

12 April 2011

**TRAFALGAR CORPORATE GROUP
MARKET UPDATE**

Listed property investment and development group Trafalgar Corporate Group (ASX:TGP) provides the following market update since the half year results announcement issued on 23 February 2011:

- Thiess Pty Limited has executed the new 10 year lease agreement for the majority (95.7%) of the Thiess building in Brisbane. Finalisation of the leasing arrangements and completion of the sale has been delayed due to the need to restructure and document existing sub-tenant arrangements.

Following finalisation of sub-tenant lease negotiations and documentation, settlement of the Thiess building sale is scheduled to take place 7 days after notification of registration of the new leases, which is expected to occur late April 2011. TGP will receive net proceeds from the sale of \$62.4 million.

- The Group has also entered into an exclusive 45 day due diligence period with a potential purchaser of the Fujitsu Building in Brisbane. A further update will be provided once the due diligence period has been completed.
- Physical works associated with the remediation of the Rhodes development site have now been completed, with the requisite contract documentation, including the Site Audit Statement, expected to be issued early May 2011. Issuance of the remediation completion documentation will trigger the settlement process for two of the pre-sold development lots, which is expected to take place early June 2011, generating gross sale proceeds of approximately \$33.9 million for the Rhodes joint venture. The majority of the sale proceeds will be used to meet the final Thiess remediation costs amounting to approximately \$31.8 million, with the balance used to partially fund infrastructure costs. Infrastructure works are expected to commence within 45 days after handover of the site by Thiess and the anticipated construction period is 9 months, subject to weather conditions.

The Rhodes Joint Venture has commenced an on-market marketing campaign for one of the two remaining development lots and expressions of interest close on 21 April 2011. Subject to the results of this marketing campaign, the remaining lot will then be placed on the market in May 2011.

- Despite the Tallwoods purchaser continuing to reduce the vendor finance loan from \$10.8 million, as at 31 December 2010, to approximately \$7.2 million as at 31 March 2011, the borrower has defaulted on a principal repayment. As a result of this default, the Group has agreed to on-sell the debt for \$5.5 million, rather than incur the cost and delays associated with recovery of the vendor finance loan. Settlement of the debt sale is now scheduled for mid May 2011. The Group has received from the Tallwoods purchaser a total of \$11.7 million to date of the \$18.9 million sale price for Tallwoods.
- Sale of lots at the Beverley industrial sub-division in suburban Adelaide has continued with a further 3 lots sold (subject to development approval) for approximately \$1.9 million since the 23 February announcement, taking total sales to 50% of the total development. Eight lots now remain to be sold and the Group, in conjunction with its joint venture partner, continues to proactively market the remaining lots for sale.

- Two further commercial strata suites have been sold in the Redmyre Road, Strathfield building since the half year results were announced, taking total sales to 82% of the total development. The remaining nine strata suites continue to be aggressively marketed for sale.
- Sales in the Nudgee industrial unit development in Brisbane remain subdued following the impact of the Queensland floods on industrial property in the area; notwithstanding that the Nudgee property was unaffected. The development continues to be proactively marketed for sale or lease, with leased units then offered for sale to investors.
- Mort Street – in line with the value-add lease negotiations the Group conducted on the Qantas, Melbourne Broadcast Centre and Thiess buildings, the Group is in negotiations to lease the remaining 2,331.5 sqm in this building. Once the remaining space is successfully leased, the building will be formally placed on the market for sale.
- ATO Hurstville - the Group is continuing to pursue its value-add strategy by negotiating an extension of the existing lease prior to offering the property for sale.
- EDI Building Granville – this building is currently being marketed for sale via an expressions of interest campaign.
- Goulburn Building – the Group is currently offering this property to the market on a sale or lease basis. A new targeted marketing campaign has been put in place to pursue all potential interested parties.

Trafalgar's CEO, Braith Williams, said "Completing the sale of the Thiess building will enable the Group to reduce debt by \$31.2 million to approximately \$45.8 million. The Group will retain \$31.2 million of the proceeds from the sale in order to commence capital distributions to security holders and to provide for the Rhodes project remediation payment obligations, in the event there is any mismatch in timing between when the Thiess remediation payment is due to be paid and the proceeds from settlement of the Rhodes pre-sale lots are received."

Trafalgar's Chairman, Garry Sladden, confirmed that "following completion of the Thiess building sale, it is the Board's intention to declare an initial capital distribution of 20 cents per security. Further capital distributions will then be considered following the successful settlement of the remaining Group assets.

The Group continues to implement its strategy of value-adding and then realising assets on an opportunistic basis and a further update will be provided as material progress is made in relation to further asset sales."

About Trafalgar

Trafalgar Corporate Group (ASX:TGP) is a property investment and development group with total assets as at 31 December 2010 of \$217.3 million, including an investment portfolio valued at \$169.6 million across the Brisbane, Sydney, Goulburn and Canberra, markets.

At the last reporting date of 31 December 2010, TGP's Net Tangible Assets backing was \$1.57 per security.

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