Continuous Disclosure Statement

Equititrust Income Fund ARSN 089 079 854
Equititrust Limited ACN 061 383 944, AFLS 230471
This Continuous Disclosure Statement is dated 18 February 2011

EQUITITRUST CAPITAL™

Equititrust Limited ABN 74 061 383 944
67 Thomas Drive Chevron Island Queensland 4217
Box 8111 GCMC Queensland 9726 Australia
Telephone 07 5527 5527 Facsimile 07 5527 5900
info@equititrust.com.au www.equititrust.com.au

The following report provides investors with updated information on the Equititrust Income Fund (EIF) with particular regard to:

- The EIF Loan Portfolio
- Default Management
- Security Valuations and Impairments
- Capital Warranty Investment Units

EQUITITRUST INCOME FUND – LOAN PORTFOLIO UPDATE

18 FEBRUARY 2011

The Equititrust Income Fund (the Fund, the EIF) has now been in deferral mode for a little over two years. As such, we consider it appropriate that we now further update investors as to what has transpired during the last two years with respect to loan realisations, how such proceeds have been applied, and how our strategy to continue realisations and re-liquefy the Fund has progressed.

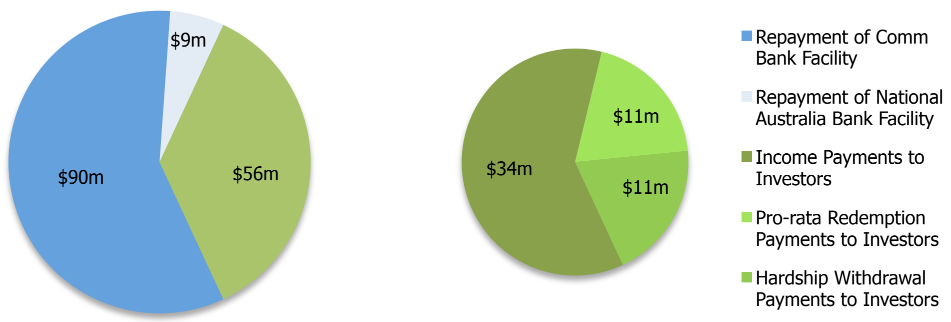
The Fund generates income for investors from interest payable on loans made to the Fund's borrowers. How we manage these loans, the underlying security assets, and the timing of borrower repayments, is paramount to delivering income to investors.

Over the past two years we have realised approximately $120 million from the repayment of loans. Some of these loan repayments have been made voluntarily by borrowers, while others have required us to take possession of security property and dispose of it.

Since the deferral of the normal withdrawal process, loan repayment proceeds, along with cash on hand and new investment, have been applied, inter alia, as follows:

