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28 May 2013

Dear Shareholder

The Board of Hamilton Securities has decided to raise further capital of \$327,534 by means of a rights issue. Under the terms of the issue you are being given the opportunity to subscribe for one new "A" Class non-voting share at \$1.00 for every seven "A" Class or "B" Class shares you currently hold. Details of your entitlement are set out on the attached form.

There are two reasons for the capital raising. The first is that we have interest in raising some additional cash. The second is that we want to be in a position to look to make acquisitions should opportunities present themselves, and hence we need to have enough cash on hand to pay the costs of making those acquisitions.

There are two main reasons we are seeking additional funds. The first is that the expected distribution of cash from the Timbercorp Orchard Trust ("TOT") debentures, our major asset, has taken far longer than we expected, and four years after its collapse we still we have no certainty as to when TOT will make a payment to its creditors. Despite our frugality (we only spent \$58,000 on operating expenses last year, making us probably the lowest cost listed company in Australia), we started out with a small amount of cash, as we were led to believe that the TOT matter would be resolved by now.

The other reason is that we recently spent \$84,000 in an unsuccessful attempt to persuade investors in the Elders sandalwood schemes to merge their interests with Hamilton rather than accepting what we considered to be a very low cash offer from KKR; a US private equity investor. Although we believed that our proposal was superior, it ultimately became clear that many investors (and their financial advisers) preferred the certainty of a cash offer to a larger but more uncertain scrip alternative with Hamilton.

The Board continues to look at other acquisition possibilities and may make further offers to suitable targets in the future.

The share issue offers you the opportunity to subscribe for "A" Class non-voting shares. Soon after the conclusion of the rights issue, we intend to call a shareholders' meeting to vote on converting the non-voting shares into voting-shares in order to simplify the company's capital structure. This change has been proposed by Fred Woollard, who represents the Samuel Terry Absolute Return Fund, our largest voting shareholder. The other directors of the company, who are not associated with the Samuel Terry fund, have noted that the voting power of the Samuel Terry Absolute Return Fund would be substantially diluted if the proposed conversion occurs.

The rights issue is being underwritten by the Samuel Terry fund for no underwriting fee.

The issue has been priced at \$1.00 per share, which is substantially higher than our recent share price of \$0.35. The reason we have set the share price at \$1.00 is that we did not wish to dilute our net asset value per share, which was \$0.99 on 31 December 2012.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Pritchard', with a stylized flourish at the end.

Steven Pritchard  
Chairman