BLACKWALL PROPERTY FUNDS

13 December 2011

P-REIT ASX Release

Leasing Update
BlackWall announces that it has completed negotiations with respect to a significant leasing transaction at Silver @ The Exchange. The Gold Coast City Council has agreed to a three-year lease extension (with two, two-year options) in relation to 2,800 sqm and 88 car spaces. The Council is the building's largest tenant and this transaction complements the IBM renewal of 1,200 sqm agreed earlier this year.

The P-REIT direct property portfolio has no vacancies and, taking into account recent leasing transactions, has a weighted average lease expiry of 8 years.

Investor Enquiry
BlackWall recently received a letter from MacarthurCook Funds Management Limited as responsible entity of the MacarthurCook Property Securities Fund (MPS), requesting information on P-REIT's debt structure.

MPS is a substantial unit holder in P-REIT. As previously disclosed to the market, MPS has initiated legal proceedings attempting to redeem units in the trust in priority to all other unitholders at $1 per unit. MPS's claim relates to arrangements entered into in 2007 (prior to BlackWall's management of the trust). BlackWall disputes MPS's claim, is defending the court proceedings and is ready to proceed to trial. The matter is not expected to receive a court date for at least six months.

The MPS letter asked a number of questions with respect to P-REIT's debt facility. In BlackWall's view the information request in the MPS letter has been fully disclosed to the market in the P-REIT Information Memorandum ('IM'), P-REIT's Financial Statement to 30 June 2011 and various other market releases. Nonetheless given MPS has commenced litigation against P-REIT and is a substantial shareholder, BlackWall has provided a written response to MPS's letter addressing the individual questions raised. A summary of the questions asked and our response is set out below.

P-REIT's Debt Amortisation Obligation
MPS requested information on the make up of the recent $1.1 million debt amortisation payment.

Response - P-REIT is a diversified property trust that also holds property securities. Its direct property portfolio is currently valued at $78.4 million, has no vacancies and no material lease debtors. Its assets generate annualised gross revenue of approximately $10.9 million, which translates to monthly inflows of over $900,000. As with any entity generating significant and consistent revenue, BlackWall has managed the cash flow such that the Trust has met all of its various obligations.

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P-REIT's Debt Facility Structure
MPS enquired if the P-REIT debt facility was made up of 5 separate facilities, if National Australia Bank is the only lender and what security had been provided.

Response:

- The Trust's debt facility was structured and entered into by the Trust's former manager. It is structured under one facility agreement that is broken into five separate tranches (which are called facilities throughout the banking documentation) with different hedging arrangements.
- As defined in the IM, the National Australia Bank is the Lender under the debt facility referred to above.
- The security provided under the facility referred to above is by way of real property mortgages coupled with a fixed and floating charge.

P-REIT's LVR Covenant
MPS's letter contends that there is an inconsistency between the description of P-REIT's LVR obligations in a number of the trust's ASX disclosures and requests information on any asset sale proposals.

Response: There are no inconsistencies in P-REIT's disclosures of its banking position. The disclosure made to the market on 25 October 2011 clearly describes the position in relation to the Trust's loan to value ratio. We note the discussions with National Australia Bank are ongoing and that the Trust will soon undertake valuations of a number of its direct property holdings as part of these discussions. Subject to the ongoing discussions with its Lender, the Trust has not resolved to sell any of its direct property holdings.

Yours Faithfully

Stuart Brown
Chief Executive Officer