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20 December 2007

William Peet
Chief Executive Officer
ONTRACK
P.O. Box 593
Wellington

By e-mail

Dear William

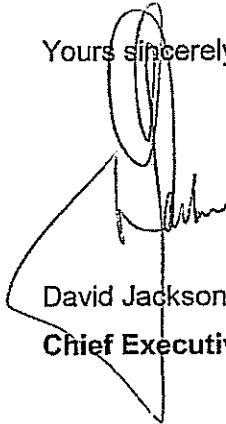
After a lengthy discussion at the Toll Holdings Board meeting yesterday re the possibility of the New Zealand Government acquiring Toll NZ (with the possible exception of the business operations of Toll Tranzlink) I can advise the following:

1. The advice in your letter that "ONTRACK is not contemplating a process where valuation methodologies will be negotiated and agreed" was seen to be not in good faith and not in the interests of creating a reasonable environment where a fair negotiation could be concluded.
2. The Board has asked us to meet with you again to discuss an alternate valuation method that more truly reflects the value of the business.
3. Notwithstanding the above, the Board's view is the offer is not presently in a range that would be acceptable, particularly in light of independent market valuations and multiples that would see the potential value of the Toll NZ business in the vicinity of \$1 billion.

4. The Board is committed to arriving at an acceptable outcome and believe it is possible to make headway on the correct proposal providing both parties work through a co-operative process.

In closing, I believe this is a reasonable and positive approach and look forward to your reply and working further with you in the New Year.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'David Jackson', written over a large, stylized, handwritten letter 'D' that serves as a decorative flourish or initial.

David Jackson
Chief Executive Officer