



2023

ANNUAL REPORT



ASX Code: KBC

Keybridge Capital Limited
A.B.N. 16 088 267 190

Keybridge Capital Limited
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30 June 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 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 September 2023. The Directors have the power to amend and reissue the financial statements.

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Keybridge Capital Limited

Directors' report

30 June 2023

The Directors present their report together with the 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 financial year ended 30 June 2023.

The Company has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.

Principal activities

Keybridge is an investment and financial services group with a diversified portfolio of listed and unlisted investments/loan assets in the life insurance (New Zealand), property and funds management sectors and strategic holdings in HHY Fund (HHY), Yowie Group Ltd (ASX: YOW), Metgasco Limited (ASX: MEL), Molopo Energy Limited (Molopo), RNY Property Trust (RNY) and engaged in cryptocurrency trading.

Company information

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).

Review of operations, results and significant changes in the state of affairs

The loss for the Consolidated Entity after providing for income tax amounted to \$8,945,509 (30 June 2022: \$754,230).

Total revenue and other income amounted to \$56,989,078 (30 June 2022: \$484,570,305).

The operating result was impacted by:

- The Company generated realised investment losses of \$2,055,987 and unrealised investment gains of \$402,302, primarily from its listed share portfolio;
- The Company advanced a protective US\$1,500,000 loan to the operating subsidiary of RNY Property Trust during first half of the 2023 financial year, to assist in paying out the mezzanine debt over the equity of the RNY property portfolio. This loan was considered necessary to avoid the forced sale of the equity in the properties at a UCC auction arranged by the lender. To assist in funding this RNY loan and other portfolio investments, Keybridge, itself, obtained a A\$4,400,000 senior loan from a private lender at an interest margin of 12.5% pa over the 30 Day BBSY;
- 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\$11,000,000 in default interest, as well as taking into account potential changes in property values as a result of rising US interest rates, in first half of the 2023 financial year, 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). 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. The aggregate of the fair value loss totalled A\$1,300,000;
- In June 2023, the Company elected to fully impair its US\$1,500,000 protective advance previously made to the operating subsidiary of RNY Property Trust. Keybridge Management has formed the view that the reduced values are appropriate based on the fund's current capital structure and prevailing market conditions;
- The Company is pursuing a number of legal matters and expensed \$2,741,232 during the year for associated legal costs (with further details set out in the legal proceedings section of the Directors' Report). Keybridge expects to fully recover these costs on the successful prosecution of the various matters;
- The Company turned over \$53,563,259 and generated a net loss of \$1,533,698 from its arbitrage trading in the cryptocurrency market;
- The Company received a one-off \$395,000 recovery of historic legal fees. The expenses related to its historical 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 financial year;
- The revaluation of foreign currency assets resulted in a loss of \$110,343 (30 June 2022: loss \$69,700) during the financial year; and
- Stablecoin arbitrage trading has been significantly reduced.

Keybridge Capital Limited

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During the year, the Company entered into a debt agreement with Metgasco Ltd to provide up to \$3,000,000 in debt funding, with \$1,260,000 having been advanced by 30 June 2023. Key terms of the Debt Facility are:

- \$3,000,000 to be drawn down within 12 months (the availability period) from the initial issue date (13 March 2023);
- 3 year term from first drawdown;
- Funds to be applied towards the Vali and Odin Gas Field projects, working capital and for general Metgasco corporate purposes;
- An interest rate of 10% per annum expensed and payable quarterly in arrears;
- A 1% establishment fee payable (on drawn funds only);
- Secured by way of a general security deed ("GSD") jointly over all present property of the Company;
- In consideration for the facility and the ongoing availability of drawdown funds during the availability period with on line fee, the issue of 95,749,627 options to Keybridge, at an exercise price of 2.5c per share for the same tenor as the debt facility, which were issued on issuance of the first loan note. The options are exercisable at any time over the three year term by way of either cash settlement or cancellation of notes; and
- If early repayment of drawn funds is undertaken by Metgasco, it will provide Keybridge with an early redemption fee equal to 5% of the face value of the notes redeemed early.

Dividends

No dividends have been paid or declared since the end of the previous year and no dividends have been recommended by the Directors in respect of the year ended 30 June 2023.

As at 30 June 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
- \$7.957 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.

Risks

- **Market Conditions:** changes in global economic conditions, including volatile equity capital markets, may adversely affect a company's business, revenues, and earnings.
- **Inflation and interest rates:** risk that inflation and rising interest rates could impact revenues and earnings through current and future increase in operating costs, changes in financial availability, the cost of debt and fluctuations.
- **Environmental, ESG and sustainability issues:** issues such as climate change continue to receive significant attention from the regulators and investors.
- **Ukraine conflict:** as the conflict between Ukraine and Russia continues, companies should consider their potential additional disclosure obligations related to direct or indirect impacts that Russia's ongoing actions in Ukraine and the international response have or may have on their business and how it has changed since the conflict began.
- **Cybersecurity:** cybersecurity incidents, data misuse, and ransomware attacks continue to proliferate and become more sophisticated.
- **Regulatory:** changes and potential changes in law, regulation, policy, and/or political leadership may necessitate modifications to risk.

Future developments

Keybridge intends to continue its investment activities in future years. The results of these investment activities depend upon the performance of the underlying investee entities/loan counterparties and securities in which Keybridge invests. The investments' performances depend on many economic factors and also industry and investee/counterparty-specific issues. In the opinion of the Directors, it is not possible or appropriate to make a prediction on the future course of markets, the performance of Keybridge's investments or forecast the likely results of Keybridge's activities.

Environmental regulation

Keybridge is not subject to any particular or significant environmental regulation under Australian Commonwealth or State legislation.

Keybridge Capital Limited
Directors' report
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Directors & Officers

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

Nicholas Bolton	Chief Executive Officer and Managing Director
John Patton	Non-executive Chairman (appointed as a director on 9 June 2023 and as Chairman on 15 June 2023)
Jeremy Kriewaldt	Non-executive Chairman (retired 9 June 2023)
Antony Catalano	Non-executive Director

Mr John Patton is the Company Secretary.

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Directors' report
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Further details on each of the directors is outlined below:

Nicholas Bolton Managing Director and Chief Executive Officer

Appointed 28 May 2019 as CEO; 13 October 2019 as Managing Director

Experience Nicholas Bolton has managed operational investments and restructured assets in the aviation, finance, property, energy, shipping, infrastructure and IT sectors. Mr Bolton has invested in and led activist investments in a number of ASX-listed entities with a foundation in shareholder advocacy. Mr Bolton is focused on delivering superior risk adjusted returns through active management and innovative solutions to challenging issues for investors.

Relevant interest in securities 8,920,862 – KBC shares directly held
 1,273,036 – KBC shares indirectly held

Special responsibilities CEO

Other current directorships in listed entities Yowie Group Limited (ASX: YOW) - since 30 November 2020

Former directorships in other listed entities in past 3 years None

John Patton Non-executive Chairman

Appointed 9 June 2023 (as a non-executive director) and 15 June 2023 (as non-executive Chairman)

Qualifications B.Ec (Monash), CA (ICAA), F Fin

Experience John Patton is a senior executive with extensive finance experience in the corporate and professional services sectors. He was previously a Partner with Ernst & Young in the Transactions Advisory Services division. With over 35 years of professional services and industry experience, Mr Patton has extensive corporate finance credentials, having been involved in over 150 corporate transactions

Relevant interest in Securities 348,641 – KBC shares

Special responsibilities None

Other current directorships in listed entities Metgasco Ltd (ASX: MEL) - since 19 September 2016
 Yowie Group Limited (ASX: YOW) - since 5 February 2021

Former directorships in other listed entities in past 3 years None

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Jeremy Kriewaldt Non-executive Chairman

<i>Appointed</i>	13 October 2016 (retired on 9 June 2023)
<i>Qualifications</i>	BA (Hons), LLM (Hons) (Sydney)
<i>Experience</i>	Jeremy Kriewaldt is a lawyer in private practice, specialising in corporate and commercial law, including mergers and acquisitions, capital raisings and foreign investment, financial product development and securities markets. He started his own practice in 2018 and was previously a partner of Atanaskovic Hartnell (2004 - 2018), Blake Dawson Waldron (now Ashurst) (1990-2003) and also served as Counsel to the Takeovers Panel in 2003-2004.
<i>Relevant interest in securities</i>	41,516 – KBC shares
<i>Special responsibilities</i>	None
<i>Other current directorships in listed entities</i>	None
<i>Former directorships in other listed entities in past 3 years</i>	None

Antony Catalano Non-executive Director

<i>Appointed</i>	17 April 2020
<i>Experience</i>	Antony Catalano was formerly the Managing Director of Domain Holdings Australia Limited and is presently the Executive Chairman of Australian Community Media, a major regional media company.
<i>Relevant interest in securities</i>	22,324,631 – KBC shares (beneficial/economic interest) held by Catalano Super Investments Pty Ltd ATF Catalano Superannuation Fund (11,304,347 ordinary shares) and Antstef Pty Ltd ATF Antstef Trust (11,020,284 ordinary shares).
<i>Special responsibilities</i>	None
<i>Other current directorships in listed entities</i>	None
<i>Former directorships in other listed entities in past 3 years</i>	None

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Meetings of directors

The following table sets out the numbers of meetings of the Company's Directors held during the year (including Directors' circulatory resolutions) and the numbers of meetings attended by each Director of the Company:

Held: represents the number of meetings held during the time the Director held office

Name of Director	Board Attended	Board Held
Nicholas Bolton	6	6
John Patton	1	1
Jeremy Kriewaldt	4	5
Antony Catalano	6	6

Remuneration report (audited)

This Remuneration Report details the nature and amount of remuneration for each Director and Company Executive (being a company secretary or senior manager) (**Key Management Personnel** or **KMP**) of *the Company*.

The information provided under headings (1) to (8) below has been audited for compliance with section 300A of the *Corporations Act 2001 (Cth)* as required under section 308(3C).

(1) Key Management Personnel (KMP)

Name	Position	Tenure
Nicholas Bolton	Managing Director	Appointed 13 October 2019
	Chief Executive Officer (CEO)	Appointed 28 May 2019
John Patton	Non-Executive Chairman	Appointed 9 June 2023
Jeremy Kriewaldt	Non-Executive Chairman	Appointed 13 October 2016; re-elected at AGM on 24 January 2022 (retired 9 June 2023)
Antony Catalano	Non-Executive Director	Appointed 17 April 2020; re-elected at AGM on 21 November 2022
John Patton	Company Secretary	Appointed 13 October 2019

(2) Remuneration Policy

The Board determines the remuneration structure of all Key Management Personnel having regard to Keybridge's strategic objectives, scale and scope of operations and other relevant factors, including experience and qualifications, length of service, market practice (including available data concerning remuneration paid by other listed companies and in particular, companies of comparable size and nature), the frequency of Board meetings, the duties and accountability of Key Management Personnel and the objective of maintaining a balanced Board which has appropriate expertise and experience, at a reasonable cost to the Company.

