

24 February 2009

Dear Valued Investor

**RE: Multiplex Development Opportunity Fund (Fund) Update (ARSN 100 563 488)**

The Directors of Brookfield Multiplex Capital Management Limited (BMCML), as Responsible Entity for the Fund provide the following update to investors.

The key messages in this update are as follows:

- as at 31 December 2008, on a consolidated basis, net assets of the Fund are \$176.3 million, which equates to \$1.08 per unit (compared to \$1.07 at 30 June 2008);
- as at 31 December 2008, the Fund has four equity investments, each with external financing facilities, which are all currently in compliance;
- the capital value of the Fund's investment portfolio has not declined during the period;
- on a consolidated basis the Fund has cash and cash equivalent of \$21.2 million;
- the foreign currency hedges for Pegasus were closed out in February 2009, for a favourable outcome of \$1.2 million, in circumstances where the current projected cashflow of the project no longer matched to the existing hedge profile; and
- in view of the economic downturn, BMCML has adopted a cautious strategy in relation to distributions and return of capital.

**Debt Management**

Since our last correspondence dated 29 October 2008, the global economic down turn continues to deepen and the impact of the financial crisis has affected the property market severely.

Whilst the Fund has no direct debt, the Fund has investments in four entities where borrowing is sourced externally. The four facilities have a total outstanding face amount of \$111.9 million and are each due to expire in late calendar year 2009. BMCML will seek to refinance three of these facilities while a fourth is expected to be largely repaid from the Multiplex Acumen Vale Syndicate Limited's net cash flow (sale proceeds less capital works).

Given the current state of the financial markets and until the refinancing risk is mitigated, BMCML considers it prudent to withhold the current cash of \$21.2 million and future investment realisations to protect asset values and preserve unitholders' capital.

**Distributions and Return of Capital**

Due to market conditions, a cautious strategy in relation to distributions and returning capital has been adopted. BMCML believes it is in the best interests of investors not to pay a distribution or return capital this calendar year. If market conditions improve and where possible, BMCML will consider resuming payments sooner.

### Key Financial Update on a consolidated basis

	as at 31 December 2008	as at 30 June 2008	Six months movement
Total assets (\$'000) <sup>(1)</sup>	278,711	284,979	6,268 decrease
Total net assets (\$'000) <sup>(1)</sup>	176,322	174,395	1,927 increase
Number of units on issue ('000)	163,337	163,337	No Change
NTA	\$1.08	\$1.07	\$0.01 increase
	For the interim period ended 31 December 2008	For the interim period ended 31 December 2007	Variance
Total revenue (\$'000)	27,312	27,506	194 decrease
Total expenses (\$'000)	24,685	20,618	4,067 increase
Net profit before tax (\$'000)	2,627	6,888	4,261 decrease

<sup>(1)</sup> as at 31 December 2008, the Fund has not had its assets (land and inventories) independently re-valued.

#### Total Assets

Total assets of the Fund as at 31 December 2008 were \$278.7 million, compared to \$284.9 million at 30 June 2008. This represents a decrease of 2.2% on 30 June 2008 and is due mainly to the impairment of the interest receivable on the Pegasus loan and reduction in inventory.

#### Total Expenses

Total expenses for the Fund as at 31 December 2008 were \$24.7 million compared to \$20.6 million for the corresponding period at 31 December 2007. This represents a 19.7% increase and was largely due to an impairment charge of \$2.7 million (NZ\$3.3 million) being taken at 31 December 2008 against the value of interest revenue that had previously been accrued.

At each reporting date, BMCML is required to assess the recoverability of both the carrying value of the loan to the Pegasus project and the accrued interest. As a result of the down turn in the New Zealand economy, the projected cash flow of the Pegasus project has been negatively affected. BMCML has impaired a component of the accrued interest on the basis that the full amount is potentially not recoverable due to the delay in the project.

#### Net Tangible Assets (NTA)

As the Fund is closed, the Unit Price calculation is replaced with the NTA. The NTA is calculated based on the financial statements. The NTA as at 31 December 2008 is \$1.08 and as at 30 June 2008 was \$1.07. The NTA is calculated from the Net Asset Value of the Fund on a consolidated basis divided by the number of units on issue.

