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30 September 2011

The Manager
Company Announcements Office
NSX
Level 2, 117 Scott Street
Newcastle NSW 2300

Dear Sir/Madam,

Hamilton Securities Limited (NSX: HSE)
RE: Timbercorp Orchard Trust Debenture Holder Letter

Please find enclosed a copy of a letter received from The Trust Company (Nominees) Limited – formerly Permanent Nominees (Australia), as Trustee for the Debenture Holders.

The letter provides an update to debenture holders with regard to debenture holders' security and the Trust Company's view of the way forward.

Yours faithfully



Melanie Holmes
Secretary

19 September 2011

Dear Debenture Holders

ALIGN FUNDS MANAGEMENT LTD (formerly known as Orchard Investments Management Limited) in its capacity as the responsible entity of the TIMBERCORP ORCHARD TRUST (Receivers and Managers Appointed) ("TOT RE")

This letter is an update for the holders of debentures issued by TOT RE ("Debenture Holders") prepared by The Trust Company (Nominees) Limited (formerly Permanent Nominees (Australia) Limited), as Trustee for the Debenture Holders.

Disposal of Debenture Holders' Security

The security supporting this borrowing by TOT RE consisted of two rural properties (Bella Vista and Kangara) and the associated water rights. As a result of financial difficulties encountered by TOT RE, stemming from the collapse of Timbercorp Limited (In Liquidation) and its group entities ("Timbercorp"), the Trustee enforced the Debenture Holders' rights in respect of these securities and, on 22 October 2009, appointed representatives of PwC as Receivers and Managers to realise TOT RE assets for the benefit of the Debenture Holders.

In their most recent update sent to you, dated 17 June 2011, the Receivers advised that:

- all TOT RE assets had been sold and total proceeds of approximately \$30 million received; and
- pursuant to orders of the Supreme Court of Victoria following settlement of each of the contracts of sale for the properties and associated water rights the net proceeds after costs cannot be distributed until the completion of a hearing and determination by the Court as to whether growers who had invested in Timbercorp projects conducted on the TOT RE properties may be entitled to any part of those proceeds ("Bella Vista Rights Proceeding and the Kangara Rights Proceeding").

The Receivers have confirmed that in the interim, the net proceeds after costs have been placed in interest bearing bank accounts maintained by the Receivers as directed by the Court. While the role of the Receivers is now complete in respect of the asset sales, the Receivers are still responsible for maintaining the bank accounts and completion accounting related to the asset sales, attending to numerous statutory obligations, and are likely to be party to the eventual proceedings to release those funds (refer below).

A summary of the estimated outcome as at 31 July 2011 (prepared by the Receivers) is attached. This summary includes all actual and estimated future costs.

It is important to note that this summary is an estimate only and may vary subject to the level of work required to determine the growers' rights. This summary should not be relied upon as representation of a likely return to any stakeholder. Debenture Holders should read carefully the notes at the foot of the attachment to this letter.

The way forward

Almond Land Rights Proceeding

On 15 June 2011, Justice Davies handed down judgment in Supreme Court of Victoria Proceeding No. SCI 2009 10699 ("Almond Land Rights Proceeding"). In that case we understand the Court was asked to determine the respective legal rights, and the value of those rights (if any), of secured creditors on the one hand, and grower investors on the other, to the net proceeds of sale of the almond properties on which the Timbercorp Almond Projects the subject of the proceeding were conducted.

The Almond Land Rights Proceeding was apparently the first opportunity for the competing claims of secured lenders and growers in the Timbercorp Projects to be heard and determined before the Court. In the result, the Court held that the secured creditors were entitled to the entire amount of the net proceeds from the sale of the relevant almond orchards, while the grower investors were not entitled to share in any of the proceeds. The Court's decision is now the subject of an appeal by grower investors. Directions have not yet been made setting out a timetable for the appeal, it is anticipated that the appeal may not be heard this year.

The issues canvassed in the Almond Land Rights Proceeding will be relevant to future applications to the Court, including the Bella Vista Rights Proceeding and the Kangara Rights Proceeding.

The Trustee anticipates that judgment in the appeal in the Almond Land Rights Proceeding will provide a useful precedent for the purposes of some of the relevant legal principles likely to be required for determination in the Bella Vista Rights Proceeding and the Kangara Rights Proceeding. It must be noted that the outcome will also be dependent on the Court making relevant findings in the context of the particular constituent documents of the relevant schemes which differ scheme by scheme.