Total: $155 million
To banks and investors

Income and Redemption
Payments to Investors

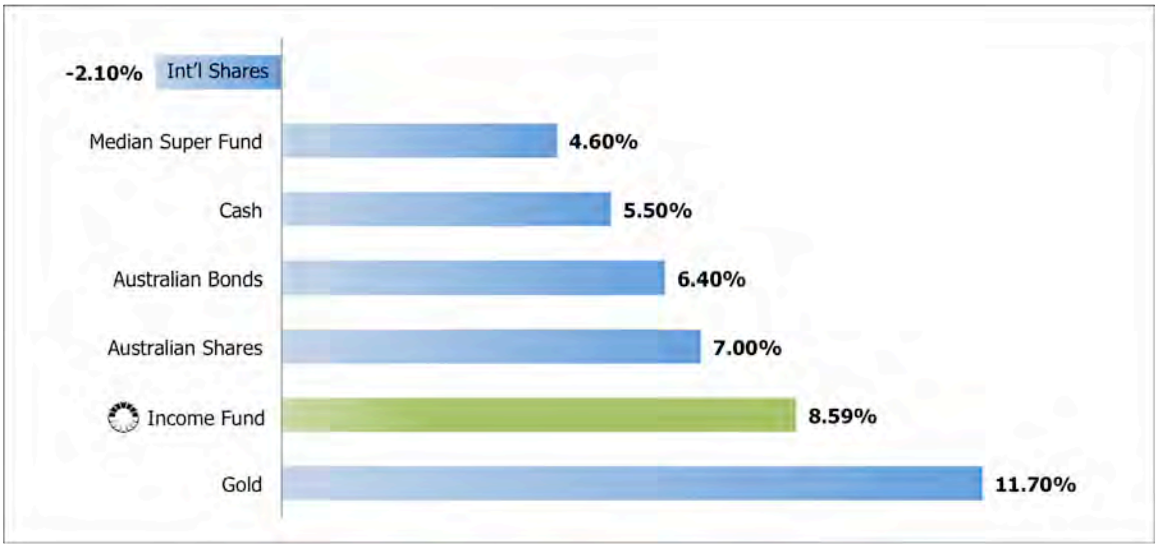


BANKING FACILITIES

Many investors have asked us about the background of the banking facilities and why we chose to establish these facilities. These facilities were taken out and drawn down prior to the onset of the GFC when the cost of capital provided by the banks was considerably cheaper (by some 2% to 3%) than the investment return paid to investors.

This differential allowed us to lend that money out at an increased margin. In turn, this allowed us to build a greater buffer against impairments, should they occur, as well as pay superior returns to investors.

Over the past 10 years, for example, the Fund has delivered investors an 8.23% p.a. return on investments under $100,000. For investments over $250,000, the Fund has returned an average of 8.59% p.a.



Sources: Australian Financial Review (Chant West, UBS, Bloomberg). "Gloss comes off super funds". 23 July 2010.
Equititrust Income Fund audited average annual distribution rates FY01-FY10, $250,000+ 12-mths, income paid monthly

At the onset of the GFC the credit market contracted significantly. Interest rates increased substantially in a very short timeframe. This, coupled with the mainstream banks' new-found reluctance to continue to lend to the mortgage fund industry after the collapse of many of our competitors, meant that not only were the margins on these facilities no longer attractive but the banks no longer wanted to extend them on acceptable terms, if at all.

Whilst this has resulted in substantial illiquidity in the Fund whilst these facilities are repaid, exiting the banks does provide much greater scope for us to be in control of our own destiny moving forward; unshackling the Fund from the banks' approach.

Whilst we were disappointed that the banks adopted the view they did, particularly in light of the fact that the Federal Government's deposit guarantee supported these very same banks, we respect their right to do so. Not only was the Fund's liquidity severely constricted as a result of the banks requesting their facilities be repaid, there was also the concurrent increase in redemption requests upon the Fund due to the Government's bank guarantee.

These events led to the unfortunate, yet necessary, deferral of redemptions from the Fund. We simply could not have protected investors' interests as a whole had we not opted to defer the normal withdrawal process.

LOAN REALISATIONS – 2009 TO 2010

We have been working assiduously over the past two years in order to recover outstanding loans. Historically, most of the Fund's loans were for 1 to 2 year terms. The reason for this was that the large financial institutions were reluctant to lend to development projects until construction had commenced or development approvals had been granted. Accordingly, we often funded this initial period, with the major banks taking over the financing once construction or further development commenced.

By way of example, we had previously held a large exposure to the Raptis Group's Southport Central, on Queensland's Gold Coast, in the early stages of the project. After the first stage of construction was 70% complete, the loan was refinanced with the NAB on a margin of 0.8%. It simply did not make commercial sense for us to compete with this margin, and the Raptis Group's repayment of their loan to the Fund allowed us to turn the loan over and lend the funds out to someone else.

With the onset of the GFC, however, the banks' appetite for lending began to evaporate, to the point where, in some cases, it was almost non-existent

What this meant was that loans which previously, pre-GFC, we could have expected to be repaid within 12 to 24 months were no longer being repaid on time. In addition, the property market severely contracted such that many projects were no longer viable or they required significant strategic thought in order to make them viable. These problems take time and expertise to formulate appropriate solutions; they simply cannot be resolved overnight.

In late 2008 / early 2009 we focused on re-prioritising the loan book to ensure that we first addressed those loans that we considered had significant risk attached to them, as well as those loans that were easily convertible into cash. We established Landsolve®, which was resourced with up to a dozen personnel (depending on needs) experienced in all facets of project management and property development.

