

Keybridge Capital Limited

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31 December 2022

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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 28 February 2023. The directors have the power to amend and reissue the financial statements.

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 2022
Previous period:	For the financial year ended 30 June 2022 For the half-year ended 31 December 2021

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	4.0% to	175,450
Loss from ordinary activities after tax attributable to the owners of Keybridge Capital Limited	down	171.8% to	(3,234,832)
Loss for the half-year attributable to the owners of Keybridge Capital Limited	down	171.8% to	(3,234,832)

Dividends

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

Comments

The loss for the consolidated entity after providing for income tax amounted to \$3,234,832 (31 December 2021: profit of \$4,504,048).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>4.77</u>	<u>8.87</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.

Keybridge Capital Limited
Appendix 4D
Half-year report

7. Details of associates and joint venture entities

Not applicable.

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.

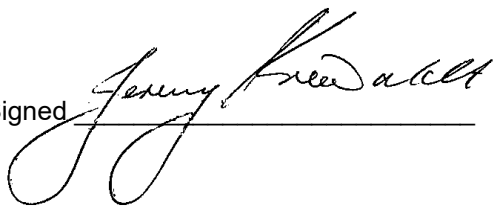
9. Attachments

Details of attachments (if any):

The Interim Report of Keybridge Capital Limited for the half-year ended 31 December 2022 is attached.

10. Signed

Signed



Date: 28 February 2023

Keybridge Capital Limited
Directors' report
31 December 2022

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 2022 (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
Jeremy Kriewaldt	Non-executive Chairman
Antony Catalano	Non-executive Director

John Patton is the Company Secretary.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$3,234,832 (31 December 2021: profit of \$4,504,048).

The operating result was impacted by:

- The Company generated investment losses of \$1.4 million, primarily from its listed share portfolio;
- The Company received a one off \$395,000 recovery of historic legal fees. The expenses related to its pursuit of the former Molopo Energy Limited (Molopo) directors. As the legal fees had been previously expensed, the recovery was booked as a gain in the current reporting period;
- Keybridge advanced a protective US\$1.5 million loan to the operating subsidiary of RNY Property Trust, to assist in paying out existing mezzanine debt over the equity of its property portfolio. This loan was necessary to avoid the forced sale of the equity in the properties at a UCC auction arranged by the lender. Had the auction proceeded, it is possible that Keybridge would have achieved a nil return for its investment in RNY. To assist in funding the above RNY loan and other portfolio investments, Keybridge has, itself, obtained a A\$4.4 million senior loan from a private lender at an interest margin of 12.5% pa over the prevailing cash rate;
- As a result of actions taken by the US lender of the RNY portfolio, including what Keybridge believes to be an unfounded charging of approximately US\$11 million in default interest, as well as taking into account potential changes in property values as a result of rising US interest rates, as previously announced, the Company further impaired the carrying value of its RNY equity and other indirect investments that have exposure to RNY equity (including its investment in HHY, AUP and AIB). The aggregate of the fair value loss totaled A\$1.3 million;
- The Company is pursuing a number of legal matters and has accrued \$2.2 million for associated legal expenses. Keybridge expects to fully recover these costs on the successful prosecution of the various matters; and
- The revaluation of foreign currency assets resulted in a gain of \$45,301 (31 December 2021: loss \$68,604) during the financial half-year.
- Stablecoin arbitrage trading has been significantly reduced.

Keybridge Capital Limited
Directors' report
31 December 2022

Dividends

As at 31 Dec 2022, 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:

- 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;
- 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 against WAM Active which relates to the validity section 249F meeting(s) held on 17 March 2022, and the valid results of those meeting(s) concerning the appointment of six new directors to the WAM Active Board nominated by Keybridge;
- 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
- E&P Investments Limited successfully sought relief against Keybridge in the Supreme Court of NSW that a Notice of Meeting under section 252D be declared invalid by mutual consent for the parties. Keybridge was ordered to pay costs of the proceedings.

