HILLCREST LITIGATION SERVICES LIMITED

ASX ANNOUNCEMENT

QUARTERLY UPDATE ON CASE PORTFOLIO and

APPENDIX 4C QUARTERLY REPORT

28 July 2006

Hillcrest Litigation Services Limited ("the Company") hereby provides the Company's quarterly update on its Case Portfolio of funding agreements and the Company's Appendix 4C Quarterly Report.

HIGHLIGHTS OF THE QUARTER

During the quarter, HLS entered into two new funding agreements.

Austin Australia Pty Ltd (In Liquidation) –v- The Auburn Council
NSW Arbitration Proceedings (Part Heard).

An action by the liquidator of a company in relation to part heard arbitration proceedings brought by Austin against the Auburn Council over a construction management agreement for the construction of new council chambers.

Significant aspects of this matter include the following:-

1. The amount of Austin's claim (including costs) against the Council is in the region of $2,000,000 to $2,500,000.

2. The arbitration proceedings are part heard, having already been heard in two tranches of about 5 weeks each, in April/May 2003 and November/December 2003. The matter was then set down for 2 weeks in April 2004 for the purpose of hearing final submissions.

3. However, between November 2003 and April 2004, Austin went into administration and then into liquidation. The arbitration proceedings have been stalled since then, pending securing litigation funding.

4. Austin's solicitors have advised that, subject to the availability of the Arbitrator and the Council's solicitors, the arbitration proceedings are likely to be completed some time by the end of this calendar year. The Arbitrator's award is likely to be produced within 3 months of completion of the proceedings.

Lovell-v-Penkin & Associates

A negligence action against a firm of solicitors. The amount of the claim is in excess of $5 million.

If you have any queries in relation to this matter, please do not hesitate to contact the Company on (08) 9324 3266.

Yours sincerely
HILLCREST LITIGATION SERVICES LIMITED

Alan Van Noort
Chairman

HILLCREST's CURRENT CASE PORTFOLIO

The Company presently has funding agreements for 8 cases, as listed in the table below A brief description of each case follows the table.

The **"Amount of Claim"** shown for each case is the Company's current best estimate of the total amount recoverable by the client/plaintiff, assuming that the litigation is wholly successful at trial.

However, the amount that is ultimately recovered by the client/plaintiff in each case may be significantly different from the current estimate of the Amount of Claim for that case as stated in the Table; particularly in circumstances where there is an agreed settlement between the parties to the litigation, or where the litigation fails or is not wholly successful at trial.

Case Number	Case	Amount of Claim
1	Ideal Contractors	$1,000,000
2	Gurtler	$10,000,000 +
3	Wright	$150,000,000+
4	Austin	$2,500,000
5	Lovell	$ 5,375,000
6	Gardner	$300,000
7	Bankrupt G	$2,000,000
8	WAFM	$100,000
	Total	$171,275,000+

DESCRIPTION OF CASES

1. Ideal Contractors (WA) Pty Ltd (In Liquidation) -v- Sinclair Knight Merz Pty Ltd

A Northern Territory Supreme Court action arising out of a contract under which the plaintiff agreed to carry out the earthworks for a sewerage scheme to be installed at an aboriginal community in the Northern Territory.

The amount of the claim is approximately $1,000,000. The Company's share of the claim proceeds, if the plaintiff is wholly successful at trial, will be approximately $360,000 in addition to being reimbursed with its funding costs.

The Company has been advised that the trial of this action is likely to take place in the third quarter of the 2006/2007 financial year.

2. Gurtler -v- Finance Now Pty Ltd & Anor

A Federal Court action against a company arising from the misappropriation of confidential information and against a former director of that company for breaches of contract, section 183 of the Corporations Act (improper use by a director of a corporation of the corporation's information to gain a personal advantage), confidence and fiduciary duty.

The relief sought includes equitable compensation and an account of profits.

The Company has been advised that the trial of this action is likely to take place in the third quarter of the 2006/2007 financial year.

3. Wright-v-Wright & Bennett

A Supreme Court action by Mr Julian Wright against Michael Wright and Angela Bennett ("the defendants") in Supreme Court action No CIV 2290 of 2002 whereby Mr Wright seeks a declaration that the defendants hold one third of the shares in Wright Prospecting Pty Ltd on trust for him, an order that the defendants transfer those shares to him, and an order that the defendants account for and pay to him all profits obtained by them by reason of their ownership of those shares (since 1987).

Whilst it is presently difficult to quantify the amount of Mr Wright's claim, it is thought that the amount of the claim exceeds $150 million (see HLS's ASX announcement dated 7 December 2005).

