



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

DEBENTURE HOLDER RUN-OFF UPDATE 31st MAY 2017

The directors and management of Angas Securities wish to keep informed all investors in the first ranking debenture fund which continues in Run-Off. The fund comprises loan assets (principal and accrued interest & fees), collateral security, direct property investments, two outstanding court actions, several outstanding guarantor claims, sundry receivables and, if required, the potential sale of the Managed Funds businesses. Returns to investors will be driven by borrower behaviour, market forces and regulatory considerations. The loan portfolio is now concentrated on a book of eighteen loans, several comprising multiple prime or collateral security assets. Most borrowers who have capacity to repay loans to Angas have already done so by now leaving Angas to seek recovery of the balance from the first mortgage security supporting the loans. Some borrowers are more helpful to Angas than others as this realisation process continues in the Run-Off.

Market forces drive the pace and size of asset realisations. Sale prices achieved by Angas to date have been broadly in line with book value. Each transaction has exceeded the valuation obtained by The Trust Company Limited ("Trustco") where applicable. The summary of loans and other assets set out in this update is as explicit as Angas can be without compromising the interests of all investors by disclosing commercially sensitive information. For example, I have disclosed principal loan balances which show any net movement in them. But I have not disclosed arrears outstanding on these loans as it is not in your interests for outsiders with whom Angas may be dealing to know the total loan exposure on an asset under negotiation. This is not just limited to prospective purchasers. Angas regularly deals with its own and other sales agents, solicitors, valuers, insolvency practitioners, town planners, quantity surveyors, leasing agents, prospective and existing tenants, borrowers, guarantors, subsequent mortgagees, the courts, revenue authorities and a range of other parties for the purpose of managing the assets in Run-Off; bringing them to market and achieving the best return for debenture holders. Angas also finds itself engaging with persons who have no direct, commercial interest in Angas assets but choose to intrude themselves into the affairs of Angas.

The audience of this Update is Angas shareholders and debenture investors. It is for their exclusive use. It is not authorised to be read or used by any other person. If you are reading this Update and you are not an Angas shareholder or debenture holder (or a professional adviser to same) then please respect their interests. Angas investors have a legitimate interest in the affairs of this company and have requested regular updates. Unauthorised third parties must not copy or reproduce this Update in whole or in part nor quote from its content.

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1. THE LATEST PORTFOLIO INFORMATION

- 1.1. One partial loan repayment was made during May representing a part payment made by a guarantor to resolve legal proceedings. This is more fully explained in item 3.6 below.
- 1.2. In addition, there were two more small settlements during the month. Both sales relate to residential units from Garden Estate, SA, being one each at Hackham and Christies Downs.
- 1.3. As previously reported, Angas is witnessing renewed interest around Bio-Credits this calendar year and that is very encouraging as it represents an increase in commercial market activity. Angas has issued contracts for the sale of bio-credits to a publicly listed company and a NSW Government Department. It is expected that at least one of these settlements will occur before the end of the financial year.
- 1.4. All five individual allotments comprising the Mayfair precinct of Fernhill Estate in NSW have executed sale contracts with deposits paid. Aggregate prices of over \$5.5 million are nearly double the Trustee's valuation of \$2.8 million. All contracts are awaiting the final step by the NSW Office of Environment & Heritage ("OEH"). Terms of the Variation Deed have been agreed to this month by OEH. Angas is awaiting the final document to be produced for signing, after which Angas will commence booking in settlements. It is hoped that some settlements will be completed by 30 June 2017.
- 1.5. The prospective purchaser of the Fernhill Central precinct has entered its third month of due diligence under the binding Heads of Agreement to sell the property which forms security for the Angas Contributory Mortgage Fund ("ACMF") syndicated loan. As previously reported, should this sale proceed, debenture holders stand to benefit from excess funds from the sale proceeds, in addition to the Angas funds that form part of the syndication. I can now advise that Rookwood General Cemetery Trust ("Rookwood") is the proposed purchaser. A formal due diligence update presentation is being made to Angas by Rookwood on 15 June 2017.
- 1.6. Angas executed a conditional sale contract for a residential development property at Wellard WA for \$6.95M (Trustee's valuation of \$2.25M). The prospective purchaser withdrew from the sale at the conclusion of the due diligence period. That party is still interested in acquiring the site and has now sought to re-engage with Angas seeking amended settlement terms. Meanwhile, another substantial Perth developer has submitted a conditional offer at a higher price. CBRE is negotiating with both interested parties in order to achieve the most favourable sale price and terms.
- 1.7. A conditional sale contract with an agreed price of \$5.65M for a property in Dayton, WA has been executed. The purchaser's conditions are that the borrower must provide an amended DA and expressions of interest for fifty per cent of the commercial tenancies, both of which conditions are well underway to being met. The revised plan is permissible within the current zoning. Due diligence expired on 20 May 2017 however the borrower as vendor has agreed to an extension to 20 June 2017 to enable the DA to be lodged with Council. The extension terms allow for a settlement by 30 June 2017. Meanwhile, two further conditional offers have been submitted to Angas for the Dayton property. Both exceed the price offered to the borrower. It should be noted that all three offers are well in excess of the Trustee's valuation of \$4.4 million as at July 2016.

