

**Momentum Mortgages Limited
(Receivers and Managers Appointed)
(Administrator Appointed)
ACN: 103 596 210 (“MML”)**

Circular to Debenture holders

My partner, Tony McGrath and I were appointed Receivers and Managers of MML by the secured creditor, Permanent Nominees (Aust) Limited (“PNAL”) on Monday, 13 October 2008.

PNAL is the Trustee for the debenture holders of MML and holds a charge over all assets and undertakings of the company.

The Receivers were appointed following a request from the Directors of MML to PNAL to make the appointment, under the terms of the Debenture Trust Deed dated 30 June 2003 (“the Deed”).

Prior to the appointment, the Directors of MML also appointed Mr David Leigh of PPB Chartered Accountants as Voluntary Administrator of the company on 13 October 2008.

We are writing to inform you of our appointment as Receivers and Managers and Mr Leigh’s appointment as Voluntary Administrator and how this will impact you.

Background

As you may be aware, MML advanced funds raised from debenture holders to third party borrowers for business or investment purposes (with most funds ultimately provided for property development activities). MML holds first ranking real property mortgages and other security pledged by borrowers in support of its loans.

At the date of our appointment, MML was owed approximately \$36.5 million by 6 borrowers.

Following a range of factors including; a general downturn in the domestic property market, increased debenture holder redemptions further to the receivership of similar entities and, an increased incidence of borrower default, the Directors formed a view that they would be unable to meet their funding commitments to borrowers and obligations to pay interest and principal due to debenture holders.

Accordingly, the Directors explored a range of options including various sources of funding. One of these was presented to PNAL. A key aspect to the funding proposal was the requirement for the lender to be granted a range of security interests ranking ahead of/together with PNAL (and therefore debenture holders).

The funding proposal was considered having regard to the rate of interest applicable to the facility, repayment terms and the security to be granted to the proposed lender.

Having regard to MML’s financial position and the proposed funding facility being inappropriate to address the company’s concerns, the Directors formed a view that MML was insolvent or likely to become insolvent and requested PNAL to appoint Controllers (i.e. Receivers and Managers) in accordance with the Trust Deed on 10 October 2008.

On 13 October 2008, the Directors appointed Mr Leigh as Voluntary Administrator of the company.

We understand that a separate notification from the company's Directors in relation to their reasons for the appointments will be provided shortly.

The role of the Receivers and Managers and the Voluntary Administrator

The specific role of the Receivers and Managers is to assume control of MML's affairs and protect the interests of PNAL and debenture holders. This entitles us to deal with the assets of the company ahead of the Administrator.

We are currently involved in an urgent appraisal of MML's activities to determine the appropriate realisation strategy to maximise the return to debenture holders.

The Administrator's role is to convene statutory meetings, conduct investigations and issue reports.

The Receivers will be working with the Administrator to ensure that the interests of debenture holders are being protected. Any debenture holder enquiries should be initially addressed to the company (contact details are provided at the end of this circular). In this regard, the Receivers will continually liaise with the company and monitor responses provided to debenture holders.

Meeting of creditors

Over the next week or so, the Administrator will convene the first statutory meeting of MML's creditors. This meeting will be held for statutory purposes only and PNAL will attend the meeting in its capacity as Trustee.

We will keep debenture holders regularly apprised of developments in the receivership and will convene a debenture holder information session in due course should this be considered beneficial.

The current status of investments

All investments have been frozen as at 13 October 2008. This means that at this stage, you will no longer receive regular payments, nor will your investment, including any interest reinvested or accrued up to 13 October 2008, be returned to you on its maturity. We will notify debenture holders if this situation changes.

We are presently calculating the value of your investment to the date of our appointment and will provide those details as soon as possible.

Return to investors

At this early stage, timing and the amount of any dividend is uncertain and is dependent on the realisation strategy adopted by the Receivers and Managers.

We will provide a more comprehensive report to debenture holders in the coming weeks to appraise investors of the financial position of MML.

If you have any further queries or questions, please use one of the following:

- + Visit our website (www.mcgrathnicol.com) and select the "Administration section" then "Momentum Mortgages Limited" where regular updates and information for investors will be posted.
- + Telephone MML: (02) 6580 0100

- + Write to: The Receivers and Managers
Momentum Mortgages Limited
(Receivers and Managers Appointed)
(Administrator Appointed)
C/- McGrathNicol
GPO Box 9986
Sydney NSW 2001
- + Email or fax: MML@mcgrathnicol.com or (02) 9338 2699

Dated 14 October 2008



Joseph Hayes
Receiver and Manager