

12 May 2016

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ASX Markets Announcements
Australian Securities Exchange
Exchange Centre
Level 4, 20 Bridge Street
Sydney NSW 2000

Via Electronic Lodgement

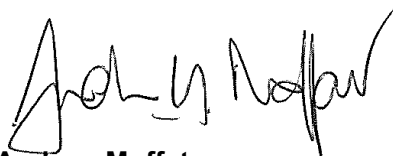
**Receipt of non-binding proposal for potential restructure transaction
from Wilson Asset Management**

The Board of Keybridge Capital Limited ('Keybridge') has received a proposal from Wilson Asset Management ('Wilson') for a restructure of the Company ('Proposal'). A copy of the Proposal is attached.

The Board believes that shareholders should have the opportunity to consider the Proposal. Subject to the completion of due diligence and negotiation of binding agreements, the Board intends to convene an Extraordinary General Meeting ('EGM') for this purpose. To assist shareholders with their consideration of the Proposal, an Independent Expert will also be engaged to prepare an opinion. The Board will consider the advice of the Independent Expert and report to shareholders in the explanatory memorandum which will accompany the notice of the EGM.

The Board suggests to shareholders that they await receipt of the notice of meeting and accompanying material before making any decision in respect of their shares, and will keep shareholders informed as the transaction progresses.

For and on behalf of the Board.



Andrew Moffat
Chairman

For further information, please contact:

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WILSON
ASSET MANAGEMENT

12 May 2016

Mr Andrew Graeme Moffat
Chairman
Keybridge Capital Limited
Level 4, 1 Alfred Street
Sydney NSW 2000

Dear Mr Moffat,

Proposed Restructure for Keybridge Capital Limited

Wilson Asset Management (International) Pty Limited or its nominee (**Wilson Asset Management**) is pleased to set out the terms of an indicative non-binding proposal (**Proposal**) to restructure (**Restructure**) Keybridge Capital Limited (**Keybridge**).

Benefits

The Proposal offers substantial benefits for Keybridge shareholders including:

- access to a committed investment manager with considerable experience in successfully managing listed investment companies (LICs); and
- the flexibility to either participate in the new future for their company as an entity managed by Wilson Asset Management (**WAM Entity**) or an opportunity to exit from Keybridge at the Appraised Realisable Net Tangible Asset (**NTA**) less transaction costs.

Following the Restructure:

- Keybridge shareholders will gain exposure to Wilson Asset Management's absolute return bias, bottom-up, fundamental investment methodology;
- Keybridge will have a larger capital and shareholder base and a proven LIC investment manager;
- we expect Keybridge will have a:
 - stable and clearly articulated investment strategy; and
 - a share price trading at or near the Keybridge NTA per share.

We believe the Restructure provides Keybridge shareholders with a superior outcome with greater certainty and flexibility than the status quo.

Proposal

Based on our review of Keybridge's publicly available information, we are pleased to present this indicative non-binding proposal for our role in the Restructure of Keybridge. The Proposal is not conditional on any of the current Keybridge assets being retained.

Shareholder approval

The Restructure will require shareholder approval. Keybridge shareholders will be given the opportunity, at an extraordinary general meeting (EGM), to approve the Restructure as a package. The four (4) elements of the Restructure involve:

1. an equal access buy-back of Keybridge shares;
2. a new management agreement with Wilson Asset Management or nominee;
3. an offer of new Keybridge shares to Keybridge shareholders, WAM entities and members of the public (**New Offer**); and
4. my election to the Board.

I (or my nominee) would agree to invest at least \$1 million in the New Offer.

All 4 must be implemented for the Restructure to proceed. The Restructure will not involve a buy-back of Keybridge's debt securities.

In summary, Keybridge shareholders:

- can vote on the various resolutions to approve and allow implementation of the Restructure; and
- may elect to have their Keybridge shares bought back or purchase additional shares in Keybridge.

