



HALF YEAR REPORT

31 December 2019

THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE
COMPANY'S 2019 ANNUAL REPORT



ASX Codes: KBC and KBCPA

Keybridge Capital Limited

A.B.N. 16 088 267 190

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CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Nicholas F. J. Bolton	Managing Director
Jeremy M. Kriewaldt	Non-Executive Director
William M. Johnson	Non-Executive Director

COMPANY SECRETARY

John D. Patton

REGISTERED AND PRINCIPAL OFFICE

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Melbourne, Victoria 3004
Telephone: (03) 9686 7000
Facsimile: (08) 9214 9701
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Website: www.keybridge.com.au

AUDITORS

Deloitte Touche Tohmatsu
Tower 2, Brookfield Place
123 St Georges Terrace
Perth, Western Australia 6000
Telephone: (08) 9365 7000
Website: www.deloitte.com.au

STOCK EXCHANGE

Australian Securities Exchange
Sydney, New South Wales
Website: www.asx.com.au

ASX CODES

KBC (Shares)
KBCPA (Convertible Redeemable Promissory Notes)

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

APPENDIX 4D HALF YEAR REPORT

1. Reporting period

Name of Entity	Keybridge Capital Limited
ABN:	16 088 267 190
Report for the half-year ended:	31 December 2019
Previous corresponding reporting periods:	Financial year ended 30 June 2019 Half-year ended 31 December 2018

2. Results for announcement to the market

	2019 \$	Percentage increase / (decrease) over corresponding period
Revenues from ordinary activities (<i>item 2.1</i>)	187,684	(59.9%)
Profit (loss) from ordinary activities after tax attributable to members (<i>item 2.2</i>)	(2,047,747)	(56.8%)
Net profit (loss) for the period attributable to members (<i>item 2.3</i>)	(2,047,971)	(58.8%)

Dividends (<i>item 2.4</i>)	Amount per security	Franked amount per security
Half-year ended 31 December 2019		
Interim dividend – December 2019	0.00¢	N/A
Final dividend – June 2019	0.00¢	N/A
Previous corresponding periods		
Interim dividend – December 2018	0.00¢	N/A
Final dividend – June 2018	0.50¢	100%
Record date for determining entitlements to the December 2019 interim dividend (<i>item 2.5</i>)	N/A	
Refer to the Directors’ report and financial report for the half-year ended 31 December 2019 for further commentary.		

3. Net tangible assets per security (*item 3*)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security (cents)	5.82¢	7.13¢

APPENDIX 4D HALF YEAR REPORT

4. Details of entities over which control has been gained or lost during the period (item 4)

N/A

5. Dividends (item 5)

	Date of payment	Total amount of dividend
Interim dividend year ending 30 June 2020	N/A	N/A
Final dividend year ended 30 June 2019	N/A	N/A
Interim dividend year ended 30 June 2019	N/A	N/A
Final dividend year ended 30 June 2018	28 September 2018	\$790,402

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced income
Total dividend: Current year (to June 2020)	0.00¢	100%	0.00¢
Previous year (to June 2019)	0.00¢	100%	0.00¢
Previous year (to June 2019)	0.00¢	100%	0.00¢
Previous year (to June 2018)	0.50¢	100%	0.00¢

Total dividend on all securities

	Current period \$A	Previous corresponding period – \$A
Ordinary securities (each class separately)	0.00	\$790,402
Preference securities (each class separately)	\$275,395	\$154,039
Other equity instruments (each class separately)	0.00	0.00
Total	\$275,395	\$944,441

6. Details of dividend or distribution reinvestment plans in operation are described below (item 6)

N/A

The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan

N/A

7. Details of associates and joint venture entities (item 7)

N/A

APPENDIX 4D HALF YEAR REPORT

8. The financial information provided in the Appendix 4D is based on the half-year condensed financial report

Attached

9. Independent review of the financial report (*item 9*)

The financial report is still the subject of independent review by the Company's auditors.

10. Matter relating to a qualified independent review statement (*item 10*)

The financial report is still the subject of independent review by the Company's auditors. The Company notes that two assets, being a US Private Equity investment of \$561,815 and a \$5 million investment, are at risk of receiving a qualified review statement by the auditors. The directors are working through issues in an attempt to address the need for such qualification.

DIRECTORS' REPORT

The Directors present their report together with the condensed financial report of the consolidated entity consisting of Keybridge Capital Limited (**Company** or **KBC**) and its controlled entities (the **Consolidated Entity** or **Keybridge**) for the half-year ended 31 December 2019 (**Balance Date**). This financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

Keybridge is a company limited by shares that was incorporated in New South Wales in June 1999 and has been listed on the Australian Securities Exchange (**ASX**) since December 1999 (ASX Code:KBC).

