by the following categories:

Level 1 – valued at a quoted market price

Level 2 – a valuation technique based upon market observable inputs

Level 3 – a valuation technique based upon non-market observable inputs

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
31 Dec 2023				
Financial assets at fair value through profit or loss				
Shares in listed investments	4,631,753	-	-	4,631,753
Unlisted investments at fair value	-	659,051	218,352	877,403
Cash instruments held in derivative trading portfolio	(6,473)	-	-	(6,473)
Total financial assets at fair value through profit or loss	<u>4,625,280</u>	<u>659,051</u>	<u>218,352</u>	<u>5,502,683</u>
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
30 Jun 2023				
Financial assets at fair value through profit or loss				
Shares in listed investments	5,862,147	-	-	5,862,147
Unlisted investments at fair value	-	630,975	218,697	849,672
Cash instruments held in derivative trading portfolio	(6,473)	-	-	(6,473)
Total financial assets at fair value through profit or loss	<u>5,855,674</u>	<u>630,975</u>	<u>218,697</u>	<u>6,705,346</u>

There have been no transfers between the levels of the fair value hierarchy during the reporting period.

The following table shows a reconciliation of the movement in fair value of financial instruments categorised within Level 3 between the beginning and the end of the half year:

	Unlisted Investments \$
As at 1 July 2023	218,697
Total fair value gains and losses in profit or loss	(345)
As at 31 December 2023	<u>218,352</u>

As at the half-year ended 31 December 2023, there has been no reasonable movement in the unobservable inputs used in the fair value measurement of Level 3 financial assets that would materially influence the results presented in these financial statements (30 June 2023: no material impact).

The balance is recorded at cost, less any impairment charges recorded as determined necessary. Keybridge believes this costs represents the fair value of the investment at 31 December 2023.

Critical accounting judgement and estimate

Judgements have been made in the determination of the carrying value and fair value of financial assets held at fair value through profit or loss. In making these judgements, the Consolidated Entity may give additional consideration to adopting the most recent bid price (prior to the balance date) of listed investments suspended from trading on a securities exchange as at balance date and the underlying value of unlisted investments.

Keybridge Capital Limited
Notes to the financial statements
31 December 2023

Note 5. Financial assets at fair value through profit or loss (continued)

Investment in Molopo Energy Limited (Molopo)

On 17 December 2021, Molopo advised (via its website) that it had settled a legal action against the former Molopo directors for A\$12 million. The Company notes that the value of its investment in Molopo was written down to nil during the year ended 30 June 2021.

As at the (31 December 2023) balance date, Keybridge has adopted a carrying value of \$0.00 per Molopo share (30 June 2023: \$0.00 per Molopo share).

Keybridge will re-assess the carrying value of its investment in Molopo based on further information about Molopo's financial position.

Investments in HHY Fund

The Company has no plans to liquidate the investments in HHY Fund (which is unlisted) in the next 12 months and these have been classified as non-current assets accordingly.

As at the (31 December 2023) balance date, Keybridge has adopted a carrying value of \$630,975 (30 Jun 2023: \$630,975).

HHY valuation is assessed through reviewing NTA reported by the entity.

Investments in Aurora Global Income Trust

The Company has no plan to liquidate the investments in Aurora Global Income Trust (which is unlisted) in the next 12 months and these have been classified as non-current assets accordingly.

As at the (31 December 2023) balance date, Keybridge has adopted a carrying value of \$28,076 (30 Jun 2023: \$28,076).

Note 6. Trade and other receivables

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$	\$
<i>Current assets</i>		
Trade receivables	30,342	73,758
Less: Allowance for expected credit losses	(3,716)	(3,716)
	<u>26,626</u>	<u>70,042</u>
Prepaid legal fees	536,504	68,269
Loan - Amount advanced to related parties	120,758	-
	<u>683,888</u>	<u>138,311</u>
<i>Non-current assets</i>		
Loan receivables - Property	4,288,735	4,288,735
Less: Allowance for expected credit losses	(3,453,279)	(3,453,279)
Loan receivables - Insurance	5,163,455	4,283,602
Less: Allowance for expected credit losses	-	-
	<u>5,998,911</u>	<u>5,119,058</u>
Loan receivables - Private equity	8,868,366	8,868,366
Less: Allowance for expected credit losses	(8,868,366)	(8,868,366)
Loan receivables - Other	3,461,946	3,271,066
Less: Allowance for expected credit losses	(2,021,946)	(2,011,066)
	<u>1,440,000</u>	<u>1,260,000</u>
	<u>7,438,911</u>	<u>6,379,058</u>

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Keybridge Capital Limited
Notes to the financial statements
31 December 2023

Note 6. Trade and other receivables (continued)

Loans and receivables are financial assets at amortised cost.

