Keypath International

Condensed Consolidated Financial Statements
Six months ended December 31, 2020 (unaudited)
(in thousands of US dollars)

Report of Independent Auditors

To the Board of Directors of Keypath International

We have reviewed the accompanying condensed consolidated interim financial information of Keypath International and its subsidiaries (together, the Company), which comprise the condensed consolidated balance sheets as of December 31, 2020 and June 30, 2020, and the related condensed consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the six months ended December 31, 2020 and December 31, 2019.

Management's Responsibility for the Condensed Consolidated Interim Financial Information

The Company's management is responsible for the preparation and fair presentation of the condensed consolidated interim financial information in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of the condensed consolidated interim financial information in accordance with accounting principles generally accepted in the United States of America.

Auditors' Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheets of Keypath International and its subsidiaries as of June 30, 2020, and the related consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended (not presented herein), and in our report dated April 21, 2021, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of June 30, 2020, is consistent, in all material respects, with the audited consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers LLP

Oakville, Ontario, Canada
April 21, 2021

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Keypath International

Condensed Consolidated Balance Sheets

As at December 31, 2020 (unaudited) and June 30, 2020

(in thousands of US dollars)

	Note	Unaudited December 31 2020 $	June 30 2020 $
Assets			
Current assets			
Cash		16,201	14,331
Restricted cash		413	368
Accounts receivable, net of allowance	5	3,913	6,875
Prepaid expenses and other current assets		1,788	448
Total current assets		**22,315**	**22,022**
Non-current assets			
Property and equipment, net		1,595	1,401
Goodwill		8,754	8,754
Amortizable intangible assets, net		5,857	5,609
Right-of-use assets		1,558	1,600
Contract acquisition costs		2,256	1,990
Deferred tax asset	8	173	1,714
Other assets		364	364
Total non-current assets		**20,557**	**21,432**
Total assets		**42,872**	**43,454**
Liabilities and Shareholders' Deficit			
Current liabilities			
Accounts payable		3,119	3,385
Accrued expenses		8,681	6,813
Deferred revenue		659	1,168
Income Taxes		1,055	722
Lease liabilities	7	1,127	895
Total current liabilities		**14,641**	**12,983**
Non-current liabilities			
Long-term debt	6	9,149	9,035
Lease liabilities	7	1,096	1,353
Accounts payable and accrued expenses		361	194
Total non-current liabilities		**10,606**	**10,582**
Mezzanine equity			
Redeemable non-controlling interests	9	**30,208**	**29,362**
Shareholders' deficit			
Preferred shares	10	16,100	16,100
Ordinary shares	10	54,085	54,085
Accumulated deficit		(83,260)	(79,149)
Accumulated other comprehensive loss		492	(509)
Total Keypath International shareholders' deficit		**(12,583)**	**(9,473)**
Total liabilities and equity		**42,872**	**43,454**

The accompanying notes are an integral part of these consolidated financial statements.

Keypath International

Condensed Consolidated Statements of Loss and Comprehensive Loss

For the six months ended December 31, 2020 (unaudited) and December 31, 2019 (unaudited)

(in thousands of US dollars)

		Six months ended	
	Note	Unaudited December 31 2020 $	Unaudited December 31 2019 $
Revenue	4, 16	**41,557**	**24,451**
Expenses			
Salaries and wages		21,989	15,352
Direct marketing		14,512	10,203
Selling, general and administrative		4,105	3,666
Depreciation and amortization		2,037	1,563
Other		(37)	81
Interest		650	-
Foreign currency losses/(gains)		(454)	3
Total operating expenses		**42,802**	**30,868**
Loss before income taxes		**(1,245)**	**(6,417)**
Income taxes expense	8	2,020	185
Net loss for the half-year		**(3,265)**	**(6,602)**
Non-controlling interest redemption increment	9	(846)	(760)
Net loss attributable to Keypath International shareholders		**(4,111)**	**(7,362)**
Other comprehensive gain			
Foreign currency translation adjustment		1,001	-
Comprehensive loss attributable to Keypath International shareholders		**(3,110)**	**(7,362)**

The accompanying notes are an integral part of these consolidated financial statements.

