

STRATEGIC

FINANCE LIMITED

15 January 2010

Dear Investor

In December we wrote to you advising that we were working on preparing the half year financial statements to 31 December 2009 and in particular a revised assessment of provisioning and that we would update you as soon as this work had been done.

We have already highlighted the issues Strategic Finance Limited ("SFL") faces with the continued deterioration of the property market, the disconnection between property valuations and the market value of assets as well as the concern we had over how first mortgage lenders might act under enforcement/recovery.

Whilst the general view is that the property sector has stabilised, and this may create the opportunity to recover against provisioning previously made and an improved market for the realisation of property securities held by SFL, nevertheless we have recently seen some of our larger lending exposures become more distressed as first mortgage lenders have moved to appoint receivers to undertake aggressive enforcement and recovery activity.

In these situations the outcome for SFL becomes uncertain and the Directors believe that it is prudent and appropriate to make a full provision for loss. Whilst the Board and management continue to work with senior debt providers to ensure the best outcome is achieved for SFL, we must increase our current levels of provisioning to reflect this increased uncertainty as well as the extended time we are experiencing in realising some of our assets.

This has resulted in us deciding it is necessary to make further provisions and bad debt write-offs totalling \$106 million for the half year. This amount includes \$21.9 million as an allowance for discounting the estimated future cash flows to their present value (as determined under International Financial Reporting Standards (IFRS)) and which will be reversed over time. This level of adjustments is expected to result in SFL making a net loss after tax for the half year ended 31 December 2009 of \$84 million. (The net loss after tax for the half year ended 31 December 2008 was \$32.8m).

The Board wishes to emphasise that this estimated result is preliminary and that it is subject to audit as well as further management review, and that the actual results may be different should there be any recovery against provisions made or if further provisions be required. The full audited financial results for the half year to 31 December 2009 will be made available following confirmation by SFL's Board after the conclusion of the half year audit in late February 2010.

The purpose of the moratorium was to provide SFL's management with the opportunity of time to realise assets at fair value to avoid the need to sell assets at any

price. The management and executives of SFL continue to be fully focused on maximising recoveries from the orderly realisation of its loan book.

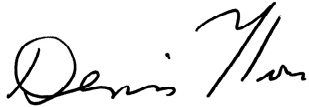
The flow-on effect of this additional provisioning is that the total loan book value (net of provisions) has fallen below 75% of the aggregate of principal monies owed to debenture holders, depositors and subordinated notes holders.

The decline in this ratio has given rise to a further "Review Event" under the moratorium terms. As with the company's failure to meet the target milestone for payments to investors on the 7th January 2010, this requires the company to enter into negotiations with the Trustee as to the way forward with a view to achieving the very best outcome for investors.

SFL is already in negotiations with the Trustee because of its failure to meet the second targeted payment milestone and negotiations in respect of this further Review Event will run concurrently. We will look to update you as soon as is possible on the progress of the negotiations with the Trustee.

As always, should you have any questions please contact us on 0800 275 735.
We are committed to keeping you informed.

Yours sincerely

A handwritten signature in black ink, appearing to read "Denis Thom". The signature is fluid and cursive, with a large initial "D" and a stylized "T".

Denis Thom
Chairman
Strategic Finance Limited