

Hamilton Securities Limited
ACN 138 270 201

10 Murray Street
Hamilton NSW 2303
PO Box 413
Hamilton NSW 2303

Telephone +61 2 4920 2877
Facsimile +61 2 4920 2877

2nd August 2013

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 Update

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

The letter provides an update to debenture holders with regard to debenture holders' security and recent developments.

Yours faithfully



Melanie Holmes
Secretary

30 July 2013

Dear Debenture Holder

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 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, follows on from our last communication, dated 28 February 2013.

Summary of current position

- Following the sale of all TOT RE assets the net proceeds were placed in separate interest bearing trust accounts maintained by the Receiver and Manager, Michael Fung of PricewaterhouseCoopers (“Receiver”).
- At 30 April 2013 the relevant trust accounts had the following balances:

Bella Vista Water	\$4,379,394
Bella Vista Land	\$1,450,995
Kangara Land	\$2,316,490
Kangara Water	<u>\$17,583,135</u>
TOTAL	<u>\$25,730,014</u>

Interest continues to accrue on these accounts.

- Pursuant to orders of the Supreme Court of Victoria the net proceeds cannot be distributed until the hearing and determination by the Court of two proceedings to determine who has rights to all or any part of the proceeds from:
 - the sale of the Bella Vista property and associated water rights (“Bella Vista Rights Proceeding”); and
 - the sale of the Kangara property and associated water rights (“Kangara Rights Proceeding”), (together “Proceedings”).
- On 25 March 2013, the Trustee commenced the Bella Vista Rights Proceeding and the Kangara Rights Proceeding in the Supreme Court of Victoria (being proceeding no. SCI 2013 1477 and proceeding no. SCI 2013 1478 respectively).

Recent developments

On 27 June 2013, the Trustee filed summonses and supporting affidavits in the Proceedings seeking a number of orders from the Court, including:

- the appointment of representative growers for the schemes the subject of each proceeding; and
- a pre-emptive costs order to ensure that, as from the commencement of the Proceedings, the Trustee's legal costs be paid out of the net proceeds to the extent allowable under the order.

The appointment of representative growers to represent the interests of all growers for each scheme in the Proceedings enables the Trustee to engage and communicate with the appointed representatives rather than expending the considerable time and costs involved in dealing with all growers in the schemes (which number in the hundreds). Further, in accordance with rule 16.01(4) of the Supreme Court Rules, the appointment of representative growers ensures that all growers will be bound by any order of the Court in the Proceedings, including approval of any compromise the Trustee reaches with the representative growers.

Copies of all documents filed with the Court in each of the Proceedings are available on the website of Arnold Bloch Leibler, the solicitors for the liquidators of Timbercorp Securities Limited, at <http://www.abl.com.au/timbercorp/currentapplications.htm>.

On 19 July 2013, at a hearing before the Honourable Justice Judd, the Trustee was successful in obtaining all the orders it sought in each of the Proceedings. Specifically, orders were made (among others) that:

- Gregory Westaway be appointed representative of the growers in the 2004 Citrus Project the subject of the Kangara Rights Proceeding;
- Robert Bugden and Elizabeth Bugden be appointed representatives of the growers in the 2005 Citrus Project the subject of the Kangara Rights Proceeding;
- Anthony Cormick be appointed representative of the growers in the 2004 Table Grape Project the subject of the Bella Vista Rights Proceeding;
- Jeyarasa Rasiah and Anne Rasiah be appointed representatives of the growers in the 2005 Table Grape Project the subject of the Bella Vista Rights Proceeding; and
- the Trustee be granted a pre-emptive costs order in relation to its legal expenses of the Proceedings. A corresponding order for pre-emptive legal costs was granted to the representative growers.

The final order referred to above is important for the Trustee as it avoids the need to source alternative funding for legal costs incurred in the Proceedings.

