

10 May 2010

UPDATE TO RIVERCITY MOTORWAY GROUP INVESTORS

RiverCity Motorway Group has received a number of letters from investors since opening the CLEM7 tunnel to traffic on 16 March 2010. Questions appear to have been prompted by the early traffic figures we have reported via the ASX and the extensive media and analyst commentary that has resulted from traffic volumes being well below expectation.

As you are an owner of RiverCity Motorway, I thought it important to address the range of questions asked and comment on the early traffic figures, the key issues that face us during our traffic ramp-up, the role of the Board and management and the strategic focus for the coming months.

The table below summarises the traffic volumes that the Group has reported via the ASX:

	Toll-free 16 March to 5 April 2010	Tolled* 6 - 30 April 2010
Average Daily Trips	59,109	21,178
Average Workday Trips	61,799	22,967
Average Non-workday Trips	54,737	16,577

*During this period the tolls for all vehicles were discounted by 30%. For example, the allowable toll of \$4.28 for a car was discounted to \$2.95. That discount has been extended to 30 June 2010.

These early traffic volumes are markedly below the original forecast of the Traffic Expert contained in the Product Disclosure Statement for our initial public offering and were disappointing to RiverCity Motorway. The original forecast was for 60,451 average daily trips (ADT) 1 month after opening, scheduled to increase to 90,676 ADT 6 months after opening, 94,706 ADT 12 months after opening and 100,284 ADT at the end of the 18 month ramp-up period.

As to the financial position of the Group, RiverCity Motorway has access to cash reserves of approximately \$150 million. Under RiverCity Motorway's financing documents, the first debt service coverage ratio test for the purpose of determining if there is an event of default is not until approximately June 2012. If the Group meets this test and no event of default otherwise occurs, RiverCity Motorway has no debt scheduled to mature until 2014.

The current traffic levels will need to improve markedly over the coming 18 to 24 months to meet the Group's debt financial covenants and provide the long-term value expected by investors at the time of the initial public offering.

RiverCity Motorway's appointed financial advisers continue to assist the Board and management in assessing potential options for the Group's capital structure. Further services are being sought from traffic experts to assist in the review. Management and the Board are dedicated to achieving the best performance of the CLEM7 tunnel over the coming months.

Given our toll road is only in its first month of tolled operation it is still very early days. Traffic levels in coming months will depend on many factors, including the demand for river crossings, the occurrence and timing of road projects such as the Gateway Bridge duplication and the Go Between Bridge (formerly named Hale Street Link), changing travel patterns and habits such as the degree that motorists move from other crossings to the CLEM7 tunnel, community acceptance of the CLEM7 tunnel and toll rates, motorist appreciation of the faster and more reliable travel offered by the CLEM7 tunnel, the performance of feeder roads and road disruptions such as those resulting from the construction of the adjacent Airport Link toll road, as well as factors such as demographic and economic conditions.

The opening of CLEM7 has had a marked affect on the adjacent road network, improving traffic flow and reducing travel times for all motorists. The expectation during ramp-up is that as traffic on the surface roads continues to grow the time saving offered by the CLEM7 tunnel will become more compelling for motorists. It is, therefore, too early to say where traffic will settle following ramp-up.

During construction it was the role of the Board and management to ensure completion of the tunnel on-time, without cost over-run and to the specified quality. The opening to traffic on 16 March 2010 saw the successful completion of that three and a half year effort. There was also a requirement to have an efficient tolling system with easy-to-use accounts and products. This was also successfully achieved.

Once opened, the focus of the Board and management shifted to the efficient and safe operation of the tunnel and its roadways, promotion of public awareness of the tunnel and the tolling products and a range of incentives to encourage motorists to experience the CLEM7 tunnel. To date these initiatives have included:

- Major promotional campaign across television, radio, newspapers, billboards and direct mail to households that has achieved unprompted awareness of our tunnel of 92%;
- 3-week toll-free period;
- 30% toll-discount period extended through until 30 June 2010;
- Free trips on the CLEM7 tunnel for customers who establish a FLOW Tolling account;
- Waiving of image process fees (\$0.40) until 30 September 2010; and
- Attracting a higher level of infrequent motorists by introducing a new tolling product that enables them to use our road and receive an invoice for the toll in the mail.

A recent survey of motorists who have used the CLEM7 tunnel since tolls were introduced demonstrates that satisfaction levels are high. On average, these motorists rated their satisfaction with using the tunnel 4.2 out of 5 (5 = very satisfied).

In the coming months, the prime management task is to keep the tunnel working well and to tailor promotion, pricing, tolling products and incentives to get the best traffic result. The Group will continue to monitor traffic levels and travel times on the CLEM7 tunnel, approach roads and the nearby bridges and to assess the opinions of users and potential users.

Whilst initial traffic levels have been well below our start-up target the opening of the CLEM7 tunnel represents a major change for Brisbane motorists, therefore, it may take some months for travel patterns to become apparent. We will continue to release traffic data on a monthly basis via the ASX and on our website.

The 45-year concession to operate the CLEM7 tunnel underpins the long-term value proposition for RiverCity Motorway investors. I can assure you that the Board and management remain focussed on ensuring smooth operations, safe travel, efficient and friendly tolling, good customer relationships and achieving maximum traffic usage to underpin commercial success.

I look forward to keeping you informed of our progress during our ramp-up.

Regards,



Robert Morris
Chairman