

23 August 2013

Dear Member

Banksia Mortgage Fund (ARSN 089 852 246) (BMF)
Responsible Entity: Banksia Mortgages Limited (BML)

I wrote to you on 2 August 2013 to inform you that the board of BML had concluded that it would be in the best interests of the members of BMF that BML make an application to the Supreme Court of Victoria for an order directing BML to wind up BMF, and that it would seek judicial advice that it is justified in amending the BMF constitution to permit BML to conduct a winding up of BMF by way of a possible portfolio sale of BMF loans. A copy of my letter of 2 August 2013 is available on Banksia's website (www.banksiagroup.com.au). This letter is to inform you of the outcome of the Court application and the next steps for BML.

Outcome of Court application

BML's application was heard on 20 August 2013 by Justice Sifris of the Supreme Court of Victoria. Having considered the evidence and the submissions made at the hearing, Justice Sifris made orders on that day directing BML to wind up BMF and declaring that BML is justified in amending the constitution of BMF in the terms attached to the order.

As noted in my letter of 2 August 2013, the effect of the amendments is to introduce provisions:

- (a) permitting BMF to be wound up by BML by way of a possible portfolio sale of some or all of the BMF loans;
- (b) giving BML the power to conduct a portfolio sale of BMF loans, including by engaging advisers, managers and other third parties to assist BML in doing so; and
- (c) under which each member appoints BML as its attorney and agent in connection with the carrying out of any portfolio sale of BMF loans by BML.

Importantly, the amendments provide that BML may effect a disposal of a BMF loan under a portfolio sale only if, prior to completion of the sale of that loan, BML has obtained the approval or advice of the Court that it is justified in completing such sale. This is also noted in the Court orders.

A copy of the Court orders and the transcript of hearing are available on Banksia's website (www.banksiagroup.com.au). Justice Sifris intends to publish reasons for his decision. As soon as those reasons are available, they will be posted to Banksia's website.

Steps taken since the Court application

Following Justice Sifris making the above orders, BML has executed a deed giving effect to the amendments to the constitution of BMF and has lodged that deed with ASIC on 22 August 2013, whereupon the amendments have taken effect.

Today the board of BML has:

- (a) approved a marketing process for the portfolio sale;
- (b) appointed BSL as its transaction manager for the portfolio sale; and

(c) executed various documents to give effect to the portfolio marketing and sale process.

Process for portfolio sale

The process for the portfolio sale is as follows:

- (a) BML (through BSL as its transaction manager) will market the portfolio of BMF loans using a competitive bid process on the basis that offers from interested parties will need to be made on a loan-by-loan (ie sub-scheme by sub-scheme) basis, with such process likely to begin on 26 August 2013; and
- (b) BML expects that the process will be unlikely to conclude before late October 2013.

Further Court application

If, having considered any offer(s) in light of its statutory duties, BML accepts an offer in relation to a BMF loan, it will apply to the Court seeking the approval, direction or advice of the Court that it is justified in completing the sale.

Any application by BML for such approval, direction or advice of the Court will be notified to members by circular and will be based on appropriate affidavit material. Members will have an opportunity prior to the hearing to consider that material, raise any queries, and have their position conveyed to the Court, in addition to having the opportunity to appear at the hearing of the application.

Do you need to do anything now?

You do not need to do anything now. If you have a query about anything in this letter, please email BML at info@banksiagroup.com.au. Please note the hotline set up by BML to answer queries relating to the Court application heard on 20 August 2013 has now been closed.

You will be kept informed of future developments by circular. The next circular will be sent to you once the outcome of the sale process, and BML's decision in relation to any offers received as a result of that sale process, is known.

Yours faithfully



Warren Shaw
Chief Executive Officer