1.8 Angas has executed a conditional contract for sale of a high rise beachfront development site at Safety Bay WA. CBRE conducted an Expression of Interest campaign which closed in August 2016. Bids were lodged by several parties and Angas has been negotiating ever since to enhance the terms. The sale price achieved is \$500,000 more than the contracting party offered in its initial proposal and several of its conditions have been ameliorated.

2. ROLE OF LOANS REALISATION COMMITTEE

As part of the Run-Off of the Debenture Fund, the Federal Court ordered, and the debenture investors approved, that a Loans Realisation Committee ("LRC") be established by Angas. Its members comprise Clive Guthrie, who is an independent member of the Angas board, Chris Green, who is a Group Executive of Trustco and John Powell, who is a consultant with a background in banking and treasury who is independent of Angas and Trustco. Mr Powell was elected Chairman of LRC by its members. All LRC members deliberate on issues but its resolutions can be approved by majority vote.

Each month, Angas provides a report to LRC detailing the status of the Run Off as at the end of the previous month. The monthly LRC report comprises

- Cash held by Angas which must be not less than \$5 million as at the date of each month report (Cash Buffer);
- A list of all loan assets held by Angas;
- A list of all Loans to common borrowers made by Angas and other lenders of which Related Entities of Angas have interests;
- Changes to the LRC Report compared to the previous month's version;
- Details of all assets realised by Angas during the previous month;
- Details of all proposed Loan realisations which are required to be considered by the Loans Realisation Committee (together with supporting documentation where necessary);
- Submissions and supporting material provided by Angas for payment of professional fees incurred in respect of the Run-Off.

The LRC provides opinions and advice to Angas upon material matters relating to the realisation by Angas of Loan Assets. Predominantly, this involves decisions in relation to, or to give effect to, realisations where, if the realisation relates to the discharge of a Loan Asset, the face value of the Loan Asset recorded in the Run-Off Schedule is equal to or greater than \$1 million, or if the realisation relates to security held by Angas, the carrying value of the relevant Security recorded in the Run-Off Schedule is equal to or greater than \$1 million. A meeting at LRC is held each month at the Angas office to consider the monthly report supplied by Angas. All members of the LRC attend. Trustco sometimes has multiple representatives attend the LRC meetings. On other occasions a Trustco analyst attends LRC in lieu of its nominated LRC member.

I am not a member of LRC but I have attended every one of its monthly meetings since the Run-Off began. I am provided with a list of detailed questions by LRC generally about one week before the scheduled meeting. I prepare responses with the assistance of Angas management and then engage in often robust discussion at the face to face meetings at the Angas office. Whilst it is not prudent to share all commercially sensitive information in an Update sent to thousands of investors, no such restrictions apply to LRC reporting and engagement. LRC members have access to all of the information required to properly discharge their function.

Amongst its deliberations, the LRC is required to consider, and if thought appropriate, approve requests made in respect of the \$5 Million Cash Buffer and the interim payments to Debenture Holders. It is also required to consider, and if thought appropriate approve, requests made by Trustco for additional remuneration incurred in respect of the arrangement contemplated by the Run-Off; and consider, and if thought appropriate, approve requests made by the Trustco and Angas for payment of professional fees incurred in respect of the Run-Off. On the 25th May 2016 LRC resolved to approve the costs incurred by Trustco in engaging valuers to provide valuations for certain properties identified in your letter.

SA & WA Valuations – Request that fees be paid by Angas

It transpired that a valuation firm was engaged by Trustco to provide a range of valuations in SA & WA, but it subsequently valued all of the WA properties but only one of the SA properties. Its tax invoice 182282 was submitted to Trustco for \$59,125.00. A further tax invoice 190339 was submitted to Trustco for \$32,928.25. Trustco has requested Angas to pay both invoices. Invoice 190339 includes a credit for three SA properties that were not valued as part of the exercise but the first invoice did not.

No.	Property to be Valued	Valuation Fee	Angas Comments
1	Loan ID 434	\$9,000	Error in report
2	Loan ID 549	\$26,600	Angas paid \$4,000 and \$5,000 for its last two valuations
3	Loan ID 409	-	No report
4	Loan ID 536	\$6,000	-
5	Loan ID 512	\$7,500	-
6	Loan ID 411	-	No report
7	Loan ID 466	\$8,000	-
8	Loan ID 464	\$8,000	-
9	Loan ID 516	\$9,000	-
10	(Collateral security)	\$9,000	Invalid methodology
11	(Collateral security)	\$9,000	Invalid methodology
	Total	\$92,100	\$62,500 proposed

Angas considers that the credit of \$15,400 was vastly inadequate as valuations of (ID409) and (ID411) were not undertaken. Put another way, the Mt Gambier based valuer selected by Trustco did not drive 500 kilometres to inspect properties in and near Adelaide as initially instructed. I am awaiting a response from LRC to the proposal by Angas to satisfy Trustco’s claim.

