

1 November 2022

ASX Code: KBC

ASX MARKET ANNOUNCEMENT

Trading update

Recovery of costs:

Keybridge advises that it has received a one off \$395,000 recovery of historic legal fees. The expenses related to its pursuit of the former Molopo Energy Limited (Molopo) directors. As the legal fees had been previously expensed, it will be booked as a gain in the current financial year.

RNY Property Trust (RNY) Loan:

Keybridge has advanced a protective US\$1.5 million loan to the operating subsidiary of RNY, to assist in paying out existing mezzanine debt over the equity of its property portfolio. This loan was necessary to avoid the forced sale of the equity in the properties at a UCC auction arranged by the lender. Had the auction proceeded, it is possible that Keybridge would have achieved a nil return for its investment in RNY.

The properties remain under contested foreclosure actions by the portfolio lender.

Key terms of the loan:

Amount: US\$1.48 million plus accrued fees and expenses.

Interest rate: 17.5% pa margin over the prevailing cash rate.

Term: 12 month.

1st ranking security over the equity in the portfolio.

Keybridge to receive certain controls over the operation of the property portfolio whilst the loan is outstanding.

Keybridge has hedged its US Dollar exposure back to Australian Dollars.

Keybridge Facility:

To assist in funding the above RNY loan and other portfolio investments, Keybridge has, itself, obtained a A\$4.4 million senior loan from a private lender at an interest margin of 12.5% pa over the prevailing cash rate.

RNY Valuation:

As a result of the actions taken by the US lender of the RNY portfolio, including what Keybridge believes to be an unfounded charging of approximately US\$11 million in default interest, as well as taking into account potential changes in property values as a result of rising US interest rates, Keybridge has determined to further impair the carrying value of its RNY equity and other indirect investments that have exposure to RNY equity (including its investment in HHY, AUP and AIB).

The aggregate of the above impairments total A\$1.3 million. The impairment does not affect the carrying value of the loan to RNY's subsidiary detailed above.

Keybridge notes that RNY has commenced legal proceedings against the lender seeking orders that deny that the facility fell into default and that any default interest is applicable.

Keybridge remains hopeful of a satisfactory resolution of the lender dispute.

NTA impact:

The impact to our prevailing NTA of the Molopo legal fee recovery and the RNY impairment net a total negative 0.4c per share impact.

October's NTA announcement is due for release on 14 November 2022 and will take into account the above impairment.

This announcement was approved for release by the Board of Directors.

FOR FURTHER INFORMATION:

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