

## MARKET ANNOUNCEMENT

3 October 2011

The Manager  
Company Announcement Office  
Australian Securities Exchange  
Level 4, 20 Bridge Street  
SYDNEY NSW 2000

---

### Redcape Property Fund (ASX: RPF)

#### Senior Banking Syndicate's Reservation of Rights in Respect of Amortisation Covenant under Senior Syndicated Facility Agreement

Redcape Property Fund (**Redcape**) (ASX: RPF) comprises Redcape Property Fund Limited (**Company**) and Redcape Property Trust (**Trust**), quoted as stapled securities under ASX code RPF. Redcape Services Pty Limited (**Manager**) is the investment manager for the Trust, on behalf of The Trust Company (RE Services) Limited (**Responsible Entity**) as responsible entity for the Trust.

In previous market announcements (including the release of its Annual Report for the year ended 30 June 2011) Redcape outlined a course of events which directly resulted in Redcape being unable to continue with its asset sales program since March 2011. Redcape had outlined how the suspension of its asset sales program was done with the full knowledge and support of the Senior Banking Syndicate (**Senior Syndicate**).

As a consequence, Redcape has been unable to satisfy clause 16.9(a) of the Senior Syndicated Facility Agreement (**Facility Agreement**), which requires that Redcape achieve cumulative asset sales of \$275 million by 30 September 2011 (**Amortisation Covenant**). Redcape achieved cumulative asset sales of \$183 million as at March 2011, prior to the suspension of its asset sales program.

Redcape believes that the Senior Syndicate is not entitled to take action in respect of Redcape's failure to satisfy the Amortisation Covenant because the Senior Syndicate was fully aware and supportive of the suspension of Redcape's assets sales program. This includes individual members of the Senior Syndicate with whom Redcape entered into, and subsequently terminated, an Implementation Agreement for Schemes and Recapitalisation and who collectively hold voting rights to 38.7% of the senior secured debt, namely Goldman Sachs (Asia) Finance, Varde Investment Partners, L.P., York Credit Opportunities Fund, L.P., York Credit Opportunities Master Fund, L.P. and York Asian Opportunities Investments Master Fund, L.P. (**Investor Group**).

Redcape formally advised the Senior Syndicate by letter dated 29 September 2011 as to the reasons why the Senior Syndicate is not entitled to rely on Redcape's failure to satisfy the Amortisation Covenant in terms of the consequences of an event of default under the Facility Agreement.

On 30 September 2011 Redcape received written notification that the Senior Syndicate believes an Event of Default is subsisting under the Facility Agreement as a result of Redcape's failure to satisfy the Amortisation Covenant, and stating that the Senior Syndicate reserves all of its rights under the Facility Agreement including any right to take any action it is entitled to following any event of default (including but not limited to an Event of Default referred to above).

Any consent to a waiver or amendment of the Amortisation Covenant requires agreement of two thirds of the Senior Syndicate. This consent may not be forthcoming because the Investor Group holds 38.7% of the senior secured debt. Taking action in terms of the consequences of an Event of Default under the Facility Agreement, including accelerating the repayment of the senior secured debt, also requires agreement of two thirds of the Senior Syndicate.

Redcape does not expect that the Senior Syndicate will demand repayment of the senior secured debt in respect of Redcape's failure to satisfy the Amortisation Covenant given the background to this matter and also because such action would result in the senior secured lenders not obtaining the benefit of any recapitalisation proposals which, if agreed and implemented, would include full repayment of the senior secured debt.

Redcape is continuing to negotiate an implementation agreement for schemes and recapitalisation with a consortium led by BW Partners Pty Limited, and is also holding discussions with other proponents of recapitalisation proposals. These proponents are considering proposals which involve making investments in the Redcape structure rather than acquiring its assets.

Redcape will advise the market of any further developments.

Colin J Henson  
Executive Chairman  
Redcape Property Fund Limited