Fernhill Estate at Mulgoa – Request that the fees be paid by Angas

In its letter dated 25 May 2016, the LRC made passing reference to Fernhill without explicitly stating that the LRC had approved new valuations for the land secured to Angas. As a current valuation was held by Angas Contributory Mortgage Fund in respect of its first mortgage loan over Fernhill Central, I consider that LRC approval should not have contemplated this property in any event.

Angas was not party to the instructions issued to the valuer by the Trustco in conjunction with PPB Advisory. When the Trustco appointed valuer contacted Angas seeking access to Fernhill Central, Angas explained that it was not the mortgagee of Fernhill Central and that property was not to be valued; nor was it. Trustco's valuer purported to undertake a "kerbside" appraisal, notwithstanding that very little of Fernhill Central is visible from the road, let alone the mansion, stables, racecourse and other major improvements. Comments by Angas and its proposal to LRC are set out below. I am awaiting a response from LRC.

No.	Property to be Valued	Valuation Fee	Angas Comments
1	Lot 31 Western	-	Totally flawed. Valued at \$67,000 yet sold and settled for \$1,750,000.
2	Lot 1 Western	-	Vacant land
3	Eastern Precinct	-	Vacant land
4	Mayfair Lots	-	Applied incorrect zoning and ignored sale contracts in place
5	Fernhill Central (ACMF)	-	Kerbside Appraisal
	Total	\$50,000	\$20,000 proposed

3. THE CURRENT STATUS OF LEGAL RECOVERY PROCEEDINGS

Angas has the following legal actions underway in order to recover funds for investors in the course of the Run-Off.

3.1. Duncan & Powell v Verco Insurance Federal Court of Australia No SAD 439 of 2015

This Claim was commenced on 20 December 2015 by Stephen Duncan and Christopher Powell as Receivers and Managers of Quinnco Pty Ltd and seeks indemnity under an insurance policy for property damage the claim is for a sum in excess of \$6.0 million. An independent loss adjuster was appointed under the policy to adjudicate the merits of the claim and recommended that Vero settle for a sum of approximately \$2.8 million. It did not do so. The property was sold by Angas in its damaged state for \$12.5 million leaving the insurance claim to be resolved. Following the issue of proceedings, Vero denied indemnity under the policy. A mediation meeting held last October did not lead to settlement. Justice Derrington has been appointed as Trial Judge. He has listed the trial to commence on 3 October 2017.

3.2. Angas Securities Limited v Savills (SA) Pty Ltd Federal Court of Australia No SAD 343 of 2016

This Claim was commenced by Angas on 23 December 2016 following sale of the units at The Terraces at Wayville SA. This was a protracted process. The borrower failed to achieve residential sales at prices in line with the Savills valuation. The borrower is in liquidation so Angas stepped in to complete the sale of all remaining apartments during the Run Off. Angas seeks damages from Savills based on a valuation which Angas asserts to have been negligently prepared. Angas relies on valuations. In nearly twenty years of business as a commercial property financier, this is only the fourth time that Angas has made a claim against a valuer. Angas holds an expert report which has identified objective errors in the Savills valuation. Angas claims that it would not have invested debenture holder funds in the Wayville deal if the Savills valuation had been properly prepared. No loan would have been made. Savills has denied liability. Justice White has been appointed as Trial Judge. He has listed the trial to commence on 23 October 2017.

3.3 Angas Securities Limited v (Not disclosed), Supreme Court of Queensland No 7391 of 2015

Angas commenced proceedings against this Guarantor by claim issued on the 29 July 2015. The claim was defended. Pleadings were filed. Disclosure of documents was made. A Mediation was held on the 21 July 2016 which led to a confidential settlement being negotiated. Subject to performance of the confidential settlement terms, Angas will discontinue the Supreme Court of Queensland proceedings. The settlements terms are fully on track at present.

3.4 Angas Securities Limited v Craig Jolly, Supreme Court of Western Australia No CIV2009 of 2016.

Angas commenced proceedings against this Guarantor by Writ of summons issued on the 16 June 2016. The proceedings were strongly resisted. Mr Jolly then changed his representation to a different law firm which took a more conciliatory approach. Details of the Guarantor's financial position were provided to Angas together with supporting documentation. This shows property interests and a substantial share in a business that Mr Jolly operates with a related party. Mediation will be held before a Registrar of the Supreme Court of Western Australia on 10 August 2017.

3.5 Angas Securities Limited v Jennifer Tan Supreme Court of Western Australia No CIV2365 of 2015

Angas commenced proceedings against this Guarantor by Writ of summons issued on the 28th August 2015 following the failure of attempts to negotiate a compromise with her solicitor. The Guarantor denies having sufficient business knowledge to comprehend the consequences of providing a guarantee despite her company's land division being well advanced and Jennifer Tan having previously executed finance agreements with the Bank of Western Australia (including a guarantee) and with a private funder in respect of the same project. Angas failed to reach settlement at a status conference held on the 16th May 2017 and has obtained an order that the matter be listed for trial. Angas is now awaiting a trial date to be set.