DIRECTORS & OFFICERS

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

Nicholas Bolton	Chief Executive Officer and Managing Director (appointed 13 October 2019)
Jeremy Kriewaldt	Non-executive Director
William Johnson	Non-executive Director
John Patton	Non-executive Director (retired 21 January 2020)
Richard Dukes	Non-executive Director (retired 21 January 2020)
Simon Cato	Non-executive Director (vacated office 17 January 2020)
Mr Farooq Khan	Alternate Director for Simon Cato (ceased 18 July 2019)

On 13 October 2019, Mr John Patton was appointed as Company Secretary, following the removal of Mr Victor Ho (who had been appointed on 13 October 2016) as Company Secretary.

REVIEW OF OPERATIONS

The loss of the Consolidated Entity for the half-year after providing for income tax was \$2,047,971 (2018: loss \$1,290,020). Total revenue amounted to \$187,684 (2018: \$467,830). The operating result was impacted by:

- The CRPN liability being restated to reflect face value (equating to an additional liability of \$400,000 being recognised);
- The Company's investment in Molopo Energy Limited (Molopo) has been further written down from 1.28 cents per share (as at 30 June 2019) to 0.54 cents per share to reflect the reduced net asset backing position of Molopo (resulting in a further impairment of \$367,660 during the half-year period);
- The increased CRPNs on issue resulted in a higher interest expense being incurred (with \$121,356 of additional interest being incurred compared to the half-year period ended 31 December 2018);
- On 11 July 2019, the Company terminated the consultancy arrangement with Queste Communications Limited (ASX:QUE) for the provision of financial accounting services. Notwithstanding this termination, Queste continued to charge the Company \$16,041.66 per month (including GST) for the 6 months ended 31 December 2019. As at 31 December 2019, the Company has not recognised a liability of \$96,249.96 in these half year financial statements for the claims made by Queste, however a contingent liability has been recorded in note 7;
- Legal fees incurred in relation to the Federal Court action brought against the Company by Bentley Capital Limited and Mr William Johnson, resulted in \$240,000 being paid to external legal advisors in relation to the Company's and Mr Patton's legal expenses (pursuant to Mr Patton's directors indemnity deed). In addition, Mr William Johnson has made a claim against the Company for a further \$240,000 to cover the costs of his legal expenses in bringing the unsuccessful legal action against the Company. The Company is still considering Mr Johnson's claim, however no decision has been made as yet. As at 31 December 2019, the Company has not recognised a liability in these half year financial statements for Mr William Johnson's claim, however a contingent liability has been recorded in note 7;
- The Company holds a US domiciled private equity investment that has been previously written down to US\$393,608 (equating to A\$561,815 as at 31 December 2019). Whilst the directors are comfortable with the carrying value of this investment, it may need to be further impaired; and
- The revaluation of foreign currency assets resulted in a loss of \$211,597 during the half-year period (compared with a gain of \$269,464 for the corresponding half-year period).

DIRECTORS' REPORT

In addition to the above, the following notable activities occurred during the half-year period:

- On 28 May 2019, the Company terminated the consultancy arrangement with Mr Farooq Khan, resulting in the Company saving \$18,333.33 (including GST) per month. Between 26 June 2019 and 18 July 2019, Mr Khan was appointed as an Alternate Director of Mr Simon Cato. On 10 July 2019, Mr Khan sought to change the Chairman of the Company to Mr William Johnson, with Mr Johnson authorising the release of an ASX Announcement on 11 July 2019 (without the approval of the Board). On 16 July 2019, the Company was suspended for trading on ASX, pending the outcome of enquiries regarding the composition of its board (following another ASX announcement released by Mr Johnson with the approval of the Board);
- On 28 June 2019, the Company received an off-market takeover bid intention from WAM Active Limited at an all cash bid price of 7.5 cents per share. This bid intention was subsequently withdrawn on 22 August 2019;
- On 1 July 2019, the Company made an ASX Announcement that it had received a claim from Aurora Corporate Pty Ltd in relation to the sale of Aurora Funds Management Limited in 2016, as a result of the funds that had been misappropriated by its former Chief Financial Officer, Ms Betty Poon, prior to the sale of the business. The Company received this letter of claim from Aurora Corporate Pty Ltd on 25 June 2019;
- On 11 July 2019, the Company received notification from the HHY Fund (ASX: HHY) that the Investment Management Agreement (IMA) was being terminated. On 19 July 2019, the Company was advised that the IMA with HHY had been terminated;
- On 5 August 2019, Bentley Capital Limited called for a meeting to be convened under s. 249F to consider the removal of Mr Patton and Mr Kriewaldt and the re-election of Mr Johnson and Mr Cato;
- On 16 August 2019, Mr Johnson authorised the release of an ASX Announcement (without the approval of the Board) advising of the litigation that had been commenced against Aurora Corporate, with a Writ having been filed in the Supreme Court of Western Australia. In addition, legal representation was engaged (again without the knowledge of the Board), with costs of \$81,495.00 having been expended during the half-year period. On 26 September 2019, the Company advised that the litigation against Aurora Corporate had been transferred from Western Australia to Victoria and Keybridge had been order to pay Aurora's costs of the transfer application. In January 2020, the legal representatives appointed by Mr Johnson resigned;
- On 26 August 2019, Australian Style Group Pty Ltd called for a meeting to be convened under s. 249F to consider the removal of Mr Johnson and Mr Cato;
- On 10 September 2019, the Company notified the holders of the Convertible Redeemable Promissory Notes (CRPN) (ASX: KBCPA) that an Event of Default had occurred as a direct consequence of the Company's suspension from the ASX, enabling CRPN holders to request an early redemption. In total, the Company received requests for the early redemption of 6,750,208 CRPN's. On 23 October 2019, the Company advised that it had processed 397,944 CRPN redemption requests that were satisfied by cash payment. On 21 January 2020, the Company announced that it had received a request from HSBC on behalf of WAM group of shareholders that it wished to withdraw its early redemption request pertaining to 1,835,111 CPRN. On 22 January 2020, the Company announced that it had determined to redeem 2,000,000 of the outstanding early redemption CRPN requests for cash plus accrued interest to date, which reduced the outstanding early redemption CRPN requests to 2,517,153 notes.
- On 26 September 2019, the Company announced that Bentley Capital Limited and Mr William Johnson had commenced proceedings against Company and certain directors, including John Patton and Jeremy Kriewaldt, seeking a declaration that Mr William Johnson was properly appointed to the role as Chairman on 10 July 2019. On 11 October 2019, the Federal Court in Western Australia determined that Mr William Johnson had not been validly appointed as Chairman of Keybridge;
- On 11 October 2019, the Federal Court in Western Australia determined that Mr William Johnson had not been validly appointed as Chairman of Keybridge and as such Mr John Patton was, and always was, the rightful Chairman until his retirement on 21 January 2020;
- On Sunday 13 October 2019, immediately prior to a previously scheduled board meeting, the Company received another off-market takeover bid intention from WAM Active Limited at an all cash bid price of 6.5 cents per share. Mr Victor Ho was terminated as Company Secretary, effective immediately, during the 13 October 2019 board meeting;

DIRECTORS' REPORT

- On 14 October 2019, the Company held the shareholder meeting called by Australian Style Group Pty Ltd, with none of the proposed resolutions being passed, and the shareholder meeting called by Bentley Capital Limited was adjourned – that meeting was later cancelled after Bentley Capital Limited withdrew its request for the meeting;
- On 6 December 2019, the Takeovers Panel received an application in relation to the activities of WAM Group and Bentley Capital Limited;
- On 13 December 2019, WAM Active withdrew its intention to make an off-market takeover bid at an all cash bid price of 6.9 cents per share. Shortly thereafter, on the same day, WAM Active made another takeover bid at an all cash bid price of 6.5 cents per share;
- On 18 December 2019, the Takeovers Panel declined to conduct proceedings, in part, as it considered certain factors had been superseded by the withdrawal of the WAM Active proposed bid (at 6.9 cents);
- On 8 January 2020, the Company received an off-market takeover bid intention from Aurora Funds Management Limited, as responsible entity for the Aurora Dividend Income Trust, at an all cash bid price of 6.6 cents per share;
- On 17 February 2020, the Company advised that it had placed 22,000,000 ordinary shares to sophisticated investors at an issue price of 6.9 cents per share, pursuant to a waiver of Listing Rule 7.9 granted by the ASX; and
- On 24 February 2020, WAM Active advised that it had increased its takeover bid from 6.5 cents to 6.9 cents per share. The WAM Active takeover bid is due to close on 3 March 2020.

Keybridge is an investment and financial services group with a diversified portfolio of listed and unlisted investments/loan assets in the private equity (USA), life insurance (New Zealand), property and funds management sectors and strategic holdings in HHY Fund (ASX:HHY), Molopo Energy Limited (ASX:MPO) and Yowie Group Ltd (ASX:YOW).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the matters noted in the Review of Operations (above), there have been no other significant changes in the Consolidated Entity's state of affairs during the half-year period.

