KEYBRIDGE CAPITAL LIMITED

10 April 2013

Quarterly Update
January to March 2013

- Completion of the sale of the three Brussels aircraft delayed
- Property repayment of $1.3 million received
- Further property repayment of $1.1 million expected
- Restructure of Republic Private Equity investment
- Corporate debt reduced to US$19.5 million

Investment Portfolio Update

Keybridge continues to wind down its existing investment and loan portfolio with the purpose of accelerating realisations where practical so as to repay in full its remaining corporate debt facility.

The Company announced on 2 April 2013 that it had entered into a Scheme Implementation Deed whereby it would acquire 100% of the issued capital in PR Finance Group (PRFG). Keybridge is taking such action to protect its existing loan to PRFG who is currently unable to meet interest or maturity obligations. This does not represent a change in strategy for the Keybridge business as a whole, and the Company continues to support PRFG's initiatives to repay its mezzanine loan to Keybridge.

In the three months to 31 March 2013, Keybridge repaid a further USD7.5 million of its corporate debt facility which is over and above its required milestone objectives. This repayment was achieved with funds derived from asset realisations and a tax payment received. Details of the tax payment were advised to the ASX on 2 April 2013.

As a result of repayments achieved in the quarter and movements in foreign exchange rates (herein assumed at AUD1.00 = USD1.0425 and EUR0.8150), but before considering any possible amendments to carrying values or the completion of asset sales being negotiated (refer to Expected Realisations below), the composition by asset class of Keybridge's remaining investment portfolio as at 31 March 2013 is approximately as follows:

	AUDm	% of Total
Aviation	30.81	47.8%
Lending	11.65	18.1%
Property	10.54	16.4%
Infrastructure	6.92	10.7%
Private Equity	4.49	7.0%
Total	**64.42**	**100.0%**

This investment portfolio adequately supports the Company's remaining corporate debt exposure of USD19.5 million, and forecast cash income and asset realisations from this portfolio continues to meet the Company's operating costs and interest obligations.

Expected Realisation

Keybridge announced in February 2013 that its aircraft manager, GMT Aviation, had signed a non-binding Letter of Intent with a leasing subsidiary of a major financial institution to sell three A330-300 aircraft and thereby repay Keybridge's interest in this asset (approximately USD$30 million). The sale of these aircraft has not been achieved by its target completion date and remains non-binding. The aircraft manager has sought Keybridge's approval to support the sale on the same terms through to the end of April 2013.

To facilitate the sale of the abovementioned aircraft, Keybridge and Republic Financial Corporation (RFC) have entered into an agreement to restructure the investment held by Keybridge in Republic Private Equity Fund (RPEF).

Keybridge will sell its preferred shares in the RPEF for USD4.3 million (USD0.3 million discount to the Company's December 2012 carrying value for the asset) which sale is fully funded by a USD4.3 million loan from Keybridge to RFC. This non-cash restructure of the investment in RPEF will only occur if the three A330-300 aircraft are sold pursuant to the above transaction.

Property

One of the Company's remaining property transactions is a loan to a securitisation warehouse backed by a pool of first ranking performing and non-performing commercial property mortgages. Following the recent successful sales of properties supporting two of the pool's underlying non-performing loans, Keybridge is expecting $1.1 million to be repaid by the end of May 2013, which is in addition to the $1.3 million already received in the March 2013 quarter.

Debt Facility

The outstanding principal amount under Keybridge's corporate debt facility now stands at USD19.5 million having been further reduced by USD7.5 million during the quarter. Keybridge has now met all of its required interim debt repayment milestones. The facility has a maturity date of 3 June 2013.

Assuming the sale of the aircraft as detailed above is completed, the corporate debt facility would be repaid in full, and the Company would have cash reserves in excess of USD8.0 million. Should this not occur, Keybridge would likely have to seek an extension to the maturity date of the corporate debt facility to allow the orderly realisation of assets to continue.

Cash Flow

Keybridge currently has approximately $3.1 million of cash-on-hand. The Company expects to continue to be able to adequately meet its fixed commitments of interest and operating costs from these cash reserves and asset realisations.

Currency Exposure

The approximate currency breakdown of the Company's assets and liabilities is as follows:

	Assets	Liabilities	Net
US Dollars	35.0m	19.5m	15.5m
Australian Dollars	26.1m	4.9m*	21.2m
Euros	5.6m	-	5.6m

*includes $4.35m accrual for a prepayment of tax

This net foreign currency asset position means that the Company continues to incur exchange losses when the Australian Dollar appreciates in value against the US Dollar and Euro. Since 1 July 2012, the Australian Dollar has increased in value against the US Dollar and against the Euro, resulting in an overall net unrealised foreign currency loss for the Company.

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.

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