3.6 Angas Securities Limited v (Not disclosed) Supreme Court South Australia No 598 of 2016

Angas commenced proceedings against this Guarantor by Summons for Possession issued on 6 June 2016. The Guarantor was sole owner of an executive dwelling in metropolitan Adelaide. She resided in the dwelling with her husband and children. It is a substantial two storey residence with large grounds, a swimming pool, a cinema room and four bedrooms. She offered the property as security to Angas in respect of a loan advanced to a land development company owned and operated by her husband. Legal proceedings were commenced by Angas to enforce the first mortgage over the residence when the Angas loan expired and was not repaid.

The legal proceedings went through a succession of phases. First, the Guarantor sought to negotiate a deal with Angas. Terms were agreed to but the Guarantor failed to perform them. Secondly, the Guarantor sought to avoid liability under her guarantee by attributing responsibility to her husband. She even joined her husband's company as a party to the Angas action but this fell away when the company's creditors (including Angas) voted to put the company into liquidation. Finally, the Guarantor offered Angas \$1.3 million in full discharge of her liability to Angas as guarantor. Angas weighed up this offer. The residence was worth more than \$1.3 million but Angas would have to incur legal fees to obtain judgement and then possibly have to evict the Guarantor and her family from the residence. Angas would incur marketing expenses and agent's commission to sell the house. The whole exercise could take a further nine to twelve months. Accordingly, Angas accepted the offer and LRC concurred. The settlement sum of \$1.3 million was paid this month to fully discharge the first mortgage held over the Guarantor's residence.

4. THE CURRENT STATUS OF THE LOAN PORTFOLIO

Loan ID	Prime Security	State	Collateral Security	Principal Advanced	Principal 31 May 2017
466	Land (residential development site)	WA	8 home units 2RM Office Building 2RM 20 houses & residual land 3RM	\$5.543 m	\$5.543 m
464	Land (DA for shopping centre)	WA	2 Shops (incomplete 3RM) 4 Apartments 3RM Directors Guarantees (2)	\$5.858 m	\$5.858 m
516	Land (Residential development site)	WA	All prime security and collateral security is fully cross collateralised	\$10.0 m	\$10.0 m
476	Land (residential development site)	NSW	Residential 2RM	\$29.8 m	\$17.478 m
	Bio Credits	NSW			
534	Residence & Land (residential development site)	NSW	All prime and collateral security is fully cross collateralised.	\$17.3 m	\$16.088 m
	Bio Credits	NSW			
	5 x 10ha housing blocks	NSW	Director is bankrupt		
549	Land (residential development site) Stages 1 to 3 sold	SA	Directors Guarantee	\$6.594 m	\$3.34 m
409	Marina berths and adjacent land. All on Torrens Title	SA	All collateral security realised Director is bankrupt	\$11.487 m	\$4.385 m
533	Residence	NSW	Nil	\$0.45 m	\$0.425 m
391	19 residential units	SA	Director is bankrupt	\$4.15 m	\$2.37 m
378	13 residential units	SA	Director is bankrupt	\$4.034 m	\$1.33 m

488	5 housing blocks	WA	Directors Guarantee Proceedings issued	\$2.55 m	\$1.10 m
372	Commercial land (to become residential sites)	QLD	1. Director's guarantee. Settlement fully paid 2. Director's guarantee. Settlement part paid	\$9.31 m	\$0.974 m
536	Land (inner city development site)	WA	Directors Guarantee	\$10.153 m	\$7.095 m
393	Land (Coastal development site)	WA	Directors Guarantee proceedings issued	\$12.1 m	\$7.092 m
380	Sold	QLD	Action against Vero Insurance	\$13.205 m	Commercial in confidence
512	40 housing lots plus englobo land	WA	Directors Guarantee	\$5.28 m	\$4.05 m
367	Sold	SA	Action against Savills (SA)	\$25.04 m	Commercial in confidence

5. KNIGHT FRANK PORTFOLIO AUCTION

A number of properties securing significant loans remaining in the debenture loan book that were offered for sale in a Knight Frank portfolio auction held on 31 May 2017. The security properties included in the auction were, a residential subdivision in Port Augusta SA, the Western and Eastern precincts of the Fernhill estate in Mulgoa, NSW, a large rural living residential sub-division in Kununurra, WA, an Englobo residential development land block in York, WA and an Angas Commercial Property Trust (ACPT) asset, being Lot 71 Coral Cove, Queensland.

Knight Frank advised Angas that the best method of sale for these properties is by public auction, which provides a straight forward uncomplicated sale process and is a proven and acceptable method of sale to purchasers. A six week campaign began in April 2017 to coincide with the launch of the Knight Frank Exclusive View Magazine which was displayed in Qantas Clubs nationally from the beginning of May 2017. It was read by a number of individuals who engaged with the selling agent. A Knight Frank Asian Road show was undertaken to provide better exposure of this portfolio to the Asian market.

Knight Frank's primary objective during the marketing period was to expose the properties to the widest possible market, including by targeting buyers known to Knight Frank, Knight Frank's company database and buyers who have been unsuccessful in recent campaigns of similar properties. Knight Frank's marketing schedule included targeted press advertisements locally and nationally, but also internationally through distribution of the marketing materials to Knight Frank's international database. 80 enquiries were made in response to the marketing campaign which led to 54 parties seeking further information by accessing an on-line the data room.