ROUNDING OF AMOUNTS

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and the financial report have been rounded to the nearest thousand dollars.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the review of the half-year is provided with this report. **This will be supplied when audited accounts are lodged with ASX.**

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

Jeremy Kriewaldt
Director

28 February 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2019

[Insert Auditors declaration]

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the half year ended 31 December 2019

	Note	31 Dec 19	31 Dec 18
	2	\$	\$
Revenue			
Fees		-	29,071
Total revenue		-	29,071
Other Income	2		
Interest revenue		157,046	226,970
Dividend revenue		30,315	1,816
Other income		323	239,044
Total Revenue and Other Income		187,684	467,830
Other gains and losses:			
Net gain /(loss) on financial assets at fair value through profit or loss		(1,333,015)	(946,947)
Impairment expense		(333,417)	(20,141)
Excess of net assets over cost on acquisition		-	242,797
Net gain on derivative liabilities		(400,000)	35,208
Gain on revaluation of foreign currency assets		(211,597)	269,464
Share of Associate entity's profit/(loss)		1,506,778	(270,837)
Expenses			
Personnel expenses		(381,267)	(241,363)
Corporate expenses		(659,240)	(513,410)
Administration expenses		(141,716)	(148,515)
Other expenses		(6,561)	(54,904)
Results from operating activities		(1,772,351)	(1,151,747)
Finance expenses		(275,395)	(154,037)
Loss before Income Tax		(2,047,747)	(1,305,784)
Income tax benefit/(expense)		-	-
Loss after income tax for the half year		(2,047,747)	(1,305,784)
Other Comprehensive Income			
Foreign currency translation reserve		(224)	15,764
Total Comprehensive Income/(Loss) for the half year		(2,047,971)	(1,290,020)
Basic and diluted loss per share (cents) attributable to the ordinary equity holders of the Company		(1.30)	(0.82)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Note	31 Dec 19 \$	30 Jun 19 \$
Current Assets			
Cash and cash equivalents		3,207,516	1,549,219
Financial assets at fair value through profit or loss		3,764,515	7,056,672
Other assets		5,091,162	5,171,756
Receivables		435,582	377,036
Total Current Assets		12,498,774	14,154,683
Non-Current Assets			
Loans and receivables		4,970,915	5,022,517
Investment in Associate entity		-	1,302,483
Deferred tax asset		142,956	142,579
Total Non-Current Assets		5,113,871	6,467,579
Total Assets		17,612,645	20,622,262
Current Liabilities			
Payables		714,603	1,678,682
Financial liabilities at fair value through profit or loss		7,602,056	-
Total Current Liabilities		8,316,659	1,678,682
Non-Current Liabilities			
Financial liabilities at fair value through profit or loss		-	7,600,000
Deferred tax liability		142,956	142,579
Total Non-Current Liabilities		142,956	7,742,579
Total Liabilities		8,459,615	9,421,261
Net Assets		9,153,030	11,201,001
Equity			
Issued capital		253,577,894	253,577,894
Reserves		1,080,362	1,355,982
Accumulated losses		(245,505,226)	(243,732,875)
Total Equity		9,153,030	11,201,001

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half year ended 31 December 2019

	Issued Capital \$	Share -based payments \$	Profit reserve \$	Foreign currency translation \$	Accumulated losses \$	Total \$
Balance at 1 Jul 2018	253,637,724	321,600	1,815,395	(2,557)	(240,124,345)	15,647,817
Loss for the half year	-	-	-	-	(1,305,784)	(1,305,784)
Profit reserve transfer	-	-	-	-	-	-
Foreign currency reserve	-	-	-	15,764	-	15,764
Total comprehensive income for the half year	-	-	-	15,764	(1,305,784)	(1,290,020)
Transactions with owners in their capacity as owners:						
Share buy-backs	(34,296)	-	-	-	-	(34,296)
Dividends paid	-	-	(790,402)	-	-	(790,402)
Balance at 31 Dec 2018	253,603,428	321,600	1,024,993	13,207	(241,430,129)	13,533,099
Balance at 1 Jul 2019	253,577,894	321,600	1,024,993	9,389	(243,732,875)	11,201,001
Loss for the half year	-	-	-	-	(2,047,747)	(2,047,747)
Profit reserve transfer	-	-	-	-	-	-
Foreign currency reserve	-	-	-	(224)	-	(224)
Total comprehensive income for the half year	-	-	-	(224)	(2,047,747)	(2,047,971)
Transactions with owners in their capacity as owners:						
Share buy-backs	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
Balance at 31 Dec 2019	253,577,894	321,600	1,024,993	9,165	(245,780,622)	9,153,030

