

Risk management policy

Keybridge Capital Limited

ACN 088 267 190 (**Company**)

Risk management policy

a) Executive Summary

This Risk Management Policy is approved by the Board of Keybridge Capital Limited (KBC) to govern the management of risk in KBC and its controlled entities. The policy addresses the key risks encountered by KBC, namely:

- Strategic risk
- Operational risk
- Legal and regulatory compliance risk
- Reputation risk
- Credit risk
- Market risk
- Equity risk
- Liquidity risk

KBC's Board has ultimate responsibility for risk management. To assist the Board in discharging its corporate governance obligations in respect of overall risk management and control, the Board has established an Audit, Finance and Risk Committee (AFRC). A copy of the AFRC charter is located on the KBC website.

The primary responsibility for risk management rests with KBC's Managing Director and other senior management.

As an investor and lender, risk is integral to KBC's business. Management of the business risks faced by the business is fundamental to the success of the Company. The Board and Management are committed to the following risk management principles:

- A culture and set of processes that appropriately balance risk and reward.
- Risk will be managed on a proactive rather than reactive basis
- KBC will carefully identify, quantify and assess all material risks faced by the business
- Prudential limits will be set and respected
- Continuous review of transactional, portfolio and strategic risks will be undertaken and adverse developments promptly reported to the Board
- Risk will be allocated to the parties able to manage them
- Investment risks will be quarantined within special purpose entities to the extent possible.

By managing risk according to the above principles the business will be able to take opportunities as they are presented while maximising value to shareholders.

The Board has approved a Transactional Risk Management Policy (TRMP). The TRMP documents a rigorous set of guidelines and procedures for the analysis of transactional risks and clearly defines responsibilities for managing transactional and portfolio risks.

- As of December 2009, the Board has resolved to suspend the TRMP on the basis it be reinstated in the event KBC subsequently determines to recommence transaction origination.
- In place of the TRMP, the following transactional guidelines will apply:
 - a) All investments will be continuously monitored and reviewed by KBC Management with a formal report provided to the Board on a regular basis.

- b) Primary Approval Authority for transactions lies with the Board. Apart from the following only the Board can approve a new transaction. The exception is that approval of new funds being provided for existing investments is delegated to any two of the Chairman, Managing Director or the Executive Director provided the amount does not exceed AUD500,000 each 6 months and funds are required to protect the value of an existing KBC investment. Such approvals are to be reported to the next Board meeting following the date of approval.

c) Risk Profile

Strategic Risk

Strategic risk is defined as the risk of economic gain or loss arising from implementation of strategy or changes in the business environment. The risk is mitigated to the extent possible by the Board retaining the authority to approve all strategic investments, new business activities and most transactional exposures. The Board also receives regular reports from management concerning anticipated changes in the economic environment, business environment, the quality of the investment and loan portfolio, capital and cash flow position.

Open and productive relationships with existing transaction originators are to be established and maintained.

KBC has and, for some time into the future, will have a small number of executive staff. In addition, the technical skill and experience of KBC Board members is a key asset of the company. Thus, employment practices should be such that continuity of employment of key executives and board members is encouraged and supported by the Board.

Operational Risk

Operational risk is defined as direct or indirect loss arising from inadequate or failed internal processes, people, systems or external events. Primary responsibility rests with the Managing Director and the senior management team. Losses are to be reported promptly to the Board. Operational risk is always to be considered as part of the analysis prior to entering a new investment or business.

In all parts of its business, KBC will have a culture and separation of duties that minimise the risk of fraud and theft, and maximise the ability to detect any fraud and theft quickly.

KBC is to have a culture of controlling operating expenses, both within the constraints of annual budgets and also within the constraints of professional reasonableness.

KBC will seek to continuously improve its systems and processes for determining and managing operational risks.

KBC does not expect to eliminate all operational risks, but aims to minimise loss based on sound risk/reward analysis.

KBC will ensure its investments are socially responsible and reflect sound environmental practices.