Keypath International

Condensed Consolidated Statements of Changes in Shareholders’ Equity

For the six months ended December 31, 2020 (unaudited) and December 31, 2019 (unaudited)

(in thousands of US dollars)

	Note	Preferred shares $	Ordinary shares $	Accumulated deficit $	Accumulated other comprehensive (loss) income $	Total shareholders’ deficit $
Balance – June 30, 2019		**16,100**	**49,085**	**(67,751)**	**(550)**	**(3,116)**
Net loss for the half-year		-	-	(7,362)	-	(7,362)
Other comprehensive loss		-	-	-		
Additional Paid-in Capital	10	-	5,000	-	-	5,000
Balance – December 31, 2019		16,100	54,085	(75,113)	(550)	(5,478)
Balance – June 30, 2020		16,100	54,085	(79,149)	(509)	(9,473)
Net loss for the half-year		-	-	(4,111)	-	(4,111)
Other comprehensive gain		-	-	-	1,001	1,001
Balance – December 31, 2020		16,100	54,085	(83,260)	492	(12,583)

The accompanying notes are an integral part of these consolidated financial statements.

Keypath International

Condensed Consolidated Statements of Cash Flows

For the six months ended December 31, 2020 (unaudited) and December 31, 2019 (auditied)

(in thousands of US dollars)

		Six months ended	
	Note	Unaudited December 31 2020 $	Unaudited December 31 2019 $
Cash provided by (used in)			
Operating activities			
Net loss for the half-year		(3,265)	(6,602)
Depreciation and amortization		2,037	1,563
Amortization of debt transaction costs and discount		113	-
Loss on disposal of property and equipment		-	52
Lease payments in excess of lease expense		(5)	(107)
Reduction in deferred tax asset	8	1,748	-
Unrealized foreign currency gain		(294)	-
Changes in operating assets and liabilities:			
Accounts receivable		3,186	1,140
Accounts payable and accrued expenses		227	(1,982)
Income taxes		333	185
Deferred revenue		(530)	12
Prepaid expenses and other		(714)	(603)
		2,836	(6,342)
Investing activities			
Additions of amortizable intangible assets		(1,513)	(1,524)
Purchase of property and equipment		(498)	(114)
		(2,011)	(1,638)
Financing activities			
Proceeds from long-term debt	6	-	-
Payment of debt transaction costs	6	-	-
Proceeds from issuance of redeemable preferred units to non-controlling interests	9	-	5,000
Proceeds from Additional Paid-in Capital	10	-	5,000
		-	10,000
Effect of exchange rate changes on cash and restricted cash		1,090	-
Change in cash and restricted cash during the half-year		1,915	2,020
Cash and restricted cash – Beginning of half-year		14,699	5,012
Cash and restricted cash – End of half-year		16,614	7,032
Supplemental cash flow information			
Interest paid		537	-
Income taxes paid		-	-
Cash paid for amounts included in the measurement of operating lease liabilities		554	524
Right-of-use assets obtained in exchange for operating lease obligations, net of lease incentives		-	2,138

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of US dollars)

1 Composition of the Group and nature of operations

Keypath International (the Company) is a holding company that conducts no operating activities and owns no significant assets other than its interest in its wholly owned subsidiary Keypath Education Intermediate Holdings, LLC. The Company was incorporated in the Cayman Islands on December 16, 2014. Keypath Education Intermediate Holdings, LLC (KEIH) wholly owns Keypath Education Holdings, LLC (KEH), which in turn owns four companies, being Keypath Education, LLC, Keypath Education Canada, Inc., Keypath Education UK, Ltd. and Keypath Education Australia Pty Ltd (together the Group). References to the Company shall be deemed to include the Group to the extent appropriate within the context of said reference.

The Group's principal activity is online program management (OPM) serving the postgraduate education market of traditional universities. The Group enables universities in Australia, North America and the United Kingdom to deliver technology-enabled online degrees and programs driven by market-demand. Through end-to-end technology and data-driven service, the Group partners with universities to design, launch, and grow online programs that deliver career-relevant skills to address global, social and economic challenges and prepare busy professionals for the future of work.

Services provided include design of programs, marketing to prospective students, recruitment and retention of students during their enrolment, and for certain programs, placement services. The Company enters into bespoke long-term contracts with universities and earns revenue through an agreed revenue share with the relevant university during the contracted term. Keypath's employees and offices are presently located in Canada, the United States, Australia and the United Kingdom.

2 Summary of significant accounting policies

Basis of presentation and principles of consolidation

The condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). The accompanying condensed consolidated financial statements include the accounts of the Company and all of its majority-owned and controlled subsidiaries, being the Group as identified above. All significant intercompany accounts and transactions have been eliminated on consolidation.

As permitted under ASC 270, Interim Reporting, certain notes and other financial information normally required by U.S. GAAP have been condensed or omitted. The Company believes the unaudited condensed consolidated financial statements reflect all normal and recurring adjustments necessary for a fair statement of the Company's financial position, results of operations, and cash flows as of and for the periods presented herein. These condensed consolidated financial statements are reviewed and should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto, including significant accounting policies, issued for years ended June 30, 2020, June 30, 2019 and June 30, 2018.

