ARIADNE

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2023 REVIEW

The Directors present the Annual Report of Ariadne Australia Ltd ("Ariadne" or "the Group") for the period ended 30 June 2023.

Results for the period (millions)	**30 June 2023**	**30 June 2022**
Net profit / (loss) attributable to members	**11.1**	(6.6)
Other comprehensive income attributable to members	**(16.5)**	29.9
Total comprehensive income attributable to members	**(5.4)**	23.3
Total comprehensive income per share (cents)	**(2.78)**	11.89
Net tangible assets per share (cents)	**83.65**	87.09
Net operating cash inflow / (outflow)	**13.1**	(1.7)

Investments

The Investment division recorded a net profit before tax of $16.6 million (FY22: $2.7 million).

The result is derived from interest on cash reserves, share of profits and losses from the Group's investments in associates, and dividend and trading income from the trading portfolio.

The division's share of joint ventures and associates results for the period was a net profit of $1.6 million (FY22: $1.4 million).

Dividends received during the period were $12.0 million (FY22: $0.9 million), of which $11.1 million related to the cash dividend received from Ardent Leisure Group Limited ("Ardent").

The trading portfolio recorded a net profit for the period of $2.7 million (FY22: $2.0 million loss) and a portion of the strategic portfolio, revalued through profit or loss, recorded a net gain of $0.5 million (FY22: $2.5 million) due to mark-to-market revaluations.

The strategic portfolio recorded a net loss of $15.2 million (FY22: $31.2 million gain) during the period due to mark-to-market revaluations mainly arising from the Group's investments in ClearView Wealth Ltd and Ardent Leisure Group Ltd ("Ardent"), being $4.7 million and $11.1 million respectively. The mark-to-market reduction in Ardent's value was partly attributable to and offset by the cash dividend. These movements are recorded through other comprehensive income and not included in the reported net profit.

During the period the Group sold its holding in MSL Solutions Ltd (MSL), which was the subject of a takeover offer, at a profit of $3.1 million.

While the overall result for FY23 was a loss, progress was made in a number of our significant investments which should lead to improved returns for the future.

Orams

The Group's investment in our associates, Orams Group Ltd and Orams Residential Ltd (together "Orams"), where Ariadne holds an indirect equity interest of 61%, contributed negatively to the overall result.

The Group's share of loss associated with its investment in Orams during the period was $4.0 million (FY22: $3.9 million profit). This result included a, net of deferred tax, revaluation loss of $2.3 million in relation to the residential site at Orams.

In addition, a net of deferred tax, revaluation loss of $3.6 million was reported through the Statement of Comprehensive Income in relation to Orams Marine Village property asset.

A $2.7 million gain was also recognised in reported net profit relating to the Contingent Consideration, equivalent to 30% of the decrease in Orams NZ Unit Trust's ("ONZUT", our Orams holding trust) net assets during the period. The Contingent Consideration relates to an agreement made in July 2020 to acquire a 30% interest in ONZUT with the terms providing that the purchase price will be determined and paid following completion of the Site 18 Stage 1 Works (as defined in the Development Agreement with Panuku Development Auckland), which is now expected to be before December 2028.

During the period, Orams completed the construction of the two new large refit and maintenance buildings, where the 820-tonne travel lift can move superyachts of around 60 metres in length inside. Together with the 85-tonne work building completed last year, the new maintenance buildings have significantly expanded Orams Marine's ability to work on multiple vessels in a controlled environment and produce world leading results.

Along with the new buildings, 13,000 square metres of fully serviced hardstand and three new 90 metre marina pontoons, Orams has the most comprehensive refit and boat maintenance infrastructure facilities in the Southern Hemisphere, cementing Orams' position as the super yacht hub of the South Pacific and this is being reflected in its operational performance and results. Further stages of the development will feature commercial buildings and a residential apartment component.

A highlight of the last six months has been the significant level of bookings and enquiries from a wide range of superyachts, domestic vessels, and commercial craft, substantially exceeding expectations following the lifting of New Zealand's border restrictions in August 2022. The 820-tonne travel lift has hauled out more than double the number of vessels that were originally budgeted, contributing to an operating performance 30% above budget for the period, despite the impact of construction activities on the site which were only completed in March this year.

Orams Marine has a solid pipeline of work through to 2025 and is continuing to expand its resources to service its large order book. With current commercial tenancies at full capacity, strong rental growth prospects and an improving operational contribution from Orams Marine, Orams is well-placed to increase earnings.

While the significant investment in Orams over the last three years has trebled the capacity of the site to service the marine industry, there was no change during the period to the book value of the operating business, Orams Marine Services, which is carried at historical cost plus the cost of plant and equipment acquired over that period.

Ardent Leisure Group Limited ("Ardent")

As stated in the HY23 Review, the mark-to-market reduction in Ardent's value was partly attributable to and offset by the cash dividend paid and return-of-capital ($10.4 million) in July 2022, a result of Ardent distributing proceeds from the sale of its Main Event business in June 2022, following the successful turnaround in Main Event's operating performance over the last few years.

During the period there was continuing progress of Ardent's Theme Parks & Attractions business, with FY23 revenues representing the highest annual revenue for the business since FY16 and was achieved notwithstanding international visitation remaining well below historical levels.

