

**Banksia Securities Limited
(Receivers and Managers Appointed)
ACN: 004 736 458 ("BSL")**

Circular to Debenture Holders

The Trust Company (Nominees) Limited ("the Trustee") has appointed my partners, Tony McGrath, Matthew Caddy, Robert Kirman and I as Receivers and Managers of BSL on 25 October 2012. The Trustee is the secured creditor of BSL.

The Trust Company (Nominees) Limited is the Trustee for the debenture holders of BSL and holds a charge over all assets and undertakings of BSL.

The Trustee appointed Receivers following BSL defaulting under terms of the Trust Deed and charge.

We are writing to inform you of our appointment as Receivers and Managers and how this will impact you.

Background

The Trustee made the appointment of Receivers and Managers following a request of BSL's Board.

BSL owes approximately \$660 million to investors and advanced these funds to borrowers primarily to finance real property purchases. BSL holds first ranking real property mortgages to secure its advances.

The role of the Receivers and Managers

The specific role of the Receivers and Managers is to assume control of BSL's affairs and protect the interests of debenture holders and their representative, the Trustee.

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

The current status of investments

Interest payments and redemptions have been frozen as at 25 October 2012.

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 25 October 2012, 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.

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

- + Visit the Banksia Financial Group website (www.banksiagroup.com.au) where regular updates and information for investors will be posted.
- + Visit our website (www.mcgrathnicol.com) and select the "Administration section" then "Banksia Securities Limited" where regular updates and information for investors will be posted.
- + Investor telephone hotline: 1800 722 079
- + Write to:
The Receivers and Managers
Banksia Securities Limited
(Receivers and Managers Appointed)
C/- McGrathNicol
GPO Box 9986
Sydney NSW 2001
- + Email or fax: bslinvestors@mcgrathnicol.com or (02) 9338 2699

Dated 25 October 2012



Joseph Hayes
Receiver and Manager