We do not consider it to be in investors' best interests to simply sell the Fund's underlying security assets at any cost. We considered it imperative to take a strategic approach to the security so that the interests of all investors were protected.

Landsolve® Partners
Strategic Property & Capital Solutions

*It is important to note that whilst the formation of our Landsolve division significantly increased Equititrust's costs, in terms of salaries and overheads, these costs were **not** passed on to investors.*

These costs have been borne entirely by Equititrust Limited. The management fee paid by the EIF to Equititrust to manage the Fund is not sufficient to cover the labour costs, let alone the other ongoing costs to run the Fund. Yet we have chosen to cover these costs, rather than seek to increase the management fee payable by the Fund.

For some loans, we elected to sell down the security properties immediately, at current 'as is' market value, in order to optimise the cash flow needs of the Fund. Other loans, we have elected to further develop, in order to maximise the net return on the asset.

By way of example, many will be aware that we had made a loan of approximately $45m to the Raptis Group with respect to the Breezes Project at Labrador, on the Gold Coast. We had done our due diligence on the project and were comfortable with the security provided for the loan. Upon the onset of the GFC, however, the project stalled and it was necessary for us to take a more active role in the completion of the building and the sale of the finished apartments. As a result of the steps taken by us, the loan - principal and interest - was fully repaid within 18 months, *plus* approximately

$2.3m in default interest was paid to the Fund. In fact, our actions helped to generate a *surplus* of security value, such that we passed approximately $8m worth of assets to the second mortgagee for them to realise.

There are many more examples of loans that we have handled in this way. We mention this Raptis example because of its size and public profile. Whilst we could outline each individual loan that we have resolved for the Fund over the past two years, there seems little advantage in doing so here. However, we do want to provide you with an outline on the Fund's current loan book, the underlying security that we have, and how we are managing these in order to optimise results for investors.

CURRENT LOANS – OUR STRATEGIC APPROACH

After a particularly long work-out campaign post GFC, we are close to having the National Australia Bank fully repaid. It is our expectation that the NAB will be repaid well before the end of the facility's term date, October 2011. Once this is done, then surplus proceeds from loan realisations can be used to satisfy investors' outstanding redemption requests.

Outlined below is each loan in the Fund's portfolio with a book value of $2.5 million or more. Whilst the Fund has several loans for amounts less than this, we have selected this as the benchmark for the purposes of this overview because a $2.5m loan is approximately 1% of the total loan book. The 22 loans detailed below represent over 90% of the total EIF loan portfolio.

The purpose of this summary is to provide investors with further detail of our loan book along with our strategies for realisation.

For privacy reasons, we are unable to provide borrower details, however, we have provided as much detail as possible, recognising that some information with respect to realisations may be sensitive as sales campaigns progress. Furthermore, there are some loan securities where we are currently negotiating a sale and as such some details may have been omitted if we consider that the disclosure may adversely affect that process.

We considered it imperative to take a strategic approach to the security so that the interests of all investors were protected.

It is important to note that in order for us to actively take control of the underlying security for some of these loans it is necessary for the loans to be in default.

Historically, for most development loans and some commercial loans undertaken by the Fund, we have capitalised interest, as this is the nature of the lending performed by the Fund, whereby the interest is included in the loan facility and deducted progressively. Over the past three months, however, we have, with few exceptions, stopped the capitalisation of interest so as to allow the loan to go into default and thus enable Equititrust to take enforcement action for the control of it.

The difficulty with this strategy is that whilst it allows us ultimate control of the borrower's underlying security for the loan, it does mean that our loans in default percentage has increased substantially and will continue to do so. In effect, the increased percentage is an indicator of our strategic initiatives to take control, and investors should not be alarmed by it.

In short, our actions are designed to protect and maximise asset values to deliver the optimal result for investors. This is not an overnight nor static process, and we regularly review our strategic position for each asset.

LOAN 1

Security for this $43.6m loan is primarily industrial land situated in Northern NSW plus collateral security against the borrower's farm. An independent valuation performed on the underlying security was performed in February 2009 valuing the security property at $55m.

