

22 February 2018

ASX Market Announcements
Australian Stock Exchange Limited
via ASX Online

FY18 HALF-YEAR REVIEW

The Directors present the Half-Year Financial Report of Ariadne Australia Ltd (“Ariadne”) for the period ended 31 December 2017.

For the half-year period Ariadne reported a net profit after tax attributable to members of \$4.3 million (FY17: \$6.3 million), a satisfactory result for shareholders.

In addition, a positive contribution (net of deferred tax) attributable to members of \$1.4 million (FY17: \$8.4 million) was reported through the Statement of Comprehensive Income, increasing the Total Comprehensive Income attributable to members to \$5.7 million (FY17: \$14.8 million).

The net tangible assets per share increased slightly during the period from 86.58 cents per share to 86.98 cents per share at balance date, notwithstanding the payment of a 1.50 cent special dividend and a 1.00 cent ordinary final dividend during the period.

Total comprehensive earnings per share were 2.84 cents compared to 7.34 cents for the previous corresponding period.

The reduced net operating cash flow during the period of \$0.1 million (FY17: \$8.1 million) is predominantly due to lower distributions received from associates following the sale of the Group’s 50% interest in Secure Parking in January 2017.

A number of factors contributed to the result:

Hillgrove Resources Ltd (“Hillgrove”)

At balance date Ariadne held 148.2 million securities in Hillgrove, representing 26.0% of issued capital. The substantial increase in Ariadne’s holding in Hillgrove from 19% to 26% from 30 June 2017 resulted from the exercise of options and the conversion of notes issued to the Group via the \$5.0 million capital raising in December 2016, which was underwritten by Ariadne Capital. The conversion of the Group’s notes was approved by Hillgrove shareholders on 8 December 2017.

ARIADNE

With the increase in Ariadne's shareholding during the period, Hillgrove has become an associate of Ariadne which has resulted in a change in accounting treatment for the Group's investment. Rather than record the mark-to-market fair value movement of the Group's investment based on Hillgrove's share price at balance date, Ariadne now records its proportionate share of Hillgrove's results for the relevant period.

During the half-year, the investment in Hillgrove notes and options prior to conversion or exercise contributed a revaluation gain of \$0.1 million which was recognised in net profit and a gain of \$0.2 million on the Group's Hillgrove shareholding was recorded (net of tax) through other comprehensive income in the accounts.

With the completion of the cutback of the Giant Pit at its Kanmantoo operations, Hillgrove anticipates a steady improvement in liquidity with lower waste removal costs and the generation of positive cash flows, against the backdrop of a significantly improved copper price. Hillgrove has also announced opportunities for organic growth which prospectively will extend the utilisation of the copper processing facility on site, providing the potential for enhanced value above the current "life of mine" model.

Ardent Leisure Group ("Ardent")

During the first half of the financial year Ariadne, in conjunction with associated parties, added to its security holding in Ardent increasing the combined relevant interest to 11.5%, of which 4.7% is held directly. At balance date, Ariadne held 21.9 million securities in Ardent with a market value of \$43.9 million. The increase in mark-to-market value during the first half of the financial year of \$2.0 million is reflected (net of tax) through other comprehensive income in the accounts.

On completion of the agreement to sell its Bowling and Entertainment division, it is expected that Ardent will be in a net cash position, with substantial capacity to support the multiple opportunities for further growth in its Main Event and Theme Parks divisions.

Investments

The Investment division recorded a net profit before tax of \$3.4 million (FY17: \$4.8 million).

The division's result is derived from interest on cash reserves, share of profits from the Group's investments in associates, dividend and trading income from the trading portfolio and Ariadne's, previous investment in Hillgrove notes and options.

The strategic portfolio recorded a net gain (net of tax) of \$2.2 million (FY17: \$8.1 million) during the period due to mark-to-market revaluations predominantly arising from Ariadne's investment in Ardent and ClearView Wealth Limited. This gain is recorded through other comprehensive income and not included in the reported net profit.

Ariadne's investment in Foundation Life NZ Ltd continues to perform in line with expectations, returning NZ\$0.1 million of loan note interest during the period.

ARIADNE

Ariadne's 53% interest in Freshxtend International Pty Ltd, with its 17% investment in the NatureSeal group, again contributed positively during the period.

Car Parking

The Group's car parking division recorded a profit before tax of \$0.5 million (FY17: \$1.9 million).

The division's result reflects the trading performance of the Group's two leased car parks. The FY17 result also included the Group's share of profits from Secure Parking before its sale in January 2017.

Property

The Group's property division recorded a profit before tax of \$2.0 million (FY17: \$0.5 million).

The division's result is derived from Ariadne's 50% share of profits from Orams Marine Village ("Orams") located in Auckland, New Zealand, the interest received on its secured loan to Orams and 50% share of net rental income from the commercial property located at 40 Tank Street, Brisbane ("Tank Street").

The Group's share of profit from Orams during the period was \$1.4 million, which includes \$1.0 million representing the Group's share of the marina's revaluation, and interest on the loan to Orams of \$0.2 million.

As previously stated, Ariadne remains confident that our investment in Orams is well placed to capitalise on the current and future development of the Wynyard Quarter area and the growth of the New Zealand marine industry.

The Group's share of profit from Tank Street during the period was \$0.4 million.

ARIADNE

Simplified Balance Sheet

Ariadne is in a strong financial position as shown in the following presentation of the Group's assets and liabilities as at 31 December 2017.

Assets	\$M	\$M	Liabilities	\$M
Cash		31.7	Payables and Provisions	3.9
<u>Investments</u>			Debt	7.5
Ardent	43.9		Minority Interests	5.4
ClearView	42.5		Total Liabilities	16.8
Orams	15.6			
Hillgrove *	12.7		Shareholders' Funds	174.2
Tank Street	12.4			
Freshxtend	11.1			
Trading Portfolio	5.1			
Foundation Life	4.1			
Mercantile Investment	2.5			
Other Strategic Assets	1.3			
<u>Total Investments</u>		151.2		
Fixed Assets and Receivables		5.1		
Deferred Tax Asset		3.0	Total Liabilities &	
Total Assets		191.0	Shareholders' Funds	191.0

* Valued at Hillgrove's closing share price rather than the equity accounting method as applied in the Group's financial accounts.

Tax

Ariadne has significant carry forward revenue and capital losses available to offset future taxable profits. At 31 December 2017 these are estimated to be \$75.1 million (30 June 2017: \$77.0 million) and \$90.3 million (30 June 2017: \$91.2 million) respectively.

Dividends and Capital Management

An unfranked interim dividend of 1.0 cent per share (\$2.0 million in total) has been declared in relation to the first half of the 2018 financial year.

On 24 January 2018, Ariadne announced the extension of its on-market share buy-back facility as part of ongoing capital management initiatives. During the period Ariadne repurchased and cancelled 1.7 million shares at a cost of \$1.3 million.

ENDS

For further information please contact:

Gary Weiss

Executive Director

+61 2 8227 5500