The LRC consulted with Angas in the week leading up to the auction to discuss offers and sale terms submitted by purchasers ahead of the auction and to set the reserve prices for sale. There was considerable interest in the SA & NSW properties but interest in the WA & QLD properties was muted. The auction was conducted at Knight Frank's Sydney office with a video link to its Adelaide, Perth & Brisbane offices. Some of the properties failed to attract a bid. All were passed in unsold. Negotiations are proceeding with a series of bidders being local, national and one off shore investor via its Australian arm. Despite the lack of sale, the auction process served as a very successful marketing exercise to flush out potential buyers with capacity and a genuine interest to acquire property from Angas. Trustco attended the auction with at least two representatives of PPB Advisory who observed but did not otherwise participate. For as long as the Run-Off continues with Angas management in control, there shall be no fire sale of debenture funded assets.

6. DEBENTURE FUNDS INVESTED IN REAL PROPERTY

6.1 Angas Commercial Property Trust (“ACPT”)

In 2016, three ACPT properties were placed on the market for sale as part of the Run Off. Two of the properties have been sold reducing the bank debt to \$1.935 million. The third property is under contract for \$9.1 million subject to due diligence. It generates \$775,000 in rent per annum with the lessee paying all outgoings. There is substantial income flowing to ACPT net of the bank interest. Net income from ACPT is applied by Angas as part of the Run Off cashflow.

6.2 Mannum Green Shopping Centre, Mannum SA

Angas and ACPT own all of the units in the Mannum Green Unit Trust. There is a first mortgage to the National Australia Bank of \$5.8 million. Angas is paying principal reductions each month in addition to interest on the bank loan. A small portion of surplus land has been sold. Settlement is subject to registration of boundary realignment. Full proceeds of this sale will be applied to reduce the first mortgage debt.

Angas has recently completed negotiating lease extensions for two specialist tenancies being a pharmacy (two shops) and a hairdresser. Several new tenancies are being negotiated comprising a dental surgery (two shops), a real estate agency (two shops) and one shop as an addition to the existing cafe and coffee shop.

6.3 Land at Coral Cove QLD

ACPT owns a 12,820 sqm parcel of land within Coral Cove, an ocean front suburb 18 kilometres from the regional Queensland city of Bundaberg. Coral Cove is a well-established master planned residential estate. ACPT's property comprises vacant land with absolute frontage to one of Queensland's most picturesque 18 hole golf courses. ACPT holds Preliminary Approval for Material Change of Use for Higher Density Housing incorporating 28 units.

This property was offered for sale by auction on 31 May 2017 but was passed in. Negotiations are continuing with an interested party identified during the marketing campaign.

6.4 Other Real Property Assets – Woodcroft SA

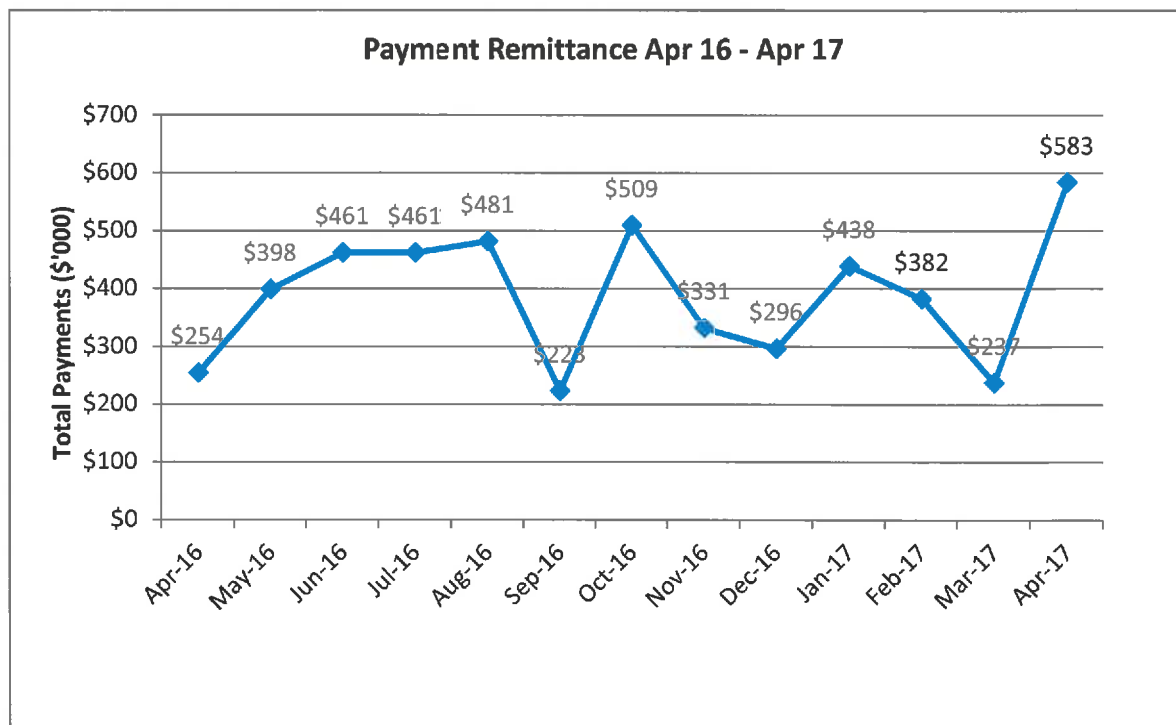
Angas owns one unit and one apartment located within an aged persons' estate. It is intended by Angas to address the realisation of these assets once the residential units securing Loan ID 378 and 391 have been sold.

