

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

**Circular to debenture holders
Fourth interim repayment of 8 cents in the dollar**

16 December 2013

We refer to our last circular to debenture holders dated 18 October 2013.

This further circular provides an update on the Banksia Mortgages Fund ("BMF") sale process, confirmation of a fourth interim repayment of 8 cents in the dollar, and the status of other matters.

BMF sale

As announced in our recent media release, on Friday, 1 November 2013, Banksia Mortgages Limited ("BML") and the Receivers of BSL executed a binding sale contract for the sale of the BMF portfolio, which was conditional on court sanction. The purchaser of the BMF portfolio is Deutsche Bank AG, Sydney Branch (purchaser of BSL's performing loan portfolio earlier this year). The required Court approval was granted on 6 December 2013 and on 12 December 2013, Deutsche Bank AG completed the transaction.

As a result of the sale, Retail Investors in BMF received their entire principal, and interest calculated to 31 October 2013. Further information for BMF retail investors is available on the BMF website at www.banksiagroup.com.au. BSL (which held loan positions sub-ordinated to the BMF retail investors) received a substantial payment for its positions, which represented a return in excess of 70 cents in the dollar on BSL's residual exposure.

The Trustee and the Receivers are very pleased with the outcome of this sale, which has resulted in the realisation of some of BSL's most difficult loan positions and resolved the range of issues surrounding the involvement of BSL in the BMF Contributory Mortgage Scheme.

Importantly, this has allowed us to declare a further repayment to debenture holders.

Fourth repayment

Following completion of BMF sale, the Trustee and the Receivers are pleased to advise a fourth interim repayment of 8 cents in the dollar has been declared and paid today, resulting in a total return to date of 78 cents in the dollar to BSL debenture holders

The further repayment has again been administered by Link Market Services and paid in the same manner as previous repayments, which is generally via electronic funds transfer. For those debenture holders who have nominated to be paid by cheque, please find attached to this circular a cheque for your repayment.

Overall repayment guidance to be reviewed in first quarter 2014

The overall repayment guidance is currently 80 to 85 cents in the dollar, meaning there are further expected repayments of between 2 to 7 cents in the dollar.

In light of the BMF sale, the Trustee and Receivers are closely monitoring our forecast of returns from the remaining BSL assets (primarily impaired loans) to confirm the expected quantum and timing of future repayments. In this regard, the Trustee and Receivers consider the current repayment guidance is a good guide, with the mid-point of that range being a realistic target.

We intend to revisit our overall repayment guidance and report any changes to debenture holders during the first quarter of 2014.

Update on other key matters

The 18 October 2013 circular provided some detail on the major project areas and asset recovery programs being pursued. These matters are progressing in line with our expectations. The Trustee and Receivers will provide a further update in the first quarter of 2014 covering asset realisations, potential litigation, and our objectives to substantially finalise the receivership during 2014.

Contact point

Thank you for your ongoing co-operation and assistance. For further information concerning the current repayment or any other matter concerning the receivership, please continue to contact Link Market Services on 1800 722 079 or banksia@linkmarketservices.com.au.

Dated 16 December 2013



Tony McGrath
Receiver and Manager



Joseph Hayes
Receiver and Manager