We are currently undertaking a sales campaign with respect to the bulk of the sub-divided industrial land. We have also explored "land swaps" for some of the land, for other property which would be more easily realisable. In addition, we have reached agreement to secure the rights to approximately $10m worth of future profits on projects that the borrower has secured and is working on over the next two years.

Whilst we are reasonably confident that we will receive full repayment of this loan, we impaired the amount of $2.1m as at the end of December 2010 which we believe provides adequate head room moving forward.

LOAN 2

Security for this $39m loan is a residential estate and golf course development in South Australia. The last valuation obtained for the property in September 2008 was for an amount of $75m. We consider that the value of this property has dropped since this time and, taking into account the recent sales and discussions with sales agents, we expect the value may have fallen by as much as 20% to 25%. In late December 2010 we commenced a large-scale advertising campaign to accelerate sales of the secured property. This campaign involved TV ads, press ads and other editorials.

We have had various difficulties with the underlying security which we have now largely resolved, including sacred aboriginal burial sites, access and water issues and some historical negative sentiment towards the property from the local community. We have changed this perception by renovating the resort and demonstrating to the local market that things have changed. Visits to the resort and enquiries have increased significantly. We consider that a large part of the secured property will be sold during the course of 2011.

LOAN 3

The loan is secured by a large residential development site west of Brisbane. This land was valued in September 2009 at $81.5m. After performing considerable homework on this property over the past 12 months it is apparent that this valuation of $81.5m was too high. We are currently seeking legal advice regarding pursuing the Valuer with respect to this.

This development site is challenging and is currently being worked upon by our Landsolve team. We are in discussions regarding re-configuring the site from its current 2,043 lots to approximately 1,400 lots, as well as changing other aspects of the development. We have recognised an impairment of $7.6m against this loan, writing down principal from $56.4m to $48.8m as we do not consider that this loan, by itself, will be fully repaid. Although it is cross-collateralised with other loans, loans 4 and 5 below, we still believe that full repayment will not be achieved from this loan.

LOAN 4

Security for this loan is a large parcel of land in Bundall, a commercial district on the Gold Coast. The loan is for approximately $3.7m and the Fund's first mortgage security value is $3m, whilst the second mortgage security will cover any shortfall. We are in the process of seeking agents' proposals for this land and are confident that it will be realised within the next 6 months.

LOAN 5

This $8.7m loan is related to the borrower for loans 3 and 4 above. The security comprises of a residential property development west of Brisbane which was last valued at $10.4m in June 2008. The original feasibility on the property as submitted no longer appears viable and accordingly, we have been working with several parties in order to re-work the approval such that the project is viable.

When the re-work and a new valuation is finalised, we anticipate the security value of this property to be in the vicinity of $5m to $6m. This loan is cross-collateralised with the borrower's loan 3 above and as such we expect to receive full recovery for this loan.

LOAN 6

This loan is secured by a large residential development site at Port Augusta in South Australia, valued at $4.3m in September 2010. Whilst Port Augusta is anticipated to thrive over the next few years as a result of the Olympic Dam Project, this time frame is unsuitable to our investors' needs. Accordingly, we are looking to take this property to the market in the next few months.

The outstanding loan of $4.2m may not be fully satisfied from the sale of this loan security. However, the loan is cross-collateralised with the borrowers' security for loan 7 below, and there is more than adequate security in that loan to ensure this loan is repaid in full.

LOAN 7

This $4.1m loan is cross-collateralised with loan 6 above. The latest valuation for the security property, in May 2010, was for $6m without a DA. Whilst we could easily sell the property for the amount of this loan, we have decided to improve it in order to ensure that there is no net impairment on the cumulative total of loans to this borrower.

We have submitted a DA for the underlying security, which is a large residential development site in Mackay in North Queensland. We anticipate this DA being granted in late 2011.

The feasibility studies conducted by our Landsolve team, after discussions with agents and valuers, indicate that the underlying security will be worth more than $11m upon issuance of the DA. This value-adding will ensure that both this loan and loan 6 are repaid in full, along with default interest. We do not expect these proceeds to be received until late 2011.