7. HOLDING COSTS AND PROFESSIONAL FEES

You will be aware that the direct costs of Angas as a going concern are in line with the Run Off forecast. These comprise salaries, rent and administration. These direct costs are broadly covered from going concern revenue generated by the managed investment fund businesses. Set out below are total remittances made by Angas each month during the period from April 2016 until April 2017. This month's remittances will be compiled over the next week but the information is not ready for this report. The remittances include administration costs, rent and other recurrent expenses. Also included are expenses which vary greatly from month to month such as holding costs and professional fees:-

Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
\$253,945	\$397,821	\$461,281	\$461,178	\$480,991	\$223,001

Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17
\$508,560	\$331,215	\$295,924	\$438,403	\$381,974	\$237,067	\$583,139



The baseline payments for rent, information technology and trade suppliers are incorporated in the administration expenses. The variation month by month is due to holding costs related to assets and professional fees. October 2016 is an instance where NSW Revenue required Angas to pay \$319,097 in Land Tax as a condition of its consent to enable the variation to BA112 to be issued. This was a statutory charge over the land at Mulgoa, NSW. It had to be paid sometime whether Angas management or anyone else conducts the business. It will be re-couped when the Mayfair blocks are sold. This is a timing issue. The money must be outlaid rather than being returned to investors now.

You will note that April 2017 was the highest for professional fees in the last year. The following invoices were paid to lawyers and accountants assisting Angas to pursue the legal proceedings set out in Item 2 as well as to serve notices or take other steps in the Run Off process including the Bio Credit sale process:-

Loan ID	\$ Paid
459	10,000.00
459	15,972.45
362	14,685.00
488	24,145.12
488	18,150.00
372	20,017.25
372	2,703.94
466	550.00
466	34,257.90
466	495.00
393	550.28
380	24,754.33
536	363.00
476	25,000.00
476	1,710.40
476	570.57
476	519.75
534	3,641.56
534	4,044.28
534	23,500.00
409	1,103.00
512	485.10

In addition, legal bills were paid in April 2017 by Angas relating to the following:-

Work Performed	\$ Paid
General	22,638.00
Trustco related	44,250.00
Funds restructure APIF & ACMF	11,619.85

8. TRUSTCO'S SUPERVISION OF ITS REPRESENTATIVES

On 22nd December 2016, I wrote to Trustco in connection with sale of the property at Reichardt Road, Winnellie NT which had been due to settle on 5 December 2016 but did not do so because Trustco refused to discharge its General Security Agreement. I pointed out that in the course of exchanging correspondence regarding Trustco's release of its charge; Trustco's solicitor sent an email on 12 December 2016 which was copied to the Darwin solicitor of the purchaser of the Reichardt Road Property. This was not a standalone communication but included a chain of emails as follows:-

- 2.12.16 Email from Angas solicitor to Trustco PPSR discharge team requesting PPSR discharge for settlement on 5.12.17.
- 5.12.16 Email from Trustco's solicitor in response on behalf of Trustco addressing:-
 - Background to security interest
 - Sale of Reichardt Road
 - Application of Proceeds of Sale
- 6.12.16 This was a very long email which made explicit reference to material provided to LRC by Angas
- 6.12.16 Email from Angas solicitor to Trustco's solicitor addressing the matters raised
- 8.12.16 Email from Trustco's solicitor raising additional matters including latest valuation and resolution of Hindmarsh Precinct Developments transaction (which had been the subject of litigation between Angas and Trustco)
- 8.12.16 Email in response from Angas solicitor to Trustco's solicitor
- 8.12.16 Email from Trustco's solicitor to Angas solicitor addressing that response
- 12.12.16 Email from Trustco's solicitor to Angas solicitor demanding a form of undertaking from Angas and reserving the rights of Trustco to commence proceedings against Angas "and any other relevant party".

The email included all of the previous confidential and commercially sensitive correspondence between the Trustco, ACPT and their respective solicitors. Given the nature of these communications, my concern was that it is possible that the information provided may cause the purchaser to withdraw from settlement. I felt it was clearly not in debenture holders' interests for Trustco to be engaging in conduct which may prevent the sale of a property that will result in the realisation of funds available to be paid to debenture holders. Accordingly, I requested an explanation from Trustco as to why the purchaser's solicitor was copied in on the sensitive correspondence mentioned in my letter.