Corporate Governance Principles: The Company's Corporate Governance Statement (**CGS**) also addresses matters pertaining to the Board, Senior Management and Remuneration. The latest version of the CGS may be downloaded from the Company's website.

Fixed Cash Short-term Employment Benefits: The Key Management Personnel of the Company are paid a fixed amount per annum plus applicable employer superannuation contributions. The current aggregate base remuneration for Non-Executive Directors of the Company is capped at \$100,000 per annum, to be divided as the Board determines appropriate.

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The Board has determined the following fixed cash remuneration for current Key Management Personnel during the year as follows:

Non-Executive Directors

- (1) John Patton - as the company has a director fee cap of \$100,000 plus net GST per annum, Mr Patton received no director fees in the current financial year.
- (2) Jeremy Kriewaldt - a base fee of \$50,000 plus net GST per annum including statutory employer superannuation contribution.
- (3) Antony Catalano - a base fee of \$50,000 plus net GST per annum including statutory employer superannuation contribution.

Company Executives/Senior Mangers

- (4) Nicholas Bolton (Chief Executive Officer) - a base salary of \$440,000 (on a full-time basis; Mr Bolton is required by the Company to work only on a part-time basis on a pro-rata part-time base salary of \$330,000) per annum plus statutory employer superannuation contributions.
- (5) John Patton (Company Secretary) - a base fee of \$60,000 per annum (excluding GST).

Special Exertions and Reimbursements: Pursuant to the Company's Constitution, each Director is also entitled to receive:

- (a) Payment for reimbursement for all travelling and other expenses incurred by a Director in attending to the Company's affairs, including attending to meetings of the Company and the Board or Committees; and
- (b) Payment for the performance of extra services or the making of special exertions for the benefit of the Company (with the concurrence of the Board).

Short-Term Benefits: The Company does not have any short-term incentive (STI) cash bonus schemes (or equivalent) in place for Key Management Personnel.

Long-Term Benefits: The Company does not have any long-term incentive (LTI) cash bonus schemes (or equivalent) in place for Key Management Personnel.

Equity-Based Benefits: Save for the Executive Share Plan (ESP) outlined below, the Company does not presently have any equity (shares or options) based remuneration arrangements for Key Management Personnel pursuant to any executive or employee share or option plan or otherwise.

Post-Employment Benefits: With the exception of its contributions to defined superannuation contribution schemes the Company does not presently provide retirement benefits to Key Management Personnel. Other than early termination benefits disclosed in 'Employment Agreement' below, Key Management Personnel also have no right to termination payments save for payment of accrued unused annual and long service leave (where applicable) (these accrued employee entitlements are not applicable in respect of Non-Executive Directors). The Company notes that shareholder approval is required where a Company proposes to make a "termination payment" (for example, a payment in lieu of notice, a payment for a post-employment restraint and payments made as a result of the automatic or accelerated vesting of share based payments) in excess of one year's "base salary" (defined as the average base salary over the previous 3 years) to a director or any person who holds a managerial or executive office.

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Performance-Related Benefits and Financial Performance of Company: The current remuneration of Key Management Personnel is fixed, is not dependent on the satisfaction of a performance condition and is unrelated to the Company's performance.

In considering the Company's performance and its effects on shareholder wealth, Directors have had regard to the data set out below for the latest financial year and the previous four financial years:

	2023	2022	2021	2020	2019
Profit/(Loss) Before Income Tax (\$'000)	(8,879)	(754)	2,930	(3,848)	(3,611)
Profit/(Loss) After Income Tax (\$'000)	(8,879)	(754)	2,930	(3,848)	(3,611)
Basic Earnings/(Loss) per share (cents)	(4.27)	(0.37)	1.50	(2.30)	(2.29)
Total Dividends Paid (\$'000)	-	-	-	-	790
Dividends Paid (cent per share)	-	-	-	-	0.5
Total Capital Returns Paid (\$'000)	-	-	-	-	-
Capital Returns Paid (cents per share)	-	-	-	-	-
VWAP Share Price on ASX for financial year (\$)	0.040	0.072	0.070	N/A [^]	0.065
Closing (Last Bid) Share Price on ASX as at 30 June (\$)	0.040	0.072	0.071	N/A [^]	0.069

[^] The Company was suspended from trading on the ASX on 16 July 2019, with the suspension being lifted on 11 December 2020. At that time, the last closing price was 4 cents per share.

(3) Details of Remuneration of Key Management Personnel

Details of the nature and amount of each element of remuneration of each Key Management Personnel paid or payable by the Company during the financial year are as follows:

2023 Key Management Personal	Performance -related %	Cash salary and fees \$	<u>Short-term benefits</u>		<u>Post- employment benefits</u>	<u>Other long- term benefits</u>	Total \$
			Annual leave	Non-cash benefit \$	Superannuation \$	Long service leave	
Non-Executive Directors:							
John Patton	-	-	-	-	-	-	-
Jeremy Kriewaldt	-	46,896	-	-	4,924	-	51,820
Antony Catalano	-	45,454	-	-	4,773	-	50,227
Chief Executive Officer:							
Nicholas Bolton	-	330,006	25,385	-	27,500	5,500	388,391
Company Secretary:							
John Patton	-	61,395	-	-	-	-	61,395
	-	483,751	25,385	-	37,197	5,500	551,833

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2022			<u>Short-term</u>		<u>Post-</u>	<u>Other long-</u>	
Key	Performance	Cash	<u>benefit</u>	Non-cash	<u>Employment</u>	<u>term</u>	Total
Management	-related	salary and	Annual	benefit	Superannuation	Long	\$
Personnel	%	fees	leave	\$	\$	service	\$
		\$				leave	
Non-Executive Directors:							
Jeremy Kriewaldt	-	45,455	-	-	4,545	-	50,000
Antony Catalano	-	45,455	-	-	4,545	-	50,000
Chief Executive Officer:							
Nicholas Bolton	-	330,006	25,385	-	27,500	5,500	388,391
Company Secretary:							
John Patton	-	61,395	-	-	-	-	61,395
	-	482,311	25,385	-	36,590	5,500	549,786

(4) Executive Share Plan (ESP)

The Company has an ESP which was approved by shareholders at the 2014 Annual General Meeting (**AGM**) held on 28 November 2014. The ESP was developed to serve as the Company's principal vehicle to grant long term incentive awards and form a key element of the Company's total remuneration strategy for directors and selected senior management.

The primary objectives of the ESP are to:

- assist with the attraction, motivation and retention of directors and senior management and more closely align the interest of directors and senior management with shareholders by matching rewards with the long-term performance of the Company, and accordingly drive the Company's improved performance;
- align the incentives provided to participants with current market practice; and
- provide the Company with flexibility to accommodate changes in the Company's circumstances and shifts in regulatory and market practice from time to time.

The ESP involves the Company providing interest-bearing limited-recourse loans to eligible participants to purchase ordinary shares in the capital of the Company. As part of the loan arrangements, the Company will take security over those ordinary shares to secure repayment of the loans. Interest will be charged on the loans at a fixed rate of 6.45% per annum for the term of the loans, capitalised monthly. The term of the loans will be 3 years and 3 months. The interest will be recourse to the participant. The loans may be repaid early in certain circumstances, however participants in the ESP remain liable for the entire amount of interest applicable over the loan term.

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Further details about the ESP are set out in the Company's Notice of AGM and Explanatory Statement dated 29 October 2014.

The Company has issued shares to and entered into loan arrangements with previous Key Management Personnel (including Nicholas Bolton, who is currently a Key Management Personnel from 28 May 2019) pursuant to the ESP. Further details are set out in:

- Keybridge's ASX Announcement dated 19 December 2014: Appendix 3B and Further Detail Regarding Issuance of Loan Funded Shares);
- Keybridge's ASX Announcement dated 28 April 2015: Appendix 3B; and
- Note 20(d)(v) (Related Party Transactions) in the accompanying financial statements.

The Company has not issued shares to and entered into loan arrangements with Key Management Personnel pursuant to the ESP during the financial year.

Save for Nicholas Bolton as outlined below, no other current Key Management Personnel are involved in the ESP vis a vis holding or being issued ESP shares.

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, 6 million Tranche 1 shares with a vesting issue price of 18.65 cents per share (which are subject to a voluntary escrow deed entered into as part of the employee share loan agreement); and 3 million 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.

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 to accrue interest at a rate of 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 do they intend to do so for the foreseeable future.

On 30 September 2022 the Board of Directors resolved to execute a call on the employee share loan.

During first half of 2023 financial year, 500,000 Tranche 1 shares were sold on-market raising \$34,500 of new capital for the Company, thereby reducing the number of Tranche 1 shares to 5,500,000. As at the date of this report, the directors have resolved to sell the remaining Tranche 1 shares.

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(5) Formal Terms of Employment/Engagement

Details of the material terms of formal agreements entered by the Company with Key Management Personnel are as follows:

KMP and Position(s) Held	Relevant Date(s)	Base Salary/Fees per annum	Other Terms
Nicholas Bolton (Chief Executive Officer)	19 February 2017 (date of employment agreement) 17 December 2015 (date of suspension of employment) 27 May 2019 (date of amendments to employment agreement) 28 May 2019 (date of commencement as CEO)	\$440,000 base salary per annum (full-time basis) \$330,000 actual part-time salary per annum (agreed with the Company) plus statutory employer superannuation contributions (currently 10.00% of salary)	<ul style="list-style-type: none"> • The employment agreement (as amended) has no fixed term or fixed rolling terms of service. • Required part-time 30 hours per week over the course of a 5-day working week (averaged out over the course of a month) plus pre-agreed reasonable additional time required by the Company in order to satisfy Company business or operational requirements. • Employment may convert from part-time to full-time (and vice versa) by mutual written agreement. • If the CEO requests reinstatement on a full-time basis, which is denied by the Company, the Company is liable to pay the CEO between 6.25% - 18.75% of his full-time salary. • 20 days annual leave and 15 days (paid) personal/sick leave entitlements. • Three months' notice of termination by the CEO; Immediate termination by the Company (with notice and without cause) on payment of 25% of CEO's full-time salary; Immediate termination without notice if CEO commits any serious act of misconduct.
John Patton (Company Secretary/Non-executive Chairman)	13 October 2019 (date of commencement as Company Secretary) 9 June 2023 (date of commencement as non-executive director) 15 June 2023 (date of commencement as non-executive chairman)	\$60,000 base retainer fees per annum (excluding GST) plus additional fees (at an agreed day or hourly rate) in respect of approved/agreed excess hours	<ul style="list-style-type: none"> • The Company does not presently have a formal agreement with Mr Patton

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(6) Other Benefits Provided to Key Management Personnel

Save as outlined below, no Key Management Personnel has during or since the end of the financial year, received or become entitled to receive a benefit, other than a remuneration benefit as disclosed above, by reason of a contract made by the Company or a related entity with the Director or with a firm of which he is a member, or with a Company in which he has a substantial interest:

- (a) During the financial year, Wilson Hanna Consulting Group (an entity controlled by/associated with/related to the Company Secretary, John Patton) received \$61,395 (including net GST) in respect of services provided in relation to Company Secretarial services provided to the Company and assistance with the preparation of the financial statements, including liaison with the auditors for the year ended 30 June 2023.
- (b) The Company previously agreed to advance \$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 provided 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 and between 2 January 2013 and 17 December 2015 (as Executive Director from 22 February 2013 and as Managing Director from March 2014). As at 30 June 2023, \$440,000 (2022: \$440,000) had 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.