LOAN 8

This loan is for $4.6m. The underlying security for this property is a prime 52 hectare site located at Lennox Head in Northern NSW and was last valued at $7.2m in May 2009.

Lengthy court proceedings were successfully undertaken by us to get control of the security property. Whilst the proceedings lasted for over one year and resulted in delays in taking the property to the market, it is now on the market with tenders closing in March. We expect the property to be sold by April and full recovery of this loan to occur.

LOAN 9

This loan is for $7.4m. The underlying security for this loan consists of properties located in North Queensland. The latest valuation, in October 2010, valued the primary security at $3.8m. Although a purchase contract for $6m on the primary security property has just recently fallen over, the property is now being placed back on the market and we expect a sale to be finalised by June. We anticipate that the other security that we hold for this loan will satisfy any shortfall from the sale of the primary security, if one were to arise.

LOAN 10

This loan, for $5.2m, is secured by a residential property development site located just west of Brisbane. The most recent independent valuation for the security, in June 2010, was for $7m. We are currently in discussions with two adjoining land owners who are interested in the property. We expect to realise the property, for full repayment of the loan, within the next 2 to 3 months.

LOAN 11

The balance for this loan of approximately $4.5m is secured by a large parcel of land at Maclean in Northern NSW. We are in discussions with local Council regarding rezoning this land in order to maximise its value.

The land was valued at $7.6m in April 2010 however we consider the market has fallen since this time and that further work is required to make the property more attractive to a purchaser. The loan is cross-collateralised with loan 12, below. We do not expect to receive full repayment of this loan before the end of 2011 as work continues toward maximising the potential for the property.

LOAN 12

This $7.0m loan is secured by land at Yamba in Northern NSW. The last valuation obtained on the property, in July 2008, was for $10.2m. We believe that the value has diminished since this time. Accordingly, we have taken an impairment of $1m for this loan. The loan is cross-collateralised with loan 11 above and we do not expect to take any further impairment on this loan.

LOAN 13

We have recently agreed terms with the borrower for repayment of this $4.4m loan and are in the process of entering into a Deed of Settlement for the amount of $4.15m. We anticipate receiving repayment by April 2011. Although we expect to make a small impairment on this loan, this will be offset by the reversal of an impairment on a related loan to this borrower, such that no net impairment will be required.

LOAN 14

This loan is for $3.3m and is secured by a property valued at $6.2m in August 2008. There is currently an unconditional purchase contract on this property which we expect to settle in March 2011. Upon settlement, this will result in full repayment of this loan.

LOAN 15

When the borrower defaulted on this $14.3m loan approximately 12 months ago our Landsolve team took on the project. At the time, the underlying security was an industrial site in the Toowoomba CBD. The current valuation of $12m was performed in August 2010.

Over the past year considerable work has been done to resolve contamination issues on the site, as well as submitting a development approval (DA) to rezone the property. We have worked together with the local Council in order to maximise the prospects for the DA.

Furthermore, we have had successful discussions with a national retailer regarding a large part of the site and have agreed terms with this party. We have also recently received a conditional offer for the purchase of the property at $16.5m. We anticipate the DA will be granted towards the end of 2011, and expect the sale of the site be finalised thereafter. We do not expect to incur any impairment on this loan.

LOAN 16

This loan for $3.9m is secured by 59 residential lots in Griffith, NSW. The lots are currently being sold. There are currently 18 purchase contracts in place, with an average price of $105,000 per lot. We anticipate being repaid in full by end June. The last valuation of the site, performed in September 2009, was for $4.5m, at $75,000 per lot.

LOAN 17

This $3m loan is secured against a development property in Port Macquarie on the NSW's Central Coast. An unconditional contract of sale has been entered into by the borrower for an amount of $3.3m. This is due to settle in April 2011. Providing this contract settles, we anticipate this loan to be received in full within the next 3 months.

LOAN 18

This $8.1m loan is secured by a high-rise residential site on Queensland's Gold Coast. The site was valued in November 2010 at $6.8m. It is our expectation that the site is worth approximately $8m. We have recently taken an impairment of $2m on this loan.