Matters subsequent to financial half-year end

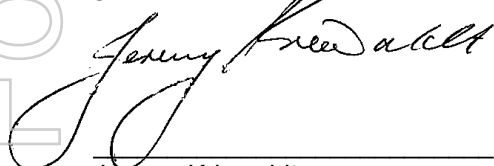
No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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



Jeremy Kriewaldt
Chairman

28 February 2023

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF KEYBRIDGE CAPITAL LIMITED

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2022 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

Director

Melbourne, 28 February 2023

Keybridge Capital Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

	Note	Consolidated	
		31 Dec 2022	31 Dec 2021
		\$	\$
Profit from Stablecoin arbitrage			
Sale of Stablecoin		31,715,918	245,245,894
Cost of Stablecoin sold		<u>(31,783,228)</u>	<u>(244,633,586)</u>
Gross profit		(67,310)	612,308
Other revenue			
Fees		83,832	70,942
Interest revenue		175,450	168,631
Dividend revenue		2,345,207	293,013
Other income		-	227
Recovery of legal fees	3	395,000	-
Other gains and losses	4	(1,799,936)	4,693,402
Expenses			
Fair value loss on equity investment		(1,276,959)	(13,721)
Personnel expenses		(379,266)	(371,304)
Corporate expenses		(97,204)	(83,595)
Legal expenses		(2,150,191)	(747,463)
Administration expenses		(144,268)	(49,408)
Other expenses		(319,187)	(67,299)
Finance expenses		-	(1,685)
Profit/(loss) before income tax expense		(3,234,832)	4,504,048
Income tax expense		-	-
Profit/(loss) after income tax expense for the half-year attributable to the owners of Keybridge Capital Limited		(3,234,832)	4,504,048
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Translation of foreign operations		(844)	345
Other comprehensive income for the half-year, net of tax		(844)	345
Total comprehensive income for the half-year attributable to the owners of Keybridge Capital Limited		<u>(3,235,676)</u>	<u>4,504,393</u>
Basic and diluted earnings/(loss) per share (cents) attributable to the ordinary equity holders of the company		(1.58)	2.13

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 2022

		Consolidated	
	Note	31 Dec 2022	30 Jun 2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		173,507	54,680
Financial assets at fair value through profit or loss	5	10,253,147	11,728,856
Trade and other receivables	6	81,892	367,922
Other assets		43,230	59,678
Total current assets		<u>10,551,776</u>	<u>12,211,136</u>
Non-current assets			
Financial assets at fair value through profit or loss	5	838,722	1,135,754
Trade and other receivables	6	7,229,268	4,759,775
Property, plant and equipment		29,672	29,672
Total non-current assets		<u>8,097,662</u>	<u>5,925,201</u>
Total assets		<u>18,649,438</u>	<u>18,136,337</u>
Liabilities			
Current liabilities			
Trade and other payables	7	3,697,633	2,489,429
Borrowings	8	4,858,421	2,373,392
Employee benefits		205,917	100,692
Total current liabilities		<u>8,761,971</u>	<u>4,963,513</u>
Non-current liabilities			
Employee benefits		-	84,181
Total non-current liabilities		<u>-</u>	<u>84,181</u>
Total liabilities		<u>8,761,971</u>	<u>5,047,694</u>
Net assets		<u>9,887,467</u>	<u>13,088,643</u>
Equity			
Issued capital		257,044,033	257,009,533
Reserves		8,917,769	8,918,613
Accumulated losses		(256,074,335)	(252,839,503)
Total equity		<u>9,887,467</u>	<u>13,088,643</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 2022

Consolidated	Issued capital \$	Share-based payments \$	Profit reserve \$	Foreign currency translation \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	256,531,006	321,600	3,955,239	136,733	(247,581,225)	13,363,353
Profit after income tax expense for the half-year	-	-	-	-	4,504,048	4,504,048
Other comprehensive income for the half-year, net of tax	-	-	-	345	-	345
Total comprehensive income for the half-year	-	-	-	345	4,504,048	4,504,393
Transfer to profit reserve	-	-	4,504,048	-	(4,504,048)	-
Transactions with owners in their capacity as owners:						
Shares issued	572,840	-	-	-	-	572,840
Share buy-backs	(94,313)	-	-	-	-	(94,313)
Balance at 31 December 2021	<u>257,009,533</u>	<u>321,600</u>	<u>8,459,287</u>	<u>137,078</u>	<u>(247,581,225)</u>	<u>18,346,273</u>