Foreign currency

The functional and reporting currency of the Company is United States dollars. In accordance with ASC 830, Foreign Currency Matters, assets and liabilities of non-US subsidiaries whose functional currency is the local

(in thousands of US dollars)

currency are translated into US dollars at exchange rates prevailing at the consolidated balance sheet date. Functional currencies of non-US subsidiaries include Australian dollars, Canadian dollars, British Pounds Sterling and Malaysian Ringgit. Revenue and expenses are translated at average exchange rates during the year. The net exchange differences resulting from these translations are reported in accumulated other comprehensive (loss) income. Gains and losses resulting from foreign currency transactions are included in the condensed consolidated statements of loss and comprehensive loss.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The Company bases its estimates and assumptions on historical experience and on various other factors that it believes to be reasonable under the circumstances. Significant estimates and assumptions are inherent in the analysis and the measurement of impairment of accounts receivable, the recoverability of long-lived assets, amortizable intangibles, goodwill, deferred tax assets, as well as on the Company's assessment of its liquidity risk. Due to the inherent uncertainty involved in making estimates, particularly in light of the COVID-19 pandemic, actual results reported in future periods may be affected by changes in those estimates. The Company evaluates its estimates and assumptions on an ongoing basis.

COVID-19

In March 2020, the World Health Organization characterized the outbreak of the novel coronavirus (COVID-19) as a global pandemic. This has resulted in local governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses across the world, resulting in an economic slowdown. Equity markets have experienced significant volatility and weakness and local governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. While the Company has not yet experienced a significant disruption to its business as a result of COVID-19, there is significant uncertainty as to the likely effects of this outbreak. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments to quantify the impact this pandemic may have on the financial results and condition of the Company in future periods.

Recently issued accounting pronouncements not yet adopted

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 840), Simplifying the Accounting for Income Taxes, which provides entities within the scope of Topic 740, Income Taxes. The amendments simplify the accounting for income taxes by removing certain exceptions such as (i) exceptions to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income/gain from other items; (ii) exceptions to the requirement to recognize deferred tax liabilities for equity method investments when a foreign subsidiary becomes an equity method investment; and (iii) exceptions to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. The amendments also simplify the accounting for income taxes by requiring that an entity evaluate when a step-up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transition. Further, the amendments require that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The amendments in this update are effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. The Company is currently assessing the impact the adoption of this amendment will have on the Company's financial position and its related disclosures.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. This ASU is intended to provide optional expedients and exceptions for applying U.S. GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, to ease the potential accounting and financial reporting burden associated with the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. This ASU may be applied as of the beginning of any interim period that includes its effective date (i.e., March 12, 2020) through December 31, 2022. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements or related disclosures.

In August 2020, the FASB issued ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. This ASU simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts indexed to and potentially settled in an entity's own equity. The new guidance eliminates the beneficial conversion and cash conversion accounting models for convertible instruments. As a result, in more cases, convertible debt will be accounted for as a single instrument. The guidance also removes certain conditions for equity classification related to contracts in an entity's own equity and requires the application of the if-converted method for calculating diluted earnings per share. This ASU is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company is evaluating the impact that this ASU will have on its consolidated financial statements and related disclosures.

In October 2020, the FASB issued ASU 2020-10, Codification Improvements. The amendments in this Update do not change GAAP and, therefore, are not expected to result in a significant change in practice. However, FASB is aware that some entities may have applied the guidance being amended in an inconsistent manner. The inconsistent application of the guidance may result in some entities changing their current accounting practices and financial statement reporting. Therefore, FASB is providing transition guidance for all the amendments in this Update. This ASU (1) improves references to various FASB Statements, (2) situates all disclosure guidance in the appropriate disclosure section of the Codification, and (3) makes other improvements and technical corrections to the Codification. This ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company is evaluating the impact that this ASU will have on its consolidated financial statements and related disclosures.

(in thousands of US dollars)

Recently adopted accounting pronouncements

In August 2018, the FASB issued ASU 2018-15, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement (CCA) That Is a Service Contract, which requires customers in cloud computing arrangements that are service contracts to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets or expense as incurred. As permitted by ASU 2018-15, the Company adopted this standard on a prospective basis. The adoption did not have a material impact on the Company's consolidated financial statements.

