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CONTINUOUS DISCLOSURE NOTICE
QUESTUS LAND DEVELOPMENT FUND
ARSN 116 602 076

ASIC REGULATORY GUIDE 46
ISSUED 18 MAY 2012

In September 2008 the Australian Securities and Investment Commission (ASIC) released a new Regulatory Guide relating to the disclosure of information for Unlisted Property Schemes for retail Investors. The guide sets out eight principles for improved disclosure to retail Investors to help them compare risks and returns across investments in the unlisted property sector. Outlined below are the eight principles, including an overview of their meaning, followed by Fund's position in relation to each of the principles.

Questus Funds Management Limited is the Responsible Entity for the Fund and is referred to throughout this Continuous Disclosure Notice (Notice) as the "Manager".

No.	Principle	ASIC Definition
1	Gearing Ratio	The higher gearing ratio means a high reliance on external liabilities (primary borrowings) to fund assets. This exposes the scheme to increased funding costs if interest rates rise. A highly geared scheme has a lower asset buffer to rely upon in times of financial stress. Gearing Ratio = Total interest bearing liabilities / Total assets
2	Interest Cover	A property scheme's interest cover is a key indicator of its financial health. The lower the interest cover, the higher the risk that the scheme will not be able to meet its interest payments. A scheme with low interest cover only needs a small reduction in earnings (or a small increase in interest rates or other expenses) to be unable to meet its interest payments. Interest Cover = EBITDA – unrealised gains + unrealised losses / Interest Expenses
3	Scheme Borrowing	Relatively short-term borrowings and credit facilities with short expiry dates are a risk factor if they are used to fund assets intended to be held long term. If the scheme has a significant proportion of its borrowings that mature within a short time frame, it will need to refinance. There is a risk that the refinancing will be on less favourable terms or not available at all.

No.	Principle	ASIC Definition
		If the scheme cannot refinance, it may need to sell assets on a forced sale basis with the risk that it may realise a capital loss. Breach of a loan covenant may result in penalties being applied, or the loan becoming repayable immediately. This means that the scheme may need to refinance on less favourable terms or sell assets. Termination of critical financing could also mean the scheme is no longer viable.
4	Portfolio Diversification	Generally, the more diversified a portfolio is, the lower the risk that an adverse event affecting one property or one lease will put the overall portfolio at risk.
5	Valuation of Real Property	Investing in a property scheme exposes Investors to movements in the value of the scheme's assets. Investors, therefore, need information to access the reliability of valuations. The more reliable a valuation, the more likely the asset will return the amount when it is sold. However, a forced sale may still result in a shortfall compared to the valuation.
6	Related Party Transactions	A conflict of interest may arise when property schemes invest in, make loans or provide guarantees to related parties.
7	Distribution Practices	Some property schemes make distributions party or wholly from unrealised revaluation gains and/or capital rather than solely from realised income. This may not be commercially sustainable over the longer term, particularly where property values are not increasing.
8	Withdrawal Rights	Unlisted property schemes often have limited or no withdrawal rights. This means they are usually difficult to exit.

1) Gearing Ratio

Information relating to the manner in which the Fund and Fund subsidiaries borrow money and gearing levels are disclosed in Section 2.6 of the PDS issued 24 September 2007.

In adopting the gearing ratio disclosure principal calculation methodology as detailed in the table above, the Manager has calculated the gearing ratio as at the date of this Notice is 190%. This means that interest-bearing liabilities are 190% of the value of the Fund's underlying assets.

In calculating the gearing ratio, the Manager has assumed the $9.67M in convertible notes as an expired debt facility with a repayment value, including accrued interest of $11.12M. In the event of a conversion of these monies from an expired facility to equity the gearing ratio would be 133%.

The current gearing ratio is currently above the expected long-term gearing ratio range of the Fund.

2) Interest Cover

ASIC Regulatory Guide 46 paragraph 122 provides for a disclosure principle to be omitted if the information is likely to mislead Investors or is clearly inappropriate.

As the Fund's activities are residential land development, the use of an interest coverage ratio is inappropriate. Interest cover generally refers to typical commercial type assets, which are leased, and the resultant interest cover is from the rental income received from these assets. Interest is a component of development costs and is generally capitalised within the overall development costs of a project.

As interest is capitalised it is generally not realised as an expense of the individual projects until sales of the lots created occur and the project is finalised. The Manager has not reported an interest cover ratio as it believes it is misleading to Investors. As at the date of this Notice the underlying assets of the Fund are subject to the appointment of Receivers and Managers and interest is not being paid on the expired debt facilities.

3) Scheme Borrowing

Information on the risks associated with borrowings is detailed in Section 5 of the PDS issued 24 September 2007.

