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2021 REVIEW

The Directors present the Annual Report of Ariadne Australia Limited (“Ariadne” or “the Group”) for the period ended 30 June 2021.

For the 2021 financial year (“FY21”) Ariadne reported a net profit attributable to members of \$10.6 million (2020: \$7.1 million loss).

In addition, a positive contribution attributable to members of \$26.1 million (2020: \$21.2 million negative contribution) was reported through the Statement of Comprehensive Income, resulting in a total comprehensive income attributable to members of \$36.7 million (2020: \$28.3 million loss).

The net tangible assets per share increased during the period by 32% from 57.21 cents per share to 75.90 cents per share at balance date.

The total comprehensive income per share was 18.69 cents compared to a loss of 14.42 cents for the previous corresponding period.

The net operating cash outflow during the period was \$1.0 million (2020: \$7.3 million inflow).

The results for FY21 represent a welcome return to profitability for Ariadne following two years of losses which were principally attributable to mark-to-market write-downs on our investment portfolio. The recovery in the market values of some of our strategic investments, coupled with the excellent performance of our investment in Orams Group Ltd (“Orams”), has underpinned the increase in our net tangible assets during the period.

Orams

A significant contributor to the FY21 results was our investment in our associate, Orams, in which Ariadne holds an indirect equity interest of 61%.

During the year, Orams continued the construction of the state-of-the-art marine refit facility on Site 18 in the Wynyard Quarter in Auckland, pursuant to the development agreement with Panuku Development Auckland.

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Notwithstanding the challenges arising from the COVID-19 pandemic, all of the requirements of Stage 1A under the Development Agreement were completed during the period. It is testament to the extraordinary abilities of the Orams team that this was achieved on time and under budget in such circumstances.

Orams has also recently completed construction of 3 additional 90 metre marina piers, adding 610 metres of new marina space to the existing 400 metres of marina berths adjacent to the haulout yard. Construction of a new 580 square metre shed on Orams' existing site has also commenced and is due for completion by the end of 2021.

Following the outbreak of the pandemic, New Zealand imposed strict border requirements, limiting substantially the number of tourists and other visitors into the country. This resulted in a number of cancellations for refits and other maintenance work from overseas superyachts, many of which had intended to travel to Auckland to view the America's Cup and related series' races in the first few months of 2021.

Notwithstanding this setback, Orams' operating business has performed well. Orams' facilities now offer the most comprehensive refit and boat maintenance infrastructure in the Southern Hemisphere. With three travel lifts (820, 85 and 75 tonnes), as well as the existing 600 tonne slipway, Orams can haul out vessels from superyachts to domestic vessels, and a wide range of commercial boats including the ferry fleet that operates in the Auckland region.

The de-risking of the development following completion of Stage 1A, together with further compression of capitalisation rates in the Wynyard Quarter, resulted in a net attributable revaluation gain for Ariadne (after minority interests) during the period of \$10.3 million after accounting for a deferred tax liability of \$4.0 million.

In addition, Ariadne's share of Orams' operating income was \$4.2 million, and its interest earned on the associated loan to Orams was \$0.1 million.

The results for the period also reflect a non-cash loss of \$4.6 million representing the share of earnings attributable to the 30% interest in Orams NZ Unit Trust acquired by Ariadne in July 2020 (for which settlement will occur following completion of Stage 1B).

The Wynyard Quarter continues to be one of the prime development areas in Auckland, which augurs well for the further commercial development of the Orams site as well as the residential component of the development.

Ardent Leisure Group Limited ("Ardent")

During FY21, there was some recovery in the Ardent share price, increasing from 39 cents per share at the start of the period and closing at 98 cents per share on balance date.

This resulted in an increase in the value of our investment in Ardent (22.6 million shares - representing 4.73% of Ardent's issued capital) of \$13.4 million during the period.

The pandemic significantly impacted Ardent's businesses, with both of its businesses being required to close their operations for a period.

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There are pleasing signs of recovery in Ardent's US business, Main Event. While the first half of FY21 was challenging as the US endured a "second wave" of the pandemic, since March Main Event has generated record-breaking sales and profitability performance. Main Event is well-positioned from a capital and liquidity perspective to resume its rollout of new centres.

Ongoing international and domestic border restrictions and a series of snap lockdowns have placed significant impediments in the path to recovery at Dreamworld. It is to be hoped that the Federal Government's plan to "open up" Australia in coming months as vaccination rates increase significantly will see these restrictions substantially lifted. The business outlook remains optimistic, supported by pent up demand in local and interstate markets and the new world-class Steel Taipan rollercoaster scheduled to open prior to the important Christmas/New Year holiday period.

Ardent reported its results to the ASX on 26 August 2021 and the share price has further increased above our carrying value at balance date.

Hillgrove Resources Limited ("Hillgrove")

As a result of Hillgrove's \$10.9 million placement and entitlement offer during the period, Ariadne's holding in Hillgrove reduced from 24.7% to 19.5%. The capital raising enabled Hillgrove to continue its drilling program at Kanmantoo and advance its mine design and undertake feasibility studies to commence underground mining. There is the potential to restore value for shareholders if Hillgrove is able to resume production in the near-term for relatively low capital investment due to the infrastructure already in place at Kanmantoo.