3 Liquidity

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial liability obligations as they become due. The Company has a planning and budgeting process in place to determine funds required to support the Company's normal operating requirements on an ongoing basis. The Company controls liquidity risk through management of working capital, cash flows and the availability and sourcing of financing. The Company's primary sources of liquidity are cash, external financing and equity funding. To date, the Company has managed its liquidity using funds invested by its ownership and through a debt arrangement with an external lender. The Company's ability to satisfy its liquidity needs and meet future growth targets is dependent on increasing revenues, improving profitability and continued funding from its ownership and external lender; however, these needs are expected to decline over time as the Company's continued growth is better leveraged over the fixed portion of its cost base. These profitability improvements primarily include the continued growth and development of its OPM operations in the US, Australia, UK and Canada, and the development of its newly established OPM operations in Malaysia. If the Company is unable to increase volumes and improve profitability, liquidity or growth may be adversely affected. With the addition of the debt from an external lender during the year ended June 30, 2020, there is $12,954 in contractual undiscounted cash flow payments during the repayment term from fiscal periods December 31, 2020 to December 31, 2024.

The Company will continue to monitor its liquidity carefully and address its cash needs through a combination of one or more of the following actions:

- securing additional financing from new investors, lenders and/or existing investors;
- implementing efficiency improvements;
- carefully managing receipts and disbursements, including amounts and timing; and
- effectively managing the timing and number of new program launches in order to manage cash outflows for program start-up costs.

As at December 31, 2020, the Company had $16,614 of cash and restricted cash. The Company believes that cash in addition to total committed funding of $15,000 expected to be received from its owners and external lender will provide sufficient liquidity to support the Company's ongoing business and financing cash flow requirements for at least, but not limited to, the next 12 months.

(in thousands of US dollars)

4 Seasonality

The Company's OPM business is subject to seasonality as revenue is affected by when programs start as determined by university clients. In the United States and Canada, program starts are typically similar in all quarters except for the second (December) quarter. The US and other jurisdictions typically see negligible levels of starts during November and December due to closure of universities for the holiday period. In Australia, program starts are pronounced in the first and third quarters. Accordingly, the Company's financial position, results and cash flows for the half-year periods presented in these condensed financial statements should not be interpreted as being indicative of the Company's financial position, results or cash flows for the full fiscal year.

5 Accounts receivable

Accounts receivable, net of allowance for credit losses, were $3,913 as at December 31, 2020 and $6,875 as at June 30, 2020. The following table presents the change in the Company's provision for credit losses:

Half-year ended	December 31 2020 $	June 30 2020 $
Balance as of July 1/January 1	745	417
Current period provision	-	328
Amounts written off	-	-
Balance as of December 31/June 30	745	745

6 Long-term debt

Long-term debt consisted of secured promissory notes and was as follows:

	December 31 2020 $	June 30 2020 $
Loan A – LIBOR plus 8.5%, maturing October 1, 2024	3,750	3,750
Loan B – LIBOR plus 8.5%, maturing October 1, 2024	3,750	3,750
Loan C – LIBOR plus 8.5%, maturing October 1, 2024	2,500	2,500
Total debt	10,000	10,000
Unamortized debt discount	(431)	(489)
Unamortized transaction costs	(420)	(476)
Total debt – net	9,149	9,035

On March 30, 2020, Keypath Education Holdings, LLC ("KEH") entered into a Venture Loan and Security Agreement with Horizon Technology Finance Corporation to borrow up to $15,000 under four separate loan commitments consisting of $3,750 (Loan A), $3,750 (Loan B), $2,500 (Loan C) and $5,000 (Loan D) to be used for general working capital purposes. As at December 31, 2020 and June 30, 2020, KEH had fully drawn on the

(in thousands of US dollars)

facilities available under Loans A, B and C (the secured promissory notes). The secured promissory notes have a maturity date of October 1, 2024 and are subject to interest at a per annum rate (based on a 360-day year) equal to the One-Month LIBOR Rate as reported in the Wall Street Journal on the first calendar day of the month plus 8.5%. The One-Month LIBOR Rate is subject to a minimum/floor of 2%. The secured promissory notes are subject to interest only for the first 24 months of the promissory note term, followed by 30 months of principal and accrued interest payments. Principal is repayable in 30 equal payments of $125, $125 and $83 for Loans A, B and C, respectively, with the terminal amount due on the maturity date. The availability of the Loan D commitment is subject to KEH and its subsidiaries achieving $50,000 in trailing 12-month revenues. Note that this condition has been met as at December 31, 2020. Loan D is undrawn as at December 31, 2020 and has a termination date of March 31, 2022, if undrawn as at such date. The secured promissory notes are secured by collateral consisting of certain assets of KEH, including stock pledges in its subsidiaries; property, plant and equipment; intangibles; licences and cash, among others as defined in the Venture Loan and Security Agreement. There are no financial covenants set out in this agreement.

