

17 December 2007

David Jackson
Chief Executive
Toll NZ Consolidated Limited
Private Bag 92 138
Auckland Mail Centre
AUCKLAND

Dear David

Your Letter of 14 December

Thank you for your letter of 14 December.

ONTRACK is not contemplating a process where valuation methodologies and assumptions will be negotiated and agreed. We have arrived at our indicative offer in a manner that is satisfactory to us and we believe we have made clear the major themes on which that offer is based and caveated.

In particular, we are confident that the financial outcomes resulting from enforcement of the NRAA would be in a relatively narrow range. The NRAA is quite clear that Toll NZ is committed to pay for all properly incurred operating and renewals costs and, as Toll has previously acknowledged, it is the existence of the renewals charges that has the primary consequences for profitability.

In keeping with the process agreed, it remains for Toll to establish (through whatever valuation methodology and assumptions it chooses) whether, in Toll's opinion, our offer is of a level sufficient to give Toll confidence a satisfactory transaction could be concluded and that further engagement and negotiation to that end is warranted. If we do proceed to the next stage of engagement, we accept that Toll may wish to put further material before us that reflects its valuation perspectives.

We understood from our meeting with you that you would be presenting our offer at a Toll Holdings Board meeting this Wednesday. Formal advice from the outcome of that discussion will be an important factor in meeting Cabinet's expectation of substantial progress by 20 December 2007.

I look forward to hearing from you at the earliest opportunity.

Yours sincerely

A handwritten signature in black ink, appearing to read 'W. Peet', written in a cursive style.

William Peet
Chief Executive