



ANGAS SECURITIES LIMITED ABN 50 091 942 728
AUSTRALIAN FINANCIAL SERVICES LICENCE NO. 232 479

DEBENTURE HOLDER RUN-OFF UPDATE 13 October 2017

The Angas Securities first ranking debenture fund continues in Run-Off until 30 June 2019 following the recent Extraordinary Resolution of Debenture Holders which was then approved by the Federal Court. Updates will now be issued quarterly. The Run-Off Schedule now requires Angas to make quarterly payments to investors but there will be payments made at other times if substantial funds are held. Angas wants to redeem your debentures as quickly as possible. The outstanding debenture loan portfolio comprises fifteen loans with real property security and two others comprising court actions. Of the fifteen loans with real property security, three are related to the one borrower group in NSW. There has been significant success in realising these NSW assets as set out below. These developments have enabled Angas to make recent redemption payments with the prospect of more to follow at the end of October.

The information in this Update is provided for the exclusive use of Angas Securities investors and is not to be referred to or otherwise used or relied upon by third parties without my express consent.

1. NSW Loan Assets

Rookwood General Cemetery Trust ("Rookwood"), which is the prospective purchaser of the Fernhill Central precinct, continues with its due diligence processes under the binding Heads of Agreement with the Angas Contributory Mortgage Fund ("ACMF") syndicated loan. Angas expects to have an unconditional sale contract executed with Rookwood by the end of October.

As you know, all five individual allotments comprising the Mayfair precinct of Fernhill Estate have had executed sale contracts with deposits paid for some time. The NSW Office of Environment & Heritage ("OEH") recently signed off on the Bio Banking Variation Deed, and the Variation was registered on each of the respective titles last month. All five contracts settled during October. Angas is required to make quarterly redemption payments but has said that it will make interim payments if appropriate. There will be a payment made on 31 October 2017 primarily as a result of the Mayfair settlements.

Angas remains mortgagee in possession of two large tracts of land in the Mulgoa Valley which were taken to auction by Knight Frank in May 2017. A contract for the sale of Eastern Precinct at a price of \$7.8million negotiated by Knight Frank with the approval of the Loan Realisation Committee ("LRC") has been executed this month. As with Fernhill Central, the Mayfair blocks and Lot 31 (which was sold late last year) the Eastern Precinct is already subject to Bio Banking interests (which Angas has already sold on market for cash or is able to sell for cash). Purchasers can acquire title to the land but have no financial interest in the Bio Banking sales. In the case of the Eastern Precinct, the purchaser must pay a non refundable deposit of \$780,000 by the middle of next month in which case the contract will be unconditional to settle in 180 days.

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The Western Precinct attracted considerable interest at auction. However, with the additional time afforded by the further Run-Off extension, Angas is now able to create Bio Banking credits over this land too. Following consultation with the LRC, Angas has applied to subdivide the Western Precinct into two 55 hectare rural lots to be subject to widespread Bio Banking Agreements which should produce in excess of \$10million in bio-credit sales at today's prices in addition to the sale of the two land parcels. This estimate is based on initial assessments from the environmental consultants who have created the bio-credits on the other Angas sites.

I have previously reported that Angas has been witnessing renewed interest in bio-credits after a quiet year for sales in 2016. Last month, the NSW Department of Roads and Marine Services ("RMS") purchased \$3.366 million in bio-credits. Angas remains in continued negotiations with RMS regarding the sale of a second tranche of credits which might settle as early as this month. Total gross aggregated bio-credit sales to date by Angas equates to \$20,651,900. Bio-credits sell for market prices depending on their individual type and characteristics. Prices obtained by Angas have increased since the first sale in 2013 prior to the Run-Off. Based on current market pricing:-

- The estimated value of unsold bio-credits currently on the market is \$8,463,800
- On average bio-credit prices are up 20-40% since 2013
- One particular bio-credit has actually increased in value by 100%



The unsold value of \$8,463,800 includes parcels of bio-credits that Angas is negotiating to sell to RMS but does not include the prospective sales from any bio-credits to be created over the Western Precinct. These are expected to be created and available for sale by the middle of next year.

2. Other Loan Portfolio Assets with Real Property Assets

There are twelve loans with real property assets located outside of NSW. Some are sites listed for sale in a tough property market. That is especially the case in Western Australia where properties for seven of the outstanding loans are located. Four of the loans are located in South Australia where units at Garden Estates Hackham and Garden Estate Christies continue to be sold at book value at a steady rate. The sole real property asset in Queensland is land within the Currumbin Valley Eco Village.

I do not propose to be specific about these assets in this update. Twelve loans is a manageable number to realise over the balance of the Run Off period without simply dumping them on the market "as is" to achieve fire sale prices. Angas is constantly reviewing its marketing plans in conjunction with LRC, as well as taking steps to obtain rezoning or other qualitative steps to enhance the return to Debenture Holders. Just as Angas is acting to subdivide the Western Precinct at Fernhill and create bio-credits, so Angas is reviewing the opportunities to add value to each of the properties held as mortgagee in possession wherever possible.

3. Other Realisable Assets

Proceedings have been brought by Angas for a negligent valuation of the Wayville apartments. These proceedings are listed for trial in the Federal Court to commence at the end of November with a private mediation scheduled to take place later this month in an attempt to settle the claim. Proceedings brought on an insurance claim against Vero are listed for trial in the Federal Court to take place early in the New Year. Mediation with Vero failed.

Angas has brought several legal claims against guarantors of loans. These are invariably defended, tend to be protracted and are usually (but not always) settled by compromise. One such claim settled at mediation in August and the settlement sum has been paid in full. It will form part of your October redemption. The final guarantor claim is listed for trial in December. There are some other possible claims being considered which I shall address in future updates along with advice about the remaining balance sheet assets and the restructure of the Managed Investment Schemes. For those investors who were not present in person at the meeting held in August, Mr Hower has repaid the balance of his Service Fee in full with interest.

Yours faithfully,

Angas Securities Limited



Andrew Luckhurst-Smith
Executive Chairman