In connection with the Venture Loan and Security Agreement, the lender was issued warrants to purchase Series B preferred units in Keypath Education Intermediate Holdings, LLC ("KEIH"). The warrants were issued in four separate tranches equal to 6% of each of the available loan commitments representing a total exercise price of $900. The warrant agreements entitle the lender to acquire one Series B preferred unit in KEIH at a price equal to $1 per unit unless the warrants are exercised for Next Round Units as defined in the warrant agreements, in which case they are exercisable at the lowest effective price per unit at which ownership interests in the Company or any of its affiliates are sold in the sale of such Next Round Units. The warrants are exercisable at any time from the grant date (March 30, 2020) through the earlier of (i) the date that is 10 years after the grant date, or (ii) the date of an acquisition (as defined in the warrants). The secured promissory notes were apportioned with $9,483 going to the debt instruments and $517 going to the warrants based on their relative fair values. The fair value of the debt instrument will be accreted from $9,483 to $10,000 over the term of the loan. The fair value of the warrants issued were estimated to be $545 using the Black Scholes option pricing model. The model required the use of inputs that were unobservable in the marketplace (Level 3) in addition to known inputs (exercise price, time to maturity and annual risk-free rate based on the 10-year treasury rate). The value that was bifurcated to the warrants has been recognized in noncontrolling interests in the consolidated balance sheet. As at December 31,2020 and at the date of these financial statements, no event has occurred that would cause the exercise of the warrants.

7 Leases

The Company leases its office premises in the US, Canada and Australia, as well as certain office equipment, and has determined that these would continue as operating leases under ASC 842. Non-cancellable operating leases for office space expire in fiscal years through 2023 and require the Company to pay its pro rata portion of operating costs (property taxes, maintenance and insurance). As at December 31, 2020, the Company's weighted-average remaining lease term was 1.87 years and the weighted-average discount rate was 10%. The future minimum lease payment for annual periods ending June 30 are $2,458 as presented below.

(in thousands of US dollars)

	As at December 31 2020
Future minimum lease payments	$
Years ending June 30:	
2021	642
2022	1,314
2023	502
Total lease payments	2,458
Less: Implicit interest	(235)
Total lease liability (short-term and long-term)	2,223

8 Income taxes

The Company's income tax provisions for all periods consist of federal, state and foreign income taxes. The income tax provisions for the half-year ended December 31, 2020 and 2019 were based on estimated full-year effective tax rates, including the mix of income for the periods, and loss-making entities for which it is not more likely than not that a tax recovery will be realized.

The Company's effective tax rate was approximately (22%) and (3%) for the half-year ended December 31, 2020 and 2019, respectively. Prior to the year ended June 30, 2020, the Company had a history of losses. As a result, it was uncertain that it is more likely than not that future operations would generate sufficient taxable income to realize the deferred tax assets, and hence had established a valuation allowance. For the year ended June 30, 2020, the Australian subsidiary reported earnings. It is expected that these earnings will continue and strengthen. Therefore, the valuation allowance for the Australian subsidiary was removed resulting in a deferred tax asset of $1,714. As at December 31, 2020, this has been reduced to $173 as a result of utilizing the balance towards estimated income tax expenses to be incurred. The valuation allowance for the deferred tax asset in the US, and for its UK and Canadian subsidiaries remains.

9 Redeemable non-controlling interests

Preferred units

Redeemable non-controlling interests classified as mezzanine equity in the condensed consolidated balance sheet primarily reflect preferred units issued to parties unrelated to the Company, its shareholders or affiliates of shareholders. The preferred units and the cumulative preferred return can only be redeemed upon the occurrence of specified transactions involving a sale or change in control of the relevant subsidiary entities, the Company's parent entity or the ultimate owners of the Company's parent, as set out in the relevant shareholder agreements for those subsidiary entities. A summary of the redeemable non-controlling interests in each financial year is provided below:

(in thousands of US dollars)

As at end of half-year	December 31 2020 $	June 30 2020 $
Preferred units in KEH	18,670	18,141
Preferred units in KEIH	11,021	10,704
Warrants in KEIH held by Horizon	517	517
	30,208	29,362

Preferred units in KEH

Preferred Units issued by KEH are redeemable, non-voting preferred units. The holder of these preferred units is entitled to a return of capital plus the preferred return only in the event of a sale of KEH or a change in control of KEH or its affiliated entities and subject to the distribution preferences as noted below.