Ardent has a strong balance sheet, with no debt and holding cash balances of approximately $141.4 million at balance date.

Ardent has announced a pipeline of new rides and attractions totalling $50–60 million to be delivered over the next two years as it looks to return to historical levels of profitability.

Ardent has also announced that it is seeking a Preliminary Development Approval across its 55 hectare site at Coomera in South East Queensland.

Hillgrove Resources Limited ("Hillgrove")

Hillgrove has been a very disappointing investment for Ariadne over many years.

During the period, however, Hillgrove's prospects appear to have improved significantly.

In March 2023, Hillgrove raised $38 million to fund development of its underground resource at Kanmantoo and exploration to continue to expand the resource.

The fund raising was supported by Freepoint Metals & Concentrates LLC, a leading global commodities trader and financer, a long-term offtake partner of Hillgrove, which resulted in Freepoint holding 19.98% of Hillgrove's issued capital.

Following the significant capital raising, Ariadne's interest in Hillgrove was reduced to 11.28%.

In June 2023, Hillgrove announced a formal positive Final Investment Decision (FID) to proceed with the Stage 1 Development of the Kanmantoo underground mine.

The project is fully funded without debt and has sufficient working capital to reach sustainable copper production planned to occur in the first quarter of 2024.

Hillgrove's plant and infrastructure is already in place and the mining operations are fully permitted. In addition, Hillgrove has carried forward tax losses of $233 million and franking credits of $17.5 million.

Ariadne's exposure to Hillgrove provides significant leverage to the copper price, which is forecast to increase due to the electrification of the global economy to meet decarbonisation targets.

ClearView Wealth Limited ("ClearView")

ClearView has been another disappointing investment for Ariadne, with its shares having traded substantially below Embedded Value (91.2cps as at 30 June 2023) for a significant period of time.

After a difficult period, ClearView appears to have regained its business momentum, with premiums growing strongly, aided by improved market and macroeconomic conditions and expanding market share.

There is scope for the difference between Embedded Value per share and the market price to narrow, thereby potentially further increasing the market value of our holding.

King River Capital ("King River")

A significant proportion of the Group's investment portfolio is managed by King River. At balance date, the aggregate carrying value of Ariadne's King River-related investments was $35.6 million, representing an overall unrealised gain of $23.4 million over cost.

A rigorous review of each investment, to determine fair value, was undertaken at balance date. This review resulted in our investment in Lark Technologies Inc being written down 10% from its December 2022 valuation due to its slower than anticipated performance, but still strong, revenue growth. Our investments in Cover Genuis Holdings Pty Ltd, FinClear Holdings Limited and Immutable Pty Ltd all maintained their December 2022 valuations as they continue to perform in line with budget.

Ariadne's involvement with King River to date has been rewarding and we look forward to further growth in the value of our investments over coming periods.

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Simplified Balance Sheet

Ariadne is in a sound financial position as shown in the following presentation of the Group's assets and liabilities as at 30 June 2023.

Assets	**$M**	**$M**	**Liabilities**	**$M**
Cash		36.7	Payables and Provisions	3.4
Investments			Other Payables	11.9
Orams	75.5		Minority Interests	14.2
Freshxtend	13.5		Debt	19.8
FinClear	13.2		**Total Liabilities**	**49.3**
Hillgrove	12.5			
ClearView	11.8		**Shareholders' Funds**	**163.9**
Ardent	10.2			
King River	9.5			
Cover Genius	7.4			
Foundation Life	6.2			
Other Strategic Assets	5.7			
Lark Technologies	4.2			
Trading Portfolio	3.5			
Total Investments		173.2		
Fixed Assets and Other Receivables		3.3	**Total Liabilities &**	
Total Assets		**213.2**	**Shareholders' Funds**	**213.2**

Tax

Ariadne has substantial carry forward revenue and capital losses available to offset future taxable profits. At 30 June 2023 these are estimated to be $75.9 million (30 June 2022: $89.6 million) and $72.1 million (30 June 2022: $72.3 million) respectively. As at balance date, Ariadne had a deferred tax asset of $37.0 million which is not recognised in Ariadne's accounts.

Dividends and Capital Management

The Board has determined that it is appropriate to continue to retain a conservative financial position in light of the ongoing uncertainties in markets, as the Group looks to recycle capital as opportunities arise.

A final fully franked dividend of 0.25 cents per share has been declared by the directors, bringing the total dividends for FY23 to 0.25 cents per share (FY22: 0.75 cents per share).

On 28 February 2023, Ariadne announced the extension of its on-market share buy-back facility as part of ongoing capital management initiatives.

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<u>Board Composition and Renewal</u>

As previously reported, on 4 December 2022, Ariadne's Chairman, David Baffsky AO, passed away following a short illness.

On 28 February 2023 Ariadne announced the appointment of two new independent non-executive directors – David Hancock and Dean Smorgon – to its Board.

The Board elected David Hancock as Chairman.

Both David and Dean bring considerable skills and experience which will greatly benefit the Group as we look to continue to build shareholder value for the future.

In addition, Benjamin Seymour (formerly an Alternate Director) became a Director, with Kevin Seymour becoming an Alternate Director for Benjamin.

ENDS

Authorised for release by: The Board of Ariadne Australia Limited

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