In the event of the Fund assets being sold, secured creditors will receive any cash distributions ahead of unit holders in the Fund. This means the Senior Banking facilities will be paid in priority to other secured creditors, and all creditors in advance of Unitholders in the Fund.

RG 46 Disclosure Notice – December 2009

The Manager advises that loan facilities provided to the subsidiaries of the Fund by both St George and Bank of Queensland are all currently expired and have been since May 2009 and December 2009 respectively.

February 2012

The Manager advises that the Bank of Queensland issued a Statutory Demand on Questus Limited; the Manager is a wholly owned subsidiary of Questus Limited.

Questus Limited provided a Guarantee and Indemnity for the facilities provided by Bank of Queensland. Questus Limited is a related party to the Manager. Questus Limited as part of an agreed settlement with the Bank of Queensland has acquired the facilities held by Bank of Queensland in order to negotiate a settlement of the Statutory Demand.

May 2012

On the 3 May 2012 the Manager was in receipt of correspondence from PPB Advisory that they completed a sale of the assets owned by QLDF Development 3 Pty Ltd.

The Manager advises that as at the date of this notice that the facilities associated with QLDF Development 3 Pty Ltd and QLDF Development 2 Pty Ltd have been assigned to Questus Limited.

The Table below summarises the current senior debt facilities as at 8 May 2012.

PROJECTS	LOAN AMOUNT	INTEREST RATE TYPE	INTEREST BEING CHARGED	LOAN MATURITY STATUS	LENDER
Pinjarra Stages 1 & 2 ***(QLDF Development 1 Pty Ltd)***	$2,120,010	Variable	13.30% pa	Expired	Westpac Banking Group Limited (St George)
Lane Park Estate ***(QLDF Development 2 Pty Ltd)***	$4,411,767	Variable	10.50% pa	Expired	Questus Limited as at the date of this Notice. (Formerly Bank of Queensland)
Karnup Estate ***(QLDF Development 3 Pty Ltd)***	$9,296,639	Variable	10.50% pa	Expired	Questus Limited as at the date of this Notice. (Formerly Bank of Queensland)
Tuart Rise Estate ***(Yalop Pty Ltd)***	$8,872,367	Variable	13.30% pa	Expired	Westpac Banking Group Limited (St George)

Details of the position of Senior Debt Facilities are as follows;

QLDF Development 1 Pty Ltd (Receivers and Managers Appointed)(Pinjarra Springs)

RG 46 Disclosure Notice – December 2009

St George issued Letters of Demand to QLDF Development 1 Pty Ltd on 1 December 2009 for the full repayment of expired facility owed to St George by QLDF Development 1 Pty Ltd.

The Manager sought a loan extension or renewal approval from St George for the QLDF Development 1 Pty Ltd expired facility, but as at the date of this notice has been unable to secure any commitment from St George to extend or renew the expired facility. The Manager obtained a period of forbearance in respect to the QLDF Development 1 Pty Ltd expired facility until the 16 January 2011 and requested further forbearance from St George.

St George has stated to the Manager that it considers the QLDF Development 1 Pty Ltd expired facility to be in default and is charging a default rate of interest on the expired facility. Further, St George has advised that it considers itself under no obligation to agree to any proposal or grant any extension of the expired facility.

RG 46 Disclosure Notice – August 2010

St George issued Letters of Demand to QLDF Development 1 Pty Ltd on 30 June 2010 for the full repayment of expired facility owed to St George by QLDF Development 1 Pty Ltd.

In correspondence from St George dated 16 August 2010, St George advised of their intention to appoint Investigating Accountants (IA) to QLDF Development 1 Pty Ltd for the purpose of providing a IA Report to St George. QLDF Development 1 Pty Ltd agreed to the terms proposed by St George and provided all necessary information.

RG 46 Disclosure Notice – January 2011

On the 26 November 2010, St George advised of their intention to again appoint Investigative Accountants to QLDF Development 1 Pty Ltd for the purpose of providing an updated IA Report to St George. QLDF Development 1 Pty Ltd agreed to the terms proposed by St George and provided all necessary information.

RG 46 Disclosure Notice – August 2011

As at the date of this notice the Manager advises that KordaMentha has been appointed by Westpac Banking Corporation Limited (St George) as receivers and managers to QLDF Development 1 Pty Ltd.

RG 46 Disclosure Notice – May 2012

The Manager has been verbally advised that the Receiver and Manager has achieved a sale of the lots within the Estate and net proceeds of these sales will be applied to a reduction in the senior bank debt.

The Manager continues to work with various parties to seek a refinance of the facilities with St George.