The \$440,000 advance is accounted as a loan receivable asset, and a provision (ie. impairment expense) was recognised in a prior period for 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.

Refer also Note 20 (Related Party Transactions) in the accompanying financial statements for other KMP related disclosures.

(7) Engagement of Remuneration Consultants

The Company has not engaged any remuneration consultants to provide remuneration recommendations in relation to Key Management Personnel during the year. The Board has established a policy for engaging external Key Management Personnel remuneration consultants which includes, inter alia, that the Non-Executive Directors on the RNC be responsible for approving all engagements of and executing contracts to engage remuneration consultants and for receiving remuneration recommendations from remuneration consultants regarding Key Management Personnel. Furthermore, the Company has a policy that remuneration advice provided by remuneration consultants be quarantined from Management where applicable.

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(8) Securities in the Company Held by Key Management Personnel

The number of listed ordinary shares (ASX:KBC) in the Company held by Key Management Personnel is set below:

Key Management Personnel	Balance at commencement/ 30 June 2022	Additions	Received as part of remuneration	Disposals	Cessation of director/KMP	Balance at cessation/ 30 June 2023
Directors:						
Jeremy Kriewaldt	41,516	-	-	-	(41,516)	-
Antony Catalano	22,324,631	-	-	-	-	22,324,631
Nicholas Bolton ^(a)	2,836,036	584,826	-	-	-	3,420,862
John Patton	348,641	-	-	-	-	348,641

The number of unlisted ordinary shares in the Company (issued under the ESP) held by Key Management Personnel is set below:

Key Management Personnel	Balance at commencement/ 30 June 2022	Additions	Received as part of remuneration	Disposals	Cessation of director/KMP	Balance at cessation/ 30 June 2023
Directors:						
Nicholas Bolton	6,000,000	-	-	(500,000)	-	5,500,000

Notes to tables:

- (a) The disclosures of security holdings above are in accordance with the accounting standards which require disclosure of shares held directly, indirectly or beneficially by each Key Management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence (as defined under Accounting Standard AASB 124 Related Party Disclosures).
- (b) On 30 November 2020, Mr Nicholas Bolton was appointed as a non-executive director of Yowie Group Limited (Yowie), with Mr John Patton being appointed as a non-executive director of Yowie on 5 February 2021. During the current year, the Company has acquired additional 10,972,403 shares on-market in Yowie at a total cost of \$495,082 (2022: 10,092,013 shares at a total cost of \$489,677).

(9) Voting and Comments on the Remuneration Report at the 2022 AGM

At the Company's most recent AGM, held on 21 November 2022, a resolution to adopt the prior year (2022) Remuneration Report was put to a vote on a poll and more than 75% of votes cast were in favour of its adoption.

(10) Other Transactions with Key Management Personnel

During the financial year loans were advanced to the company by key management personnel. At year end \$844,229 was owing in total on these loans.

- (a) \$11,948 loan outstanding due to Nicholas Bolton being unsecured, non-interest bearing payable at call with no equity entitlement terms.
- (b) \$832,281 loan outstanding due to Antony Catalano being unsecured, interest bearing at 18% per annum payable at call with no equity entitlement terms.

(11) Other Transactions with Related Parties

During the year, the Company entered into a debt agreement with Metgasco Ltd to provide up to \$3,000,000 in debt funding, with \$1,260,000 having been advanced by 30 June 2023, leaving a further \$1,740,000 to be drawn down. An interest rate of 10% per annum expensed and payable quarterly in arrears. The interest received this financial year was \$23,195.

This concludes the remuneration report, which has been audited.

Keybridge Capital Limited

Directors' report

30 June 2023

Legal Proceedings on behalf of company

The Company has been a party to a number of legal proceedings during and since the financial year, including:

- 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;
- 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 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;
- 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;
- A claim against Muller v Bartlett & Ors (Garland) was heard on 31 July 2023 in which the Plaintiff is seeking a declaration that each Defendant, as co-surety of the Plaintiff, is obliged to contribute in equal proportions to the amount of \$7,980,385 that was paid by the Plaintiff in satisfaction of the guaranteed debt under the Term Loan Agreement; and
- A claim against the former directors of Ragusa Minerals Limited 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;

Shares under option

Not applicable.

Events subsequent to balance sheet date

On 29 August 2023, Keybridge received an unfavourable judgment 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 and is currently considering its options in relation to this matter.

No other matters or circumstances have arisen since 30 June 2023 that have significantly affected, or may affect:

- (i) the operations of the Company in future financial years; or
- (ii) the results of those operations in future financial years; or
- (iii) the state of affairs of the Company in the future financial years.

Legal Proceedings (leave of court)

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

Keybridge Capital Limited
Directors' report
30 June 2023

Non-audit services

During the year, William Buck Audit (Vic) Pty Ltd, the Company's auditor, did not perform other services in addition to their statutory duties for the Company as disclosed in Note 21 to the financial statements.

Where other services are to be provided by the Company's auditor, the Board needs to be satisfied that the provision of other services is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 22 did not compromise the external auditor's independence for the following reasons:

- All non-audit services are to be reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to the auditor independence in accordance with the APES 110 Code of Ethics for Professional Accountants (including Independence Standards) set by the Accounting Professional and Ethical Standards Board.

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001 (Cth)* forms part of this Directors Report and is set out on page 13. This relates to the Audit Report, where the Auditors state that they have issued an independence declaration.

Signed for and on behalf of the Directors in accordance with a resolution of the Board.



John Patton
Chairman

28 September 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 year ended 30 June 2023 there have been:

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

William Buck

William Buck Audit (Vic) Pty Ltd

ABN 59 116 151 136



N. S. Benbow

Director

Melbourne, 28 September 2023

Keybridge Capital Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

		Consolidated	
	Note	30 Jun 2023	30 Jun 2022
		\$	\$
Profit from stablecoin arbitrage			
Sale of stablecoin	2	53,563,259	483,692,435
Cost of stablecoin sold		<u>(55,096,957)</u>	<u>(482,461,084)</u>
Gross (loss) / profit		(1,533,698)	1,231,351
Other revenue and income	2		
Fees		108,956	95,692
Interest revenue		382,228	336,636
Dividend revenue		2,539,635	445,316
Other income		395,000	227
Other gains and losses	3	(1,764,028)	677,254
Expenses	4		
Fair value losses on equity investments		(1,721,564)	(452,902)
Personnel expenses		(797,675)	(743,393)
Corporate expenses		(346,303)	(205,107)
Legal expenses		(2,741,232)	(1,566,893)
Administration expenses		(179,805)	(221,768)
Other expenses		(96,863)	(204,361)
Finance expenses		(793,109)	(131,580)
Impairment on loans		<u>(2,397,051)</u>	<u>(14,702)</u>
Loss before income tax expense		(8,945,509)	(754,230)
Income tax expense	6	<u>-</u>	<u>-</u>
Loss after income tax expense for the year attributable to the members of Keybridge Capital Limited		(8,945,509)	(754,230)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(1,874)</u>	<u>993</u>
Other comprehensive income for the year, net of tax		<u>(1,874)</u>	<u>993</u>
Total comprehensive income for the year attributable to the members of Keybridge Capital Limited		<u><u>(8,947,383)</u></u>	<u><u>(753,237)</u></u>
Basic and diluted earnings/(loss) per share (cents) attributable to the ordinary equity holders of the company	7	(4.30)	(0.37)

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 30 June 2023

		Consolidated	
	Note	30 Jun 2023	30 Jun 2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	8	105,572	54,680
Financial assets at fair value through profit or loss	9	6,074,371	11,728,856
Inventories		1,282	24,726
Trade and other receivables	10	138,311	367,922
Other assets		34,694	34,952
Security deposit		320,000	-
Total current assets		<u>6,674,230</u>	<u>12,211,136</u>
Non-current assets			
Financial assets at fair value through profit or loss	9	630,975	1,135,754
Trade and other receivables	10	6,379,058	4,759,775
Property, plant and equipment		-	29,672
Total non-current assets		<u>7,010,033</u>	<u>5,925,201</u>
Total assets		<u>13,684,263</u>	<u>18,136,337</u>
Liabilities			
Current liabilities			
Trade and other payables	13	3,373,064	2,489,429
Borrowings	14	5,906,514	2,373,392
Employee benefits		228,925	100,692
Total current liabilities		<u>9,508,503</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>9,508,503</u>	<u>5,047,694</u>
Net assets		<u>4,175,760</u>	<u>13,088,643</u>
Equity			
Issued capital	15	257,044,033	257,009,533
Reserves		8,916,739	8,918,613
Accumulated losses		<u>(261,785,012)</u>	<u>(252,839,503)</u>
Total equity		<u>4,175,760</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 year ended 30 June 2023

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
Loss after income tax expense for the year	-	-	-	-	(754,230)	(754,230)
Other comprehensive income for the year, net of tax	-	-	-	993	-	993
Total comprehensive income for the year	-	-	-	993	(754,230)	(753,237)
Transfer to profit reserve	-	-	4,504,048	-	(4,504,048)	-
Transactions with members in their capacity as members:						
Shares issued	572,840	-	-	-	-	572,840
Share buy-backs	(94,313)	-	-	-	-	(94,313)
Balance at 30 June 2022	257,009,533	321,600	8,459,287	137,726	(252,839,503)	13,088,643

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 year	-	-	-	-	(8,945,509)	(8,945,509)
Other comprehensive income for the year, net of tax	-	-	-	(1,874)	-	(1,874)
Total comprehensive income for the year	-	-	-	(1,874)	(8,945,509)	(8,947,383)
Transactions with members in their capacity as members:						
Shares issued	34,500	-	-	-	-	34,500
Balance at 30 June 2023	257,044,033	321,600	8,459,287	135,852	(261,785,012)	4,175,760