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>

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 2022

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Cash flows from operating activities		
Receipts from Stablecoin arbitrage	31,715,918	245,245,894
Payments for Stablecoin	(31,758,502)	(243,648,866)
Fees received	83,832	70,942
Other income received	395,000	38,266
Payments to suppliers and employees	(1,721,828)	(953,071)
Interest received	2	35
	<u> </u>	<u> </u>
Net cash from/(used in) operating activities	(1,285,578)	753,200
Cash flows from investing activities		
Proceeds from sale of financial assets at fair value through profit or loss	11,413,699	7,062,216
Payments for financial assets at fair value through profit or loss	(12,464,184)	(4,928,913)
Payments for loans and receivables advanced	(2,227,021)	-
Dividends received	2,345,207	293,013
	<u> </u>	<u> </u>
Net cash from/(used in) investing activities	(932,299)	2,426,316
Cash flows from financing activities		
Convertible redeemable promissory notes interest payments	-	(1,685)
Convertible redeemable promissory notes redemption	-	(28,775)
Payments for share buy-backs	-	(92,510)
Proceeds from borrowings	2,250,000	-
Proceeds from borrowings related to Stablecoin trading	4,789,017	-
Repayment of borrowings related to Stablecoin trading	(4,702,313)	-
	<u> </u>	<u> </u>
Net cash from/(used in) financing activities	2,336,704	(122,970)
Net increase in cash and cash equivalents	118,827	3,056,546
Cash and cash equivalents at the beginning of the financial half-year	54,680	127,062
Effects of exchange rate changes on cash and cash equivalents	-	(5,824)
	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial half-year	<u>173,507</u>	<u>3,177,784</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 2022

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 2022 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 2022. The Keybridge 2022 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 2022 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 2022.

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 2022

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 2022	Equity investments	Debt investments	Stablecoin arbitrage	Corporate	Total
Segment profit and loss	\$	\$	\$	\$	\$
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)
Profit/(Loss) before Income Tax	(1,422,810)	(309,578)	(67,310)	(1,435,134)	(3,234,832)
Finance expenses	-	-	-	-	-
Income tax expense	-	-	-	-	-
Profit/(Loss) for the year	(1,422,810)	(309,578)	(67,310)	(1,435,134)	(3,234,832)
	Equity investments	Debt investments	Corporate	Total	
	\$	\$	\$	\$	
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	
	Equity investments	Debt investments	Stablecoin arbitrage	Corporate	Total
	\$	\$	\$	\$	\$
31 Dec 2021					
Segment profit and loss					
Revenue and income	4,975,139	164,665	245,245,894	209,768	250,595,466
Expenses	(944,511)	(286,889)	(244,633,586)	(87,669)	(245,952,655)
Results from operating activities	4,030,628	(122,224)	612,308	122,099	4,642,811
Finance expenses	-	-	-	(1,685)	(1,685)
Income tax expense	-	-	-	-	-
Profit/(Loss) for the year	4,030,628	(122,224)	612,308	120,414	4,641,126
Segment assets	13,440,868	4,708,103	593,042	1,378,462	20,120,475
Segment liabilities	(550,000)	-	-	(1,214,412)	(1,764,412)
	12,890,868	4,708,103	593,042	164,050	18,356,063

Note 3. Recovery of legal fees

	Consolidated	Consolidated
	31 Dec 2022	31 Dec 2021
	\$	\$
Recovery of legal fees	<u>395,000</u>	<u>-</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.

Keybridge Capital Limited
Notes to the financial statements
31 December 2022

Note 4. Other gains and losses

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Realised gain /(loss) on financial assets at fair value through profit or loss	(299,132)	4,654,395
Unrealised gain /(loss) on financial assets at fair value through profit or loss	(1,373,540)	(6,294)
Gain on revaluation of foreign currency assets	(127,264)	45,301
	<u>(1,799,936)</u>	<u>4,693,402</u>

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

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
<i>Current assets</i>		
Shares in listed investments	9,706,185	10,984,343
Unlisted investments at fair value	553,435	(237,300)
Futures derivatives at fair value	(6,473)	981,813
	<u>10,253,147</u>	<u>11,728,856</u>
<i>Non-current assets</i>		
Shares in listed investments	<u>838,722</u>	<u>1,135,754</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.

