

Distressed Debt Fund Investment Update

Quarterly Investment Update - March to June 2006

General Comment

The year to date has many of the major investment firms in the world continuing to raise money for distressed debt mandated funds while Australia is experiencing record low levels of insolvency appointments and the economy continues to enjoy economic growth. Locally, the level of interest in the Australian turnaround and distressed debt market continues with a major American special situation investor having recently set up an office in Australia looking for illiquid and distressed investments.

This all means that the ability to place capital in profitable assets continues to be competitive. HCF's management has recently been able to focus on positively expanding the current investments, as we discuss below. As interest rates continue to creep upward in the major industrialised countries, the number of distressed debt situations available to investors should slowly increase.

These recent developments support the reason behind the original decision to put together the Distressed Debt Fund so that committed capital could be called as required by the Helmsman Capital Fund's (HCF) when investment opportunities arose. Overall, the Fund continues to progress favorably as the latest call on units is being invested to solidify and expand current investments.

Underlying Investments

HCF currently has three investments across a number of sectors, including underground mining services, lime kiln operations and medical services. We provide a brief update on these below.

Walter Mining

Walter Mining is now recognised as the leading provider of mining services to the underground coal mining industry and, with the recent acquisition of an engineering equipment company, will provide the opportunity to consolidate hard rock tunnelling and metalliferous mining into this business. Since being acquired, Walter Mining has made three separate investments which have positively contributed to its current position within its industry. Exit strategies are currently being explored. We are very pleased with this investment.

Loongana Lime

Preparation for the sale of the company has been delayed as we await the final ruling on an extension of an environmental license. Several parties have completed due diligence but no offer is capable of acceptance as they are all conditional upon extension of the environmental license.

National Medical and Imaging Group Pty Limited

The three operating divisions, Radiology, Medical and Day Surgery, continue to generate positive earnings results. Patient numbers have continued to build in Radiology, the number of doctor hours has

improved in Medical and steps to make a successful exit from Day Surgery are being reviewed. Exit strategies for this investment are also being explored, but with a time horizon longer than Walter Mining. We are very pleased with this investment.

Calls on Units

Units in the Fund are paid up to 68 cents per unit, with another 32 cents per unit remaining uncalled. The timing of calls depends entirely on the time it takes Helmsman to find suitable investment opportunities. We will advise you as soon as possible of any call with at least 14 days notice.

Unit holder Information

Should you have any enquiries regarding your unit holding, you should contact Registries Ltd on 02 9290 9600. If you have any questions regarding your investment in the Distressed Debt Fund, you should speak with your financial consultant in the first instance or contact us on 02 9250 6500.

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