Trustco responded to me on 7 April 2017 stating that the Winnellie sale had settled some months ago and the purchaser did not withdraw from settlement. In view of this, Trustco advised me that it saw no benefit in corresponding further in relation to that particular transaction. Trustco did not accept that any confidential or commercially sensitive information was disclosed in the email correspondence mentioned in my letter.

I was not satisfied with Trustco's response. I informed Trustco that whether by accident or design, the conduct by Trustco's solicitors was plainly wrong. Of course confidential information had been provided to the counterparty to the transaction. The communication by Trustco's representative was destabilising and had the potential to undermine the sale. It also resulted in significant and unnecessary legal expenses being incurred to keep the sale alive.

I contend that Trustco's lawyers seem to have insufficient supervision or review of what is sent. That invokes unnecessary cost to debenture holders. With particular reference to any remaining transactions in respect of which PPSR discharge may be required by purchasers, I have urged Trustco to take a more suitable approach in order to minimise delay and legal cost and to maximise the size and expedition of assets realisations in the Run Off.

9 HOWERCO SERVICE FEE

At the commencement of the Run Off, there was a substantial service fee owed to Angas Securities by its Managing Director, Matthew Hower. The Angas board subsequently resolved that Hower Corp Pty Ltd should pay interest on that service fee from the commencement of the Run Off at the rate of 4% per annum on the reducing balance. Mr Hower has made substantial progress in clearing his outstanding obligation to Angas. Set out below is a chart setting out the position as at this date.

	Opening balance	Add: Receivable	Less: Repayment	Interest at 4% (from 14/8/15)	Closing balance
Aug-15	546,485.54	11,763.40	0.00	1,020.46	559,269.40
Sep-15	559,269.40	0.00	31,396.85	1,759.58	529,632.12
Oct-15	529,632.12	0.00	0.00	1,765.44	531,397.56
Nov-15	531,397.56	0.00	0.00	1,771.33	533,168.89
Dec-15	533,168.89	43.47	75,000.00	1,527.37	459,739.73
Jan-16	459,739.73	0.00	0.00	1,532.47	461,272.20
Feb-16	461,272.20	0.00	0.00	1,537.57	462,809.77
Mar-16	462,809.77	0.00	0.00	1,542.70	464,352.47
Apr-16	464,352.47	0.00	100,000.00	1,214.51	365,566.98
May-16	365,566.98	0.00	0.00	1,218.56	366,785.53
Jun-16	366,785.53	0.00	0.00	1,222.62	368,008.15
Jul-16	368,008.15	0.00	125,000.00	810.03	243,818.18
Aug-16	243,818.18	0.00	0.00	812.73	244,630.91
Sep-16	244,630.91	0.00	0.00	815.44	245,446.34
Oct-16	245,446.34	0.00	0.00	818.15	246,264.50
Nov-16	246,264.50	0.00	0.00	820.88	247,085.38
Dec-16	247,085.38	0.00	100,000.00	490.28	147,575.66
Jan-17	147,575.66	0.00	0.00	491.92	148,067.58
Feb-17	148,067.58	0.00	0.00	493.56	148,561.14
Mar-17	148,561.14	0.00	20,000.00	428.54	128,989.68
Apr-17	128,989.68	0.00	0.00	429.97	129,419.64
May-17	129,419.64	0.00	0.00	431.40	129,851.04
			451,396.85	22,955.48	

Mr Hower has advised the Angas board that he is seeking to realise his interest in a financial instrument (unrelated to Angas) to discharge this liability in full within the coming month.

10. PROPOSED RESTRUCTURE OF MANAGED INVESTMENT SCHEMES

The Explanatory Statement for the 2016 debenture holders meeting noted the intention of Angas to restructure its funds management business by transferring its responsible entity and management roles in respect of the Angas Contributory Mortgage Fund ('ACMF') and the Angas Prime Income Fund ('APIF') to a wholly owned subsidiary, Angas Mortgage Management Limited ('AMML').

If implemented, the restructure would result in the two businesses being operated out of a wholly owned special purpose subsidiary of Angas, such that if the circumstances required, that subsidiary could then be sold as an intact going concern to provide a financial return to Angas for the benefit of debenture holders.

On 5 April 2017, Angas suggested to Trustco that it seek directions from Justice Beach as to whether Trustco is justified in either agreeing to dispense with a guarantee from AMML or in agreeing to an alternative Guarantee. Trustco has declined to seek such directions from the Federal Court. ASIC cannot grant AMML an AFSL unless and until the guarantee issue is satisfactorily resolved between Angas/AMML and Trustco. Accordingly, the next step in the process is for Angas/AMML and Trustco to resolve the guarantee issue. There has been no progress this month. In the meantime, Angas has received and responded to a series of requisitions from ASIC which is dealing with AMML's application for a Financial Services Licence.