Keybridge Capital Limited
Notes to the financial statements
31 December 2022

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 December 2022				
Financial assets at fair value through profit or loss				
Shares in listed investments	9,678,109	866,798	-	10,544,907
Unlisted investments at fair value	-	-	553,435	553,435
Cash instruments held in derivative trading portfolio	(6,473)	-	-	(6,473)
Total financial assets at fair value through profit or loss	<u>9,671,636</u>	<u>866,798</u>	<u>553,435</u>	<u>11,091,869</u>
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
30 June 2022				
Financial assets at fair value through profit or loss				
Shares in listed investments	9,363,331	1,135,754	-	10,499,085
Unlisted investments at fair value	-	838,874	544,838	1,383,712
Futures derivatives at fair value	(399,659)	-	-	(399,659)
Cash instruments held in derivative trading portfolio	1,381,472	-	-	1,381,472
Total financial assets at fair value through profit or loss	<u>10,345,144</u>	<u>1,974,628</u>	<u>544,838</u>	<u>12,864,610</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 2022	544,838
Total fair value gains and losses in profit or loss	8,597
As at 31 December 2022	<u>553,435</u>

As at the half-year ended 31 December 2022, 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 2022: no material impact).

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 2022

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. The Company has not adjusted the carrying value of its investment in Molopo as it is waiting for Molopo's audited financial statements for the year ended 31 December 2022 to be released, so that it can consider:

- Molopo's total cash position;
- The other litigation matters that Molopo is involved in; and
- Whether there is any update on the value of the funds transferred by Molopo on the Drawbridge transactions.

As at the (31 December 2022) balance date, Keybridge has adopted a carrying value of \$0.00 per Molopo share (30 June 2022: \$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 (ASX:HHY)

Management notes that HHY Fund is currently listed on the Australian Securities Exchange (ASX: HHY). However, the securities of HHY have been suspended from quotation since 27 February 2020. The Company has no plans to liquidate the investments in HHY Fund in the next 12 months and these have been classified as non-current assets accordingly.

As at the (31 December 2022) balance date, Keybridge has adopted a carrying value of \$838,722 (30 June 2022: \$1,135,754).

Investments in Aurora Global Income Trust (ASX:AIB)

Management notes that Aurora Global Income Trust is currently listed on the Australian Securities Exchange (ASX: AIB). However, the securities of AIB have been suspended from quotation since 3 October 2022. The Company has no plan to liquidate the investments in AIB Income Trust in the next 12 months and these have been classified as non-current assets accordingly.

As at the (31 December 2022) balance date, Keybridge has adopted a carrying value of \$28,076 (30 June 2022: \$31,275).

Investments in Aurora Property Buy-Write Income Trust (ASX:AUP)

Aurora Property Buy-Write Income Trust is currently delisted on the Australian Securities Exchange (ASX: AUP). The Company notes that the value of its investment in AUP Income Trust was written down to nil during the half-year ended 31 December 2022.

Keybridge Capital Limited
Notes to the financial statements
31 December 2022

Note 6. Trade and other receivables

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
<i>Current assets</i>		
Trade receivables	30,211	162,695
Less: Allowance for expected credit losses	<u>(3,620)</u>	<u>(3,580)</u>
	<u>26,591</u>	<u>159,115</u>
Other receivables	<u>55,301</u>	<u>208,807</u>
	<u>81,892</u>	<u>367,922</u>
<i>Non-current assets</i>		
Loan receivables - Property	4,288,735	4,288,735
Less: Allowance for expected credit losses	<u>(3,453,279)</u>	<u>(3,453,279)</u>
Loan receivables - Insurance	4,166,791	3,924,319
Less: Allowance for expected credit losses	<u>-</u>	<u>-</u>
	<u>5,002,247</u>	<u>4,759,775</u>
Loan receivables - Private equity	8,774,179	6,547,158
Less: Allowance for expected credit losses	<u>(6,547,158)</u>	<u>(6,547,158)</u>
Loan receivables - Other	1,950,595	1,572,487
Less: Allowance for expected credit losses	<u>(1,950,595)</u>	<u>(1,572,487)</u>
	<u>2,227,021</u>	<u>-</u>
	<u>7,229,268</u>	<u>4,759,775</u>

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.

The Board reduced the carrying value of the Note (receivable) to Nil as at 30 June 2022 (based on the Directors' judgement) and has determined to adopt the same carrying value as at 31 December 2022.

(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 2021: \$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.

Keybridge Capital Limited
Notes to the financial statements
31 December 2022

Note 6. Trade and other receivables (continued)

(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 2022. (31 December 2021: 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.

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.