Yalop Pty Ltd (Receivers and Managers Appointed)(The Tuarts Private Estate)

RG 46 Disclosure Notice – December 2009

St George has advised the Manager that the expired facility for Yalop Pty Ltd is considered to be in default and St George is charging a default rate of interest on the expired facility. St George issued Letters of Demand on 1 December 2009 for the full repayment of the expired facility.

The Manager had sought to obtain a loan extension or renewal from St George for the Yalop Pty Ltd expired facility, but has been unable to secure any commitment from St George to extend or renew the expired facility.

RG 46 Disclosure Notice – August 2010

St George issued Letters of Demand to QLDF Development 1 Pty Ltd on 30 June 2010 for the full repayment of expired facility owed to St George by QLDF Development 1 Pty Ltd.

Since 1 January 2010, Yalop Pty Ltd has made $2.10m in principal repayments to St George. Despite the significant debt reduction and progression of the development, St George have advised that it considers itself under no obligation to agree to any proposal or grant any extension of the Yalop Pty Ltd expired facility.

In correspondence from St George dated 16 August 2010, St George advised of their intention to appoint Investigative Accountants to Yalop Pty Ltd for the purpose of providing a report to St George. Yalop Pty Ltd agreed to the terms proposed by St George and provided all necessary information.

RG 46 Disclosure Notice – January 2011

St George in correspondence dated 26 November 2010 advised of their intention to again appoint Investigative Accountants to Yalop Pty Ltd for the purpose of providing an updated IA Report to St George. Yalop Pty Ltd agreed to the terms proposed by St George and provided all necessary information.

RG 46 Disclosure Notice – August 2011

As at the date of this notice the Manager advises that KordaMentha have been appointed by Westpac Banking Corporation Limited (St George) as receivers and managers to Yalop Pty Ltd.

RG 46 Disclosure Notice – May 2012

The Manager continues to work with various parties to seek a refinance of the facilities with St George.

QLDF Development 2 Pty Ltd (Receivers and Managers Appointed)(Lane Park)

This project is a proposed construction of 6 special rural lots. Development Approval for the project is held, however due to market conditions the Manager has not commenced construction of these lots.

RG 46 Disclosure Notice – August 2010

The facility for QLDF Development 2 Pty Ltd with Bank of Queensland has expired.

Bank of Queensland issued a Letter of Demand on the 4 May 2010 and a proposal has been submitted to Bank of Queensland for an extension to the expired facility. At this stage no agreement has been reached on the extension of the expired facility.

RG 46 Disclosure Notice – August 2011

PPB Advisory had been appointed by Bank of Queensland Limited as receivers and managers to QLDF Development 2 Pty Ltd.

RG 46 Disclosure Notice – May 2012

As at the date of this Notice Questus Limited has acquired the debt associated with the asset from Bank of Queensland in order to reach settlement on the Statutory Demand issued against Questus Limited in February 2012.

QLDF Development 3 Pty Ltd (Receivers and Managers Appointed)(Harvey Road)

This project is a multi-stage residential land subdivision that is anticipated to deliver a total of 211 residential lots. Development Approval for the project is not yet held and the Manager is currently working with the relevant statutory bodies to obtain the relevant approvals.

RG 46 Disclosure Notice – August 2010

The facility for QLDF Development 3 Pty Ltd with Bank of Queensland has expired and the Manager has been seeking to meet with Senior Management of Bank of Queensland but has not been afforded a meeting. Bank of Queensland issued a Letter of Demand on 4 May 2010 and a proposal has been submitted to Bank of Queensland for an extension to the expired facility. At this stage no agreement has been reached on the extension of the expired facility.

The Manager is currently unable to advise if an agreement will be reached with respect to the extension of the Bank of Queensland facility. In the event that an agreement cannot be reached Bank of Queensland may seek to enforce their security.

RG 46 Disclosure Notice – August 2011

PPB Advisory had been appointed by Bank of Queensland Limited as receivers and managers to QLDF Development 3 Pty Ltd.

RG 46 Disclosure Notice – May 2012

As at the date of this notice the Manager advises that PPB Advisory have completed a sale of the underlying security assets being Lots 2, 3 and 4 Harvey Road Karnup WA.

Questus Limited has acquired the debt associated with the asset from Bank of Queensland in order to reach settlement on the Statutory Demand issued against Questus Limited in February 2012.

Convertible Notes – Issued to Addwealth Achiever Fund

The Fund has issued Convertible Notes (notes) to the Addwealth Achiever Fund (Lender). A summary of the key features of the notes is detailed below:

Facility Amount:	$10.0m
Amount Drawn:	$9.67M
Term:	24 months (Expired)
Expiry Date:	14 December 2011
Interest Rate:	Fixed at 12% per annum
Conversion to Equity:	The Lender can covert during the term of the Convertible Note at the current unit price of the time.