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 year ended 30 June 2023

	Note	Consolidated	
		30 Jun 2023	30 Jun 2022
		\$	\$
Cash flows from operating activities			
Receipts from Stablecoin arbitrage		53,563,259	483,692,435
Payments for Stablecoin		(55,073,513)	(480,908,048)
Fees received		108,956	95,692
Recovery of legal fees		395,000	227
Payments to suppliers and employees		(3,367,028)	(1,813,607)
		<u>(4,373,326)</u>	<u>1,066,699</u>
Net cash from/(used in) operating activities			
Cash flows from investing activities			
Payments for property, plant and equipment		-	(30,000)
Proceeds from sale of financial assets at fair value through profit or loss		8,343,394	11,413,699
Payments for financial assets at fair value through profit or loss		(8,059,286)	(15,102,306)
Dividends received		2,628,708	340,835
Interest received		6	80
		<u>2,912,822</u>	<u>(3,377,692)</u>
Net cash from/(used in) investing activities			
Cash flows from financing activities			
Proceeds from issue of shares	15	34,500	-
Convertible redeemable notes interest payments		-	(8,188)
Payments for share buy-backs		-	(92,510)
Loan facility payments		(1,260,000)	-
Proceeds from borrowings		2,300,000	2,250,000
Proceeds from borrowings from related parties		7,183,583	12,341,187
Repayments of borrowings to related parties		(6,371,635)	(12,255,081)
Interest and other finance costs paid		(365,435)	-
		<u>1,521,013</u>	<u>2,235,408</u>
Net cash from financing activities			
Net increase/(decrease) in cash and cash equivalents		60,509	(75,585)
Cash and cash equivalents at the beginning of the financial year		54,680	127,062
Effects of exchange rate changes on cash and cash equivalents		(9,617)	3,203
		<u>(9,617)</u>	<u>3,203</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>105,572</u></u>	<u><u>54,680</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
30 June 2023

Note 1. About this financial report

1.1 Background

This financial report covers the consolidated financial statement of the consolidated entity consisting of Keybridge Capital Limited (ASX:KBC) (the **company** or **KBC**) and its subsidiaries (the **consolidated entity** or **Keybridge**). The financial report is presented in the Australian currency.

Keybridge Capital Limited is a company limited by shares incorporated in Australia and whose shares are publicly traded on the Australian Securities Exchange (**ASX**).

These financial statements have been prepared on a streamlined basis where key information is grouped together for ease of understanding and readability. The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Consolidated Entity.

Information is considered material and relevant if, for example:

- (a) the amount in question is significant because of its size or nature;
- (b) it is important for understanding the results of the Consolidated Entity;
- (c) it helps to explain the impact of significant changes in the Consolidated Entity's business; or
- (d) it relates to an aspect of the Consolidated Entity's operations that may be important to its future performance.

Keybridge Capital Limited
Notes to the financial statements
30 June 2023

Note 1. About this financial report (continued)

The notes to the financial statements are organised into the following sections:

- (a) **Key Performance:** Provides a breakdown of the key individual line items in the statement of comprehensive income that is most relevant to understanding performance and shareholder returns for the year:
Notes
2 'Revenue and income'
3 'Other gains and losses'
5 'Segment information'
7 'Earnings/(Loss) per share'
- (b) **Financial Risk Management:** Provides information about the Consolidated Entity's exposure and management of various financial risks and explains how these affect the Consolidated Entity's financial position and performance:
Notes
8 'Cash and cash equivalents'
9 'Financial assets at fair value through profit or loss'
10 'Trade and other receivables'
11 'Financial risk management'
13 'Trade and other payables'
- (c) **Other Assets and Liabilities:** Provides information on other balance sheet assets and liabilities that do not materially affect performance or give rise to material financial risk:
Notes
12 'Fair value measurement of financial instruments'
- (d) **Capital Structure:** Outlines how the Consolidated Entity manages its capital structure and related financing costs (where applicable), as well as capital adequacy and reserves. It also provides details on the dividends paid by the company:
Notes
15 'Issued capital'
16 'Franking credits'
17 'Capital risk management'
- (e) **Consolidated Entity Structure:** Provides details and disclosures relating to the parent entity of the Consolidated Entity and any acquisitions and/or disposals of businesses in the year. Disclosure on related parties is also provided in the section:
Notes
18 'Parent entity information'
19 'Investment in controlled entities'
20 'Related party transactions'
- (f) **Other:** Provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements, however, are not considered significant in understanding the financial performance or position of the Consolidated Entity:
Notes
21 'Remuneration of auditors'
22 'Loan commitments'
23 'Contingencies'
24 'Events occurring after the reporting period'

Significant and other accounting policies

Significant and other accounting policies that summarise the measurement basis used, and presentation policies adopted that are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

Keybridge Capital Limited
Notes to the financial statements
30 June 2023

Note 1. About this financial report (continued)

Critical accounting judgements and estimates

Information about the significant areas of estimation, uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Notes

6 'Income tax'

9 'Financial assets at fair value through profit or loss'

10 'Trade and other receivables'

Accounting for cryptocurrency transactions

Cryptocurrency transactions are treated as inventory, as set out in the accounting policy at Note 2. These transactions are recorded on a gross basis as the Group wears the risk attached to the purchase and sale of its cryptocurrency inventories.

1.2 Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (**AASB**), Australia Accounting Interpretations and the *Corporations Act 2001* (Cth). The Company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with International Financial Reporting Standards (IFRS)

The consolidated financial statements of the Consolidated Entity comply with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

Reporting Basis and Financial Statement Presentation

The financial report has been prepared on a going concern basis and is based on historical costs modified by the revaluation of financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The principal accounting policies adopted in the preparation of these financial statements have been consistently applied to all the years presented, unless otherwise stated.

1.3 Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the Company as at 30 June 2023 and the results of its subsidiaries for the year then ended. The company, being Keybridge, and its subsidiaries are together referred to in this financial report as the Consolidated Entity.

All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation.

1.4 Going concern

For the year ended 30 June 2023 the Group incurred a loss of \$8,945,509, a large portion of which relates to unrealised losses and fair value adjustments, and cash outflows from operations of \$4,373,326. Notwithstanding this, the directors have concluded, based upon a cashflow forecast, that the Group will continue to pay its debts as and when they fall due and payable. The forecast includes the following significant matters which represent a material uncertainty relating to the going concern assumption:

Keybridge Capital Limited
Notes to the financial statements
30 June 2023

Note 1. About this financial report (continued)

- (a) That the Group will be able to roll over its current borrowing facility with RNC Nominees which matures on 31 October 2023, and failing that, the directors will be able to either liquidate the Group's holdings of securities or pursue other funding alternatives, either by debt, equity or through mezzanine finance;
- (b) The Group has and will continue to curtail its loss-making activities in trading Stablecoin;
- (c) The Group is currently pursuing a portfolio of legal matters which represent a significant expense to the Group. These matters may be deferred, or, if pursued, through the support of alternative sources of finance or alternatively on-sold to other parties;
- (d) The Group is legally limited recourse employee share loans on 5.5 million ESS shares from its Director, which have been called by the other directors of the board on that Director, if repaid at today's share price, this would net in approximately \$240,000 in cash proceeds;
- (e) The Group will be able to curtail its overhead expenditures as required;
- (f) The directors are aware of future capital call commitments, as disclosed in the commitments note to the financial statements, but based upon their relationship with the investee, have confidence that these capital commitment calls would only be made when the Group has sufficient liquid assets necessary to service those commitment calls; and
- (g) The Group may consider raising additional capital if required.

Based on the cash flow forecast and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate.

Should the Group be unable to achieve the matters as described above, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the company be unable to continue as a going concern and meet its debt when they fall due.

1.5 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

1.6 New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not mandatory have not been early adopted.

The directors expect that none of these Standards or Interpretations have or will materially impact these financial statements or those in future financial reporting periods.

Keybridge Capital Limited
Notes to the financial statements
30 June 2023

Note 2. Revenue and income

The consolidated profit/(loss) before income tax includes the following items of revenue:

	2023 \$	2022 \$
Revenue		
Sale of stablecoin	53,563,259	483,692,435
Other revenue		
Investment management fees	108,956	95,692
Interest received	382,228	336,636
Dividend received	2,539,635	445,316
Recovery of legal fees	395,000	227
Total revenue	<u>56,989,078</u>	<u>484,570,306</u>

Accounting policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. All revenue is stated net of the amount of Goods and Services Tax (**GST**) except where the amount of GST incurred is not payable to the Australian Tax Office. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of financial assets, goods and other assets

Revenue from the sale of financial assets, goods or other assets is recognised when the Consolidated Entity has passed control of the financial assets, goods or other assets to the buyer.

(b) Fees and interest revenue

Interest revenue is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset to the carrying amount of the financial asset. When calculating the effective interest rate, the Consolidated Entity estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. Where there are uncertainties in relation to the collectability of interest income, the Consolidated Entity will determine whether income is probable. Where it is not probable, the interest is accordingly not accrued. The Consolidated Entity may receive fees for such services as loan extensions or debt facility management. Fees that are integrated into the effective yield of financial assets are included in the measurement of the effective interest rate.

(c) Dividend revenue

Dividend revenue is recognised when the right to receive a dividend has been established. The Consolidated Entity brings dividend revenue to account on the applicable ex-dividend entitlement date.

(d) Other revenue

Other revenues are recognised on an accrual basis.

(e) Stablecoin transactions

During the year the Consolidated Entity undertook trading in Stablecoin, cryptocurrency assets which have an underlying backing of a widely traded market price. Payments for and proceeds from Stablecoin are recognised in the financial statements upon the date of settlement of the trade with the counterparty. As the Group directly transacts in the purchase and sale of Stablecoin and wears risk for any fluctuation in the value of the Stablecoin for the duration of the period that it owns the asset, as well as any risk arising from the default of a counterparty trading in the Stablecoin, it recognises its purchases and sales of the asset on a gross basis in the Statement of Financial Position. As at 30 June 2023, the Consolidated Entity had an inventory balance of \$1,282 in Stablecoin.

Keybridge Capital Limited
Notes to the financial statements
30 June 2023

Note 3. Other gains and losses

	Consolidated	
	2023	2022
	\$	\$
Realised gain /(loss) on financial assets at fair value through profit or loss	(2,055,987)	5,319,198
Unrealised gain /(loss) on financial assets at fair value through profit or loss	402,302	(4,572,244)
Gain /(loss) on revaluation of foreign currency assets	(110,343)	(69,700)
	<u>(1,764,028)</u>	<u>677,254</u>

Note 4. Expenses

The consolidated profit/(loss) before income tax includes the following items of expenses:

	2023	2022
	\$	\$
Cost of sales		
Cost of stablecoin sold	55,096,957	482,461,084
Personnel expenses		
Directors' fees	102,047	161,395
Salaries and wages	587,315	536,911
Other	108,313	45,087
Corporate expenses		
Auditing, accounting and tax services	225,962	205,107
Liquidator fees	75,843	-
Others	44,498	-
Administration expenses	179,805	221,768
Fair value loss on equity investment	1,721,564	467,604
Finance expense	793,109	131,580
Other expenses	96,863	204,361
Impairment on loans	2,397,051	-
	<u>61,429,327</u>	<u>484,434,897</u>

Keybridge Capital Limited
Notes to the financial statements
30 June 2023

Note 5. 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
- (c) Stablecoin arbitrage trading with the purpose of generating a profit from fluctuations in price and broker-traders' margin.

