

22 January 2014

Keybridge Capital Limited (KBC) supplementary target's statement in relation to Oceania Capital Partners Limited (OCP) off-market takeover bid

We attach, by way of service pursuant to paragraph 647(3)(b) of the *Corporations Act 2001* (Cth), a copy of the supplementary target's statement (including a supplementary independent expert letter by Pitcher Partners Corporate Pty Limited) prepared by KBC in response to the off-market takeover bid by OCP.

For further information or questions, please contact:

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Keybridge Capital is a financial services company that has invested in, or lent to, transactions which predominantly are in the core asset classes of property, aviation, finance receivables, shipping and infrastructure.

This document is a supplementary target's statement dated 22 January 2014 (**Supplementary Target's Statement**) issued by Keybridge Capital Limited ACN 088 267 190 (**Keybridge**). This document supplements and is to be read together with Keybridge's target's statement dated 31 December 2013 (**Target's Statement**). Unless the context requires otherwise, defined terms in the Target's Statement have the same meaning in this Supplementary Target's Statement. This Supplementary Target's Statement prevails to the extent of any inconsistency with the Target's Statement.

SUPPLEMENTARY TARGET'S STATEMENT

1. Statements made by Oceania Capital

We believe it is important to comment on some of the statements made by Oceania Capital in its 13 January 2014 announcement that the Non-Associated Directors believe are inaccurate or without sound basis. These have been summarised in the table below.

Statements from 13 January 2014 announcement by Oceania Capital ¹	Comment
Oceania Capital stated that its 16 cent Offer is a "fair price which provides you with certain cash value" for your Keybridge Shares	The Independent Expert has concluded that the Oceania Capital Offer is not fair and not reasonable The Independent Expert has determined that the 16 cent Offer is NOT FAIR and NOT REASONABLE and that your Keybridge Shares are worth between 25 cents and 28 cents per share
Oceania Capital urged Keybridge Shareholders to evaluate its Offer by reference to the Keybridge share price	Keybridge Shares are trading above the Offer price Oceania Capital failed to clarify that since the announcement of its Offer, Keybridge Shares have consistently traded on ASX above the Offer price, and continue to do so as at the date of this Supplementary Target's Statement
Oceania Capital encouraged Shareholders to ignore Keybridge's "net asset value" or NTA per share	The Oceania Capital Offer is at a substantial discount to reported NTA - NTA has long been regarded an important measure of the underlying value of an investment company such as Keybridge and the Non-Associated Directors consider NTA per Share to be one of the key value benchmarks that you should consider when assessing the Offer - In addition, in valuing your Keybridge Shares, the Independent Expert considered that the appropriate approach to adopt was an "asset based approach...taking into account the sum of the individual investments."

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

Oceania Capital stated that “[t]he truth is we don’t know what the realisable value of the assets of Keybridge is...”

There is potential upside contained in Keybridge’s investment portfolio

- The Non-Associated Directors believe that Oceania Capital is fully aware of the potential upside in Keybridge’s investment portfolio and that this assessment forms the basis of why Oceania Capital wants to acquire your Shares below the value range assessed by the Independent Expert

Oceania Capital referred to “burdensome debt that Keybridge had incurred.”

Keybridge is now debt free and has a substantial cash balance

- The historical leverage of Keybridge was incurred before any member of the current Board became involved with the Company. Keybridge is now debt free and has a substantial cash balance
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Although it is disappointing that Oceania Capital has elected to talk down the value of your investment, please be assured that your Board takes a conservative view on its NTA carrying values, in accordance with the required Australian Accounting Standards. Your Board strongly believes that there is significant real value and strong potential upside in the current investment portfolio and will remain committed to maximising long term shareholder value for all Shareholders.

2. Further information

We note that Oceania Capital has made certain comments in relation to the Independent Expert’s Report sent to Keybridge Shareholders on 31 December 2013. In order to address these matters, the Independent Expert has issued a supplementary letter that is attached as Annexure A to this Supplementary Target’s Statement.

The Board will continue to keep you updated on developments as they occur. In the meantime, if you have any questions in relation to the Offer, please contact the Keybridge Shareholder Information Line on 1300 823 159 (for calls made from within Australia), or +61 2 8022 7902 (for calls made from outside Australia).

