AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION
018714009

momentum

INVESTMENT & INSURANCE
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Port Macquarie NSW 2444
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29 FEB 2008
ASIC
NSW

29 February 2008

The Proper Officer
ASIC
Level 18.
1 Martin Place

By Hand

#8602/08
PMR07/25637

LU: 274384 13
REC'D: 29.2.08
FORM No: 766B
PRESCRIBED FEE: N/A
AUST SEC. AND INVESTMENTS COMM MG
ACN: 103596210

Dear Sir/Madam,

Momentum Mortgages Limited Supplementary Prospectus

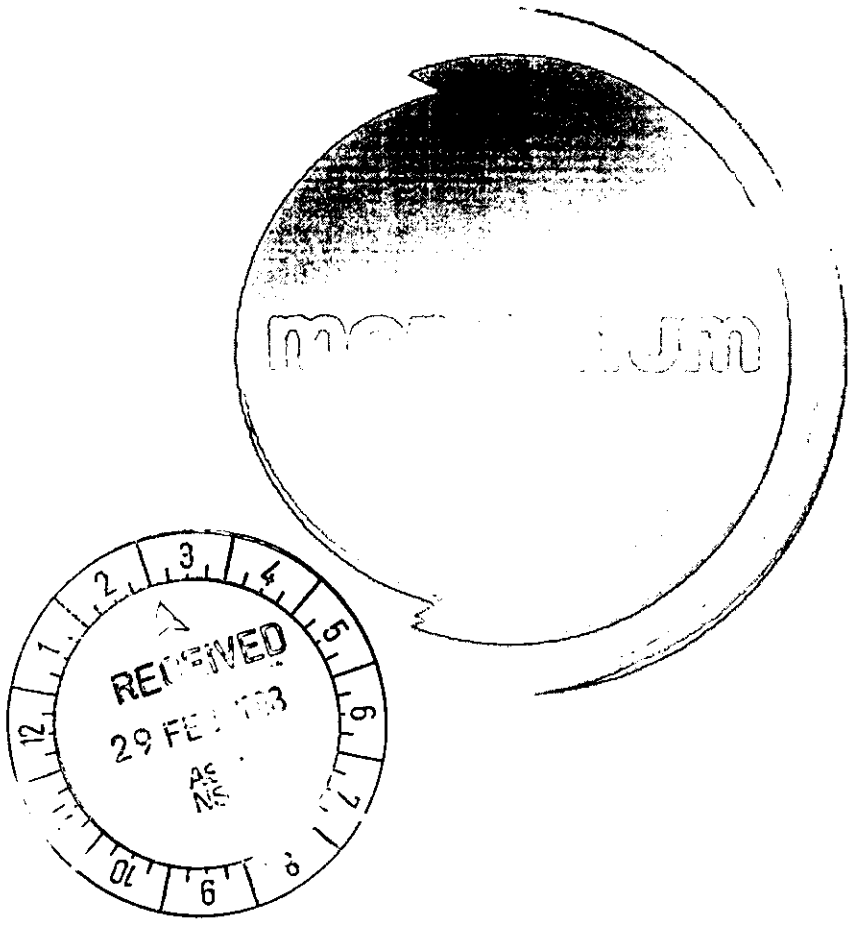
We enclose in triplicate Momentum Mortgages Limited Supplementary prospectus dated 29 February 2008.

Yours faithfully
Momentum Mortgages Limited

Brett Gibbett
Managing Director

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Momentum Debentures



Supplementary Prospectus

Momentum Mortgages Limited

ACN 103 596 210 AFSL 246942

Dear Investor,

From 1 March 2008 the Australian Securities and Investments Commission (ASIC) requires companies which issue Debentures which are unlisted to make disclosure on certain "Benchmarks" as set out in ASIC's Regulatory Guide 69.

The purpose of this Supplementary Prospectus is to provide disclosure in accordance with these benchmarks. In future this disclosure will be incorporated into the body of Momentum's Prospectus.

This Supplementary Prospectus is dated 29 February 2008. It is supplementary to the Prospectus issued by Momentum Mortgages Limited (Momentum) dated 11 September 2007and should be read together with that Prospectus. A copy of this Supplementary Prospectus has been lodged with ASIC. Neither ASIC nor its officers take any responsibility as to the contents of this Supplementary Prospectus. No Debentures will be issued pursuant to this Supplementary Prospectus later than 3 October 2008.