The Company has been advised that the trial of this action is likely to take place in the third quarter of the 2006/2007 financial year.

4. Austin Australia Pty Ltd –v- Auburn Council

An action by the liquidator of a company in relation to part heard arbitration proceedings brought by Austin against the Auburn Council over a construction management agreement for the construction of new council chambers. Hillcrest Litigation Services Limited ("HLS") is pleased to announce that it has entered into a litigation funding

Significant aspects of this case include the following:-

- The amount of Austin's claim (including costs) against the Council is in the region of $2,000,000 to $2,500,000.
- The arbitration proceedings are part heard, having already been heard in two tranches of about 5 weeks each, in April/May 2003 and November/December 2003. The matter was then set down for 2 weeks in April 2004 for the purpose of hearing final submissions.

- However, between November 2003 and April 2004, Austin went into administration and then into liquidation. The arbitration proceedings have been stalled since then, pending securing litigation funding.

- Austin's solicitors have advised that, subject to the availability of the Arbitrator and the Council's solicitors, the arbitration proceedings are likely to be completed some time by the end of this calendar year. The Arbitrator's award is likely to be produced within 3 months of completion of the proceedings.

5. Lovell-v-Penkin & Associates

A negligence action against a firm of solicitors.

6. Gardner Corporation Pty Ltd (In Liquidation)

A negligence action against a firm of solicitors. Progress in the matter has been delayed pending delivery of a court judgment in an associated matter.

7. The bankrupt estate of G

The Company has agreed to fund the costs of undertaking examinations of the bankrupt and others with a view to then funding actions against the bankrupt and the others if the results of the examinations warrant any such actions. The examinations are anticipated to be undertaken this quarter.

8. WA Forest Management Pty Ltd (In Liquidation)

We have been informed that a draft DoCA proposal has been received by the liquidator and that the proposal is presently the subject of further negotiations to finalise its terms before being put to creditors for approval. If accepted by creditors the proposal would result in a (nominal) profit to HLS on its investment in the matter.

Appendix 4C

Quarterly report
for entities admitted
on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

HILLCREST LITIGATION SERVICES LIMITED

ABN	Quarter ended ("current quarter")
63 060 094 742	30 JUNE 2006

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (12 months) $A'000
1.1	Receipts from litigation funding cases	-	1,270
1.2	Payments for (a) staff costs	(175)	(527)
	(b) advertising and marketing	(22)	(22)
	(c) research and development	-	-
	(d) leased assets	-	-
	(e) other working capital	(262)	(26)
	(f) litigation funding	(197)	(1,074)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	14	40
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net operating cash flows	628	(339)

		Current quarter $A'000	Year to date (12 months) $A'000
1.8	Net operating cash flows (carried forward)	**628**	**(339)**
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	(2)	(13)
	(e) other non-current assets	-	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	2	2
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other (provide details if material)	-	-
	Net investing cash flows	-	(11)
1.14	**Total operating and investing cash flows**	628	(350)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	1,800	1,800
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other - expenses of capital raising	(97)	(97)
	Net financing cash flows	1,703	1,703
	Net increase (decrease) in cash held	2,331	1,353
1.21	Cash at beginning of quarter/year to date	310	1,288
1.22	Exchange rate adjustments to item 1.20	-	-
1.23	**Cash at end of quarter**	**2,641**	**2,641**

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	145
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Non Executive Directors Fees	9
Executive Directors (Fees and Salaries)	136

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
4.1	Cash on hand and at bank		591
4.2	Deposits at call		2,050
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)		2,641

Acquisitions and disposals of business entities

		Acquisitions *(Item 1.9(a))*	Disposals *(Item 1.10(a))*
5.1	Name of entity	Not Applicable	Not Applicable
5.2	Place of incorporation or registration	Not Applicable	Not Applicable
5.3	Consideration for acquisition or disposal	Not Applicable	Not Applicable
5.4	Total net assets	Not Applicable	Not Applicable
5.5	Nature of business	Not Applicable	Not Applicable

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.

2 This statement does give a true and fair view of the matters disclosed.

Sign here: .... Date: 28 July 2006
Chairman

Print name: Alan Van Noort

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.

    - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
    - 9.2 - itemised disclosure relating to acquisitions
    - 9.4 - itemised disclosure relating to disposals
    - 12.1(a) - policy for classification of cash items
    - 12.3 - disclosure of restrictions on use of cash
    - 13.1 - comparative information

3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.