



28 June 2012

Dear Investor

JULY 2012 MANDATORY REDEMPTION – BALMAIN AQUA HIGH INCOME TRUST (THE “TRUST”)

As advised in our Notice of Meeting & Explanatory Statement, dated February 2010, investors are to receive proceeds from mandatory redemptions as and when sales of Existing Loan Assets held by the Balmain AQUA High Income Trust as at 1 December 2009, are received by the Trust. To date investors have received 4 mandatory redemptions.

For the period of 1 December 2011 to 31 May 2012, no Existing Loan Assets were realised, therefore there will be no units redeemed as part of the July Mandatory Redemption.

We had anticipated modest sales of ‘Existing Assets’ in the period, however these sales did not settle before the redemption period concluded.

The next Mandatory Redemption is planned for December 2012, resulting from any sales or realisations of ‘Existing Assets’ within the period of 1 June 2012 to 30 November 2012.

Full Redemption of the Balmain AQUA High Income Trust

The termination payment details for the Balmain AQUA High Income Trust were outlined in the Notice of Meeting and Explanatory Statement, dated February 2010. We want to take this opportunity to reiterate the timing as to when we expect a full redemption will be made to investors.

We expect investors in the Balmain AQUA High Income Trust will be offered redemption of the balance of their remaining units in mid to late June 2013.

Investors should note that there is always the possibility that assets may not be able to be realised by these dates, which may result in the delay of a full redemption. We will keep investors informed as to progress in the months ahead.

Outcome of Asset review

Over the last few months we have been reviewing a number of the Existing Loan Assets (i.e. loans written pre December 2009). Unfortunately we believe there has been a deterioration in the realisable value of several of the assets located in Queensland that will require the need for further provisions, which will result in the reduction of the unit price of between 5 and 7%. The actual amount of the provision is being finalised and will take effect from the next unit price as at 30 June 2012. We will write to investors shortly with details of this.

Balmain AQUA Pty Limited ABN 94 107 030 240 Australian Credit Licence No 391864

Street Level 14, 60 Castlereagh Street, Sydney NSW 2000 **Post** GPO Box 3570, Sydney NSW 2001 Australia

Tel 02 9232 8888 **Fax** 02 9232 8588 **Free** 1800 225 624

www.balmain.com.au

Balmain AQUA Pty Limited (ABN 94 107 030 240), a subsidiary of Balmain Funds Management Pty Limited (ABN 32 107 670 342) and Investment Manager of Balmain AQUA High Income Trust (ARSN 110 223 348), Balmain AQUA Income Trust (ARSN 110 222 850) and the Balmain Mezzanine Income Trust (ARSN 145 570 458), collectively the ‘Schemes’. The responsible entity of the Schemes is The Trust Company (RE Services) Limited (ABN 45 003 278 831, AFSL 235 150). Balmain AQUA Pty Limited is an Authorised Representative of Balmain Fund Administration Limited (ABN 98 134 526 604, AFSL 333213). Balmain Funds Management Pty Limited is a wholly owned subsidiary of Balmain NB Corporation Limited (ACN 107 505 760).