Due Diligence

Before the Proposal is put to Keybridge shareholders at an EGM, Wilson Asset Management would conduct due diligence inquiries into Keybridge. Keybridge will provide access to appropriate records in this regard and we will keep the information confidential. Our current expectations are that this due diligence should be completed by 15 June 2016. If the results of these inquiries are acceptable to Wilson Asset Management then it would request that the EGM be called in a timely fashion. The Keybridge board would take all necessary steps to convene the EGM to put the resolutions referred to above and, in the absence of a superior proposal, recommend to shareholders they vote in favour of the Restructure.

Keybridge acknowledges that Wilson Asset Management will be incurring costs and expenses in conducting due diligence. Wilson Asset Management is relying on the board supporting the Proposal in conducting its due diligence inquiries. In consideration of this reliance, if the board of Keybridge does not call an EGM or does not recommend that shareholders vote for the Restructure (or any part of it) Keybridge will pay a break fee to Wilson Asset Management equal to \$80,000 (exclusive of GST). We will need to separately document this arrangement.

Buy-back of Keybridge shares

Part of the Restructure would involve an off market share buy-back. Shareholders who wish to exit Keybridge will be able to participate. The buy-back would be priced at the Appraised Realisable NTA less transaction costs. The Appraised Realisable NTA is the net tangible assets backing per share that the assets of Keybridge could be disposed of in a timely manner. The Appraised Realisable NTA will be established during the course of due diligence and set out in the EGM notice.

Currently, before conducting detailed due diligence, our estimated NTA based on the December 2015 Half Year accounts is between 15c and 20c per share and the buy-back price would not be reduced by the costs of the New Offer.

WAM Entities currently on Keybridge's share register intend to exit from Keybridge either before or under the buy-back. Shareholders who do not participate in the buy-back and who want to remain invested in Keybridge understand the new manager could elect to take up shares in the New Offer.

Manager

Keybridge shareholders would be asked to approve the appointment of Wilson Asset Management as investment manager (the **Manager**) by entering into a new investment management agreement (**Management Agreement**).

The Management Agreement will be for a term of five (5) years with automatic 5-year extensions unless terminated earlier in accordance with the Management Agreement. The Manager will be paid a monthly management fee equal to 1% per annum (plus GST) of gross asset value and a 20% performance fee (plus GST) over a hurdle of the Bank Bill Swap Rate (BBSW), with a high watermark. The remaining terms will be consistent with the terms of other management agreements for Wilson Asset Management LICs.

Option issue

We would encourage the Board to issue options to all remaining shareholders at no cost following the completion of the buy-back and capital raising. The option issue would be on a one-for-one basis with an eighteen-month expiry date and an exercise price equal to the issue price under the New Offer. While this is not an integral part of the Restructure our view is that an option issue will be commercially attractive to Keybridge shareholders.

Timetable

We want to pursue discussions with Keybridge in relation to the Restructure in a compelling and constructive manner. We are prepared to work with you to bring this offer to Keybridge shareholders. We believe it is in the best interest of Keybridge shareholders that the Restructure be put to them at the EGM as soon as possible following completion of our due diligence.

Confidentiality

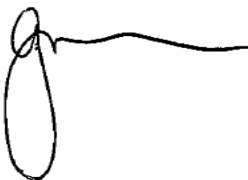
Wilson Asset Management has taken appropriate steps to maintain the confidentiality of this letter and has confined the knowledge of this initiative and the Restructure to a very small circle of persons on a need-to-know basis. However, we acknowledge that the Board may wish to announce the Restructure to the Australian Securities Exchange (ASX) and consent to that announcement.

Conclusion

Wilson Asset Management believes that the indicative non-binding Proposal is a compelling proposition for Keybridge and its stakeholders.

If you have any questions regarding the Restructure, please do not hesitate to contact me on (02) 9247 6755. We look forward to your timely response.

Yours sincerely,



Geoff Wilson
Chairman
Wilson Asset Management