

**Banksia Securities Limited
(Receivers and Managers Appointed)
Circular to Debenture Holders**

14 November 2012

Further to our circular dated 25 October 2012 notifying debenture holders that The Trust Company (Nominees) Limited as Trustee had appointed us Receivers and Managers to Banksia Securities Limited ("BSL"), we provide this further update on issues relevant to BSL debenture holders.

Cherry Fund Limited

Please be advised that The Trust Company (Nominees) Limited as Trustee has also appointed us as Receivers and Managers of Cherry Fund Limited, a debenture fund associated with the Banksia Financial Group, on 30 October 2012. We will be providing separate reports on the status of that Fund to the relevant investors.

Management and operational issues

Following our appointment, BSL has not been engaging in deposit taking or loan origination activities. As such, there has been a rationalisation of BSL's operations and resources. Going forward, the Receivers and BSL will focus on activities relevant to debenture holder returns, being loan recovery processes, investor communication and dividend payment requirements.

Management and senior staff are co-operating fully with the Receivers, and activities are focussed upon creating liquidity and distributing funds to Debenture Holders as quickly as possible.

Debenture Holder Information Hotline

We have established a new debenture holder information hotline with the assistance of Link Market Services. Link Market Services will be responsible for debenture holder enquiries, mailing correspondence, distributing payments and other logistical matters. The hotline number is **1800 722 079** – the same number as the original BSL hotline - and the email address for written enquiries is **banksia@linkmarketservices.com.au**.

Debenture Holder Information Sessions

McGrathNicol will be holding debenture holder information sessions on Friday, 14 December 2012.

Sessions will be held concurrently in Ballarat and Shepparton. These locations have been chosen based on the spread and concentration of debenture holders with the aim of providing the most convenient location for as many debenture holders as possible.

- + Details of the Ballarat session:
 - Venue: Mercure Ballarat Hotel & Convention Centre
 - Address: 613 Main Road, Ballarat, Victoria 3350
 - Session times:
 - 10.00am to 12.00pm
 - 1.00pm to 3.00pm

- + Details of the Shepparton session:
 - Venue: Shepparton Sports Stadium
 - Address: 120 Numurkah Road, Shepparton, Victoria 3630
 - Session times:
 - 10.00am to 12.00pm
 - 1.00pm to 3.00pm

Each session will be the same and debenture holders will be provided with the same information at both venues.

The purpose of the sessions is to:

- + Provide debenture holders with a report on BSL's activities and major assets;
- + Confirm the quantum and timing of the first payment (further details of which are below);
- + Provide our best estimate of the likely timing and quantum of subsequent payments in 2013; and
- + Provide a range of overall returns.

It is important that debenture holders, who would like to attend an information session, register their interest with Link Market Services using the contact options set out above. Following that, debenture holders will receive written confirmation from Link Market Services of the session for which they have registered.

We are also considering making available a live podcast of the information session so that debenture holders can access the information presented at the sessions without travelling to the venue. Please advise Link Market Services if you would be interested in this service.

Prior to the information session, the Receivers will issue by mail, and post on the BSL (www.banksiagroup.com.au) and McGrathNicol (www.mcgrathnicol.com) websites, a comprehensive report providing background information on BSL, its lending activities, financial position and likely returns. This is designed to ensure debenture holders who are unable to attend the information sessions have a comprehensive picture of BSL's financial state and an indication of overall return.

Proposed first payment

Given BSL had substantial funds invested in liquid term deposits with major banks it is our intention to make an early first payment to debenture holders.

You should expect to receive a further separate communication, providing details of your investment in BSL as set out in the BSL's records, including accrued interest to the date of our appointment on 25 October 2012.

We anticipate that, subject to there being no complications with claims calculation process, to make a first payment in the range of 10 to 15 cents in the dollar, hopefully before Christmas.

Financial hardship

The Receivers and other stakeholders such as Government and the Trustee are conscious that the failure of BSL and the freezing of further redemptions and interest payments may cause hardship for a number of debenture holders, particularly those reliant upon interest payments as a source of primary income.

The Receivers are keen to determine cases of genuine hardship, via inquiries made to Link Market Services, so that the short-term assistance options can be explored for eligible debenture holders.

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Thank you for your patience and understanding during this difficult period. We are conscious of the uncertainty and difficulty created by the Receivership process. In that regard, we hope the Hotline arrangements, proposed debenture holder information sessions and early dividend will go some way to providing some certainty in relation to immediate and future prospects and returns.

Yours faithfully



Tony McGrath
Receiver and Manager



Joseph Hayes
Receiver and Manager