Effective from March 30, 2017, the Preferred Units started accruing a Preferred Return at a rate of 6% per annum, accruing daily and compounding on December 31 of each calendar year. Distributions from the KEH are made first to the amount equal to the aggregate Unpaid Preferred Return as at the date of the distributions to the holders of the Preferred Units pro rata in accordance with their Unpaid Preferred Returns. Second, an amount equal to the aggregate Unreturned Capital as at the date of such distribution shall be distributed to the holders of Preferred Units pro rata in accordance with the aggregated Unreturned Capital of each Preferred Unit held by each such holder. Next, any residual amount shall be distributed to Incentive Unit holders (see note 9) in proportion to the number of vested Incentive Units held by each such Member, subject to the value of KEH being above the distribution threshold amount. Finally, any residual amount is then distributed to the holders of Common Units in proportion to the number of Common Units held by each such Member. Capitalized terms set forth above are further defined in KEH's Third Amended and Restated Limited Liability Company Agreement.

Preferred units in KEIH

Preferred Units issued by KEIH are redeemable, non-voting preferred units. The preferred units relate to KEIH's Series B Preferred Units with a matching number of units held by the Company, in accordance with the terms of KEIH's Amended and Restated Limited Liability Company Agreement effective 16 January 2019. Both the Company and the unrelated party have a commitment of up to $15,000 each to subscribe to Series B Preferred Units and at December 31, 2020 both parties had an uncalled capital commitment of $5,000 each.

The terms and conditions applicable to these preferred units are substantively similar to the terms and conditions that apply to the preferred units in KEH discussed above, including the same rate of preferred return, except that the redemption value of these units may be adjusted to reflect the market value of the Company in the event of a sale, Public Offering of the Company, or a corporate reconstruction of the ownership of the Company in connection with a Public Offering. Further, in the event of a Qualifying Sale Event, the unrelated party is entitled to submit an offer to acquire the Company. The shareholders of the Company are not permitted to accept any alternative offer that is less favourable from a financial point of view to all shareholders.

Distributions from the KEIH are made first to the amount equal to the aggregate Unpaid Series A Base Amount (on Series A preferred units 100% held by the Company). Second an amount equal to the Unpaid Series B

(in thousands of US dollars)

Preferred Return as at the date of the distributions to the holders of the Series B Preferred Units pro rata in accordance with their Unpaid Preferred Returns. Third, an amount equal to the aggregate Unpaid Series B Base Amount as at the date of such distribution shall be distributed to the holders of Series B Preferred Units pro rata in accordance with the aggregated Unpaid Base Amount of each Series B Preferred Unit held by each such holder. Fourth, the amount equal to the aggregate Unpaid Series C Base Amount (Series C preferred units 100% held by the Company). Next, any residual amount shall be distributed to the holders of Series B and Series C preferred units in proportion to their respective holdings. Capitalized terms set forth above are further defined in KEIH's Amended and Restated Limited Liability Company Agreement.

As at December 31, 2020 and the date of these financial statements, no event has occurred to require the redemption of either of the preferred units discussed above.

Warrants

The warrants provided to Horizon are discussed in note 6. If exercised, the warrants allow Horizon to receive Series B Preferred Units in KEIH, which would then be subject to similar terms and conditions discussed above. As at December 31, 2020 and the date of these financial statements, no event has occurred to entitle Horizon to exercise the warrants.

10 Equity

Ordinary shares

The Company's authorised capital includes 5,000,000 ordinary shares with a par value of $0.01 each. Ordinary shares issued comprised one issued share represented by Additional Paid-in Capital of $54,085 as at December 31, 2020 (June 30, 2020 - $54,085).

All the ordinary shares in the Company are owned by its immediate parent entity, AVI Mezz Co., LP.

Preferred Shares

The Company issued a total of 16,100 preferred shares, which have a par value of $0.01 (one cent) each, on November 11, 2016 for cash proceeds of $16,100, and which are held by its immediate parent entity since June 30,2017. There have been no further issues of preferred shares or additional paid-in capital on them since that time.

The preferred shares do not have voting rights and do not provide the holder with any right to require the Company to redeem them for cash or conversion into ordinary shares, and accordingly are classified as shareholders' equity in the Company's balance sheet. Before the Company makes any distribution to the ordinary shareholder, it must first pay the preferred shareholder a return of the capital invested, being $16,100, plus a Preferred Return. The Preferred Return is calculated as 5% per annum, compounding at the end of each calendar year, from November 11, 2016. The Preferred Return is only recognised and payable to the extent declared by the directors of the Company and no such declaration has been made. No other circumstance has arisen which would require redemption of the preferred shares. As at December 31, 2020, the cumulative unpaid Preferred Return is $3,606 (June 30, 2020 $3,134).