We are currently in discussions whereby this land would be sold to a joint venture for $8m, with the profits from the JV to also flow through to the loan. Whilst we believe the loan and default interest will be repaid in full if this JV proceeds, we have chosen to be prudent and have impaired the loan.

LOAN 19

The loan to this borrower is approximately $6.9m. The underlying security property, valued at $7.5m in June 2009, comprises high quality rural land located 1 hour north of Sydney.

Considerable work has been done over the past 12 months in order to prepare this property for sale; improvements that we anticipate will have enhanced its value. Also, we have recently agreed to sell water rights owned by the borrower, and expect to realise approximately $1.75m from these rights. We anticipate that the current sales campaign will result in the amount owing being repaid in full within the next six months.

LOAN 20

This $8.5m loan is cross-collateralised with loan 19 above and 21 below. It is secured by land currently being used as an operational turf farm about 1 hour north of Sydney. In addition to the sale of the water rights discussed above, we expect the sale of this land will realise between $6m to $8m. Whilst this may not be sufficient to fully repay this current loan, the cross-collateralised security will cover the loan and outstanding interest.

LOAN 21

This $8.7m loan is secured by land situated about one hour north of Sydney. It is cross-collateralised with security property for loans 19 and 20, above. The last valuation on the property, performed in January 2008, was for $11m. We expect that the value may have decreased since then, and we are currently undertaking an updated valuation.

We intend to subdivide and develop parts of this land in order to ensure that the return to investors is maximised. The first stage of this process is obtaining a DA for the subdivision. Upon approval, it is then likely that the property will be sold off to a developer to complete. We anticipate receiving sale proceeds from this loan in early 2012, however, it is possible that proceeds will be received before this as there are several interested parties currently looking at purchasing the land on an "as is" basis. We do not expect to take an impairment on this loan.

LOAN 22

This loan for $3.3 million is secured by waterfront property on Sydney's Middle Harbour valued at $5.5m in January 2010. The property is to be auctioned in March and we expect this loan to be fully repaid, along with default interest, by end April.

STILL PUTTING INVESTORS' INTERESTS FIRST

The loans detailed above represent over 90% of the Fund's current loan book. You will note that we have taken control of all loans over $2.5 million.

In order to protect the interests of the Fund's investors, it has been necessary for us to actively take control of these loans, and this is the reason why the percentage of loans listed as in default has increased so substantially over the past three months and is likely to continue to do so over the coming months.

We have taken impairments against the EIF for some of these loans and it is our view that any further impairments will not be material and will likely be offset by gains, such as default interest on some loans, as they are realised.

Investors will be aware that Equititrust voluntarily subordinated its $40 million investment in the Fund, at the onset of the GFC. This Capital Warranty investment is specifically designed to protect investors' interests. It is an initiative and commitment to investors that is unprecedented in the Australian mortgage funds industry.

It is our expectation that the impairments taken as at 31 December 2010 will result in the value of Equititrust's subordinated Capital Warranty investment units reducing from $40m to approximately $28m. Whilst this reduction may concern some investors, it is necessary to ensure that the current value of our underlying security is adequately reflected in the accounts of the Fund. In fact, the very reason Equititrust invests in the Capital Warranty Units is to absorb these impairments, thereby shielding ordinary investors from such losses.

It's worth noting that, as indicated in previous investor updates, Equititrust has also absorbed over $30m in impairments across the loan book in the past three financial years. These impairments were funded by other investments and from Equititrust's yield on the subordinated Capital Warranty investment. Whilst it was not necessary for us to absorb these impairments – they could have been offset against the subordinated investment units – we do not believe that this would have been consistent with our investment philosophy that any capital loss is to be first borne by Equititrust to the extent possible.

THE ROAD AHEAD

Whilst it is not ideal that we have been required to work out many of these loans, the lingering effects of the GFC have meant that it has been necessary for us to take the initiative in this regard. We are confident that the strategies we have adopted on each and every loan, backed by the skills of our Landsolve team, are adequate to ensure that investors' capital in the Fund remains intact.

As we now continue with our aggressive realisation strategy, the risk of significant further impairments is reducing and asset realisations should be sufficient to ensure that EIF returns to a liquid status during 2011.