(a) Loan Receivables – Private Equity: Keybridge advanced ~US\$4.3m to RPE I Investor LLC (RPE Investor) (a subsidiary of Republic Financial Corporation (RPC), a US private investment company) under a limited recourse promissory note (Note) secured (via collateral pledged) over RPE Investor's interest in the Republic Private Equity I Limited Liability Limited Partnership, a private equity fund (managed by a related party to RPC) with investments in US based manufacturing/distribution businesses (RPE Fund). The principal and accrued interest (at 14.5% pa) under the note was repayable on maturity on 29 December 2017.

On 24 August 2017, Keybridge received notice from an RPC Executive (Republic) advising that it was 'highly unlikely that the Note would be satisfied on or before its scheduled maturity' (on 29 December 2017) and proposing a 3-year extension of the Note term or a 'buy-out' (retirement) of the Note for US\$0.394 million. As a consequence, the Board reduced the carrying value of the Note (receivable) to US\$0.394 million (A\$0.511 million) as at 30 June 2017. This was advised in Keybridge's ASX announcement dated 25 August 2017: Update – Private Equity Loan Receivable.

As previously announced, Keybridge launched proceedings against Republic Financial Holdings Limited (Republic) to recover monies in relation to a loan provided by Keybridge as announced on 1 May 2013. This facility which has a current balance exceeding US\$20 million after interest, was secured against a private equity portfolio formerly owned by Keybridge and sold to Republic. The facility was not repaid and the borrower claims that, as a result of a series of related party transactions (without Keybridge's authority), there is nil security available for Keybridge's loan.

The Board reduced the carrying value of the Note (receivable) to Nil as at 30 June 2023 (based on the Directors' judgement) and has determined to adopt the same carrying value as at 31 December 2023.

(b) Loan Receivables – Property: Keybridge has registered mortgages over strata title lots as security for loans to private companies (which are in liquidation). As at balance sheet date, the loan was carried at \$0.835 million (31 December 2022: \$0.835 million). Based on the Directors' judgement, having regard to historical valuations conducted on the property as well as the fact that Keybridge being the first ranked creditor to the loan assets, no further allowance for expected credit losses has been recognised since the last reporting period.

(c) Loan Receivables – Insurance: Keybridge invested NZ\$3.8 million (A\$3.4 million) (via NZ\$0.109 million equity and NZ\$3.691 million notes) into Foundation Life, to finance Foundation's acquisition of Tower Limited's life insurance business in New Zealand in 2014. Interest of 9% pa is payable under the note, which is redeemable by noteholders in 50 years (May 2064) or by Foundation (from time to time). As at balance date, the loan balance is NZ\$4.088 million (A\$3.846 million), including interest of NZ\$0.18m (A\$0.17m) capitalised for the half-year period ended 31 December 2023. (31 December 2022: NZ\$3.744 million and A\$3.510 million).

Management notes that the Foundation Group's reported net asset position (net of the loan notes) is significantly higher than the value ascribed to the Company's 10.13% interest in Foundation Trust (which owns 100% of FLNZ Holdings/FLNZ). Further, Foundation Life has advised policyholders that, subject to obtaining the necessary approvals, it may seek to restructure its insurance policies whereby policyholders will have the option to (a) transfer coverage to a new insurer with no further premium payments; (b) receive a cash payment in lieu of further cover. The impending restructure prevents Foundation Life from making a return in capital and as a result, interest on the loan assets has been capitalised and acknowledged by the Foundation Group. In light of the distant expiration date (May 2064) of the redeemable notes, the directors deem it unnecessary to make allowance for credit losses in the foreseeable future.