Trustee strategy on behalf of Debenture Holders

The Trustee is currently of the view that the Bella Vista Rights Proceeding and the Kangara Rights Proceeding should not be progressed substantively to trial until such time as judgment on the appeal has been delivered in the Almond Land Rights Proceeding. The Trustee's concern is that it is likely to be inefficient and costly to make submissions (and prepare relevant evidence) again in the Bella Vista Rights Proceeding and the Kangara Rights Proceeding which have already been made to, and considered by the Court, in the Almond Land Rights Proceeding (and any subsequent appeal).

However, the Trustee considers that it would still be appropriate to commence the Bella Vista Rights Proceeding and the Kangara Rights Proceeding prior to the determination of the appeal, limited to the following:

- (a) seeking orders from the Court in those proceedings in relation to the appointment of representative growers (as to which, see further discussion below) which will help to ensure that the proceedings are in a position to be progressed as soon as practicable;
- (b) on the appointment of representative growers, the parties will then have an opportunity to confer immediately following the conclusion of the appeal in the Almond Land Rights Proceeding about the nature and scope of the issues in dispute, and the most expeditious method of bringing those proceedings to trial (including initially the desirability of the parties seeking orders from the Court staying the proceedings until the hearing and determination of the appeal in the Almond Land Rights Proceeding).

More specifically, it is proposed that:

- (i) TOT RE would be joined as a defendant in each proceeding (in its capacity as the landowner of the Bella Vista and Kangara properties);
- (ii) the Receivers would also be joined as defendants, but will not participate actively in the proceedings and will instead simply abide the orders of the Court;
- (iii) the Trustee will pursue its interests in the proceedings as secured creditor, on behalf of the Debenture Holders; and
- (iv) the representative growers appointed by the Court will also be joined as defendants.

At the present time the Trustee is not able to estimate reliably the likely timing or cost of the hearing of the Bella Vista Rights Proceeding and the Kangara Rights Proceeding but anticipates that the hearing of these proceedings would not occur until some time in the second half of calendar year 2012.

The precise timing of steps in these proceedings will also be affected by whether these proceedings should trail in sequence slightly behind any other Proceedings ("Other Proceedings") in respect of properties owned by other ex-Timbercorp structures and in which proceedings are expected to be commenced shortly.

The Trustee is particularly concerned that, given the complexity of the issues in the Bella Vista Rights Proceeding and the Kangara Rights Proceeding, the costs paid out of the net sale proceeds may soon become disproportionate to the amounts in dispute in each case. For these reasons, the Trustee considers that there may be some advantage in any such Other Proceedings progressing in lockstep in front of the Bella Vista Rights Proceeding and the Kangara Rights Proceeding. In this way, the process adopted for the determination of the Other Proceedings may provide a useful road map for a more efficient and cost effective conduct of the Kangara Rights Proceeding and the Bella Vista Rights Proceeding in the best interest of the Debenture Holders.

While being mindful of the cost of distributing correspondence, the Trustee will issue further update/updates as may be required to keep Debenture Holders informed of the progress of this matter.

Yours faithfully



Per
STEN SILAVECKY
HEAD OF STRUCTURED FINANCE SERVICES

Align Funds Management Limited in its capacity as the responsible entity of the Timbercorp Orchard Trust (Receivers and Managers appointed)

Estimated outcome as at 31 July 2011

	\$'000
Gross sale proceeds	30,070
<i>Less costs and adjustments paid to date:</i>	
Settlement adjustments	(506)
Timbecorp Liquidator fees	(375)
Asset management costs	(1,400)
Receivers' fees and costs	(1,219)
Legal fees and costs	(2,840)
Other costs (interest accrued, audit, professional fees, bank fees, GST etc)	(476)
	<u>(6,816)</u>
<i>Less estimated future costs:</i>	
Receivers' fees and costs accrued but not paid at 31 July 2011	(311)
Future Receivers' fees and costs	(250)
Future legal fees and costs	(250)
Asset management costs (some of which are incurred but not yet paid)	(53)
Timbercorp Liquidator fees and costs	(177)
Audit fees	(211)
Trustee fees (some of which are incurred but not yet paid)	(232)
GST refunds owing	588
Contingency	(60)
	<u>(956)</u>
Estimated outcome (see notes below)	<u>22,299</u>

Notes

This estimated outcome does not include any of the following and therefore cannot be relied upon as a representation of the likely return to debenture holders:

- Trustee fees accrued post 30 June 2011 (outside of set fee and custody fee)
- Value of interest that will accrue on the funds held
- Any other unknown costs
- Estimated Receivers and Managers fees and legal fees may vary depending on level of work required to finalise growers rights

This cash position does not take into account any entitlement of the growers to net sale proceeds, which is yet to be determined by a court or other means.