Prior to the hearing, the Trustee filed evidence and made submissions opposing an application foreshadowed by Ms Kerree Bezencon to be appointed as the representative grower for the 2005 Citrus Project the subject of the Kangara Rights Proceeding. That application was made by Ms Bezencon at the hearing, but was rejected by Justice Judd. Ms Bezencon also requested an order for her costs in the Kangara Rights Proceeding. The Court held that this issue should be considered at a later stage in the proceeding, but granted Ms Bezencon leave to appear and make submissions on behalf of the TGG Citrus Committee Inc.

Compromise proposals

The Trustee intends to put without prejudice compromise proposals to the representative growers in the Kangara Rights Proceeding and the Bella Vista Rights Proceeding through their solicitors, Macpherson + Kelley Lawyers. The terms of the compromise proposals will be formulated by the Trustee, having regard to legal advice obtained by its lawyers, Allens.

Each proposal will also make clear that any compromise is to be subject to the following two conditions:

- the approval by the Debenture Holders of the compromises, by way of a special resolution vote passed at a duly convened meeting (which would only be sought once any compromise is agreed between the parties); and
- the Court's approval of the compromises in accordance with rule 16.01(4) of the Supreme Court Rules, so that the compromises will be binding on all growers.

If compromises of the Proceedings are reached:

- each will be documented in a deed of compromise to be executed by the relevant parties, including the Trustee on behalf of the Debenture Holders;
- all growers must be given:
 - proper notice of the application to the Court for approval of each compromise; and
 - the opportunity to make comments and raise queries and objections in respect of each compromise;
- the Court is likely to allow any growers who object to each compromise to appear and make submissions at the Court hearing for approval of the compromises; and

- in order for the Court to approve the compromises so that they are binding on all growers, it must be satisfied that each is for the benefit of the absent persons (being the represented growers).

The Trustee considers it is likely that Ms Bezencon, on behalf of the TGG Citrus Committee Inc, will seek leave to make submissions opposing any compromise reached in the Kangara Rights Proceeding.

Distribution of the net proceeds if a compromise is reached

It is important to note that, if compromises of the Proceedings are reached and approved by the Court, certain amounts will be deducted from the net proceeds prior to any final distribution to the Trustee and the growers (if any) of their allocated share of the net proceeds. These deductions will include payments:

- to the Receiver in respect of his outstanding fees and expenses;
- in respect of the legal fees of both the Trustee and the appointed representative growers in connection with the Proceedings (as discussed above, by making pre-emptive costs orders in the Proceedings, the Court has made orders allowing such legal costs to be deducted periodically from the net proceeds over the course of the Proceedings);
- in respect of any other costs associated with the Proceedings allowed by the Court.

Once these amounts have been deducted from the net proceeds, any amount payable to the growers under any compromise will be paid. The remaining balance will then be paid to the Trustee. Finally, prior to distribution to the Debenture Holders the Trustee will (in accordance with the Trust Deed) deduct its own fees and expenses not covered by the pre-emptive costs orders. **Please note that it is not possible to assess the total quantum of the above amounts at this early stage in the Proceedings and, accordingly, it is difficult to provide an accurate estimate of the eventual return to the Debenture Holders at this time.**

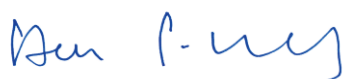
Estimated timing

If compromises are reached with the representative growers and approved by the Debenture Holders without undue delay, the Trustee will aim for the Court to hear the approval applications in the final quarter of 2013. On this timing, the Court may be in a position by the end of the year or early next year to hand down its decision as to whether to approve the compromises (although this is of course in the Court's hands).

If compromises cannot be reached, or the compromises are not approved by the Debenture Holders and, in turn, the Court, the Proceedings are likely to progress to a trial and final determination of the rights of the parties to the net proceeds. While it is difficult to estimate the timing of this alternative, the Court's final decision (which may be appealed) is unlikely to be handed down before the second half of 2014.

In order to minimise expenses which would reduce the Debenture Holders' proceeds, the Trustee's further updates will again be posted on PwC's website.

Yours faithfully



STEN SILAVECKY
HEAD OF STRUCTURED FINANCE SERVICES