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Dear Sirs

re G A & C M Thompson and The Associates Pty Ltd

Thank you for your letter faxed to us dated the 7th August. We understand that you in particular and certainly your firm is very well acquainted with the rather long running history and somewhat complicated facts surrounding the general matter of the Thompsons and Woodleigh Heights Resort Development Pty Ltd and in particular Mr Buchanan. In fact, we further understand that your firm has on various occasions acted for Woodleigh Heights Pty Ltd and is familiar with Mr Buchanan and his relationship with our clients. You are also aware that our client maintains that he purchased the land in Woodleigh Heights Estate which is a cluster subdivision effectively through Mr Buchanan and that his land and that of one other person who we believe resides in Malaysia is the only land apart from the time share resort on that estate. In addition, almost since the date of purchase our client has been denied access to water although it was originally sold with water and therefore been unable to sell the land to any other person other than Woodleigh Heights Resort Developments Pty Ltd. Our client further maintains that it is the deliberate actions of Woodleigh Heights Resort Development Pty Ltd and the Kyneton Shire Council together with the Kyneton Water Board that have prevented him from having access to the water to which he is originally entitled. That of course, has substantially depreciated the value of his land. The only people who have expressed interest in the purchase of his land have been the time share resort as Woodleigh Heights Resort Development Pty Ltd and we now understand that Mr Buchanan is once again effectively in control of that company, or certainly, the time share resort.

In essence, our client maintains that it is the actions of Mr Buchanan specifically via Woodleigh Heights Resort Development Pty Ltd or whoever the current company in control of the time share resort is, together with an in concert with the Kyneton Shire Council and the Kyneton Water Board that have prevented him from gaining water which has in turn prevented him from gaining building permits and therefore prevented him from selling the land at a realistic value. Our client is now at a point where he is able to at least refinance the land in conjunction with the Tylden Road land however, Mr Buchanan is refusing to provide a Withdrawal of Caveat. As we mentioned to you in our previous letter, we have signed a solicitors opinion supporting an application to cancel the caveat pursuant to Section 89 of the Transfer of Land Act. That application has been

lodged. We have documents in our possession which indicate to us that Mr Buchanan appears to have no justification not to withdraw that caveat. In that letter, we have also made an offer to your client to pay interest to settlement date and our client if necessary is prepared to provide security for that. In view of the current circumstances and particularly in view of the information given to us in which we understand you and your firm have been involved with Mr Buchanan and further again that it is our clients understanding that Mr Buchanan or his nominee is in fact the alternate purchaser referred to, we are instructed to strongly suggest to you that it would be inequitable at the least for you or your firm to recommend to Mercantile Credits that they take any action. On any view of the circumstances, our clients position is clear to you and your clients and your clients are no longer suffering any disadvantage in that our client has agreed to pay interest and provide security if required. If on the other hand, your advice to your client is such that they intend proceeding with this matter, we require your immediate confirmation of this to enable our client to take the requisite action to protect his interests. After a very long and difficult period, this matter is close to resolution and we trust that your client and your firm will see the good sense in awaiting the inevitable cancellation of the caveat preventing settlement.

We look forward to your immediate response.

Yours faithfully
NEVILLE AND CO


Peter Neville