ASX Announcement

13 January 2014

The Manager
Company Announcements
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Off-market bid for Keybridge Capital Limited

We refer to the takeover bid by Oceania Capital Partners Limited for all of the shares in Keybridge Capital Limited. In accordance with section 647(3)(b) of the Corporations Act 2001 (Cth), we enclose a supplementary bidder's statement in relation to the bid.

Yours faithfully,

Lionel Baldwin
Company Secretary

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This document is a first supplementary bidder's statement dated 13 January 2014 (**Supplementary Bidder's Statement**) under section 643 of the *Corporations Act 2001* (Cth) by Oceania Capital Partners Limited (**OCP**). It supplements and is to be read together with OCP's bidder's statement dated and lodged with ASIC on 28 November 2013 (**Bidder's Statement**). This Supplementary Bidder's Statement prevails to the extent of any inconsistency with the Bidder's Statement.

13 January 2014

Dear Keybridge Shareholder

By now you will have received Keybridge's Target's Statement and the accompanying Independent Expert's Report.

As you know, Oceania Capital Partners Limited (**OCP**) has offered to acquire all (or some) of your shares in Keybridge at $0.16 per share. This is a premium to the price at which Keybridge shares had been trading prior to our Offer (a fact that the Keybridge directors failed to address in the Target's Statement itself). The Keybridge directors have told you to reject our Offer. But what have they offered you in the alternative?

What is this all about?

We do not support Keybridge simply embarking on a new investment strategy. If such a course of action were to be taken (and we do not agree with that course of action) then we certainly do not believe the Board should embark on that without outlining that strategy and the way in which that strategy will be resourced and executed and without seeking a mandate on this from the shareholders of the company. We believe that the amount of capital that Keybridge has to invest is not sufficient to justify the resource base that would be required to operate as a stand-alone listed investment business, particularly if the proposed strategy is to seek to add value to investee entities through Board representation and active engagement with investee management teams. We do not believe Keybridge has the people with the necessary experience. These views have been formed in the course of our involvement with Keybridge.

We have put these points to the Board of Keybridge and the majority of the Board apparently has a different view. They do not believe it is necessary or appropriate to seek shareholder endorsement of their proposed way forward. It would therefore seem that they do not see the need to outline to the shareholders what their strategy is, how it will be resourced and what it will cost. Nor would they seem to agree that Keybridge's capital base is inadequate for a stand-alone listed investment business.

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As a consequence of this, we have made our takeover bid for Keybridge in order to obtain a larger shareholding and thereby acquire greater influence over the strategy of Keybridge.

Our proposal to you

We are offering you an exit from this investment at $0.16 per share. We believe it is a fair price which provides you with **certain cash value** for your investment.

The alternative of remaining a shareholder in KBC involves risk and uncertainty. What are the assets of Keybridge really worth? Will Keybridge be wound down and surplus capital returned? Will the cash that the company currently has be re-invested? If so, who will make those decisions, what will those investments be and how are they likely to turn out? None of us knows the answer to any of these questions.

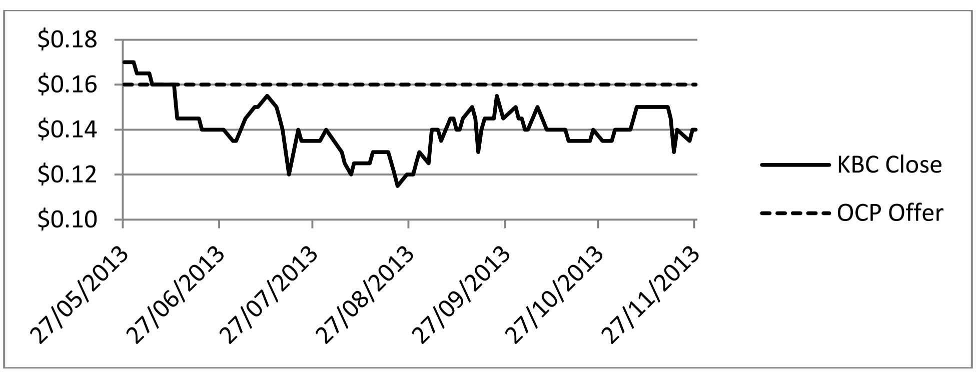
If your preference is to stay invested and allow the KBC Board to embark on a new investment strategy without obtaining a mandate from shareholders then that is of course your prerogative. It is not a course of action we support and we will do what we can as a major shareholder to prevent that occurring.

If you would like to exit but think we are not offering enough money then we ask you to consider the information in this letter in relation to value.

If you wish to remain invested in Keybridge but you do not agree with the KBC Board's decision to embark on a new investment strategy, then we suggest you consider selling some of your shares to us. This would provide us with the increased influence that we seek in order to bring about a more prudent approach to KBC's strategy.

The share price of Keybridge

Like all such matters your decision will be driven by your assessment of value. What are the shares in Keybridge worth? The following graph shows the prices at which Keybridge shares have traded over the last 6 months before the announcement of our Offer. Despite all the words in their Target Statement, your directors did not acknowledge that this Offer is at a premium to Keybridge's prevailing share price over that period. This Offer is the first time that you have been offered a full exit for your shares at a premium to the pre-Offer share price.



It is indeed share price that you should have regard to, not net asset value.

The response of your directors to our Offer

Our Offer is a simple all cash offer at $0.16 per share. As permitted under the Corporations Act, we have also instructed our broker to stand in the market to buy Keybridge shares on the ASX at or below $0.16 per share, allowing Keybridge shareholders who wish to achieve a speedy settlement to sell their shares to us on a T+3 basis.

Your directors' response to our Offer has included the following actions:

1. A mere 24 hours after the announcement of our Offer, they made an ASX announcement that they had received an approach from a third party and were in discussions with that party about a potential alternate bid for Keybridge and that they also anticipated making an announcement in relation to a share buy-back.
2. They convinced the ASX to place the shares in Keybridge into trading halt upon the basis of those proposals.
3. They expended valuable company resources by applying to the Takeovers Panel for orders restraining our Offer alleging, among other things, the novel argument that OCP's simple cash offer was in some way "coercive".

What has occurred as a result of this activity?

1. No alternative offer for Keybridge has emerged.
2. No share buy-back or other capital management activities have been outlined, despite 6 weeks having passed since this was suggested.
3. The Takeovers Panel refused to even commence proceedings on the basis of the allegations made by the Keybridge directors.

Despite having first made representations about alternative offers and capital management activities over 6 weeks ago, your Board did not provide any elaboration in the Target's Statement, a document which the Corporations Act requires them to prepare to assist you. We have requested clarification of these matters but the KBC directors have not provided a satisfactory response.

Target's Statement and the Independent Expert's Report

The Keybridge directors have now provided you with a Target's Statement and an accompanying Independent Expert's Report.[1] Surprisingly, the company that had a net asset value (NAV) of $0.192 per share at the time of our Offer is now said by the Independent Expert, and as endorsed by the Directors, to have a NAV of between $0.25 and $0.28 per share.

[1] This Supplementary Bidder's Statement includes statements which are made in or based on statements made in documents lodged with ASIC or the ASX (including the Target's Statement and Independent Expert's Report). As required by ASIC Class Order 13/521, OCP will provide a copy of these documents free of charge to Keybridge shareholders who request them by contacting OCP during the bid period, within two business days of the request.

Of course, as a fellow shareholder we would be pleased if this were indeed the real value of Keybridge shares. However, this is a company that has taken impairments on its assets of over $41 million over the last three years alone. This in itself is around $0.23 per share. The two investments that largely comprise this unexpected uplift in value are investments which the company itself has recorded at negligible values for some time. Until now.

We suggest that there are two questions you need to ask yourself:

1. Should you accept today's view of the net asset value? and
2. Is net asset value actually the relevant measure for you?

Should you accept today's view of net asset value?

The truth is that we don't know what the realisable value of the assets of Keybridge is and we don't think the directors of Keybridge do either. The assets that remain are clearly the most difficult assets. That is why these assets remain after all the other assets have been sold to pay off the burdensome debt that Keybridge had incurred.

It is very unclear to what extent the Independent Expert has sought to independently satisfy itself as to the key assumptions underlying its valuations. In some instances, the Independent Expert has noted that it has expressly based its valuations on representations from Keybridge management. In other instances, the Independent Expert has relied on forward-looking financial information provided by Keybridge management. Significantly, however, the Independent Expert says that it "*has not investigated this financial information in terms of the reasonableness of the underlying assumptions, accuracy of compilation or application of assumptions*". We believe this casts considerable doubt over the soundness of the Independent Expert's conclusions.

Indeed, at the very beginning of the Target's Statement, Keybridge itself tells you that forward looking statements "*are predictions only and are subject to inherent risks and uncertainties*" and warn that you should not place undue reliance on such forward looking information.

If this is the case, what can you rely on?

The two investments that largely contribute to the unexpected uplift in value of Keybridge are P&J Projects and PR Finance Group. The basis for this new assessment of their value is questionable.

P&J Projects Pty Limited

This investment is in a property development at Zetland in Sydney. Until our Offer was made, the Keybridge directors believed this investment was worth zero. The Independent Expert considers it is now worth between $3.5 million and $6.5 million (this represents around 2 cents per share at the lower end and just over 3.5 cents per share at the upper end of the

Independent Expert's valuation). However, you should bear in mind the following factors when considering the value attributed to this investment:

- Stage 4 of the development, from which Keybridge's return is supposedly to be derived, has not commenced and the overall project is more than 12 months behind schedule.
- This investment has been in default since January 2013. Despite this, Keybridge has not exercised any rights it may have to cause a sale of Stage 4 or indeed take any action to enforce its rights.
- The relationship between Keybridge and the developers is poor and without restructuring the entire financial arrangements the developers would make no money on the entire development even at the sorts of values that the Keybridge directors are now happy to have attributed to this investment.
- Keybridge's security over this development is at the end of a long line of prior ranking claims. The Independent Expert notes that there are $23.7 million of liabilities ahead of Keybridge (compared to the stated value of the land and unsold properties of $27.6 million).

So how does the Independent Expert form this view on the value of Keybridge's investment? This is what they say:

> "*No recent real estate valuations have been prepared. The land value has been based on Keybridge management's advice that conditional and or verbal offers of $19 million have been received. They further advised that comparable sales in the areas have recently completed around the $22 million level.*"

No independent valuation. No real valuation at all. If Keybridge is able to enforce rights and cause the sale of the undeveloped property at a profit, why hasn't it done so?

PR Finance Group

The second major step up in net asset value results from the Independent Expert's assessed value of Keybridge's investment in PR Finance Group. Prior to our Offer the Keybridge directors assessed this investment to be worth $1.1 million (just over half a cent per share) after having invested an additional $2 million to secure control of the investment. Now the Independent Expert has determined that it is worth between $3.0 million and $4.5 million (equivalent to around 1.7 cents per share at the low end and a little over 2.5 cents per share at the upper end of the Independent Expert's valuation).

We remind you that Keybridge itself placed PR Finance Group into Administration in October as a result of the view expressed by ASIC that PR Finance Group was trading in breach of consumer credit laws. PR Finance Group is insolvent and cannot meet its debts as and when they fall due. Indeed, it is in breach of a number of very significant debts.

The Independent Expert arrived at this valuation of $3.0 million to $4.5 million by a "review of correspondence with the Administrator dated during December 2013 together with discussions with management of Keybridge". No valuation. It is not even clear that the Independent Expert reviewed the financials of the remaining PR Finance Group business.

Is net asset value (NAV) actually that relevant to you?

Net asset value may be relevant in the case of a wind down strategy.

But in the absence of such a strategy, the real question for you is where will the shares trade on the ASX? We have already provided you with the data showing the share price over the 6 months prior to the announcement of our Offer. Keybridge shares haven't traded at anywhere near $0.25 to $0.28 for a long, long time. You may care to reflect on why that is the case.

We believe it is highly likely that in the absence of OCP's Offer the share price will return to the pre offer levels. We also believe that if the Keybridge directors embark on their re-investment strategy as is suggested then the share price may fall further because the cash backing that is there at the moment will be diminished as that strategy is executed.

We urge you to evaluate our Offer by reference to **share price**. The share price prior to our Offer. The likely share price after our Offer closes. The likely share price in the event that Keybridge starts spending its cash on additional operating expenses and making investments.

Selective share buy-back

There is one final matter that we would like to clarify.

The Keybridge directors have said in the Target's Statement that *"Immediately preceding the Announcement Date, the Directors were considering a proposal from Oceania Capital that Keybridge selectively buy-back all of Oceania Capital's Shares for 17.5 cents per Share."*

This is a mischievous statement.

What actually occurred is that, owing to the opposition we expressed to Keybridge's re-commencement of investment activities, Nicholas Bolton made a proposal to OCP that Keybridge funds be used to selectively buy-back the shares held by OCP. We responded to this proposal and the independent Keybridge directors then gave it due consideration.

After having taken an appropriate time to consider the proposal, the independent directors advised OCP that they were unwilling to support a selective buyback of shares and consequently we considered the proposal to be at an end.

The independent directors were not willing to spend your money on buying back our shares as Mr Bolton had proposed. Ultimately, this was not a surprising outcome given that the buy-back was only directed at OCP's shareholding and would have enabled Keybridge's other major shareholder, Australian Style Group, to consolidate its influence over Keybridge as a result of the removal of OCP as a shareholder.

Since that time, despite not taking the opportunity to outline any proposal to you in the Target's Statement, Mr Bolton has been quoted in the media as saying that Keybridge is considering a share buy-back or other capital management activities. Unless a proposal is formally submitted to you then we suggest that you should not give these comments any weight. A Board that is set on establishing a new investment business in this vehicle, with its already limited capital, would be reticent to return capital to shareholders. Capital management is exactly what we have been asking the Board to do. Return the surplus capital to the shareholders. They have refused to submit this proposal to shareholders.

Conclusion

There is a disagreement between OCP and the Keybridge Board and Management about the future activities of Keybridge. It is unclear when and how this disagreement will be resolved.

However, importantly for you, our Offer provides you with a certain and fair cash value for your Keybridge shareholding at a premium to Keybridge's pre-Offer share price as an alternative to the uncertainty of remaining a shareholder in Keybridge.

We encourage you to accept our Offer, which is currently scheduled to close on 31 January 2014, unless extended. If have not received or have misplaced your acceptance form, please contact us on info@oceaniacapital.com.au and we will arrange for a new acceptance form to be sent to you.

Yours sincerely

Ian Tsicalas
Chairman

This Supplementary Bidder's Statement has been approved by a resolution passed by the directors of OCP. A copy of this Supplementary Bidder's Statement has been lodged with ASIC and given to Keybridge and the ASX on 13 January 2014. Neither ASIC nor any of its officers takes any responsibility for the contents of this document.