Applications for investment can only proceed by completing the application form attached to the Prospectus, which incorporates this Supplementary Prospectus. These are important documents and should be read in their entirety. If you do not understand the contents or are in doubt as to the course you should take you should consult your stockbroker, accountant, lawyer or independent financial adviser.

Momentum Debentures are not bank deposits and carry risks including the loss of capital invested. Momentum Debentures have not been rated by a recognised credit rating agency.

Signed on behalf of the Directors of Momentum Mortgages Limited, all of whom consent to the issue of this Supplementary Prospectus.

Brett Gilbert

Managing Director

Benchmark 1 – Equity Capital

ASIC Reg Guide 69:

All issuers should use the following equity capital benchmarks:

(a) where more than a minor part of the issuer's activities is property development or lending funds directly or indirectly for property development – the issuer should maintain a minimum of 20% equity;

(b) in all other cases, the issuer should maintain a minimum of 8% equity; and

(c) the equity issuers equity ratio should be calculated as follows:

$$\frac{\text{Equity Capital}}{\text{Total Debt + Equity Capital}}$$

Momentum:

Momentum does not comply with this benchmark. Momentum's loans are advanced primarily for property development and as such this benchmark requires Momentum to maintain a minimum of 20% equity. As at 30 June 2007 Momentum's equity capital was $1,571,441 or 2.88% (see page 7 of the Prospectus). As at 31 January 2008 Momentum's unaudited equity capital was $1,883,069 or 3.33%.

The Debenture Trust Deed requires Momentum to maintain equity capital of at least 2%. Momentum's equity capital is in excess of the requirements of the Debenture Trust Deed.

All of Momentum's loans are secured by registered first mortgages with a maximum loan to valuation ratio of 70%. As such each loan has a buffer of at least 30%. In light of this Momentum does not believe that its lending policies and business model require the level of equity capital set by this benchmark.

Benchmark 2 – Liquidity

ASIC Reg Guide 69:

All issuers should:

(a) have cash flow estimates for the next 3 months; and

(b) ensure that at all times they have on hand cash or cash equivalents sufficient to meet their projected cash needs over the next 3 months

Issuers should also disclose their policy on balancing the maturity of their assets and the maturity of their liabilities.

Momentum:

Momentum complies with this Benchmark. Momentum's liquidity management policy

is set out on page 5 of the Prospectus. In addition to the requirements of this benchmark, Momentum is required by the Debenture Trust Deed to maintain liquid assets of at least 5% of the value of Debentures on issue. Momentum's minimum cash requirement is therefore approximately $2,500,000. Momentum's actual cash balances as at 31 December 2007 are set out in section 1.2 of Appendix "A" to this Supplementary Prospectus, which is updated on at least a quarterly basis.

In addition, Momentum manages its liquidity risk by matching the maturity of its loans and Debentures. The standard loan term and Debenture term are both 12 months. Momentum's also takes into account its redemption and rollover history in managing its liquidity. At present approximately 85% of Momentum's Debenture holders re invest their funds for a further 12 month term on maturity. Momentum's Debentures on issue has remained constant at between $50,000,000 and $52,000,000 during the last 12 months.

Benchmark 3 – Rollovers

ASIC Reg Guide 69:

All issuers should clearly disclose their approach to rollovers including whether the "default" is that debenture investments with them are automatically rolled-over.

Momentum:

Momentum complies with this benchmark. Momentum's policy on repayment of Debentures and rollovers is set out at 4.11 on page 9 of the Prospectus.

Momentum will notify each investor of a forthcoming repayment date not less than 30 days before that date arrives. Momentum will ensure that each investor has a copy of its current prospectus and any ongoing disclosure statements issued by Momentum and will provide each investor with a copy of its most recent quarterly snapshot of its loan portfolio.

Momentum will repay to each investor the amount of each debenture on the repayment date for the debenture, if the investor requests in writing before that date that the amount payable on redemption not be reinvested. If no request for repayment on the repayment date has been received at least 3 business days before the repayment date, the invested amount will be rolled over for an equivalent repayment term but at the interest rate that is stated in the then current application form as being applicable for that term as at the expired repayment date.

