ASX MARKET ANNOUNCEMENT

Monday, 14 August 2017 ASX Codes : KBC; KBCPA

NET ASSET BACKING – JULY 2017

Keybridge Capital Limited (ASX:KBC) gives notice that its unaudited after-tax Net Asset Backing as at 31 July 2017 was $0.168 per share.

Net Asset Backing

Net Asset Backing for Period Ending:	% Change	Current Month 31 July 2017	Previous Month 30 June 2017
Pre-Tax Net Asset Backing per share	-1.9%	**$0.168**	$0.1712
Post-Tax Net Asset Backing per share	-1.9%	**$0.168**	$0.1712
Based on total issued (listed) share capital[1]		**158,812,237**	158,812,237

Net Assets

	Current Month 31 July 2017		Previous Month 30 June 2017	
	$'million	**% of Net Assets**	$'million	% of Net Assets
Cash	4.516	16.9%	1.414	5.2%
Investment in Associated entity[2]	2.817	10.6%	2.584	9.5%
Other Listed Securities	7.806	29.3%	11.501	42.3%
Managed Funds	0.219	0.8%	0.232	0.8%
Other Investments	0.103	0.4%	0.103	0.4%
Loan Receivables:				
• Private Equity[3]	3.756	14.1%	3.900	14.3%
• Infrastructure[4]	6.008	22.5%	6.432	23.7%
• Insurance[5]	3.232	12.1%	3.250	12.0%
• Property[6]	0.885	3.3%	0.885	3.3%
• Other[7]	0.766	2.9%	0.757	2.8%
Other Assets[8]	1.028	3.8%	0.529	1.9%
Convertible Redeemable Promissory Notes (ASX: KBCPA)[9]	(4.097)	(15.4%)	(4.141)	(15.2%)
Provision for tax	-	-	-	-
Other Liabilities	(0.359)	(1.3%)	(0.260)	(1.0%)
Net Assets	**26.680**	**100%**	**27.186**	**100%**

Currency Exposure

% of Net Assets	**Current Month 31 July 2017**	Previous Month 30 June 2017
Australian Dollars	47%	47%
Euros	25%	25%
US Dollars	14%	14%
New Zealand Dollars	14%	14%

Major Investment Holdings

			Current Month 31 July 2017		Previous Month 30 June 2017	
Security	**ASX Code**	**Industry Sector**	**Value $'million**	**% of Net Assets**	Value $'million	% of Net Assets
Molopo Energy Limited	MPO	Energy	6.442[8]	24.1%	7.204	25.2%
PTB Group Limited	PTB	Capital goods	-	-%	2.947	10.3%
HHY Fund	HHY	Financials	2.817	10.6%	2.584	9.1%
Metgasco Limited	MEL	Energy	0.986	3.7%	0.928	3.3%
Copper Strike Limited	CSE	Materials	0.346	1.3%	0.312	1.1%
Other managed funds	-	-	0.219	0.8%	0.232	0.8%
Other listed securities	-	-	0.033	0.1%	0.110	0.4%
Other unlisted securities	-	-	0.103	0.4%	0.103	0.4%
Total			**10.95**	**41.03%**	**14.42**	**50.60%**

Loan Receivable Holdings

	Current Month 31 July 2017 $'million			Previous Month 30 June 2017 $'million		
Loan Exposure to Industry Sector	**Gross Value**	**Impairment**	**Carrying Value**	Gross Value	Impairment	Carrying Value
Private Equity	6.363	(2.607)	3.756	6.507	(2.607)	3.900
Infrastructure	12.090	(6.082)	6.008	12.514	(6.082)	6.432
Insurance	3.232	-	3.232	3.250	-	3.250
Property	4.189	(3.304)	0.885	4.189	(3.304)	0.885
Other	0.838	(0.072)	0.766	0.830	(0.073)	0.757
Total	**26.712**	**(12.065)**	**14.647**	**27.290**	**(12.066)**	**15.224**

FOR FURTHER INFORMATION:

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ABOUT KEYBRIDGE CAPITAL LIMITED (ASX: KBC)

KBC is an investment and financial services group with a diversified portfolio of listed and unlisted investments/loan assets including in the solar (Spain), private equity (US), life insurance (New Zealand), property and funds management sectors and strategic holdings in HHY Fund (ASX:HHY), Molopo Energy Limited (ASX:MPO) and Metgasco Limited (ASX: MEL).

NOTES:

(1) Net Asset Backing per share is based on Keybridge's total listed shares on issue and excludes unlisted shares issued under the Company's Executive Share Plan (for further details, refer KBC's Notice of AGM released on ASX on 30 October 2014 and KBC's ASX announcement dated 19 December 2014: Appendix 3B and Further Detail Regarding Issuance of Loan Funded Shares).

(2) **Investment in Associated entity**: Keybridge's investment in HHY Fund (ASX:HHY), an Associated Entity (i.e. an entity in which the Company has a greater than 20% interest and is considered to have 'significant influence' over), is accounted for under the equity method in the consolidated financial statements. Under the equity method, the carrying amount of such investment is cost plus a share of the Associate Entity's net profit or loss (after tax) as provided to the Company by such Associated Entity (refer Note 3a(iv) (Significant Accounting Policies - Basis of Consolidation - Investments in equity-accounted investees) at page 37 of the Company's 2016 Annual Report). The Directors have determined that where HHY's net tangible asset (**NTA**) backing is lower than the value calculated under the equity method as at month end, the lower NTA backing value will be adopted as the carrying value instead. As at month end, Keybridge's 23,963,729 units (28.00% interest) (30 June 2017: 22,646,973 units and 26.46%) in HHY have a carrying value of $0.1176 per unit ($2.817m) based on the equity method (30 June 2017: $0.1141 per unit ($2.584m) based on HHY's NTA backing); this compares with HHY's last bid price on ASX of $0.95 per unit ($2.277m) (30 June 2017: $0.10 per unit ($2.265m), at month end.

