

14 July 2010

MELBOURNE

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TO CREDITORS

Dear Sir/Madam

RE: **SONRAY CAPITAL MARKETS PTY LTD** (ADMINISTRATORS APPOINTED)
ACN 104 482 993

SONRAY CAPITAL MARKETS (QLD) PTY LTD (ADMINISTRATORS APPOINTED)
ACN 119 300 300

SONRAY ADVISORY PTY LTD (ADMINISTRATORS APPOINTED)
ACN 121 868 826

SONRAY CAPITAL MARKETS NOMINEES PTY LTD (ADMINISTRATORS APPOINTED)
ACN 134 965 754

ADELAIDE
BRISBANE
PERTH
SYDNEY
HONG KONG
JAKARTA
KUALA LUMPUR
MANILA
SHANGHAI
SINGAPORE
TOKYO

COLLECTIVELY REFERRED TO AS “THE GROUP” OR “SONRAY”

We refer to the meeting of creditors held on 2 July 2010 and thought it was appropriate to give you a short update.

1. DEFICIENCY IN SEGREGATED ACCOUNTS

Whilst the precise circumstances are still uncertain, it is clear that there have been significant numbers of unauthorised trades using funds from the segregated accounts. The administrators are still continuing their investigations into precisely how the original deficiencies occurred and whether any recoveries may be possible as a result. It is sufficiently clear however that, whatever the cause of the deficiency, there was an ongoing attempt to “fix” the deficiency by entering into further trades through the use of fictional “house accounts”. It remains the administrators’ preliminary view that the deficiency is approximately \$46.7 million.

2. GOING FORWARD

Importantly whilst the administrators are investigating and reporting their findings to you, it is not our role to fix the rights of the parties. There are a number of very complex issues which need to be resolved and we are proposing to go to Court to seek their resolution as soon as we are able. As we have previously indicated, the following are the preliminary views of the administrators:

1. By virtue of section 981H of the Corporations Act 2001 and Regulation 7.8.03 of the Corporations Regulations, most clients who have notional balances in the clients’ segregated accounts will be entitled to payment “in proportion to the amount of each person’s entitlement”.

AFFILIATED THROUGH
ZOLFO COOPER
AND
KROLL WORLDWIDE
UNITED STATES
UNITED KINGDOM



2. In the main financial products purchased out of the deficient funds in the segregated account are likely, in our view, also be held on trust for investors. It is possible that within the group of investors there might be people with different or better rights than others. However, the forensic exercise involved in unravelling the history of trades and the history of deficiencies given the long running nature is very difficult. It is also likely to be an expensive task to complete so great care is being taken to seek to get the balance between accuracy and expense right. It would be of little comfort for investors for the administrators to be able to provide them an exhaustive explanation of exactly what's happened if the cost of doing so is disproportionate to the amount which might be recoverable. It is likely that we will seek court directions on this issue.
3. Saxo Bank A/S claims to be a secured creditor in respect to a significant number of shares held in a custodian account. We are still investigating this claim and it is likely that we will seek a court declaration about this important issue.
4. Some investors may argue that they can trace their funds through the segregated client account and into the purchase of financial instruments. At this point, we do not think that this will generally be a remedy available to investors.

Accordingly in all of the circumstances, the administrators are proposing (with the assistance with the committee of creditors) to institute proceedings seeking declarations and directions about these issues so that there can be some certainty as to the legal position of parties without there being numerous pieces of discrete litigation commenced by investors and other shareholders. It is proposed to identify representatives in the position of various investors to "contradict" the preliminary view that the administrators reach and propose presenting to Court. In the meantime, Saxo Bank A/S has agreed not to sell any of the shares it is holding until that position is determined and we are in discussions with Saxo Bank about its preparedness to fund that application.

The Administrators are also actively exploring other avenues of recovery which may be available, and co-operating with ASIC in respect of its investigation.

Of course we will continue to keep investors and creditors updated and we will provide you with some more information when it is available. If we change our views as we obtain more information we will also let you know.

Dated: 14 July 2010

A handwritten signature in black ink, appearing to read 'John Lindholm'.

JOHN LINDHOLM
ADMINISTRATOR

A handwritten signature in blue ink, appearing to read 'George Georges'.

GEORGE GEORGES
ADMINISTRATOR