3. Reject Oceania Capital’s Offer

Oceania Capital has announced that the Offer Period has been extended to 7:00pm (Sydney time) on 14 February 2014 (unless further extended). You have up until the scheduled closing date to make your choice in relation to the Offer.

The Non-Associated Directors continue to believe that the terms of the Oceania Capital Offer are materially inadequate and do not reflect fair value for your Keybridge Shares. Accordingly, the Non-Associated Directors maintain their recommendation that you **REJECT** Oceania Capital’s Offer and **DO NOTHING** in relation to any documents sent to you by Oceania Capital.

4. Approval

This Supplementary Target’s Statement has been approved by a resolution passed at a meeting of Directors (excluding Mr Moran) held on 22 January 2014.



Peter Wood
Chairman
Keybridge Capital Limited

Dated 22 January 2014

Annexure A – Independent Expert's Supplementary Letter



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22 January 2014

The takeovers committee
Keybridge Capital Limited
18 Market Street
SYDNEY NSW 2000

Dear Sirs,

SUPPLEMENTARY LETTER - KEYBRIDGE CAPITAL LIMITED (KEYBRIDGE)

This supplementary independent expert letter (Supplementary Letter) should be read in conjunction with our independent expert report (IER) relating to Keybridge dated 31 December 2013. All abbreviations in this Supplementary Letter are the same as those in the glossary of terms in our IER.

On 13 January 2014 Oceania issued a supplementary bidder's statement (the Supplementary Bidder's Statement). In the Supplementary Bidder's Statement Oceania raised points relating to assets which formed part of our valuation, namely PRFG and P&J.

We confirm that this information was known to us and taken into consideration when forming our opinion.

For your information we have set out below further information on these assets as well as the basis of our valuation. We note that some of the assumptions in the Supplementary Bidder's Statement about our valuation are not correct. We did not provide detailed assumptions in our IER and will not provide detail on specific assumptions in the Supplementary IER as they are commercially sensitive and may jeopardise the value recoverable by Keybridge which would be detrimental to Shareholders.

PRFG

The value attributed to PRFG as at 31 December 2013 is in no way comparable to the book value at 30 June 2013 due to the sale of the main motor finance business in September 2013. As noted in section 4.6 of our IER, Keybridge's investments have not been fair valued since 30 June 2013. As such the book value at 30 November 2013 is the balance of the initial loan funded to PRFG and does not reflect the underlying value of the equity investment.

C.2020841.1

In opining on the value of PRFG we had regard to correspondence from the Administrator to Keybridge as to their estimate of the return to the secured creditor (Keybridge).

The correspondence has regard to the recoverable value of each asset available to the Administrator and is supported by offers they have received. A copy of the offer being negotiated was provided to us.

In our experience such correspondence is typical and reflective of normal reporting between an Administrator and the secured creditor.

In our view, it would not be unreasonable to adopt this value. That said, at the low end of the range, we applied a further discount to reflect the uncertainty as to the ultimate sale price and associated costs.

P&J Projects

As noted previously, Keybridge has not conducted a fair value assessment since 30 June 2013 and as such no change is recognised in the November management accounts.

The legal entitlement of Keybridge's loan to P&J is in the order of \$9.1 million across all projects. We acknowledge the points made by Oceania in its Supplementary Bidder's Statement and confirm that we were aware of all points raised in their Supplementary Bidder's Statement at the time we issued our IER. In particular we note that Oceania makes reference to the issues associated with stage 4 of the development.

The value ascribed to P&J in our IER was a range between \$3.5 million to \$6.5 million.

At the lower end we did not attribute value to stage 4, while we have attributed some upside in our high assessment, but on an undeveloped basis. As such, at the low end no value has been attributed to the developments Oceania has raised concerns with in the Supplementary Bidder's Statement.

It should also be noted that security and the value of creditors ranking in priority to Keybridge vary project to project and as such it is inappropriate to assume Keybridge is last to receive any proceeds.

It remains our opinion that Oceania's offer of \$0.16 per share remains not fair, nor reasonable to Shareholders.

Yours sincerely



P MURONE
Executive Director



M SONEGO
Executive Director