CONSOLIDATED STATEMENT OF CASH FLOWS

	31 Dec 19 \$	31 Dec 18 \$
Cash Flows from Operating Activities		
Interest received	6,065	8,753
Other income received	323	136,030
Payments to suppliers and employees	(1,947,263)	(1,089,799)
CRPN Interest payments	(275,395)	(154,037)
Net Cash used in Operating Activities	(2,216,271)	(1,099,053)
Cash Flows from Investing Activities		
Proceeds from sale of financial assets at fair value through profit or loss	5,523,143	231,283
Payments for financial assets at fair value through profit or loss	(1,271,935)	(273,934)
Payments for loans and receivables advanced	(255,000)	(1,491,800)
Proceeds from repayments of loans and receivables	42,021	1,060,031
Dividends received	30,315	14,800
Return of capital received	342,558	17,426
Purchase of shares in Associate entity	-	(227)
Net Cash provided by/(used in) Investing Activities	4,411,101	(442,421)
Cash Flows from Financing Activities		
CRPN redemption	(397,944)	-
Share buy-backs	-	(34,296)
Dividends paid	-	(790,401)
Repayment of loans and borrowings	-	242,797
Net Cash used in Financing Activities	(397,944)	(581,900)
Net increase/(decrease) in cash held	1,796,886	(2,123,374)
Cash and cash equivalents at beginning of financial year	1,549,219	5,007,980
Effect of exchange rate fluctuations on cash held	(138,589)	42,492
Cash and Cash Equivalents at the end of financial half year	3,207,516	2,927,098

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2019

NOTE 1: BASIS OF PREPARATION

Keybridge Capital Limited (ASX:KBC) (**KBC** or **Company**) is a company incorporated and domiciled in Australia and listed on the Australian Securities Exchange (**ASX**). The Consolidated Financial Statements as at and for the financial half year ended 31 December 2019 comprise the Company and its subsidiaries (**Keybridge** or **Consolidated Entity** or **Group**) and its interest in Associate entities. Keybridge is a 'for-profit' investment and financial services group with a diversified portfolio of listed and unlisted investments/loan assets. The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The financial statements are presented in Australian dollars, which is the Consolidated Entity's functional and presentation currency.

The accounting policies and methods of computation adopted in the preparation of the half year financial statements are consistent with those adopted and disclosed in the Company's financial statements for the financial year ended 30 June 2019. The Keybridge 2019 Annual Report is available upon request and may be downloaded from the Company's website: www.keybridge.com.au or the ASX website (www.asx.com.au).

Statement of Compliance

The half year financial statements are a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report complies with Australian Accounting Standards – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board.

These half year financial statements do not include notes of the type normally included in the annual financial statements and should be read in conjunction with the most recent annual financial statements and the Company's ASX announcements released from 1 July 2019 to the date of this report.

Uses of estimates and judgements

In preparing these half-year financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Consolidated Entity's accounting policies and key sources of estimation uncertainty were the same as those applied to the Consolidated Financial Statements as at and for the year ended 30 June 2019.

Amendments to Accounting Standards and new Interpretations that are mandatorily effective for the current reporting period

In the current reporting period, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

The following new and revised Standards and Interpretations effective for the current reporting period that are relevant to the Consolidated Entity include:"

- AASB 16 Leases.
- AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation
- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements Cycle 2015-2017 Cycle
- AASB 2018-2 Amendments to Australian Accounting Standards — Plan Amendment, Curtailment or Settlement [AASB 119]

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2019

- AASB 2018-3 Amendments to Australian Accounting Standards — Reduced Disclosure Requirements
- Interpretation 23 Uncertainty over Income Tax Treatments

Impact on Application

The adoption of the aforementioned standards has not had a quantitatively material impact on the interim financial statements of the Consolidated Entity as at 31 December 2019.

NOTE 2: SUBSEQUENT EVENTS

On 8 January 2020, Aurora Funds Management Limited (Aurora), in its capacity as the responsible entity for the Aurora Dividend Income Trust (ADIT), announced its intention to make a takeover bid for the Company at 6.6 cents per share.

On 17 January 2020, Mr Cato ceased to be a director of the Company as a direct consequence of his actions in failing to attend any meetings of directors for 3 consecutive months, since 16 October 2019, without requesting any leave of absence during this time. Accordingly, pursuant to clause 8.2(d) of the Company's constitution, Mr Cato automatically vacated office.

Whilst Mr Cato initially accepted the position that he had vacated office due to his absence, thereby relinquishing his role as director, the Company has subsequently received a letter from Mr Cato's lawyers indicating that this position is being challenged. Since that time, Mr Cato voluntarily repaid \$5,000 of his board fees to the Company.

On 21 January 2020, the Company announced that it had received a request from HSBC on behalf of WAM group of shareholders that it wished to withdraw its early redemption request pertaining to 1,835,111 CPRN. On 22 January 2020, the Company announced that it had determined to redeem 2,000,000 of the outstanding early redemption CRPN requests for cash plus accrued interest to date, which reduced the outstanding early redemption CRPN requests to 2,517,153 notes.

On 21 January 2020, the Company resumed its Annual General Meeting (AGM) that had previously been adjourned on 29 November 2019. At the resumed AGM, more than 25% of shareholders voted against remuneration report so the Company received a "second strike" (with the "first strike" being received at the 2018 AGM). As such, the Company will convene a "spill" meeting in due course.