(3) **Loan Receivables - Private Equity**: Keybridge holds a US$4.3m a limited recourse promissory note issued by RPE I Investor LLC (**RPE Investor**) (a subsidiary of Republic Financial Corporation (**RPC**), a US private investment company) secured (via collateral pledged) over RPE Investor's ~50% (Limited Partners') interest in the Republic Private Equity I Limited Liability Limited Partnership, a private equity fund (managed by a related party to RPC) with investments in two active US based manufacturing/distribution businesses (**RPE Fund**). The principal and accrued interest (at 14.5% pa) under the note is repayable on maturity on 29 December 2017 (which is subject to extension/re-finance by mutual agreement of the parties). As at month end, the loan was carried at Directors' valuation (net of impairments) of US$3m (A$3.76m). The 30 June 2017 comparative has been restated to this US$3m value (previous 30 June 2017 net asset backing announcement: US$4.04m (A$5.25m)).

(4) **Loan Receivables – Infrastructure**: In 2007/2008, Keybridge financed the development and construction of the Totana 1.05MWp Solar Photovoltaic Park in the Murcia region in southern Spain. Under Spanish Royal Decree, Spanish energy supplier, Iberdrola, (which has a 25 year (plus two 5 year extensions) purchase off-take arrangement) is required to purchase all electricity produced by Totana at Government mandated feed-in tariff prices plus (since July 2013 under Royal Decree) additional compensation payments (which are intended to provide a reasonable return on operations and capital invested for renewable energy sources and is subject to review every 3 years). The loan (which currently accrues interest at 7.25% pa) is repayable on maturity on or about December 2038. During the financial year to month end, Keybridge received €0.27 (A$0.392m) in cash loan repayments. As at month end, the loan was carried at Directors' valuation (net of impairments) of €4.085m (A$6.01m) (30 June 2017: €4.33m (A$6.43m)).

(5) **Loan Receivables – Insurance**: Keybridge has invested NZ$3.8m (A$3.4m) (via NZ$0.109m (10.13%) equity and NZ$3.691m notes) into Foundation Life, to finance Foundation's acquisition of Tower Limited's life insurance business in New Zealand in 2014. Interest of 9% pa is payable under the note, which is redeemable by noteholders in 10 years (May 2024) or by Foundation (from time to time). As at month end, the loan balance is NZ$3.23m (A$3.44m) (30 June 2017: NZ$3.41m and A$3.25m) and Keybridge retains its 10.13% equity interest in Foundation Life, which the Directors have determined to reinstate the carrying value to cost of NZ$109m (A$0.103m).

(6) **Loan Receivables – Property**: Keybridge has registered mortgages over strata title lots comprising Conference Facilities at a Hotel located in a beachside suburb in north Sydney as security for loans to private companies (which are in liquidation). As at month end, the loan was carried at Directors' valuation (net of impairments) of A$0.885m (30 June 2017: A$0.885m) – this was based on an independent valuation received in respect of the lots in May 2016. Keybridge has also fully impaired a loan of $3.304m (in 2012/13) in respect of a multi-staged residential development in Sydney where Keybridge is (indirectly) the sole holder in unit trusts where the corporate trustees are in liquidation.

(7) **Loan Receivables – Other**: Includes $0.43m (30 June 2017: $0.42m) accrued interest receivable in respect of Executive Share Plan (**ESP**) loans attributable to former Directors.

(8) **Molopo Energy Limited (ASX:MPO)**: On 7 July 2017, 3,666,285 shares in MPO (out of Keybridge's total holding of 49,683,828 shares) were vested in the Commonwealth (on trust for Keybridge) under the declaration and orders of the Takeovers Panel in the matter of Molopo Energy Limited 03R, 04R & 05R.[1, 2] These shares will be sold by ASIC (via an appointed investment bank or stock broker within 6 months from their engagement) with the proceeds of sale accounted to Keybridge (net of the costs, fees and expenses of the sale and any costs, fees and expenses incurred by ASIC and the Commonwealth (if any)). Keybridge remains the second largest shareholder in MPO with 46,017,543 shares (18.478%)[3]. These vested shares have not yet been sold by ASIC and Keybridge has accounted for such shares as a Receivable asset with a carrying value based on the closing bid price on ASX at month end less selling costs (estimated at a provisional 2.5%).

(9) **Convertible Redeemable Promissory Notes:** (ASX: KBCPA): Keybridge issued 4,956,936 listed Convertible Redeemable Promissory Notes on 30 June 2015. 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). Interest distributions are generally payable quarterly and have a franking credit component under Australian taxation law. Further details are contained in the Prospectus dated 17 June 2015. As at month end, 4,401,047 notes are on issue (30 June 2017: 4,401,047 notes).

1 Refer Takeovers Panel Media Release No. TP17/34 dated 30 June 2017: Molopo Energy Limited 03R, 04R & 05R – Declaration of Unacceptable Circumstances

2 Refer Takeovers Panel Media Release No. TP17/37 dated 10 July 2017: Molopo Energy Limited 03R, 04R & 05R - Orders

3 Refer KBC's 11 July 2017: Change of Substantial Holder Notice for MPO