Benchmark 4 – Credit Ratings

ASIC Reg Guide 69:

All issuers should :-

(a) have their debentures rated for risk (ie. the risk that the principal and interest will not be repaid at the end of a relevant period);

(b) use a recognised credit rating agency for this purpose;

(c) *state the rating in their prospectus, who it is from and briefly explain the rating (ie. what it says about the risk of the investors not getting their money back);*

(d) *take reasonable steps to ensure that the rating remains current; and*

(e) *if the debentures are not rated as to credit risk – state in the issuer's prospectus they are not rated and the reasons for this.*

Momentum:

Momentum does not have a credit rating from a recognised credit rating agency. Momentum has at this stage chosen not to have its Debentures rated for credit risk having regard to the cost of obtaining such a rating and the complexity of the ratings methodology adopted by the credit rating agencies. Momentum's business is to lend funds secured by registered first mortgages and the risk attached to these activities and the manner in which these risks are managed by Momentum is clearly set out in the prospectus.

Benchmark 5 – Loan Portfolio

ASIC Reg Guide 69:

Issuers who on-lend funds should disclose the current nature of their loan portfolio, including:

(a) *how many loans they have and the value of those loans;*

(b) *by number and value, loans they have by class of activity and geographic region;*

(c) *by number and value, what proportion of loans are in default or arrears;*

(d) *by number and value, what proportion of total loan monies are lent on a "secured" basis and the nature of the security; and*

(e) *by number and value what proportion of the total loan monies they have lent to their largest borrower and 10 largest borrowers.*

Momentum:

Momentum is compliant with this benchmark. Momentum provides full disclosure on its loan portfolio and all of its individual loans in Section 4 of the Prospectus on pages 7 and 8. Furthermore, the table on page 8 is updated at least quarterly and published on Momentum's website and a copy is provided to each investor. Details of the portfolio as at 31 December 2007 are set out in Appendix "A" to this supplementary prospectus.

Benchmark 6 – Related Party Transactions

ASIC Reg Guide 69:

Issuers who on lend funds should disclose their approach to related party transactions, including:-

(a) *how many loans they have to related parties and the value of those loans; and*

(b) *what assessment and approval process they follow with related party loans(eg: are they*

subject to the approval of the trustee).

The issuer should disclose also any policy it has regarding related party lending.

Momentum:

Momentum complies with this benchmark and its policy is set out in Section 5.2 of the Prospectus on page 11. Momentum does not lend any money to related parties.

Benchmark 7 – Valuations

ASIC Reg Guide 69:

Where the issuer is involved in or lends money for property related activities, they should take the following approach to valuations:-

(a) properties(ie. real estate) should be valued on an "as is" basis and (for property development) on an "as if complete" basis;

(b) issuers should have a clear policy on how often they obtain valuations including how recent a valuation has to be when they make a new loan;

(c) issuers should establish a panel of valuers and ensure that no one valuer conducts more than one third of the issuers valuation work; and

(d) appointment of the valuers should be with the trustee's consent.

Issuers should also include information about the valuation of a particular property in the issuer's prospectus where:-

(a) the property accounts for more than 5% of the total value of the property assets of the issuer; or

(b) the loan secured against the property accounts for 5% or more of the total value of the insurer's loan book.

Momentum:

Momentum does not comply with this benchmark as it does not comply with (d) above but intends to comply from 1 March 2008.

Momentum complies with all other aspects of this benchmark.

Momentum's Valuation Policy is set out in Section 5.3 of the Prospectus on page 11 Individual valuations on all of Momentum's loans are set out in Section 1.1 of Appendix "A" to this Supplementary Prospectus.

Momentum has established a panel of registered valuers to undertake its valuations and will ensure that no one valuer conducts more than 1/3 of the number of Momentum's valuations. Valuations must be less than 3 months old at the time of loan approval.

For property development loans the property is valued on an "as is" basis and on an "on completion basis".

Momentum also endeavours to obtain a "forced sale" or "mortgage" valuation. This valuation provides a good indication as to the likely sale price if Momentum had to

sell the security quickly, usually without an extensive marketing campaign. For this reason the "forced sale" value is usually significantly lower than the "market" value and is considered by valuers to be speculative.

However, some valuers are not prepared to give a "forced sale" value and as such it is not included in the LVR calculation. This figure is, however, considered in the overall assessment of the loan.

The valuer general is, for valuation purposes, considered by Momentum to be an independent valuer.

In relation to obtaining the Trustee's consent to the appointment of valuers, the Debenture Trust Deed does not require such consent and as such the appointment of Momentum's existing panel of valuers has not involved the Trustee. From 1 March 2008 appointment to Momentum's valuation panel will only be with the consent of the Trustee. The Trustee has not consented to the appointment of a valuer at this stage.