(in thousands of US dollars)

11 Stock-based compensation

As at December 31, 2020, the Company has issued and has outstanding 6,900 Unit Options and 7,000 Restricted Units under the Keypath Education Holdings, LLC 2017 Equity Incentive Plan. The total pool is 15,000 units with 1,100 units available to be issued as at December 31, 2020. The description of these units is discussed below.

KEH issues Unit Options and Restricted Units (collectively, the Incentive Units) to certain employees and directors of the KEH and its parent entities. The Unit Options have a 10-year term (option period), a $0.01 exercise price and are subject to vesting requirements based on continued employment. The Restricted Units also contain vesting requirements based on continued employment. The Incentive Units typically vest over a four-year period (25% after the first anniversary of the grant date; the remaining Unit Option becomes vested rateably monthly over the remaining three years). In addition, the Incentive Units immediately vest upon the occurrence of a liquidity event as defined in the relevant agreements.

The Incentive Units are subject to a distribution threshold initially representing the calculated fair value of KEH as at the date of grant. The distribution threshold is adjusted to reflect capital contributions to KEH or distributions by KEH after the date of grant. The Incentive Unit holder derives value based on its proportional ownership share of KEH's value in excess of the adjusted distribution threshold (i.e., a market condition award) upon a liquidity event. The Incentive Units are issued in consideration for employee and director services, are non-voting and have restrictions on transferability. The Incentive Units are forfeited in the event of termination of employment for cause and any unvested Units are forfeited in the event of termination of employment, for any reason. KEH retains the right, but not the requirement, to repurchase the Incentive Units at fair value for the Incentive Units not otherwise forfeited upon separation. At no time does the Incentive Unit holder have the ability to put the Incentive Units to KEH for cash settlement.

No liability has been recognized for Incentive Units as a liquidity event is not yet probable.

The table below presents a summary of movements in the number of Unit Options and Restricted Units in each half-year period.

Half-year ended	December 31 2020	June 30 2020
Unit Options		
Number outstanding as at July 1/January 1	6,325	6,100
Granted	575	225
Number outstanding as at December 31/June 30	**6,900**	**6,325**
Restricted Units		
Number outstanding as at July 1/January 1	6,000	6,000
Granted	1,000	-
Number outstanding as at December 31/June 30	**7,000**	**6,000**

(in thousands of US dollars)

12 Performance Awards

As at December 31, 2020, the Company has issued and outstanding Performance Awards representing an aggregate value equal to $4,000 under the Keypath Education Holdings, LLC 2017 Incentive Plan (June 30, 2020– $4,000). The Board has authorized total Performance Awards in the aggregate up to $5,000. The description of these awards is discussed below.

KEH issues Performance Awards to certain of its employees. The Performance Awards vest as follows: (A) 50% of the Performance Award (Time Vesting Award) shall vest, provided the recipient remains continuously employed with KEH, and in connection with a change in control, Sterling Capital Partners (representative of the ultimate owners of the Company) achieves a realized value equal to three times the Sterling invested capital as follows: (i) 25% of the Time Vesting Award vests on the date 18 months following the grant date and (ii) the remaining 75% of the Time Vesting Award shall vest rateably on a monthly basis over the next 30 months, such that 100% of the Time Vesting Awards is vested on the fourth anniversary of the grant date; and (B) the remaining 50% of the Performance Award shall vest upon a change in control (CIC Vesting Award), provided the recipient remains continuously employed with KEH through the date of change in control and, in connection with such change in control, Sterling Capital Partners achieves a realized value equal to three times the Sterling invested capital. In addition, the Time Vesting Awards immediately vest upon the occurrence of a change in control if the recipient has been continuously employed by KEH from the grant date through the change in control, and Sterling Capital Partners achieves a realized value equal to three times the Sterling invested capital.

The Performance Awards are forfeited in the event of termination of employment for cause and any unvested portion of the Performance Awards are forfeited in the event of termination of employment, for any reason. If employment is terminated without cause, the grantee shall retain the vested portion of the Time Vesting Award.

The Company has not yet recognized compensation expense in the consolidated statement of loss or consolidated balance sheet as the conditions above are not yet probable.

13 Related party transactions

The Company receives management, consultant and financial services pursuant to an Advisory Services Agreement (Advisory Agreement) with Sterling Fund Management, LLC (SFM). SFM is an entity affiliated with the private equity fund that is the majority beneficial owner of the Company and its subsidiaries. Pursuant to the terms of the Advisory Agreement, fees are only earned, due and owing to SFM following a Trigger Event (as defined in the Advisory Services Agreement). As of the date hereof, no Trigger Event has occurred and, accordingly, no advisory fees have been earned or are due and owing to SFM.

The Company paid $25 for the half-year ended December 31, 2020 (half-year ended December 31, 2019 - $30) to an entity associated with SFM for Board fees.