In May 2021, Ariadne further reduced its interest to 19.0% by a sale of shares on market. The change in relevant interest below a 20% threshold, and the subsequent sale of shares, resulted in management assessing that Ariadne would no longer equity-account its interest in Hillgrove. The Group's interest has been reclassified as a strategic investment, with mark-to-market changes in fair value recorded through Other Comprehensive Income. A mark-to-market gain of \$9.0 million was recorded through the profit and loss on reclassification and a mark-to-market loss of \$4.4 million was recorded through Other Comprehensive Income at year end.

ClearView Wealth Limited ("ClearView")

Ariadne's ClearView holding appreciated in value by \$6.6 million during the period.

In its FY21 results, ClearView disclosed its Embedded Value as 96 cents per share.

With ClearView shares trading at 50 cents per share, there is considerable scope for the difference between Embedded Value per share and the market price to further narrow, thereby potentially further increasing the market value of our holding.

King River Capital (“King River”)

Ariadne is a Limited Partner of King River, a venture capital fund investing in Australian and US technology companies. King River has fully invested Fund 1, and is currently raising Fund 2. Ariadne has invested in both funds. In addition to its Fund commitments, Ariadne has co-invested in several of King River’s portfolio companies.

Three investments, in particular, are performing well in the current environment:

FinClear:

Australia's only full-stack technology platform that provides settlement, execution, and managed account capabilities to brokers, platforms and wealth managers. FinClear has recently acquired Pershing Securities which will enable it to expand its service offering to larger stockbrokers and establishes FinClear as the clear market leader. Following that acquisition, FinClear now services more than 50% of all retail and equity transactions every day and the combined HIN platform will service in excess of \$120 billion in listed securities for investors. FinClear is tracking well ahead of its projections and more than half of its net revenue is recurring under enterprise “software as a service” contracts and expected to grow.

Lark Technologies:

A digital healthcare company based in California that has built a fully-AI driven platform for chronic disease management. Lark’s ability to treat patients remotely and at low cost through an AI nurse / chatbot has put the company in a unique position to support the U.S. healthcare system in a time of desperate need for remote engagement and treatment. The coronavirus crisis has accelerated the adoption of Lark’s technology and early signs of this are already showing: new federal laws are opening large new markets of the US patient population to telemedicine, and Lark has seen significant inbound interest in partnering with the company. Lark recently signed a significant deal with Anthem, one of the largest US health payors, which should begin to generate substantial revenue in 2021.

Cover Genius:

A global multi-line insurance platform that partners with e-commerce businesses worldwide, based in Sydney. While Cover Genius was heavily exposed to the travel sector, the company acted swiftly at the outset of the pandemic, and accelerated new partnerships given the boom in e-commerce. The company is experiencing huge demand for its XCover platform from global e-commerce groups as they look to offer insurance or warranty products to their customers. Customers include Booking Holdings, Amazon, eBay, Shopee, Skyscanner and Wayfair.

Kippax Property (“Kippax”)

Since the formation of the joint venture (Ariadne is a 50% partner) in December 2019, Kippax has gained traction in executing its strategy to pursue real estate opportunities around evolving infrastructure investment and urban renewal precincts.

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As previously reported, Kippax secured its first site in Redfern, Sydney in May 2020. Kippax initially secured a 50% interest in this property, and in April 2021 the remaining 50% was secured to achieve full control of the property by call option. Kippax is also the Development Manager for the project.

Kippax is pursuing planning for redevelopment of an innovative and sustainable commercial office scheme on the site. This project plays directly to Kippax's strategy and is set to benefit from the NSW State Government's infrastructure and stimulus investment through the upgrade of the nearby Redfern Station and the new Waterloo Metro Station which are now under construction. The site is also located in the City of Sydney's Botany Rd Corridor precinct. In July 2021, the City of Sydney released their review of the corridor and has reported an increase in planning controls (height and floorspace) which is aligned with Kippax's aspirations for the site.

Kippax is looking to build on the momentum of Redfern and has identified further pipeline opportunities with a goal of securing another opportunity through the course of 2021.

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 2021.

Assets	\$M	\$M	Liabilities	\$M
Cash		28.6	Payables and Provisions	1.0
<u>Investments</u>			Deferred Consideration	14.6
Orams	77.6		Debt	29.0
Ardent	22.2		Minority Interests	15.3
ClearView	14.3		Total Liabilities	59.9
Freshxtend	11.9			
Kippax	10.2		Shareholders' Funds	148.9
Hillgrove	9.8			
Trading Portfolio	8.5			
Other Strategic Assets	8.0			
FinClear	5.5			
Foundation Life	4.8			
King River	3.1			
Cover Genius	2.3			
<u>Total Investments</u>		178.2		
Fixed Assets and Other Receivables		2.0	Total Liabilities &	
Total Assets		208.8	Shareholders' Funds	208.8

Tax

Ariadne has substantial carry forward revenue and capital losses available to offset future taxable profits. At 30 June 2021 these are estimated to be \$80.4 million (30 June 2020: \$83.9 million) and \$72.3 million (30 June 2020: \$70.6 million) respectively. As at balance date, Ariadne has a deferred tax asset of \$39.7 million which is not recognised in Ariadne's accounts.

Dividends and Capital Management

In light of the ongoing volatility in market conditions and capital requirements for current investments, the Board has determined to continue to preserve cash reserves during this highly uncertain period. However, following the return to profitability, the Board has reinstated the payment of dividends by the payment of a dividend of 0.5 cents per share for FY21.

On 19 February 2021, Ariadne announced the extension of its on-market share buy-back facility as part of ongoing capital management initiatives.

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Authorised for release by: The Board of Ariadne Australia Limited

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