Legal and Regulatory Compliance Risk

Legal and regulatory compliance risk includes the risk of breaches of laws and regulatory requirements applicable to KBC, actual or perceived breaches of obligations to partners, clients or counterparties, and unenforceability of counterparty obligations.

The Managing Director and the senior management team are responsible for developing and monitoring KBC's legal and regulatory compliance procedures. External advisors are used as necessary.

KBC and its controlled entities will at all times:

- Comply with relevant laws and regulations;
- Follow processes that minimise the risk of litigation and claims against the group;
- Maintain a policy of equal employment opportunity, avoiding unlawful discrimination and having no tolerance for sexual or other harassment in the workplace;
- Comply with the provisions of the Privacy Act.

Reputation Risk

Reputation risk is defined as events that could damage KBC's reputation, leading to short or long term damage to KBC's market value.

KBC views reputation risk as one of the key risks faced by the group. Major business decisions are made at Board level to ensure independence. Avoidance of adverse ethical and compliance events are paramount and are to be at the forefront of KBC's decision making process.

KBC will consider making donations of a charitable, community, cultural or political nature, only if deemed in the best interest of the Company.

Professional judgment should be exercised by KBC employees in incurring entertainment and gift expenses. At all times, such expenditure should be kept within bounds that would be deemed reasonable for a company of the size and nature of KBC. In the same way, judgment should be exercised in receiving gifts and entertainment. Any such receipt should, again, be deemed reasonable in the circumstances and should never constitute an inducement for KBC to give value in return.

Credit Risk

Credit risk is defined as the potential of loss arising from failure of a debtor or counterparty to meet their contractual obligations.

Credit risk in KBC's business arises from its lending activities, hedging of market risks and risk allocation within equity investments (e.g. off take contracts). The TRMP set out, in comprehensive terms, KBC's approach to credit risk. The TRMP provided a structured and disciplined process for managing KBC's credit risk. No credit exposures have been assumed without appropriate analysis.

The TRMP has been suspended pending a resumption of new investments activity. It has been replaced with transactional guidelines.

Market Risk

Market risk in KBC's business arises from potential changes in the value of on and off balance sheet exposures as a result of changes in market value or volatility. The group's market risk policy is set out in the TRMP. In summary, it is KBC's policy to hedge, where practicable, all material interest rate risk. Currency risk is partially hedged through the Company's multi-currency corporate borrowings.

Equity Risk

Equity and equity type risk may arise in KBC's business in a number of ways, including:

- Direct unlisted investments made to facilitate a pipeline of transactions;
- First loss positions in specialised funds or securitisation vehicles;
- Lease residuals; and
- Wholesaling assets for future managed funds.

All exposures have been assessed and managed in accordance with the TRMP. In particular, market risk, credit risk, prudential limits, operating risk and reputation risk have been carefully considered.

Liquidity Risk

Liquidity is managed by the Financial Controller (FC). The FC is responsible for managing the day-to-day and forward-looking cash position of the group, ensuring funding is available for all commitments.

The liquidity position is reported to the Board regularly.

Accountabilities

It is the accountability of management to apply this Policy at all times and to bring any exceptions to this Policy to the attention of the Board. Reporting to the AFRC or Board on this Policy will be as follows:

- AFRC is to receive reports promptly on all suspected and actual instances of fraud, theft and breaches of laws and regulations involving the Group.
- Any breaches of Policy will be reported to the Board meeting immediately following the breach.
- Management will report to the AFRC meeting in May of each year on overall compliance with the Policy. This report will include a description of, and status report on, the major risks faced by the Group.

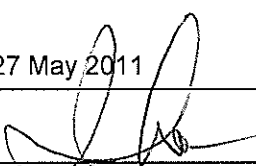
d) Approved and adopted

This risk management policy was reviewed and adopted by the board on 27 May 2011.

Date

27 May 2011

Signed


Chairperson of the board of directors
of Keybridge Capital Limited