On 17 February 2020, pursuant to a waiver granted by the ASX under Listing Rule 7.9, the Company placed 22,000,000 shares to sophisticated investors at an issue price of 6.9 cents per share, raising \$1.518 million. As previously announced, the Company intends to apply these funds towards the repayment of the outstanding CRPN early redemption request, of which, approximately \$2.5 million currently remains outstanding.

On 18 February 2020, Keybridge received a notice by mail from WAM Active requesting the Company call a meeting under s249D to consider the removal of Mr Bolton as a director of the Company.

On 18 February 2020, WAM Active made an application to the Takeovers Panel seeking orders, amongst other things that include:

- Cancelling the placement referred to above;
- Causing Keybridge to hold the meeting referred to above and the Board "Spill" meeting required under s250V be held as soon as possible rather than under the timeframe required under the Act;
- Causing ADIT to withdraw its 6.6c takeover for Keybridge unless it validates its funding source; and
- Allow WAM Active to not be required to accept withdrawal of acceptances.

On 24 February 2020, WAM Active advised it had increased its takeover bid consideration from 6.5 cents to 6.9 cents per share, with all conditions being dropped, other than the prescribed occurrences as defined in clause 10.7(c) of the WAM Active Bidder's Statement released on 3 January 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2019

NOTE 2: REVENUE AND INCOME

	31 Dec 19 \$	31 Dec 19 \$
The consolidated loss before income tax includes the following items:		
Revenue		
Fees		
Investment management fees	-	29,071
	-	29,071
Other Income		
Interest revenue	157,046	226,970
Dividend revenue	30,315	1,816
Other income	323	239,044
	187,684	467,830
Other gains and losses		
Realised gain on sale of financial assets at fair value through profit & loss	596,279	149,913
Unrealised loss on financial assets at fair value through profit & loss	(2,239,521)	(1,096,860)
Net gain/(loss) on financial assets at fair value through profit & loss	(1,643,243)	(946,947)
Impairment of loans and receivables	(263,189)	(20,141)
Excess of net assets over cost on acquisition	-	242,797
Net gain on derivative liabilities	(400,000)	35,208
Gain on revaluation of foreign currency assets	(211,597)	269,464
Share of Associate entity's profit/(loss)	1,506,778	(270,837)
	(1,011,251)	(690,456)
	(823,567)	(193,555)

NOTE 3: SEGMENT INFORMATION

The Consolidated Entity has two strategic business segments as described below:

- Equity Investments comprise investments in listed and unlisted equities with exposure to various sectors from time to time; and
- Debt investments comprise loans advanced, debts secured via assignment and investments in debt instruments with exposure to a number of different sectors.

31 Dec 19	Investment s		Corporate \$	Total \$
	Equity \$	Debt \$		
Segment profit and loss				
Revenue and income	204,079	(112,208)	(605,210)	(513,339)
Expenses	(3,000)	(49,711)	(1,206,302)	(1,259,012)
Results from operating activities	201,079	(161,919)	(1,811,512)	(1,772,351)
Finance expenses	-	-	(275,395)	(275,395)
Profit/(Loss) before Income Tax	201,079	(161,919)	(2,086,907)	(2,047,747)
Income tax expense	-	-	-	-
Profit/(Loss) for the half year	201,079	(161,919)	(2,086,907)	(2,047,747)
Segment assets	4,310,398	5,484,052	7,826,944	17,621,395
Segment liabilities	-	-	(8,468,365)	(8,468,365)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2019

Net assets	4,310,398	5,484,052	(641,421)	9,153,030
31 Dec 18				
Segment profit and loss				
Revenue and income	(1,218,505)	607,839	417,111	(193,555)
Expenses	(147,352)	(107,263)	(703,577)	(958,192)
Results from operating activities	(1,365,857)	500,576	(286,466)	(1,151,747)
Finance expenses	-	-	(154,037)	(154,037)
Profit/(Loss) before Income Tax	(1,365,857)	500,576	(440,503)	(1,305,784)
Income tax expense	-	-	-	-
Profit/(Loss) for the half year	(1,365,857)	500,576	(440,503)	(1,305,784)
30-Jun-19				
Segment assets	8,551,483	5,301,238	6,769,541	20,622,262
Segment liabilities	(1,370,800)	-	(8,050,461)	(9,421,261)
Net assets	7,180,683	5,301,238	(1,280,920)	11,201,001

NOTE 4: ISSUANCES OF EQUITY

There were no issuances of equity during the half-year periods ended 31 December 2019 and 31 December 2018. On 17 February 2020, pursuant to a waiver granted by the ASX under Listing Rule 7.9, the Company placed 22,000,000 shares to sophisticated investors at an issue price of 6.9 cents per share, raising \$1.518 million.