Benchmark 8 – Lending Principles – Loan to Valuation Ratios

ASIC Reg Guide 69:

Where an issuer on-lends money in relation to property-related activities, it should maintain the following loan-to-valuation ratios:

(a) where the loan relates to property development – 70% on the basis of the latest "as if complete" valuation; and

(b) in all other cases – 80% on the basis of the latest market valuation.

Where the loan relates to property development by a second person (even if related to the issuer), issuers should ensure that funds raised by the issue of debentures are only provided to the developer in stages, based on external evidence of the progress of the development.

Momentum:

Momentum complies with this benchmark. Pursuant to the Debenture Trust Deed Momentum's maximum LVR is 70%. Momentum's policy on the funding of property development is set out in Section 5.5 of the Prospectus on page 12.

The funding of property developments is undertaken in stages. Initially Momentum will lend a maximum of 70% of the "as is" value. Further funds are then progressively drawn down as the development progresses. After payment of all progress payments and interest the loan cannot exceed 70% of the "on completion" value.

All progress payments in respect of development funding are required to be certified to Momentum by an independent quantity surveyor, civil engineer or a registered valuer with construction expertise. This ensures that funds are only provided to the borrower where there has been satisfactory progress of the development and only to the extent of the actual costs incurred by the borrower.

Momentum's directors have extensive property development experience which allows it to actively manage its construction loan portfolio. Momentum's directors undertake regular inspections of the progress of the developments and meet with borrowers, project managers and builders.

Individual loan to valuation ratio's are set out in Appendix "A" to this Supplementary Prospectus.

Appendix "A"

Momentum Mortgages Limited Investment Portfolio as at 31 December 2007 (unaudited)

1.1 Loans

	loan type	location	loan balance	% of assets	interest rate	value on completion	LVR	maturity	arrears	valuer
1	construction - residential	sydney	$ 7,885,152	14.1%	11.75%	$14,000,000	70%	4 mths	nil	Woodbury Bell
2	construction - residential	sydney	$ 7,089,643	12.7%	12.00%	$11,900,000	70%	4 mths	nil	Handley Partners
3	construction - residential	newcastle	$ 6,124,036	10.9%	12.00%	$ 8,805,000	70%	3 mths	nil	Duponts
4	construction - mixed	newcastle	$ 5,190,649	9.3%	11.75%	$11,660,000	70%	4 mths	nil	Duponts
5	construction - residential	nth coast qld	$ 5,023,794	9.0%	11.75%	$14,000,000	50%	6 mths	nil	Woodbury Bell
6	construction - residential land	se qld	$ 3,625,597	6.5%	12.00%	$ 8,615,500	70%	19 mths	nil	PRP
7	construction - mixed	sydney	$ 3,573,252	6.4%	12.00%	$ 5,055,000	70%	due 15.12.07	3mths	CBRE
8	industrial - vacant land	orange nsw	$ 3,000,000	5.4%	12.00%	$ 5,700,000	53%	5.5	nil	Saunders & Staniforth
9	construction - commercial	sydney	$ 1,962,174	3.5%	12.00%	$ 3,000,000	70%	due 21.12.07	nil	Handley Partners
10	construction - residential	nth coast nsw	$ 1,519,802	2.7%	11.50%	$ 4,325,000	60%	5	nil	Jeff Rogers
11	construction - residential	central coast	$ 1,476,491	2.6%	12.00%	$ 3,400,000	70%	6	nil	Aust. Real Estate
12	rural	orange nsw	$ 1,070,446	1.9%	12.00%	$ 1,670,000	65%	2.5	nil	Regional & Rural
13	residential land	se qld	$ 622,913	1.1%	11.75%	$ 1,740,500	35%	due 5.12.07	nil	CBRE
14	residential land	orange nsw	$ 562,000	1.0%	12.00%	$ 940,000	60%	due 9.12.07	nil	Regional & Rural

total value of loans	$ 48,725,948	87%

1.2 Other Assets

cash deposits	$ 6,204,357	11%
property held for sale	$ 1,110,000	2%
total assets	$ 56,040,305	

1.3 Analysis of Loan Portfolio

number of loans	14	
average loan size	$ 3,480,425	
largest loan	$ 7,885,152	14%
loans secured by registered 1st mortgage	100%	
loans to related parties	nil	

1.4 Exposure By Region

Sydney	42%
Newcastle/Central Coast NSW	26%
North Coast NSW	3%
Queensland	19%
Orange NSW	10%

1.5 Exposure By Sector

Construction - residential	60%
Construction - commercial	4%
Construction - mixed residential/commercial	18%
Construction - residential land	7%
Completed residential land	2%
Rural	2%
Industrial	6%