2023	Equity	Debt	Crypto-	Corporate	Total
Segment profit and loss	investments	investments	currency		
	\$	\$	trading	\$	\$
	\$	\$	\$	\$	\$
Revenue and income	3,696,749	359,028	53,563,259	527,417	58,146,453
Expenses	(6,197,611)	(2,683,940)	(55,096,957)	(3,113,454)	(67,091,962)
Results from operating activities	<u>(2,500,862)</u>	<u>(2,324,912)</u>	<u>(1,533,698)</u>	<u>(2,586,037)</u>	<u>(8,945,509)</u>
Income tax expense	-	-	-	-	-
Profit/(Loss) for the year	<u>(2,500,862)</u>	<u>(2,324,912)</u>	<u>(1,533,698)</u>	<u>(2,586,037)</u>	<u>(8,945,509)</u>
Segment assets	6,796,641	6,449,100	1,282	437,241	13,684,264
Segment liabilities	(2,070,929)	(5,932,602)	-	(1,504,973)	(9,508,504)
	<u>4,725,712</u>	<u>516,498</u>	<u>1,282</u>	<u>(1,067,732)</u>	<u>4,175,760</u>
2022	Equity	Debt	Crypto-	Corporate	Total
Segment profit and loss	\$	\$	currency	\$	\$
	\$	\$	trading	\$	\$
	\$	\$	\$	\$	\$
Revenue and income	664,986	321,854	483,692,435	100,682	484,779,957
Expenses	(1,003,790)	(286,889)	(482,461,084)	(1,780,738)	(485,532,501)
Results from operating activities	<u>(338,804)</u>	<u>34,965</u>	<u>1,231,351</u>	<u>(1,680,056)</u>	<u>(752,544)</u>
Finance expenses	-	-	-	(1,685)	(1,685)
Income tax expense	-	-	-	-	-
Profit/(Loss) for the year	<u>(338,804)</u>	<u>34,965</u>	<u>1,231,351</u>	<u>(1,681,741)</u>	<u>(754,229)</u>
Segment assets	12,877,724	4,918,890	24,726	314,996	18,136,336
Segment liabilities	(1,050,000)	(2,459,498)	-	(1,538,195)	(5,047,693)
	<u>11,827,724</u>	<u>2,459,392</u>	<u>24,726</u>	<u>(1,223,199)</u>	<u>13,088,643</u>

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Note 5. Segment information (continued)

Equity investments made a loss during the reporting period due to legal fee expenses associated with this segment.

Accounting policy

The Consolidated Entity operates principally in the Australian geographical area. An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Consolidated Entity's other components. All operating segments' operating results for which discrete financial information is available are regularly reviewed by the Company's Board of Directors/Chief Executive Officer (as applicable, the case may be) (being the 'Chief Operating Decision-Maker' under *AASB 8 Operating Segments*) to make decisions about resources to be allocated to the segment and to assess its performance.

Segment results that are reported to the Chief Operating Decision-Maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Company has no key customers which account for more than 10% of its revenues

Note 6. Income tax

Critical accounting judgement and estimate

The Consolidated Entity is subject to income taxes (and other similar taxes) in Australia. Judgement is required in determining the Consolidated Entity's provision for income taxes.

Deferred tax assets have not been recognised as, in the Directors' opinion, it is not probable that future taxable profit will be available against which the Consolidated Entity can utilise the benefits. The utilisation of revenue and capital tax losses are subject to compliance with taxation legislation.

Tax Consolidation

The head entity, Keybridge Capital Limited, and its then Australian controlled entities have formed a tax consolidated group with effect from June 2013. The members of the tax consolidation group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets (as appropriate) arising from unused tax losses and unused tax credits pertaining to controlled entities within the tax consolidated group.

Assets or liabilities arising under tax funding agreements within the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Consolidated Entity.

Accounting policy

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate for each taxing jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses (if applicable).

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each taxing jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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Note 6. Income tax (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The amount of deferred tax assets benefits brought to account, or which may be realised in the future, is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Consolidated Entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Note 7. Earnings/(Loss) per share

	2023 cents	2022 cents
Basic and diluted earnings/(loss) per share	<u>(4.30)</u>	<u>(0.37)</u>
	Consolidated	
	2023	2022
	\$	\$
Loss after income tax attributable to the members of Keybridge Capital Limited	<u>(8,945,509)</u>	<u>(754,230)</u>
	Number of shares 2023	Number of shares 2022
Weighted average number of ordinary shares	208,145,452	202,145,452

Accounting policy

Basic earnings/(loss) per share is determined by dividing the operating result after income tax by the weighted average number of ordinary shares on issue during the financial period.

Diluted earnings/(loss per) share adjusts the figures used in the determination of basic earnings/loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.

Keybridge Capital Limited
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Note 8. Cash and cash equivalents

	Consolidated	
	2023	2022
	\$	\$
<i>Current assets</i>		
Cash at bank	<u>105,572</u>	<u>54,680</u>
	2023	2022
	\$	\$
(a) Reconciliation of operating loss provided by operating activities after income to net cash		
Profit/(Loss) after income tax	(8,945,509)	(754,230)
Add non-cash items:		
Depreciation and amortisation	-	328
Fair value gains on financial assets at fair value through P&L	6,291,633	(209,650)
Dividend income classified as investing activity	(2,628,708)	(445,316)
Interest revenue classified as investing activity	(6)	(80)
Unrealised FX loss	9,617	19,363
Capitalisation of interest income	(359,027)	(336,556)
Capitalisation of interest expense	404,174	123,392
Changes in assets and liabilities:		
Trade and other receivables	229,611	(104,481)
Inventory	23,444	1,553,036
Trade and other payables	877,135	1,154,609
Employee provisions	44,052	42,642
Other assets	258	23,642
Security deposit	(320,000)	-
Cash flow from operating activities	<u>(4,373,326)</u>	<u>1,066,699</u>

Accounting policy

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts (if any) are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

Note 9. Financial assets at fair value through profit or loss

	Consolidated	
	2023	2022
	\$	\$
<i>Current assets</i>		
Shares in listed investments	5,862,147	9,363,331
Unlisted investments at fair value	218,697	1,383,712
Futures derivatives at fair value	(6,473)	981,813
	<u>6,074,371</u>	<u>11,728,856</u>
<i>Non-current assets</i>		
Shares in listed investments	<u>630,975</u>	<u>1,135,754</u>

Futures derivatives comprise exchange traded index futures contracts.

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Note 9. Financial assets at fair value through profit or loss (continued)

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.

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
	\$	\$	\$	\$
30 June 2023				
Financial assets at fair value through profit or loss				
Shares in listed investments	5,862,147	630,975	-	6,493,122
Unlisted investments at fair value	-	-	218,697	218,697
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>
	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	<u>(326,141)</u>
As at 30 June 2023	<u>218,697</u>

As at the year ended 30 June 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 (2022: no material impact).

Keybridge Capital Limited
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Note 9. Financial assets at fair value through profit or loss (continued)

The level 3 investment relates to the equity interest in Foundation Life, for which the Group has a stapled loan asset (refer to Note 10).

This equity interest is priced at fair value using a net asset value approach, whereby the net assets in Foundation Life are divided by the total securities issued to investors. In considering fair value, the Directors have evaluated that the net assets reported by Foundation life approximate their fair values, if they were to be sold on-market in an orderly fashion.

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.

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 previously written down to nil and has not been adjusted during the current financial year, pending resolution of the Canadian litigation.

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

Accounting policy

Under AASB 9 *Financial Instruments*, the Consolidated Entity classified financial assets and liabilities as subsequently measured at either amortised cost or fair value, depending on the business model for those assets and on the asset's contractual cash flow characteristics.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either:

- (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or
- (ii) designated as such upon initial recognition where permitted.

Fair value movements are recognised in the Statement of Profit or Loss in the period in which they arise.

Investments in HHY Fund (HHY)

Management notes that HHY Fund was removed from the Official List of the Australian Securities Exchange (ASX:HHY) on 26 August 2022, after having its voluntary suspension from quotation on 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.

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Note 10. Trade and other receivables

	Consolidated	
	2023	2022
	\$	\$
<i>Current assets</i>		
Trade receivables	73,758	162,695
Less: Allowance for expected credit losses	<u>(3,716)</u>	<u>(3,580)</u>
	<u>70,042</u>	<u>159,115</u>
Other receivables	<u>68,269</u>	<u>208,807</u>
	<u>138,311</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	4,283,602	3,924,319
Less: Allowance for expected credit losses	<u>-</u>	<u>-</u>
	<u>5,119,058</u>	<u>4,759,775</u>
Loan receivables - Private equity	8,868,366	6,547,158
Less: Allowance for expected credit losses	<u>(8,868,366)</u>	<u>(6,547,158)</u>
Loan receivables - Other	3,271,066	1,572,487
Less: Allowance for expected credit losses	<u>(2,011,066)</u>	<u>(1,572,487)</u>
	<u>1,260,000</u>	<u>-</u>
	<u>6,379,058</u>	<u>4,759,775</u>

Loans and receivables are financial assets at amortised cost.

	2023	2022
	\$	\$
Movement in impairment		
Opening balance	11,572,924	11,558,222
Impairment expense	<u>2,397,051</u>	<u>14,702</u>
Closing balance	<u>13,969,975</u>	<u>11,572,924</u>

(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.

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

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Note 10. Trade and other receivables (continued)

(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 (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\$3.691 million (A\$3.307 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% per annum 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\$ million (A\$4.284 million), including interest of NZ\$4.662 million (A\$4.284 million) capitalised for the year ended 30 June 2023. (30 June 2022: NZ\$4.269 million and A\$3.924 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% equity 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 11. Financial risk management

The Consolidated Entity seeks to minimise the effects of financial risks arising in the normal course of the Consolidated Entity's business.

Financial risk management is undertaken by Management/the Board (as appropriate, as applicable) under policies approved by the Board. During the year, Management continued to monitor the Consolidated Entity's policies and sought Board approval for any necessary changes to manage financial risks.

The Board is responsible for overseeing the implementation of and ensuring there are adequate policies in relation to the Consolidated Entity's risk management, compliance and control systems. These systems require Management to be responsible for identifying and managing the Consolidated Entity's risks in this regard.