11. PROPOSED DEBENTURE HOLDER MEETING (SUBJECT TO COURT APPROVAL)

11.1 2016 Debenture Holder Meeting - Confusion and Expense

On 22 July 2016 the Federal Court directed that a Debenture Holder meeting be held on 11 August 2016. Trustco then requested the Federal Court to list three further hearings for the purposes of: -

- 29 July 2016: Approving the form of a circular letter from Trustco and alternate proxy form to be sent to all debenture holders. Trustco had made no arrangements to issue its letter or alternate proxy form and Computershare was asked by Angas to attend to this task.
- 2 August 2016: Ascertaining whether Computershare had despatched Trustco's circular over the intervening weekend.
- 3 August 2016: Amending the time limit in the Trust Deed with respect to the time for receipt by Computershare of Trustco's alternate proxy form from debenture holders.

Also on 3 August 2016, Justice Beach made orders setting the time limit in which Angas' proxies will be validly received and able to be counted in the extraordinary resolution in the meeting of debenture holders on 11 August 2016. His Honour also delivered a judgment on this date with respect to the procedures to be followed at the meeting of debenture holders on 11 August 2016.

Many debenture holders contacted Angas following receipt of Trustco's alternate proxy form. They were confused by receiving two different forms within a few days of each other. As many debenture holders told Angas investor relations staff, they did not appreciate that subsequently lodged proxy forms were allowed to override previously lodged proxy forms. Another problem was that the rushed despatch of Trustco's material meant that its alternate proxy form was not bar coded which meant that the voting process had to be conducted manually. Voting took a week to count and verify. The cost was double what Computershare billed to Angas for the previous year's meeting.

11.2 Agreement between Angas and Trustco for 2017 Debenture Holding Meeting

I am pleased to report that Angas and Trustco have agreed the following:-

- The Notice of Meeting with Explanatory Statement and any letter from Trustco to the debenture holders will be the subject of good faith consultation between Angas and Trustco, and be subject to final approval by the Court before they are issued to the debenture holders;
- The Notice of Meeting with Explanatory Statement and any letter from Trustco to debenture holders will be sent together, provided that Trustco will be given the opportunity to review the final package before it is sent out;
- One proxy form is to be included with that package;
- It will contain 3 choices for debenture holders:
 - vote in favour of the proposed extension of the Run-Off;
 - vote against the proposed extension of the Run-Off; or
 - appoint the Chairman as proxy to vote on the proposed extension to the Run-Off, provided that Trustco has suggested that the Chairman be requested to provide written reasons for his vote.

Angas considers that these arrangements will avoid the confusion caused by Trustco's communication which was issued in a disjointed manner last year.

11.3 Preliminary Steps to Prepare for 2017 Debenture Holder Meeting

Angas has commenced steps to prepare for a meeting to be held on 16 August 2017 in Perth and Adelaide. The same venues have been booked being the Perth Convention Centre and the Adelaide Convention Centre. Computershare will once again provide registry services and act as returning officer for the vote. One change is the ability for you to receive the Notice electronically so that you can participate if you are away or cannot attend the meeting (see Item 11.4). Mr Bruce DeBelle AO QC has agreed to chair the meeting of the debenture holders once again.

11.4 Opt in for Electronic Notices

If you are a debenture holder with a minimum balance of \$10,000 still invested, then you will receive a written notice inviting you to attend the meeting of debenture holders. The notice and documentation will likely be communicated to debenture holders by 1 August 2017. However, you may opt to receive an electronic notice of the debenture holder's meeting by email instead. If you choose this option, you will receive by email the notice of the meeting providing access to all required documentation.

The electronic notice of meeting is simple, fast and secure. By opting in you can help Angas to do our part for the environment by saving printed paper. Debenture holders are also able to change the election at any time, and have the right to request a paper version of a document that has been sent electronically.

To **opt in** please fill out, sign and date the reply form below, then scan and email it to us at reception@angassecurities.com or send the original by post to Angas. If you do nothing, you will continue to receive the notice by post.

Yours faithfully,
Angas Securities Limited



Andrew Luckhurst-Smith
Executive Chairman



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

OPT IN FOR ELECTRONIC NOTICES

As a Debenture Holder, you will receive a written notice inviting you to attend the meeting of Debenture Holders. The notice and documentation will likely be communicated to Debenture Holders by 1 August 2017.

However, you may opt to receive an electronic notice of the Debenture Holder's Meeting by e-mail instead. If you choose this option, you will receive by e-mail the notice of the Meeting providing access to all required documentation.

The electronic notice of meeting is simple, fast and secure. By opting in you can help us do our part for the environment by saving printed paper. Debenture Holders are also able to change the election at any time, and have the right to request a paper version of a document that has been sent electronically.

To **opt in** please fill out, sign and date the reply form below, then scan and email it to us at reception@angassecurities.com or send the original by post to Angas Securities. If you do nothing, you will continue to receive the notice by post.

NOMINATION FOR ELECTRONIC NOTICE OF MEETINGS

Scan and email to: reception@angassecurities.com

Or send by post to: Angas Securities
PO Box 2948
Adelaide SA 5001

I/we consent to receive all legal notices electronically

Please fill out the following information:
Mrs/Ms/Mr (cross out those that do not apply)

Last Name / Company Name

First Name

Address (for ID confirmation)
.....

Phone Number.....

Email address@.....

Signature

Signature

Full Name
Date:

Full Name
Date: