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30 June 2010

Circular to Creditors

Cape View Developments WA Pty Ltd (In Liquidation) ACN 109 689 643

Formerly known as "Southern Timber Company Limited" ("the Company")

This circular letter should be read in conjunction with our previous reports to creditors dated 24 March 2010 and 3 June 2010, which are available on the RSM Bird Cameron Partners website at www.rsmi.com.au/services/_turnaround_and_insolvency/ongoing_matters.

Adjourned Second Meeting of Creditors

At the adjourned second meeting of creditors (**Adjourned Meeting**) held on 11 June 2010, the creditors present resolved that the Company be wound up.

Accordingly, pursuant to Section 499 of the Corporations Act 2001, the former Administrators are now the Liquidators for the purposes of winding up the Company.

The committee of creditors was dissolved upon the passing of the resolution to wind the Company up. No nominations were received, or any resolution put to the Adjourned Meeting, to replace the committee of creditors with a committee of inspection.

The creditors present at the Adjourned Meeting also approved the remuneration of the Administrators and the estimated future remuneration of the Liquidators, as outlined in the report to creditors dated 3 June 2010.

Realisation of Company Assets

As Liquidators, we will now proceed to realise the Company's assets for distribution to creditors. However, as previously advised, it is most unlikely that a dividend will be paid to unsecured creditors, after the costs, charges and expenses of the Administrators and the winding up of the Company.

The Company's principal asset is its majority share (85.6%) of nine (9) strata lots within Stage 3 of the Cape View Beach Resort (**Properties**). The Properties comprise seven (7) incomplete holiday bungalows and two (2) vacant lots with development approval for further subdivision.

Construction of the holiday bungalows will not be completed by the Liquidators. That may impinge upon any realisation as development approval requires completion or a building contract to be in place for a sale to be effected.

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The Properties are encumbered by registered mortgages in favour of St George Bank and Primary Securities Limited as first and second ranking mortgagees respectively. The first ranking mortgagee has agreed to forbear from exercising its rights as mortgagee to allow the Liquidators to sell the Company's interest in the Properties.

Accordingly, we now intend to arrange a valuation of the Properties and seek advice from a professional selling agent as to the most appropriate method of sale on an "as is" basis. However, the Properties will not be taken to the market until the minority proprietors agree to the sale process.

Voidable Transactions and Insolvent Trading Claim

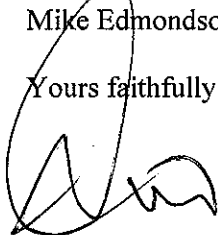
In our report dated 24 March 2010, we outlined possible unfair preference claims against certain creditors and a possible claim for insolvent trading against the directors of the Company. Our report also advised creditors that litigation funding is unlikely to be available for claims of the magnitude outlined.

Since preparing the report to creditors, the Liquidators have learned of a possible defence by the directors to any claim for insolvent trading. Prima facie, the defence appears to have merit.

Accordingly, the Liquidators will not be pursuing claims for unfair preferences or insolvent trading, unless creditors are prepared to fund further investigations and a legal opinion as to the strength of the Liquidators' claims and the defence available.

Should creditors have any queries or require any information in the winding up they should contact Mike Edmondson of this office in the first instance.

Yours faithfully



NEIL CRABB
Joint and Several Liquidator