The Consolidated Entity's principal financial assets comprise cash and cash equivalents, trade and other receivables, loans and loan receivables, debt instruments/securities; investments in listed and unlisted securities and derivatives. The Consolidated Entity's principal financial liabilities comprise the listed CRPNs (which matured on 31 July 2021) and trade and other payables. The Consolidated Entity's activities expose it to a variety of direct and indirect financial risks comprising market risk, interest rate risk, credit risk, liquidity risk and foreign currency risk.

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Note 11. Financial risk management (continued)

(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equities and property prices will affect the Consolidated Entity's profitability. The objective of market risk management is to seek to manage and control risk exposures within acceptable parameters, while optimising expected returns.

(i) Price risk

The Consolidated Entity is exposed to equity securities price risk. This arises from investments held by the Consolidated Entity and classified in the Statement of Financial Position at fair value through profit or loss. The Consolidated Entity may also be indirectly exposed to commodity price risk in respect of its underlying investments.

The value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument, its issuer or factors affecting all instruments in the market. The Consolidated Entity will always be subject to market risk as it invests its capital in securities that are not risk free. This is reflected in the market price of these securities which can and will fluctuate. The Consolidated Entity may endeavour to manage this risk through entering into derivative contracts, futures, options or swaps (as applicable).

Equity price risk is also managed by ensuring that investment activities are undertaken in accordance with Board established mandate limits and investment strategies.

Sensitivity analysis

The Consolidated Entity has performed a sensitivity analysis on its exposure to equity securities price risk for its listed financial assets at fair value through profit or loss. The analysis demonstrates the effect on the current year results and equity which could result from a change in these risks. The ASX/S&P 200 Accumulation Index was utilised as the benchmark for the investment portfolio.

	Profit 2023 \$	Profit 2022 \$	Equity 2023 \$	Equity 2022 \$
5% increase	293,107	509,294	293,107	509,294
5% decrease	(293,107)	(509,294)	(293,107)	(509,294)

(ii) Interest rate risk

The Consolidated Entity's Loans and Receivables are generally at fixed rates and where applicable, asset-specific debt may be 'term matched' with fixed interest rates to endeavour to hedge those specific cash flows. The Consolidated Entity's policy is to ensure that, where appropriate, all material interest rates in relation to non-recourse financing within an investment are fixed for the term of the non-recourse financing.

The Consolidated Entity may be entitled to receive a fixed rate of interest in relation to its financial assets. Interest income received as cash or, where there is a reasonable probability of receipt, accrued as income, are recognised in the profit and loss statements.

Cash flow sensitivity analysis for variable rate instruments

As at 30 June 2023 there was no exposure of any financial instrument to any material movement in interest rates.

Keybridge Capital Limited
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Note 11. Financial risk management (continued)

(b) Credit risk

The Consolidated Entity is exposed to credit risk in the event that a counterparty fails to meet its contractual obligations in relation to the Consolidated Entity's investments or deposits with banks and other financial institutions.

The Consolidated Entity manages ongoing credit risk by monitoring the performance of investments, the cyclical impact of the underlying asset class, and financial health of counterparties, banks and other financial institutions.

The carrying amount of the Consolidated Entity's financial assets represents its maximum credit exposure. The Consolidated Entity's credit risk exposure relates mainly to the following assets at the reporting date:

	2023	2022
	\$	\$
Cash and cash equivalents	105,572	54,680
Inventories	1,282	24,726
Loans and receivables	6,379,058	4,759,775
Trade and other receivables	138,311	367,921
Other assets	34,694	34,952
Security deposit	320,000	-
	<u>6,978,917</u>	<u>5,242,054</u>

Trade receivables

The maximum exposure to credit risk is the carrying amount of assets, net of any provision for expected credit losses of those assets, as disclosed in the consolidated statement of financial position and notes to the financial statements. The Consolidated Entity does not have any material credit risk exposure to any single trade debtor.

Cash and cash equivalents

Credit risk for cash deposits is managed by holding all cash with major reputable Australian banks.

Loans and receivables

Detailed discussions around credit risk of loans is addressed in Note 10. The Consolidated Entity's most significant counterparty exposure relates to non-current Loans and Receivables totalling \$6.379 million as at 30 June 2023 (30 June 2022: \$4.760 million), being the amortised cost, inclusive of interest of \$643,426, less accumulated impairment losses. These loan assets are not impaired for expected credit losses as the assets are backed by the underlying tangible assets in the entities in which the investments are held.

(c) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity may encounter difficulty in meeting obligations associated with financial liabilities. The Consolidated Entity has no CRPNs at Balance Sheet Date. Refer Note 9 for further details in relation to the CRPN. The Consolidated Entity has a Facility Agreement with RNC Nominees Pty Ltd for \$5.062 million including accrued interest of \$0.316 million as at 30 June 2023. Refer Note 14 for further details in relation to the borrowings. The Consolidated Entity's non-cash investments can be realised to meet payables arising in the normal course of business.

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Note 11. Financial risk management (continued)

(d) Foreign currency risk

Foreign currency risk arises from assets and liabilities that are denominated in a currency that is not the Consolidated Entity's functional currency, being Australian dollars (AUD). The Consolidated Entity has a significant loan receivable denominated in New Zealand dollars (NZD) (Insurance) (refer Note 10) and minor investments denominated in other currencies. The Consolidated Entity also holds cash reserves denominated in foreign currencies from time to time. The Consolidated Entity does not hedge its assets denominated in foreign currencies and is therefore exposed to foreign exchange (FX) movements when the value of such assets are translated into Australian dollars. Any loss or gain arising on translation is recorded in the profit or loss statement. The Consolidated Entity's exposure to foreign currency risk at balance sheet date was as follows:

	USD \$	Euro \$	NZD \$
AUD equivalents			
2023			
Cash and cash equivalents	49,325	1	(84)
Financial assets at fair value through profit or loss	-	-	218,697
Loans and receivables	-	-	4,283,602
	<u>49,325</u>	<u>1</u>	<u>4,502,215</u>
Total asset exposure			
2022			
Cash and cash equivalents	3,968	1,103	753
Financial assets at fair value through profit or loss	-	-	544,838
Loans and receivables	-	-	3,924,319
	<u>3,968</u>	<u>1,103</u>	<u>4,469,910</u>
Net exposure at carrying value			

Sensitivity analysis

The Consolidated Entity has performed a sensitivity analysis on its exposure to foreign currency risk. It demonstrates the gain/loss on translation in AUD terms if there was a 10% change in relevant foreign currency exchange rates, as follows:

	USD \$	Euro \$	NZD \$
2023			
10% increase	(4,933)	-	(450,222)
10% decrease	4,933	-	450,222
2022			
10% increase	(397)	(110)	(446,991)
10% decrease	397	110	446,991

(e) Recoverability & credit risk

Judgements have been made in the determination of the carrying value, fair value, recoverability, credit risk and loss allowance pertaining to the Investment in financial assets at fair value through profit or loss (pending completion or refund). In making these judgements, the Consolidated Entity has given consideration to counterparty risk (including in relation to financial capacities), legal rights (including contractually, in equity and or under general law) and the existence of a guarantee provided to support the return of funds invested by the Consolidated Entity.

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Note 12. Fair value measurement of financial instruments

Accounting policy

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) is based on quoted market prices at Balance Sheet Date. The quoted market price used for financial assets held by the Consolidated Entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques including but not limited to recent arm's length transactions, reference to similar instruments and option pricing models. The Consolidated Entity may use a variety of methods and makes assumptions that are based on market conditions existing at each Balance Sheet Date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for other financial instruments. The carrying values of financial instruments are equivalent to their fair values.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated Entity for similar financial instruments.

The Consolidated Entity's "financial assets at fair value through profit and loss" and "financial liabilities at fair value through profit and loss" is carried at fair value based on the quoted last bid prices at the reporting date (refer Note 9).

Valuation techniques

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques such as the use of quoted market prices or dealer quotes for similar instruments. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

The difference between the carrying amount and the fair value of the Loans and Receivables is as a result of discounting the estimated future cash flows of the loan and receivable using prevailing market rates (ie. if the Consolidated Entity were to provide new loans and advances or acquire new borrowing facilities as at Balance Sheet Date instead of the original effective interest rate).

Due to their short-term nature, the carrying amounts of cash, current receivables and current payables are assumed to approximate their fair value.

Note 13. Trade and other payables

	Consolidated	
	2023	2022
	\$	\$
<i>Current liabilities</i>		
Trade payables	903,129	1,049,746
Accrued expenses	309,200	238,667
Provision for legal expenses	2,070,929	1,050,000
Other payables	89,806	151,016
	<u>3,373,064</u>	<u>2,489,429</u>

Accounting policy

Trade creditors and accrued expenses represent liabilities for goods and services provided (or to be provided) to the Consolidated Entity prior to the end of financial period which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

Keybridge Capital Limited
Notes to the financial statements
30 June 2023

Note 13. Trade and other payables (continued)

Risk exposure

The Consolidated Entity's exposure to risks arising from current payables is set out in Note 11.

Note 14. Borrowings

	Consolidated	
	2023	2022
	\$	\$
<i>Current liabilities</i>		
Loan - RNC Nominees Facility Agreement	5,062,285	2,373,392
Loan - Amount advanced by related parties	844,229	-
	<u>5,906,514</u>	<u>2,373,392</u>

Total secured liabilities

The total secured liabilities are as follows:

	Consolidated	
	2023	2022
	\$	\$
Opening balance	2,373,392	-
Drawdowns	2,300,000	2,250,000
Establishment fees	23,500	-
Interest accrued	365,393	123,392
	<u>5,062,285</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 margin is 12.5% per annum over the 30 Day BBSY fixed at 1.2% per month.

The related party loans is comprised of:

- (a) \$11,948 loan outstanding due to Nicholas Bolton being non-interest bearing, unsecured and available at call.
- (b) \$832,281 loan outstanding due to Antony Catalano, being interest-bearing at 18% per annum, unsecured and available at call.

Note 15. Issued capital

	Consolidated			
	2023	2022	2023	2022
	Shares	Shares	\$	\$
Fully paid ordinary shares	<u>212,837,836</u>	<u>212,837,836</u>	<u>257,044,033</u>	<u>257,009,533</u>

The Company previously had on issue listed Convertible Redeemable Promissory Notes (CRPNs), which were convertible into fully paid ordinary shares (refer Note 9), and unlisted fully paid ordinary shares (subject to dividend/voting restrictions) issued under the Executive Share Plan.

Keybridge Capital Limited
Notes to the financial statements
30 June 2023

Note 15. Issued capital (continued)

Movement in ordinary shares	Number of shares	Total \$
At 30 June 2021	205,878,068	256,531,006
Share issue - conversion of CRPNs	2,028,565	141,771
Share issue - acquisition of RNY units	6,243,328	429,266
Share buy-back	(1,312,125)	(92,510)
At 30 June 2022	212,837,836	257,009,533
Share issue - conversion of employee share schemes	500,000	34,500
Shares reduced from employee share schemes	(500,000)	-
At 30 June 2023	212,837,836	257,044,033

Accounting policy

Ordinary shares are classified as equity. Fully paid ordinary shares carry one vote per share and the right to dividends.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Note 16. Franking credits

	Consolidated	
	2023	2022
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>7,956,516</u>	<u>6,957,289</u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- Franking credits that will arise from the receipt of dividends recognised as receivables at balance date;
- Franking credits that will arise from the payment of the amount of the provision for income tax; and
- Franking debits that will arise from the payment of dividends and CRPN interest recognised as a liability at Balance Sheet Date.

The franking credits attributable to the Consolidated Entity include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid out as franked dividends.

Accounting policy

Provision is made for the amount of any dividend declared (being appropriately authorised and no longer at the discretion of the entity) on or before the end of the financial year but not distributed at the Balance Sheet Date.

Note 17. Capital risk management

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure balancing the interests of all shareholders.

The Board will consider capital management initiatives as is appropriate and in the best interests of the Company and shareholders from time to time, including undertaking capital raisings, share buy-backs, capital returns/reductions and the payment of dividends.

The Consolidated Entity has external borrowings with RNC Nominees Pty Ltd (refer Note 14). The Consolidated Entity's non-cash investments can be realised to meet accounts payable arising in the normal course of business.

Keybridge Capital Limited
Notes to the financial statements
30 June 2023

Note 18. Parent entity information

The following information provided relates to the Company, Keybridge Capital Limited, as at 30 June 2023

Statement of profit or loss and other comprehensive income

	Parent 2023 \$	Parent 2022 \$
Profit after income tax	<u>(7,242,518)</u>	<u>(714,957)</u>

Statement of financial position

Current assets	7,272,286	11,258,351
Non-current assets	6,329,118	5,897,130
Current liabilities	<u>(8,610,896)</u>	<u>(4,917,670)</u>
Net assets	<u>4,990,508</u>	<u>12,237,811</u>
Issued capital	257,044,033	257,009,533
Reserves	4,299,856	4,299,856
Accumulated losses	<u>(256,353,381)</u>	<u>(249,071,578)</u>
Equity	<u>4,990,508</u>	<u>12,237,811</u>

Note 19. Investment in controlled entities

Investment in controlled entities	Incorporated	Ownership interest 2023	Ownership interest 2022
Bridge Financial Pty Limited	Australia	100%	100%
Bridge Property Investments Pty Limited	Australia	100%	100%
KBC Telco Infrastructure Pty Limited	Australia	100%	100%
MB Finance Pty Limited	Australia	100%	100%
Bridge Infrastructure Capital Pty Limited	Australia	100%	100%
Bridge Infrastructure Capital (Midlum) Pty Limited	Australia	100%	100%
Pacific Bridge Cyprus Limited	Cyprus	100%	100%
BIC Europe Limited	Malta	100%	100%
Australian Media Holdings Unit Trust	Australia	100%	100%
Electron-1 Pty Ltd	Australia	100%	100%

Accounting policy

Subsidiaries are entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is assumed by the Consolidated Entity and are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Consolidated Entity.

Australian controlled entities have a June financial year-end. Foreign controlled entities have a December financial year-end. All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation.

Keybridge Capital Limited
Notes to the financial statements
30 June 2023

Note 20. Related party transactions

(a) Transactions with Key Management Personnel (KMP)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Consolidated Entity's KMP for the year ended 30 June 2023. The total remuneration paid to KMP of the Consolidated Entity during the year is as follows:

	2023	2022
	\$	\$
Non-executive Directors		
Short-term employee benefits	92,350	90,909
Post-employment benefits	9,697	9,091
	<u>102,047</u>	<u>100,000</u>
Other KMP - Executive Director		
Short-term employee benefits	416,786	416,786
Post-employment benefits	27,500	27,500
Other long-term employee benefits	5,500	5,500
	<u>449,786</u>	<u>449,786</u>
	<u>551,833</u>	<u>549,786</u>

During the financial year, Wilson Hanna Consulting Group (an entity controlled by/associated with/related to the Company Secretary, John Patton) received \$60,000 (excluding GST) in respect of services provided in relation to company secretarial services provided and assistance with the preparation of the financial statements, including liaison with the auditors for the year ended 30 June 2023.

(b) Transactions with Directors

- (i) As advised in prior periods, the Company advanced \$25,000 to the CEO's external legal advisor 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 Mr 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 30 June 2023, \$440,000 (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, 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.

The \$440,000 advance is accounted as a loan receivable asset, and a provision (ie. Impairment expense) has previously 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) During the financial year, Mr Antony Catalano provided a loan of \$800,000 to the Group. The loan facility is at-call, with interest accruing at 1.52% per month. On 21 August 2023, the Group repaid \$125,000 to Mr Catalano.

Keybridge Capital Limited
Notes to the financial statements
30 June 2023

Note 20. Related party transactions (continued)

(c) Transactions with Director related entities

- (i) On 30 November 2020, Mr Nicholas Bolton was appointed as a non-executive director of Yowie Group Limited (Yowie), with Mr John Patton being appointed as a non-executive director of Yowie on 5 February 2021. During the current year, the Company has acquired additional 10,972,403 shares on-market in Yowie at a total cost of \$495,082 (2022 : 10,092,013 shares at a total cost of \$489,677).
- (ii) During the year, the Company entered into a debt agreement with Metgasco Ltd to provide up to \$3,000,000 in debt funding, with \$1,260,000 having been advanced by 30 June 2023. Funds to be applied towards the Vali and Odin Gas Field projects, working capital and for general Metgasco corporate purposes. An interest rate of 10% per annum expensed and payable quarterly in arrears. KBC believes the interest in respect of this loan is recorded at market terms (arms length transaction).

Disclosures relating to key management personnel are set out in and the remuneration report included in the directors' report.

Included in the Cash Flow Statement as cash flows from financing activities are proceeds and repayments of borrowings with related parties. These related party transactions were unsecured, non-interest bearing loans, payable at call with no equity entitlement terms and at year end \$844,229 was owing in total on these loans.

Note 21. Remuneration of auditors

During the financial year, the following fees were paid or payable for services provided by the Auditor of the parent entity, the Auditor's related practices and other non-related audit firms (as applicable):

	2023	2022
	\$	\$
William Buck Audit (Vic) Pty Ltd		
Audit and review of financial statements	102,921	78,919
Other payments - disbursements	-	288
	<u>102,921</u>	<u>79,207</u>

Note 22. Loan commitments

The Group holds a portfolio of assets which from time to time may be subject to capital calls. As at 30 June 2023 there were no call commitments of the Group (2022: nil).

During the year, the Company entered into a debt agreement with Metgasco Ltd to provide up to \$3,000,000 in debt funding, with \$1,260,000 having been advanced by 30 June 2023, leaving a further \$1,740,000 to be drawn down.

Keybridge Capital Limited
Notes to the financial statements
30 June 2023

Note 23. 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 \$5,000,000.

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, and the Company has not yet determined if he is eligible to claim this amount under the Company's director's indemnity.
- (iii) **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 resolve this matter with Aurora Corporate, and the directors believe it is probable that this will not result in a material cash outflow for the Company.

In some of the matters above the potential financial impact has not been disclosed given the uncertainty, in the event of a resolution of the matter of what its financial impact would be.

Note 24. Events occurring after the reporting period

On 29 August 2023, Keybridge received an unfavourable judgment 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 and is currently considering its options in relation to this matter.

Keybridge Capital Limited
Directors' declaration
30 June 2023

The Directors of the Company declare that:

(1) The financial statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, and accompanying notes as set out on pages 15 to 44 are in accordance with the Corporations Act 2001 (Cth) and:

- comply with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting; and
- give a true and fair view of the Consolidated Entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date;

(2) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(3) The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* (Cth) by the Company's Chief Executive Officer and Company Secretary (the person who, in the opinion of the Directors, performs the Chief Financial Officer function); and

(4) The Company has included in the notes to the Financial Statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001* (Cth).



John Patton
Chairman

28 September 2023

Keybridge Capital Limited Independent auditor's report to members

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Keybridge Capital Limited (the Company) and its controlled entities (together, the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- i. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial report, which indicates that the Group incurred a net loss of \$8,908,886 for the year ended 30 June 2023. These events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that the following matters described below to be the key audit matters to be communicated in our report:

FINANCIAL ASSETS THROUGH PROFIT OR LOSS	
Area of focus (note 9)	How our audit addressed it
<p>The Group has material investments of \$6,703,346 in shares in listed and unlisted entities, term deposits and futures derivatives measured at fair value. Australian Accounting Standards require classification of the assets in a hierarchy to assess the relative uncertainty of the assets valuation.</p> <p>This is a key audit matter due to complexities around the accounting treatment for the initial classification and subsequent valuations of the investments. There are significant judgements involved in the valuation of level 2 and level 3 investments in accordance with AASB 9 <i>Financial Instruments</i> and there is a risk that they have not been valued appropriately.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — Assessing the categorisation of portfolio financial assets as Level 1, Level 2 or Level 3 in the fair value hierarchy; — Agreeing the number of listed and unlisted securities held to external holding statements and announcements to the market; — Agreeing the value of listed securities to the market price as at 30 June 2023; — Agreeing the value of unlisted securities to the most recent available market price as at 30 June 2023, and where such market price is unavailable, assessing the best next and appropriate fair valuation; — Examining the underlying investment, including its exposure to equity market prices and restrictions on the liquidity profile of the investment; and — Recalculating the exposures of the investments for its susceptibility to those aforesaid financial statement risks and comparing those exposures to those disclosed in the notes to the financial statements. <p>We also assessed the adequacy of the Group's disclosures in the financial report in accordance with AASB 13.</p>
NON-CURRENT LOANS AND RECEIVABLES	
Area of focus (note 10)	How our audit addressed it
<p>The Group has non-current loans and receivables of \$9,118,257 (gross) and \$6,402,252 (after impairment) as at 30 June 2023.</p> <p>As disclosed in the notes to the financial statements, the unimpaired amount includes a loan balance of \$4,203,602 provided to Foundation Life which derives interest income of 9% per annum and \$835,456 for registered mortgages that it holds</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — Evaluating recoverability of the loan with Foundation Life based on the net asset position of the investment; — Evaluating the valuation of the strata title lots which are held as security for the loans in private companies which are in liquidation; — Holding discussions with representatives from Foundation Life and the liquidators; and

<p>over strata title lots as securities for loans in private companies which are in liquidation.</p> <p>There is a risk that the long-term loans do not have an adequate provision for expected credit losses and are carried in excess of their recoverable value. As there is significant estimation and judgement involved in determining the recoverability of the long-term loans, this has been deemed to be a key audit matter.</p>	<ul style="list-style-type: none"> – Assessing the appropriateness of the disclosure in Note 12 to the Financial Statements in line with AASB 7, AASB 9, AASB 101 and AASB 108 requirements. <p>We also assessed the adequacy of the Group's disclosures in the financial report.</p>
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ACCOUNTING FOR CRYPTOCURRENCIES

Area of focus Refer also to notes 1 , 2, 4 and 5	How our audit addressed it
<p>The Group holds inventory in the form of Stablecoin cryptocurrency of \$1,282 as at 30 June 2023.</p> <p>The Stablecoin has been classified as inventory in line with AASB 102 <i>Inventories</i> and subsequently has been measured at fair value less costs to sell in line with this standard.</p> <p>There is a risk that the transactions conducted using the Stablecoin have not been appropriately presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and the Consolidated Statement of Cash Flows. The directors have assessed that the Group has an exposure to the cryptocurrency inventory, and consequently the revenues and expenses arising from the trade of the Stablecoins has been presented on a gross basis. As there is significant judgement in determining the applicable accounting standard to be used for the accounting of Stablecoin and the presentation of these transactions, this has been deemed to be a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> – Evaluating the classification of Stablecoin and its transactions under AASB 102 Inventories; – Evaluating the assessment of the trade in Stablecoins representing an inventory risk to the Group which leads to the assessment of the trade in the Stablecoins been represented on a gross basis in the financial statements; – Evaluating the presentation of the cash flows from Stablecoin transactions under AASB 107 Statement of Cash Flows and AASB 101 (Presentation of Financial Statements); – Obtaining the external trade report which documents each trade of Stablecoin during the period and assessing the revenue and expenses recognised from the transactions during the period; and – Assessing the appropriateness of the disclosure in Note 9 to the Financial Statements in line with AASB 102, AASB 13 and AASB 107 requirements. <p>We also assessed the adequacy of the Group's disclosures in the financial report.</p>

CONTINGENT ASSETS AND LIABILITIES

Area of focus (note 23)	How our audit addressed it
<p>The Group has multiple contingent assets and liabilities which are currently at various stages of legal action which have been disclosed in the notes to the financial statements and in the Directors' Report.</p> <p>Assessment of contingent assets and liabilities involves significant judgement and assessment by management.</p> <p>There is a risk that all contingencies are not disclosed under AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>, and that the</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> – Discussions with the Group's in-house counsel on the progress of outstanding legal actions that the Group is involved in; and – Reviewing Solicitor Representation Letters which have been sent to each Solicitor which the Group has used during the year. <p>We also assessed the adequacy of the Group's disclosures in the financial report.</p>

<p>values disclosed may be materially different when or if settled. There is significant judgement and in assessing the various stages of legal action and its disclosure, this has been deemed to be a key audit matter.</p>	
<p>EMPLOYEE LOANS</p>	
<p>Area of focus</p>	<p>How our audit addressed it</p>
<p>As disclosed in the Remuneration Report, the Group issued a limited recourse employee share loan tranche to a Director totalling 6m shares in 2014. This loan vested and was repayable by 2018 and since this date has not accrued interest and has been receivable at call by the other Directors of the Company.</p> <p>A total of \$321,600 is recorded in the share-based payment reserve in respect of this employee share loan agreement, which represents the value of the embedded option to repay the loan at its historical strike price of 18.65 cents.</p> <p>Although under escrow restricting their trade and ability to cash receipt proceeds from dividends or returns of capital (as these must be applied against the loan balance), the loan shares have full voting rights.</p> <p>The Directors of the Board that are not beneficiaries to the plan considered the loan plans and the following was observed and resolved:</p> <ul style="list-style-type: none"> — That the loan shares, originally issued with shareholder approval, are exempt from related party benefit provisions of the Corporations Act and that the non-call of the loans and decision to not charge interest on those loans falls within the auspices of the original shareholder approval authorising the loans; and — Notwithstanding the above, the Directors resolved to wind-up the loan share arrangement by making undertakings to call the loan, and if necessary, take back the 6m shares in collateral for the limited recourse arrangement. <p>During the year, 500,000 shares were called for under the limited recourse arrangement and sold on market, raising \$34,500 for the Group.</p> <p>Consistent with prior accounting periods, the limited recourse loans and the issued share capital are not recorded as assets or equity in the statement of financial position (including any implicit interest charged under the loan) – rather the arrangement is treated as a share-based</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — Examining historical loan plan documentation and reaffirming the existing treatment of the employee share loan as a share-based payment arrangement under AASB 2; — Obtaining representations from the in-house legal counsel representing the Directors that the continuing non-call of the loans and non-charging of interest is appropriate under the Corporations Act 2001 as it pertains to the original shareholder approval for the arrangement; and — Obtaining representations from the directors of their undertaking to call the employee share loan. <p>We also assessed the adequacy of disclosures relating to this matter in the financial report.</p>

payment under AASB 2 due to the share purchase option embedded in the loan plan.	
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Due to the complexities of the above matter, including the impacts upon related party disclosures in the financial statements, the matter is considered to be a Key Audit Matter.	
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Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

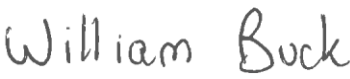
Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Keybridge Capital Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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


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



N. S. Benbow
Director
Melbourne, 28 September 2023

SECURITIES INFORMATION

as at 22 August 2023

SECURITIES ON ISSUE

Class of Security	Quoted on ASX	Unlisted
Fully paid ordinary shares (ASX:KBC)	212,837,836	-
Executive Share Plan shares		5,500,000

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder	Registered Shareholder	Number of Shares held	%Voting Power ⁽⁵⁾
Australian Style Group Pty Ltd	Australian Style Group Pty Ltd	33,690,093	19.05%
	BNP Paribas Nominees Pty Ltd	1,000,001	
	Australian Style Holdings Pty Ltd <The NB Assets Discretionary>	5,856,274	
Wilson Asset Management Group (WAM Capital Limited (ASX:WAM) WAM Active Limited (ASX:WAA) Wilson Asset Management Equity Fund)		94,612,457*	45.45%
Catalano Super Investments Pty. Ltd. ATF Catalano Superannuation Fund and Associates		22,324,631	10.72%

* This reflects the disclosures made by WAM in its Substantial Shareholding notifications, however it includes shares that accepted into the WAM Active takeover bid but were withdrawn pursuant to Takeover Panel Orders.

SECURITIES INFORMATION

as at 22 August 2023

DISTRIBUTION OF LISTED ORDINARY SHARES

Spread of Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1 - 1,000	56	14,170	0.01%
1,001 - 5,000	115	416,828	0.20%
5,001 - 10,000	82	644,002	0.30%
10,001 - 100,000	143	4,725,147	2.22%
100,001 - and over	53	207,037,689	97.28%
TOTAL	469	212,837,836	100%

UNMARKETABLE PARCELS

Spread of Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1 - 10,869	259	1,137,246	0.53%
10,870 - and over	190	211,700,590	99.47%
TOTAL	469	212,837,836	100%

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding of 10,869 shares or less, being a value of \$500 or less in total, based upon an adopted last transaction price of \$0.0460 per share, being the most off-market offer for the Company.

TOP TWENTY LISTED ORDINARY FULLY PAID SHAREHOLDERS

Rank	Registered Shareholder	Shares Held	Total Shares Held	% Issued Capital
1	BOTANICAL NOMINEES PTY LIMITED <WILSON ASSET MGT EQTY A/C>	1,343,781		
	WAM ACTIVE LIMITED	11,376,437		
	WAM CAPITAL LIMITED	31,645,808		
	SUB-TOTAL		44,366,026	20.84
2	WAM ACTIVE LIMITED		35,171,702	16.53
3	AUSTRALIAN STYLE GROUP PTY LTD		33,680,848	15.82
4	ANTSTEF PTY LTD <ANTSTEF A/C>	11,020,284		
	CATALANO SUPER INVESTMENTS PTY LTD <CATALANO SUPER FUND A/C>	11,304,347		
	SUB-TOTAL		22,324,631	10.49
5	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>		15,961,619	7.50
6	WAM ACTIVE LIMITED*		12,890,833	6.06
7	MR NICHOLAS BOLTON + MR JOHN BOLTON <NFJB SUPERFUND A/C>	325,000		
	AUSTRALIAN STYLE HOLDINGS PTY LTD <NFJB SUPERFUND A/C>	948,036		
	MR NICHOLAS BOLTON	1,563,000		
	MR NICHOLAS FRANCIS JOHN BOLTON	5,500,000		
	SUB-TOTAL		8,336,036	3.92
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <GSCO CUSTOMERS A/C>		5,885,827	2.77
9	AUSTRALIAN STYLE HOLDINGS PTY LTD <THE NB ASSETS DISCRETIONARY>		5,856,274	2.75
10	AURORA FUNDS MANAGEMENT LIMITED <AURORA DIVIDEND INCOME A/C>		4,783,187	2.25
11	AUSTRALIAN STYLE GROUP PTY LTD		1,963,180	0.92
12	CITICORP NOMINEES PTY LIMITED		1,846,451	0.87
13	MCPI-BUSHWICK LLC		1,625,908	0.76
14	MR NICHOLAS FRANCIS JOHN BOLTON		1,500,000	0.7
15	THE JEFFREY SCHWARZ CHILDREN'S TRUST		1,099,092	0.52
16	APPWAM PTY LTD		1,000,000	0.47
17	MR JOHN JOSEPH RYAN		888,748	0.42
18	A & G SICILIANO SUPERANNUATION PTY LTD <A & G SICILIANO S/F A/C>		797,955	0.37
19	RYAN CONSTRUCTIONS PTY LIMITED <JOHN RYAN S/F A/C>		700,001	0.33
20	PETER DAVIES PTY LTD <RICHARD DAVIES WILL A/C>		550,000	0.26
			201,228,318	94.55

*This includes shares that accepted into the WAM Active takeover bid but were withdrawn pursuant to Takeover Panel Orders.

Keybridge Capital Limited Corporate Directory

BOARD OF DIRECTORS

Nicholas Bolton	Managing Director
John Patton	Non-Executive Director
Antony Catalano	Non-Executive Director

COMPANY SECRETARY

John Patton

REGISTERED AND PRINCIPAL OFFICE

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Website: www.keybridge.com.au

AUDITORS

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181 William Street
Melbourne, Victoria. 3000
Telephone: (03) 9824 8555
Website: www.williambuck.com

STOCK EXCHANGE

Australian Securities Exchange
Melbourne, Victoria
Website: www.asx.com.au

ASX CODE

KBC

SHARE REGISTRY

Advanced Share Registry Services
Main Office
110 Stirling Highway
Nedlands, Western Australia 6009
Local Telephone 1300 113 258
Telephone: (08) 9389 8033
Facsimile: (08) 9262 3723
Email: admin@advancedshare.com.au
Website: www.advancedshare.com.au