

**Mariner Treasury Limited
(Receivers and Managers Appointed)
ACN: 113 215 802 ("MTL")**

Update to Floating Rate Note holders

We refer to our appointment as Receivers and Managers of MTL on 2 October 2008 and our initial Circular to Floating Rate Note holders ("note holders") issued upon our appointment.

Since our appointment approximately four weeks ago, we have been reviewing the business, property, affairs and financial circumstances of MTL.

The purpose of this update is to report to note holders on the progress of our review.

Background

As outlined in our previous circular, MTL is a subsidiary of Mariner Financial Limited ("MFL") a public company listed on the Australian Securities Exchange. The funds raised from note holders were advanced to various companies and trusts related to MFL for the provision of deposit financing ultimately applied to the purchase of real estate assets located in Germany and Japan.

The properties in Germany and Japan have senior (third party) lenders who hold first ranking charges over the property assets, with MTL (via its loan/equity funding) having provided the initial 'deposits' (equity) for the purchases on an unsecured basis.

The corporate/trust structures employed by the MFL Group are reasonably complicated with several entities (of various domiciles) interposed between MTL and the ultimate property owning entities. MFL management have confirmed that the structures involved were established because they:

- + provide taxation benefits to the MFL Group; and
- + allow for the effective recapitalisation of the German and Japanese property structures via an Initial Public Offering (which we understand was MFL's intention in purchasing the properties).

Further information in relation to the property portfolio financed by MTL is provided below.

German property portfolio

The German property portfolio consists of 6 properties that were purchased over the period from March to November 2007 for €79 million.

The portfolio consists of

- + a 'bulk goods' building in Gotha;
- + an office building leased to the Police service in Gotha; and
- + four office buildings leased to Fiducia IT AG (an information technology company) located in Munich, Nuremberg, Kassel and Berlin.

On 30 September 2008, immediately prior to our appointment, MTL issued its Annual Financial Report ("the report") for the year ended 30 June 2008. The report reveals that the German portfolio was valued (on an indicative basis) by Savills Immobilien Beratungs-GMBH (on instructions from MFL) at €64 million to €66 million.

As at the date of our appointment, Deutsche Bank AG (the secured lender) was owed approximately €65 million and accordingly, there is limited equity in the portfolio for the property owning entity and MTL as the downstream lender.

MTL advanced funds totalling approximately AUD17.2 million to the German property structure and was owed approximately AUD19.5 million as at the date of our appointment.

Japanese property

The MFL Japanese property structure is the owner of one property subject to funding provided by MTL. This property consists of a 'corporate dormitory' style building housing migrant workers in Haneda, Japan. The property was purchased by the MFL Group in March 2007 for circa JPY1.7billion.

Based on information provided by MFL management, there has been some reduction in the value of the property since its purchase in 2007, but this is still to be verified. As at the date of our appointment, J P Morgan (the secured lender) was owed approximately JPY1.17 billion.

MTL advanced funds to the MFL Japanese property structure totalling approximately AUD7.2 million and was owed approximately AUD7.5 million as at the date of our appointment.

Exercise of MTL's rights

Based on information provided to us to date, it appears that MTL's borrowers and any further entities interposed between MTL's borrowers and the ultimate property owning entities are special purpose vehicles with no assets or liabilities unrelated to the properties financed by MTL.

Accordingly, MTL may pursue its claims by taking enforcement action against each of its borrowers and downstream entities such that it ultimately has control of the property owning entities and any equity in the properties it has financed. Having regard to the complicated structures involved, the costs associated with enforcement action are likely to be significant.

MFL Group management have advised that they would prefer to give MTL control of the property owning entities (e.g. by way of assignment agreements) to avoid enforcement action and external administration of the entities. We are considering MTL's position having regard to the course of action that best protects the interests of note holders.

Financial position of MTL

As at the date of our appointment, MTL held funds totalling AUD1.3 million to the credit of its bank accounts.

Based on information provided by MFL Group management, the remaining assets of the company comprise of its claims against the German/Japanese property structure borrowers in respect of which, realisations will depend on the underlying values of the subject properties.

As outlined above, based on valuations and other property related information provided by MFL, if there is equity held by the MFL Group in the German portfolio it is likely to be minimal.

The equity held in the Japanese property may (on a best case scenario) result in MTL recovering some portion of its loan of circa AUD7.5 million. However, given the nature of the property asset, the current global economic climate and the structures involved, it is not possible to determine the quantum or timing of any surplus. It is also likely that significant costs in realising the property would be incurred over an extended period of time (possibly spanning several years) which would impact return.

Depending on the realisable value of the properties there may be no surplus available after meeting the first ranking claims (i.e. monies owed to third party security lenders).

Having regard to the extent of the potential shortfall to note holders, further investigation is warranted into matters including:

- + the circumstances surrounding the loans advanced by MTL including independent due diligence undertaken prior to granting financial accommodation to downstream MFL Group entities;
- + the discharge of Directors' duties; and
- + following from the above, any claims MTL may have, to recover debenture holders funds.

Our investigations in relation to this matter are continuing.

MFL have been co-operating in providing us with information and assistance to date however, further documents and information is required for us to complete our investigations.

Receivership strategy

The strategy for the receivership is to realise the assets of MTL and distribute the available assets on a rateable basis to note holders.

MTL's assets consist of its:

- + cash at bank balance which is now under the control of the Receivers;
- + claims against related entities in respect of deposit financing provided for the German and Japanese properties;
- + claims against MFL pursuant to its guarantee in respect of interest obligations to note holders that originated from the initial prospectus; and
- + claims that may exist against MFL and other parties in relation to the circumstances leading to the funds being advanced or on any other basis.

In order to realise the property assets financed by MTL, a sale program needs to be undertaken with the support of the senior lenders, Deutsche Bank AG and J P Morgan. In this regard, we have taken steps to communicate our appointment to the lenders, and MFL have provided us with authorities to liaise with them in relation to the property assets.

We are examining the legal structures involved and appropriate documentation will need to be executed in order to secure MTL's position. In the event that the documentation cannot be agreed, enforcement/recovery action will be taken.

Meeting of creditors

As previously advised, a meeting of creditors has been convened for Wednesday, 5 November 2008 to be held at the Wesley Conference Centre, 220 Pitt Street, Sydney, NSW 2000 at 10:00am.

The meeting has been convened by the Trustee to comply with the terms of the Trust Deed and no formal resolutions are proposed for the meeting at this stage. During the meeting, we

will provide an explanation of the matters detailed in this update and note holders will be given the opportunity to ask questions in relation to the receivership strategy. At this stage, I do not anticipate there will be significant further information available at the meeting.

We will continue to keep note holders informed of developments in the receivership as they occur.

Should you have any queries in relation to this matter, please do not hesitate to contact James Deegan of my office on (02) 9338 2622 or email mtl@mcgrathnicol.com.

Dated 30 October 2008



Joseph Hayes
Receiver and Manager