## Investment Update

The Fund's current portfolio is comprised largely of mezzanine loans and equity investments. A brief update on each investment is as follows:

<b>Mezzanine Loans</b>	<b>Update</b>
King Street Wharf Site 1	Pre committed by Macquarie Group. Construction is on program to complete in February 2009.
Claremont	The project has a mixed use purpose and is being developed over two stages, with Stage 1 estimated to be completed in June 2009.
Dee Why Town Centre	The downturn in the economy and property market has affected the project, and as a result construction and development has been delayed. The project is currently under review and the NSW Government's recent planning approval has permitted a revised scheme on the site.
Pegasus Town	The project is currently under review given the prevailing New Zealand market. It is anticipated the project will be extended to May 2014. A new marketing initiative is currently being worked on to target potential buyers.
<b>Equity Investments</b>	
Multiplex Acumen Vale Syndicate	Sales activity slowed in the quarter ending September 2008, but has since steadily increased presumably as a result of housing initiatives provided by the Federal Government. The Syndicate reported 94 settlements for the six months ending 31 December 2008. The product offered by the Syndicate in terms of price and lot layout fits with the current market demand. The project is estimated to complete in mid 2010.
Little Bay South	In November 2008, the first stage of the Little Bay South Development – Heritage Manors was launched to the public. Sales activity has been slow given the uncertain economic environment. With unemployment on the rise and job security an issue, potential buyers may be holding back from making commitments. A revised strategy is currently being worked through for this development.
Vale Stages 7 to 11	The project has been deferred for 12 months as a result of current market conditions. All major planning approvals are in place. Work is forecast to commence in January 2010. A revised subdivision plan for Stage 7 and 8 remains with the local Council and is expected to be approved in February 2009.
Henley Brook	The current forecast assumes the project will commence in September 2009, with settlements anticipated in March 2010. Early design concepts are complete for the Town Centre. As a requirement for the district structure planning process, the Albion District Structure Plan is anticipated to be adopted by the council in April 2009. Negotiations continue with the authorities to facilitate subdivision approval for an early first stage release.
<b>Closed out investments</b>	Investments in Bluewater, East Quarter and Rhodes were all closed out at 30 June 2008, with deferred settlement terms to June 2009.

## Investment forecast realisation dates as at 31 December 2008

In spite of the significant market turmoil currently being experienced, the capital values of the Fund's investment portfolio remain unchanged at 31 December 2008. The following table details the forecast realisation date for each investment:

Investments	Investment type *	Status of Investment	Location	Current realisation date <sup>(1)</sup>	Capital Invested (A\$m) <sup>(2)</sup>
King Street Wharf Site 1	Mezzanine Loans	100% pre-leased /construction	New South Wales	April 2009	10.0
Bluewater, Stages 1 to 4	Closed out	Closed out	Queensland	June 2009	11.3
East Quarter	Closed Out	Closed out	New South Wales	June 2009	5.0
Rhodes	Closed out	Closed out	New South Wales	June 2009	4.9
Claremont Residences	Mezzanine Loans	100% pre-sold residential/construction	Western Australia	July 2009	8.5
Dee Why Town Centre	Mezzanine Loans	Planning phase	New South Wales	July 2009	3.8
Pegasus Town	Mezzanine Loans	Pre-selling/ settlement/construction	New Zealand	May 2014	15.8
Multiplex Acumen Vale Syndicate	Equity Investment	Pre-selling/ settlement/construction	Western Australia	June 2010	11.9
Little Bay South	Equity Investment	Planning phase	New South Wales	July 2012	14.8
Vales Stages 7 to 11	Equity Investment	Planning phase with approvals	Western Australia	March 2013	27.7
Henley Brook	Equity Investment	Planning Phase	Western Australia	December 2014	36.8
<b>Total</b>					<b>150.5</b>

<sup>(1)</sup> Important Notice: The realisation dates on this letter are based on current project feasibilities as provided by the Development Manager. Should underlying market conditions alter or underlying assumptions change from current expectations, the realisation dates are subject to movement.

<sup>(2)</sup> Capital invested is as per 31 December 2008 financial statements.

## Financial Results as at 31 December 2008

The financial statements for the six month period to 31 December 2008 which have been reviewed by the Fund's auditors are now available on our website [www.brookfieldmultiplexcapital.com](http://www.brookfieldmultiplexcapital.com).

## Future Updates

Our next Fund update will be contained in the bi-annual Capital magazine which is due to be distributed by mid May 2009. Alternatively, please refer to our website [www.brookfieldmultiplexcapital.com](http://www.brookfieldmultiplexcapital.com) for regular updates.

Yours sincerely



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