

25 February 2011

STANDSTILL AGREEMENT UPDATE

RIVERCITY MOTORWAY GROUP (ASX:RCY)

No approval to a Standstill Agreement for RiverCity Motorway from the Bank Syndicate

The Board of RiverCity Motorway Group advises that it did not receive the Bank Syndicate approval to the requested Standstill Agreement by the deadline of the close of business yesterday, 24 February, 2011.

Unitholders were advised of the proposal for a Standstill Agreement at the 2010 Annual Unitholder Meeting held on 22 November, 2010. Unitholders were advised of the serious financial challenges that faced the business and that it was not expected to be in a position to meet interest payments beyond September 2011.

The Directors and Management put forward a proposal to the Bank Syndicate to implement a Standstill arrangement, initially targeting agreement by 31 December 2010. Under the Standstill Agreement, the Group's interest obligation would have moved to a "Pay if You Can" basis. The Standstill Agreement was intended to enable the Board to continue to manage the business on behalf of Unitholders until after the opening of the Airport Link tunnel, planned for mid 2012. The terms of the financial facilities meant that any Standstill Agreement would require approval from 100% of members of the Bank Syndicate.

The 24 banks that made-up the Bank Syndicate established a working group and appointed an independent adviser, a group called 333 Advisory. The Board notes that the members of the Bank Syndicate have since changed with sales of holdings by a number of Banks.

A number of presentations and individual briefings were given to members of the Bank Syndicate. These included the initial approach and presentation to the bank working group in October 2010, visits to individual banks in Australia, Singapore and Hong Kong, telephone briefings to some overseas banks based in Europe, a further briefing in December 2010 along with details of the IMIS Traffic Report and a final briefing on 2 February 2011. A target deadline for the Bank Syndicate response of 16 February 2011 was set at that meeting.

On 17 February 2011, RiverCity Motorway Group advised the Bank Agent that unless advice of the Bank Syndicate approval to the Standstill Agreement was received by close of business Thursday 24 February 2011, the RiverCity Motorway Group, Board of Directors would be unable to lodge 31 December 2010 financial statements and consequently, would have to consider appointment of an Administrator at its meeting of 25 February 2011.

As at 9.30am on 25 February 2011, the advice from the Bank Agent is that whilst agreement has been obtained from some of the Bank Syndicate members, it is not unanimous.

Without a Standstill Arrangement, the Board faces the situation that it will be unable to sign the Ratio Certificate for the banks due at the end of February 2011, which would be an event of default under the finance documents. As the Group is likely to become insolvent, the Board will, as foreshadowed last November 2010, consider the appointment of an Administrator at its meeting later this morning.

The Group will remain in a trading halt until the Board of Directors has resolved its course of action following the today's Board meeting where the outcome of the decision will be advised to the market.

Yours sincerely



Christine Hayward
Company Secretary
RiverCity Motorway Group