Note 7. Trade and other payables

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
<i>Current liabilities</i>		
Trade payables	965,563	1,049,746
Accrued expenses	271,000	238,667
Provision for legal expenses	2,220,929	1,050,000
Other payables	240,141	151,016
	<u>3,697,633</u>	<u>2,489,429</u>

Note 8. Borrowings

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
<i>Current liabilities</i>		
Loan - RNC Nominees Facility Agreement	<u>4,858,421</u>	<u>2,373,392</u>

Keybridge Capital Limited
Notes to the financial statements
31 December 2022

Note 8. Borrowings (continued)

Total secured liabilities

The total secured liabilities are as follows:

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Opening balance	2,373,392	-
Drawdowns	2,323,500	2,250,000
Interest accrued	<u>161,529</u>	<u>123,392</u>
	<u>4,858,421</u>	<u>2,373,392</u>

The RNC Nominees Facility Agreement is secured by a first ranking general security agreement over all present and after acquired property of Keybridge Capital Limited.

The maturity date of the facility agreement is 31 October 2023.

The interest rate is fixed at 2.0% per month.

Note 9. Issuances of equity

During the half-year period ended 31 December 2022, 500,000 Employee Share Scheme shares were sold on-market raising \$34,500 of new capital for the Company. (During the half-year period ended 31 December 2021, 2,028,565 shares were issued to parties whose CRPNs were converted to ordinary shares in the Company. In addition, 6,243,328 ordinary shares were issued by the Company in relation to acceptances received under the takeover bid for RNY Property Trust.)

Note 10. Dividends on ordinary shares

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 11. 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. 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 2022, \$440,000 (2021: \$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, including a monetary cap (initially \$400,000 and increased to \$440,000 in March 2018), 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 relevant proceeding had not yet been decided as at 31 December 2022.

The \$440,000 advance is accounted as a loan receivable asset, however, as previously advised, a provision (ie. Impairment expense) has been recognised in respect of the full amount 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) On 28 November 2014, shareholders approved the Company's Executive Share Plan (ESP). On 19 December 2014, the Company issued 9 million ESP shares to Nicholas Bolton (who was the Managing Director at the time) with the initial cost (\$1,678,500) funded by an ESP loan granted to Mr Bolton (ESP Loan).

The shares were split into two tranches, 6m Tranche 1 shares with a vesting issue price of 18.65 cents per share; and 3m Tranche 2 shares at a vesting issue price of 30.15 cents per share. Subsequently, the Tranche 1 shares vested; however, the Tranche 2 shares did not vest and the shares were returned to the Company from Mr Bolton and sold on market, realising gross proceeds of \$210,000. During the half year ended 31 December 2022, 500,000 Tranche 1 shares were sold on-market raising \$34,500 in new capital for the Company.

The original repayment date for the Tranche 1 loan expired in 2018 and since this date the loan has been receivable at the call of the Directors of the Company.

The loan documentation allows, at the absolute discretion of the Directors of the Company accrue interest at a rate equal to 6.45% per annum calculated daily. Consistent with prior periods, the net interest owed to the Company has been impaired to nil and the Board has elected not to charge interest from the maturity date of the loan, and nor they intend to do so for the foreseeable future.

- (iii) Funds were loaned by Mr. Bolton to assist in financing trading in Stablecoin. These loans were provided on a non-interest bearing, payable at call and do not have any equity conversion entitlements.

Keybridge Capital Limited
Notes to the financial statements
31 December 2022

Note 12. 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 13. Subsequent events

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 14. Parent entity details

The registered office of the Company is:
Keybridge Capital Limited
Suite 614, Level 6
370 St Kilda Road
Melbourne VIC 3004

Keybridge Capital Limited
Directors' declaration
31 December 2022

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:

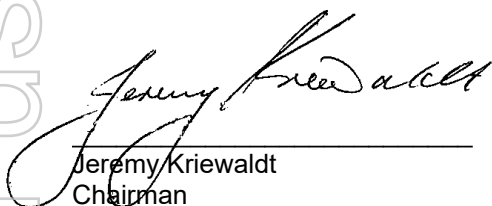
In the opinion of the Directors:

(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 2022 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,



Jeremy Kriewaldt
Chairman

28 February 2023

Keybridge Capital Limited Independent auditor's review report

REPORT ON THE REVIEW OF THE HALF-YEAR FINANCIAL REPORT

Conclusion

We have reviewed the accompanying half-year financial report of Keybridge Capital Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, 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 half-year financial report of Keybridge Capital Limited is not in accordance with the *Corporations Act 2001* including:

- a. 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; and
- b. complying with Australian Accounting Standard 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 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.

Responsibility of Management 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 Company'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.

William Buck

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



N. S. Benbow

Director

Melbourne, 28 February 2023

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