August 2010

Under a Memorandum of Understanding with Addwealth Pty Ltd (Addwealth), as the appointed Investment Manager for the Addwealth Achiever Fund committed to financially support the Questus Land Development Fund, the monies raised from the convertible note where used to meet costs of the Fund.

February 2012

The Responsible Entity for the Addwealth Achiever Fund, Valuestream Investment Management Limited (VIML) has issued a Statutory Demand on the Manager for the repayment of the Convertible Note. The Manager has commenced action in the Supreme Court of WA to defend the Statutory Demand.

Questus Mortgage Funds Limited

Questus Mortgage Funds Limited (QMF) is a related entity to the Fund. QMF has provided additional funding of $3,277,006 to the Fund in the form of loans and is charging a rate of 15% per annum on these monies.

The loans are due to be re-paid on the 30 June 2012. In providing the loans, the QMF has obtained charges from the Fund subsidiaries as security for the loan.

4) Portfolio Diversification

Information on Fund assets is contained within Section 4 of the PDS issued 24 September 2007.

Information on the Investment Strategy, Investment Objective and Investment Criteria of the Fund is detailed in Section 2 of the PDS issued 24 September 2007.

5) Valuation Policy

The Fund's valuation policy is detailed in Section 3.7 of the PDS issued 24 September 2007.

Valuations are undertaken on an "As Is" basis, however to secure construction funding from a financier, the financier may require an "As if Complete" valuation for their internal risk assessment purposes. The Manager does not rely on "As if Complete" valuations in calculating the unit price of the Fund.

The valuation of assets will be staggered over this three year period so that approximately one third of Fund's assets will be valued each year.

Please note that as the underlying assets are in external administration and the Fund has no day-to-day control over the assets, the Manager has instructed no valuations during the period of appointment of Receivers and Managers and as such the Fund is not currently meeting its Valuation Policy.

6) Related Party Transactions

The Manager has a policy of full disclosure of related party transactions. Details on related party transactions are disclosed in Section 10.4 of the PDS issued 24 September 2007.

The following related party transactions have occurred since the issue of the PDS.

- Additional funding sourced from Questus Mortgage Funds Ltd in the amount of $3,277,006. This facility is due to expire on the 30 June 2011.

- A Deed of Assignment of Securities dated 27 April 2012 entered into between the Bank of Queensland and Questus Limited for the acquisition of the loans associated with QLDF Development 3 Pty Ltd and QLDF Development 2 Pty Ltd and Yalop Pty Ltd by Questus Limited due to a Statutory Demand against a Guarantee and Indemnity provided by Questus Limited.

The Fund's Compliance Plan provides the basis on which related parties transactions are to be approved and managed. A summary of these provisions are as follows:

- All transactions in which a benefit is received by the Manager or a related party must be approved by the Board and disclosed to the Unitholders and Compliance Manager.
- Related party transactions are reviewed annually.
- A register of related party transactions is kept by the Manager.

7) Distribution Practices

As investors are aware the Fund has not made a distribution since December 2007 following the onset of the Global Financial Crisis and the expiration of the underlying banking facilities.

The Fund's distributions policy is detailed in Section 3.4 of the PDS issued 24 September 2007 and are summarised as follows:

- "Distributions (if any) are paid on a quarterly basis and may comprise income and/or capital".

Following the onset of the Global Financial Crisis and the demands placed on the Fund and its subsidiaries by its senior lenders the Fund has not made a distribution since the quarter ending December 2007.

As a result of the uncertainty surrounding the expired facilities provided to the Fund and its subsidiaries, the Manager, as at date of this Continuous Disclosure Notice, does not expect a distribution to be paid to investors within the foreseeable future.

8) Withdrawal Arrangements

The underlying nature of the investments made by the Fund means it cannot be deemed liquid under the terms of the Corporations Act and as such withdrawals from the Fund can only be made when a withdrawal offer is open for the Fund. The Fund is deemed to be an "illiquid" Fund and withdrawal offers will be made in accordance with the Fund's constitution and the Corporations Act.

Full information regarding withdrawal arrangements for the Fund are detailed in Sections 3.8 and 5.2 of the PDS issued 24 September 2007, however a summary of the key points are detailed below.

The withdrawal offer will be made in accordance with the relevant provisions of the Corporations Act and the Fund's Constitution. The Manager may not make any withdrawal offers if it does not consider it is in the best interests of all Investors to offer withdrawals at any point in time.