NOTE 5: DIVIDENDS ON ORDINARY SHARES

There have been no dividends paid or declared during the half-year periods ended 31 December 2019 and 31 December 2018.

NOTE 6: RELATED PARTY TRANSACTIONS

(a) Transactions with Directors

- (i) During the half-year, the Company received invoices totalling \$96,249.96 (including GST) (2018: \$96,249.96) from Queste Communications Limited (ASX:QUE) (Queste) for the provision of accounting services, despite the Company having terminated this contract on 11 July 2019. The Company's former Alternate Director, Mr Farooq Khan (who ceased as an alternate director for Mr Simon Cato on 18 July 2019), and its former Company Secretary, Mr Victor Ho (who ceased to be Company Secretary on 13 October 2019), are both directors of Queste. The Company has not recognised a liability for the amounts claimed by Queste in these half-year financial statements, however has recorded a contingent liability of \$96,249.96 in note 7.
- (ii) On 26 September 2019, the Company announced that Bentley Capital Limited and Mr William Johnson had commenced proceedings against Company and certain directors, including Mr John Patton and Mr Jeremy Kriewaldt, seeking a declaration that Mr William Johnson was properly appointed to the role as Chairman on 10 July 2019. On 11 October 2019, the Federal Court in Western Australia determined that Mr William Johnson had not been validly appointed as Chairman of Keybridge. In relation to this matter, the Company paid \$240,000 to the external lawyers and counsel retained by Mr Patton under his Director's Deed.
- (iii) In relation to the Federal Court of Western Australia matter referred to in the previous paragraph, Mr William Johnson has also made a claim against the Company for a further \$240,000 to cover the costs of his legal expenses in bringing the unsuccessful legal action against the Company. The Company has sought, but not yet received, further information on this claim from Mr William Johnson, and as such no decision on the merits of this claim has been made as yet. As at 31 December 2019, the Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2019

has not recognised a liability in these half-year financial statements for Mr William Johnson's claim, however a contingent liability has been recorded in note 7.

- (iv) During the half-year, the Company's Non-Executive Director, Jeremy Kriewaldt received \$8,800 (2018: Nil) from the Company pursuant to legal services rendered by Jeremy Kriewaldt Lawyers. Mr Kriewaldt's engagement was approved by the Board (excluding Mr Kriewaldt) and were on usual terms consistent with those offered to other clients.
- (v) As previously advised, the Company 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 provides a procedure for the advancement of monies in this regard. Mr Bolton previously served as a Director between 30 December 2011 and 9 October 2012, between 2 January 2013 and 17 December 2015 (as Executive Director from 22 February 2013 and as Managing Director from March 2014) and from 13 October 2019. As at 31 December 2019, \$440,000 (2018: \$440,000) has been advanced via payments made to Mr Bolton's lawyers.

The Board agreed to advance these funds in accordance with the relevant provision of Mr Bolton's Director's Deed and subject also to various terms and conditions agreed with Mr Bolton, including a monetary cap (initially \$400,000 and increased to \$440,000 in March 2018), that advances would be provided only as payment of bills rendered by Mr Bolton's lawyers in relation to the relevant proceedings, that the Company needed to be satisfied that the amount of each legal bill was reasonable, that the Company would have access to Mr Bolton's lawyers to ensure that it was promptly informed of any material developments in relation to the proceedings and otherwise to enable the Company to assess the likely outcome of those proceedings, that Mr Bolton would be obliged to repay any amounts advanced in various circumstances specified in his Director's Deed including in any situation in which Mr Bolton is not entitled to be indemnified or advanced those costs, and a provision for review of the position once the outcome of the relevant proceeding is known, including the repayment of all or a portion of the advance (as appropriate). The relevant proceeding had not yet been decided as at 31 December 2019.

The \$440,000 advance is accounted as a loan receivable asset, however, as previously advised, a provision (ie. Impairment expense) has been recognised in respect of the full amount of \$440,000 (based on the Directors' judgement). This provision/impairment does not prejudice the Company's rights (including recovery) under the terms of the advance to Mr Bolton. If the Company receives a repayment (or recovery payment) in respect of this advance, the provision (impairment expense) will be reversed to the extent of such receipt.

- (vi) 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).

As at 30 June 2018 balance date, the Company determined to make a full provision in respect of recognising the interest component as a receivable asset (based on the Directors' judgement); an amount of \$336,164 was reduced from Loans and Receivables (Other) with a corresponding decrease in the Share based payments reserve in equity (there was no impact on the Statement of Profit or Loss). This provision does not prejudice the Company's rights (including recovery) under the terms of the ESP Loan. If the Company receives a payment in respect of this interest component, the Company will recognise a corresponding increase in the Share based payments reserve in equity to the extent of such receipt.