(d) Loan advanced to related parties: The amount advanced to related parties relates to legal costs incurred by Mr. Bolton. For further detail, refer to related party transactions (note 8) in the financial statements.

The Consolidated Entity has assessed whether these loans/receivables are credit-impaired using the three-stage model general approach under AASB 9 *Financial Instruments* and has determined there is no significant increase in credit risk since the last reporting period and that no further allowance should be recognised for expected credit losses.

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Keybridge Capital Limited
Notes to the financial statements
31 December 2023

Note 7. Trade and other payables

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$	\$
<i>Current liabilities</i>		
Trade payables	1,166,592	903,129
Accrued expenses	271,000	309,200
Provision for legal expenses	2,320,929	2,070,929
Interest payable	400,000	-
Provision for bonus payable	200,000	-
Other payables	185,861	89,806
	<u>4,544,382</u>	<u>3,373,064</u>

Note 8. Related party transactions

(a) Transactions with Directors

- (i) As previously advised, in prior periods, the Company advanced \$25,000 to the CEO's external legal advisors in connection with evidence provided by him in relation to the Molopo Energy Limited Judicial Review. In addition, in prior periods the Company advanced \$440,000 as loan funds in respect of Nicholas Bolton's legal costs incurred in circumstances where Mr Bolton's Director's Deed with the Company provides a procedure for the advancement of monies in this regard. A further \$159,724 has been advanced under this facility to meet related legal expenses. Mr Bolton previously served as a Director between 30 December 2011 and 9 October 2012, between 2 January 2013 and 17 December 2015 (as Executive Director from 22 February 2013 and as Managing Director from March 2014) and from 13 October 2019. As at 31 December 2023, \$599,734 (31 December 2022: \$440,000) has been advanced via payments made to Mr Bolton's lawyers.

The Board agreed to advance these funds in accordance with the relevant provision of Mr Bolton's Director's Deed and subject also to various terms and conditions agreed with Mr Bolton, that advances would be provided only as payment of bills rendered by Mr Bolton's lawyers in relation to the relevant proceedings, that the Company needed to be satisfied that the amount of each legal bill was reasonable, that the Company would have access to Mr Bolton's lawyers to ensure that it was promptly informed of any material developments in relation to the proceedings and otherwise to enable the Company to assess the likely outcome of those proceedings, that Mr Bolton would be obliged to repay any amounts advanced in various circumstances specified in his Director's Deed including in any situation in which Mr Bolton is not entitled to be indemnified or advanced those costs, and a provision for review of the position once the outcome of the relevant proceeding is known, including the repayment of all or a portion of the advance (as appropriate).

The \$599,734 advance is accounted as a loan receivable asset, however, as previously advised, a provision (ie. Impairment expense) has been recognised in respect of \$440,000 (based on the Directors' judgement). This provision/impairment does not prejudice the Company's rights (including recovery) under the terms of the advance to Mr Bolton. If the Company receives a repayment (or recovery payment) in respect of this advance, the provision (impairment expense) will be reversed to the extent of such receipt.

- (ii) During the half year, Mr Bolton entered a stand still agreement for two years as a necessary condition to facilitate the company's profitable exit of its MGFO transaction. Once the terms of the standstill are satisfied, Mr Bolton will become entitled to a fee of \$4.72 million. The company has provisioned for this amount in the event it becomes payable. Mr Bolton has also been granted a \$200,000 discretionary performance bonus as a result of the extraordinary profits generated for Keybridge on the MGFO transaction; Mr Bolton has undertaken to direct this bonus to a charity of his choosing.
- (iii) During the half year, Mr Antony Catalano provided a loan of \$800,000 to the Group to assist in financing trading in Magellan Global Fund Options (ASX: MGFO). The loan facility was at-call, with interest accruing at 1.52% per month. On 21 August 2023, the Group repaid \$125,000 to Mr Catalano with the balance repaid on 25 October 2023.

A further loan was received from Mr Catalano of \$80,000 and Aurora Fortitude Absolute Return Fund for \$80,000 to assist in financing the MGFO trade. These loans entitled the lenders to a success only share of performance of MGFO, being \$200,000 for each facility. Both facilities were repaid on 11 December 2023.

