

6 December 2013

Dear Member

Banksia Mortgage Fund (ARSN 089 852 246) (BMF)

Responsible Entity: Banksia Mortgages Limited (BML)

I wrote to you on 8 November 2013 to inform you that BML had accepted an offer from Deutsche Bank AG, Sydney Branch for loans (other than loans with reference numbers NEP0012B and RIP0007B) in the BMF portfolio (***Sold Loans***). I also informed you that completion of the sale was conditional on BML obtaining the approval, direction or advice of the Supreme Court of Victoria that BML is justified in completing the sale. A copy of that letter is available on the Banksia website (www.banksiagroup.com.au).

Outcome of the application to the Court

BML's application was heard today by the Honourable Justice Sifris. Having considered the evidence and the submissions made at the hearing, Justice Sifris made orders following the hearing that BML is justified in completing the sale. His Honour also made orders that will permit BML to distribute the proceeds of sale such that each retail member with an investment in Sold Loans will receive 100% of their principal and accrued interest outstanding in respect of those loans calculated as at 31 October 2013 (***Final Payment***).

Having obtained these orders, BML is now using its best endeavours to complete the sale as soon as possible and distribute to each retail member with an investment in Sold Loans their Final Payment. The exact timing of the distribution will depend on when completion of the sale occurs. BML presently expects that Final Payment distributions will occur before 24 December 2013.

Please note that no assets of BMF other than Sold Loans were offered for sale by BML. If you have principal that was invested by BML in a cash management account with BSL as at 25 October 2012, that investment is not the subject of the sale.

Do I need to do anything now?

You do not need to do anything now. As soon as possible following completion of the sale, Final Payment distributions will be made by electronic funds transfer. A written final statement regarding your BMF investment will follow by post. Unless you have principal that was invested in a cash management account with BSL as at 25 October 2012, or have investments in Loans NEP0012B or RIP0007B then, upon receipt of your Final Payment, you will cease to be a member of BMF.

How to find out more

Please note that the hotline set up by BML to deal with queries in relation to BML's Court application that was heard today has now closed. To stay informed of developments regarding the timing of Final Payments, please monitor the Banksia website (www.banksiagroup.com.au) from 16 December 2013.

Yours faithfully



Warren Shaw
Chief Executive Officer