Without prejudice to each party's rights under the terms of the ESP Loan, pursuant to an amendment (dated 27 May 2019) to Mr Bolton's employment agreement, Mr Bolton agreed to pay \$42,020.51 to the Company each quarter (commencing on 30 September 2019 and ending on 30 June 2021) towards reducing the \$336,164 interest component of Mr Bolton's ESP Loan. The parties have also agreed that Mr Bolton is entitled to assert his rights in relation to the matter and if the matter is resolved in favour of Mr Bolton (subject to compliance with the Corporations Act and ASX Listing Rules) and Mr Bolton has paid quarterly amounts in excess of what the Company was entitled to receive, the Company will repay Mr Bolton with interest calculated at 6.45% pa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2019

(b) Other Matters

- (i) During the half-year, the Company paid \$9,536.71 (excluding GST) to Advanced Share Registry Limited (ASX:ASW) for share registry services provided (post their appointment on 3 September 2018). The Company's Non-Executive Director, Simon Cato (who ceased to be a director on 17 January 2020), is the Non-Executive Chairman of Advanced Share Registry. Mr Cato was not involved in the Board's decision to appoint Advanced Share Registry and was not involved in the review and payment of fees and charges rendered by Advanced Share Registry to the Company.

NOTE 7: CONTINGENT LIABILITIES

As announced on 21 November 2019, the Company has 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 \$240,000, to cover the legal costs incurred by Bentley Capital Limited and William Johnson, and the Company has not yet determined if he is eligible to claim this amount under the Company's director's indemnity.

During the half-year period, the Company has received monthly invoices totalling \$96,249.96 (including GST) from Queste Communications Limited (ASX:QUE) (Queste) for the provision of accounting services, despite the Company having terminated this contract on 11 July 2019. The Company has not recorded a liability in these half-year financial statements as the directors are of the view that there is no basis for this claim.

As previously announced during the half-year period, the Company has received a claim from Aurora Corporate Pty Ltd in relation to the sale of Aurora Funds Management Limited in 2016, as a result of the funds that had been misappropriated by its former Chief Financial Officer, Ms Betty Poon, prior to the sale of the business. The total amount claimed by Aurora Corporate is \$1,522,446.81.

NOTE 8: ECONOMIC ENTITY DETAILS

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

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Keybridge Capital Limited made pursuant to sub-section 303(5) of the *Corporations Act 2001*, we state that:

In the opinion of the Directors:

- (1) The financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
 - (b) complying with Accounting Standards AASB 134 (Interim Financial Reporting), *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (2) There are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board,

Jeremy Kreiwaldt
Director

28 February 2020

SECURITIES INFORMATION

as at 31 December 2019

SECURITIES ON ISSUE

Class of Security	Quoted on ASX	Unlisted
Fully paid ordinary shares (ASX:KBC)	157,552,806	-
Executive Share Plan shares ¹	-	9,000,000
Convertible Redeemable Promissory Notes (ASX:KBCPA) ²	7,602,056	-

Note: On 22 January 2020, the Company announced that it had determined to redeem 2,000,000 of the outstanding early redemption CRPN requests for cash plus accrued interest to date, which reduced the outstanding early redemption CRPN requests to 2,517,153 notes. On 17 February 2020, pursuant to a waiver granted by the ASX under Listing Rule 7.9, the Company placed 22,000,000 shares to sophisticated investors at an issue price of 6.9 cents per share, raising \$1.518 million. As previously announced, the Company intends to apply these funds towards the repayment of the outstanding CRPN early redemption request, of which, approximately \$2.5 million currently remains outstanding.

1 Issued on 10 December 2014 (refer KBC ASX Announcement dated 19 December 2014: Appendix 3B and Further Detail Regarding Issuance of Loan Funded Shares) after receipt of shareholder approval at an annual general meeting held on 28 November 2014 (refer KBC Notice of AGM released on ASX on 30 October 2014 and KBC ASX announcement dated 1 December 2014: Results of AGM)

2 Keybridge issued Convertible Redeemable Promissory Notes on 30 June 2015 (refer KBC ASX Announcement dated 18 June 2015: Appendix 3B) after receipt of shareholder approval on 28 November 2014 (refer KBC Notice of AGM released on ASX on 30 October 2014 and KBC ASX announcement dated 1 December 2014: Results of AGM). On 17 February 2019, the Company completed a \$3.6 million capital raising via the issue of 3,598,953 new CRPNs at a face value of \$1.00 each to professional/institutional investors. The notes have a face value of \$1.00, pays interest at 7% pa and matures on 31 July 2020 (unless redeemed or bought-back by Keybridge earlier). On 23 October 2019, the Company advised that it had processed 397,944 early CRPN redemption requests that were satisfied by cash payment. Further details are in the 2019 Annual Report and in the CRPN Prospectus (dated 17 June 2015).