Keybridge Capital Limited
Notes to the financial statements
31 December 2023

Note 8. Related party transactions (continued)

- (iv) On 9 November 2023, in accordance with the Loan Note Deed, Keybridge issued a termination notice to Metgasco Ltd. Keybridge has loaned \$1,440,000 to Metgasco at an interest rate of 10% with attaching options in Metgasco for Keybridge's benefit.
- (v) Mr. John Patton was a director of Metgasco Ltd until his resignation effective from 22 November 2023.
- (vi) Mr. Bolton was reimbursed travel expenses related to company business he had undertaken over the current and previous years.

Note 9. Contingencies

- (i) **PR Finance Group Claims:** As previously advised, the Company commenced proceedings in the Supreme Court of Victoria against PR Finance Group Limited (in Liquidation) (PRFG) and caused a simultaneous action to be taken against the former PRFG directors by the company's liquidator, for total damages exceeding \$5 million.

Keybridge alleges in its claim, amongst other things, that at the time of the scheme, the directors were aware that PRFG was non-compliant with the National Consumer Credit Laws (NCCL) and accordingly breached its representations and warranties to Keybridge, with damages being suffered by Keybridge as a result.

- (ii) **William Johnson Legal Claim:** As previously advised, the Company received a claim by Mr William Johnson for indemnity for the action he unsuccessfully brought against the Company in the Federal Court of WA. The claim amounts to \$416,164.15 (inclusive of GST), to cover the legal costs incurred by Mr Johnson. Keybridge holds the view Mr Johnson is not eligible to claim this amount under the Company's director's indemnity, and is defending the claim.
- (iii) **Queste Communication Invoices:** As previously advised, the Company received a claim from Queste Communications Limited (ASX:QUE) (Queste) for the provision of accounting services, despite its contract with the Company having been terminated. The claim amounts to \$96,249.96 (inclusive of GST) and relates to the period following the termination of the contract. The Company has not recorded a liability as the directors are of the view that there is no basis for this claim.
- (iv) **Aurora Corporate Claims:** As previously advised, the Company received a claim from Aurora Corporate Pty Ltd in relation to the sale of Aurora Funds Management Limited in 2016. Aurora Corporate alleges in its claim that Keybridge breached its representations and warranties as a result of funds that had been misappropriated by its former Chief Financial Officer, Ms Betty Poon, prior to the sale of the business. The alleged claim for damages amounts to \$1,522,446.81. It is proposed that the Company will progress discussions with Aurora Corporate with a view to resolving this matter, and the directors believe it is probable that this will not result in a material cash outflow for the Company.

Note 10. Subsequent events

Wilson Asset Management (WAM) has commenced a wind-up petition against Keybridge in the NSW Supreme Court, seeking Keybridge is wound up over circa \$275k of costs owed to WAM.

The costs relate to an earlier cost order received by WAM that Keybridge is having reviewed and assessed by a cost assessor. Keybridge had offered to pay the amount sought by WAM into the court whilst the quantum was assessed, WAM rejected this offer.

Keybridge will defend the unnecessary proceeding.

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Keybridge Capital Limited
Directors' declaration
31 December 2023

In accordance with a resolution of the Directors of Keybridge Capital Limited made pursuant to sub-section 303(5) of the *Corporations Act 2001*, we state that:

In the opinion of the Directors:

(1) The financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:

- give a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- complying with Accounting Standards AASB 134 *Interim Financial Reporting*, *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(2) There are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



John Patton
Chairman

29 February 2024

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Independent auditor's review report to the members of Keybridge Capital Limited

Report on the half-year financial report



Our conclusion

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 Keybridge Capital Limited (the Company), and its controlled entities (together, the Group) does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year then ended; and
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

What was reviewed?

We have reviewed the accompanying half-year financial report of the Group, which comprises:

- the consolidated statement of financial position as at 31 December 2023,
- the consolidated statement of statement of profit or loss and other comprehensive income for the half-year then ended,
- the consolidated statement of changes in equity for the half-year then ended,
- the consolidated statement of cash flows for the half-year then ended,
- notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and
- the directors' declaration.

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 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the 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 responsibilities for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2023 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.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136



N. S. Benbow
Director

Melbourne, 29 February 2024