Sterling has invested significantly and continues to invest in the business to fund ongoing operations (note 3).

(in thousands of US dollars)

14 Employee retirement plans

The Company has a 401(k) plan offered to all US employees, a similar RRSP match plan offered to all Canadian employees and a UK pension plan offered to all UK employees. Employees can elect to contribute up to the maximum allowable contribution, and the Company will match the employee's contribution up to 100% of the first 3% and then 50% on the next 2% for both the US and Canadian plans. The UK plan match is a set employee contribution of 5% matched 80% by the employer. In Australia, pension (superannuation) contributions are made in accordance with Australian statutory mandated rates, currently 9.5% of an employee's gross salary or wage, subject to set limits over certain salary thresholds. Employees may contribute to any plan operated by registered superannuation funds of their choice. Contributions expenses for each period are presented below:

	December 31 2020	December 31 2019
Half-year ended	**$**	**$**
United States	340	260
Canada	49	42
Australia	611	361
United Kingdom	19	16
	1,019	679

15 Financial instruments

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and debt instruments. The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued expenses are considered to be representative of their respective fair values because of the relatively short-term maturity or variable pricing of these financial instruments. The debt instruments are secured promissory notes and the inputs utilized to value the debt are classified as Level 2 on the fair value hierarchy. The fair value of the promissory notes reflects market rates of interest.

Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of accounts receivable. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers. Concentration of credit risk with respect to trade receivables exists due to the size of the Company's dependence on larger clients. As at December 31, 2020, the Company had five customers (June 30, 2020– five customers) comprising over 51.4% (June 30, 2020 – 53.7%) of revenues as follows:

(in thousands of US dollars)

	December 31 2020	June 30 2020
Half-year ended	%	%
Customer 1	19.0	15.7
Customer 2	10.3	12.9
Customer 3	8.3	11.5
Customer 4	7.8	7.6
Customer 5	6.0	6.0
Total	51.4	53.7

Interest rate risk

The Company is subject to interest rate risk in connection with borrowings under its outstanding promissory notes (note 6). The promissory notes bear interest at a floating rate based on the One-Month LIBOR Rate plus 8.5%. The One-Month LIBOR Rate is subject to a minimum/floor of 2%. As at December 31, 2020, the interest rate was 10.5% (June 30, 2020 - 10.5%). Increases to LIBOR would increase the amount of interest payable on any borrowings outstanding under the promissory notes.

Foreign exchange risk

The Company is exposed to foreign currency risk relating to transactions and assets denominated in a foreign currency. The Company does not currently use derivative instruments to reduce its foreign currency risk.

16 Segment and geographic information

The Company has one reportable operating segment, being Online Program Management (OPM). The Company's reportable segments are determined based on (i) financial information reviewed by the chief operating decision maker ("CODM"), being the Chief Executive Officer ("CEO"), (ii) internal management and related reporting structure, and (iii) the basis upon which the CEO makes resource allocation decisions. While the Company operates in different geographies, the OPM business offered by the Company in each geography is fundamentally the same. The CEO evaluates revenue by geography as an important measure of operating performance and growth. However, the costs of the Company are assessed by the CEO on a consolidated basis as many costs are centralized or cross geographic boundaries, and accordingly any measure of profitability by geography is not considered meaningful. The primary measure of profitability used by the CEO is Earnings Before Interest, Depreciation and Amortization (EBITDA) on a consolidated basis.

(in thousands of US dollars)

A breakdown of revenue by geography and a reconciliation of EBITDA to net loss for each half-year period is presented as follows:

Half-year ended	December 31 2020 $	December 31 2019 $
Revenue by geography		
United States	16,644	11,328
Canada	1,631	1,102
North America	18,275	12,430
APAC*	22,136	10,992
Rest of World*	1,146	1,029
Total Revenue	**41,557**	**24,451**
Salaries and wages	(21,989)	(15,352)
Direct marketing	(14,512)	(10,203)
Selling, general and administration	(4,105)	(3,666)
Other	491	(84)
EBITDA	**1,442**	**(4,854)**
Depreciation, amortization and impairment	(2,037)	(1,563)
Interest expense	(650)	-
Income tax expense	(2,020)	(185)
Net loss for the half-year	**(3,265)**	**(6,602)**

*Asia-Pacific Countries (APAC) currently includes Australia and Malaysia. The Malaysia business is yet to generate revenue. The Rest of World includes the United Kingdom.

17 Subsequent events

Subsequent events have been evaluated through April 21, 2021, which is the date the condensed consolidated financial statements were available to be issued. There were no significant subsequent events.