



Pipeclay Lawson Ltd
ACN 163 013 732
AFSL 437838

The Steelmakers' Trust
ABN 49 733 935 488

The Steelmakers' Trust Investor Distribution Emails

07 February, 2019

On February 7, 2019, the Trust made a monthly distribution of \$9.75 per Unit.

128 Russell St, Emu Plains:

On Tuesday 29/1, two NAB officers accompanied by David inspected the property, which is in a good condition. BlueScope has continued its habit of installing small improvements to the property, without first seeking Pipeclay's permission in accordance with the Lease. This time they have installed:

- An elevated walkway has been constructed to separate pedestrians from forklift and truck traffic; and
- New external racking for steel coils and product has been established.

Bluescope's undertaking to provide technical details for anticipated future concrete strength requirements has again been raised and we were told that the matter is being worked on. There are sections of concrete that require attention, but it is difficult to see how they can be attended to without disrupting a very busy site.

Several minor matters have also been progressed this month including:

- Annual fire safety equipment testing and certification.
- Vegetation along the property's once overgrown northern boundary being controlled.
- The tenant is considering the installation of solar panels, which I wrote about us bringing to the tenant's attention in my October email.

13 Ferndell St, South Granville

We advised on Thursday (31/1/19) that settlement of the purchase had taken place.

The Trust swapped the interest cost of the additional debt incurred in purchasing the property so as to achieve rates certain until 2023. The realised swap rates are a little lower than forecast in the IM.

We have received Napier & Blakeley's reinstatement cost assessment. As of 1 February 2019, it is \$20,567,000 without GST and \$22,624,000 including GST. This assessment does not value the existing improvements but assesses the cost of replacing them, new for old. It deals with physical improvements only and does not include the value of the land. If you would like a copy of the assessment, please let me know. In relation to land value, we are aware of 2 recent land sales in South Granville. 54-68 Ferndell Street was sold in August 2018 for \$61,522,800. It is a site of 100,200 sq.m. of which 10,000 sq.m. is unusable due to tree preservation orders. 50-62 Cosgrove Road sold in May 2018 for \$18,600,000; it is a site 23,343 sq.m.

On Tuesday 29/1, two NAB officers accompanied by David inspected the property; there have been no material changes from the condition described in Napier & Blakeley's TDD Report.

There have been no other material developments in relation to either property or the Trust this month.

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We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,
LACHLAN C. PHILIPS

06 March, 2019

On March 4, 2019, the Trust made a monthly distribution of \$9.75 per Unit.

128 Russell St, Emu Plains:

There were no major developments this month.

13 Ferndell St, South Granville

David and Emil have recently met with our main contact at BlueScope as well as the state manager of the steel plate supplies business which operates at Ferndell Street, South Granville. They advised that BlueScope has commenced a review of their long term premises needs and contrary to statements made prior to the acquisition, said that they would be considering all options regarding the extension of the current lease.

They also said that to properly canvass alternatives they needed a 12-month lease extension as it would be impossible for them to relocate within the remaining timeframe of the lease. The state manager acknowledged that relocating their operations would be very expensive and disruptive but that there were certain aspects of the Granville site that were frustrating. In particular that there was insufficient room for any significant growth in the business conducted onsite and that a Mosque at the far end of Ferndell Street created traffic flow and parking issues at the front of the property.

David and Emil formed the impression that the meeting was most probably part of a “softening process” in rent negotiations but one cannot be sure. They therefore visited the property on a Friday afternoon. There were several people entering the Mosque for afternoon prayers, there were no traffic or parking issues at our end of Ferndell Street or in the direction of Boundary Rd (which is the direction one would expect for departing or arriving trucks). There was light traffic at Rawson Rd (the other end of Ferndell Street, which is where the Mosque is located). The Mosque is relatively modest in size and does not appear to have any negative impact on operations.

At the meeting David and Emil pressed them on where they might go and offered to relocate them to spare land at Emu Plains. There was a reluctance to engage on the Emu Plains option, which appeared irrational if all options are truly being considered. They mentioned that they had spare land at premises they occupy at Anzac Street Chullora. David and I subsequently visited those premises and believe that there is insufficient land for a new building to accommodate the business operations at Granville. The sheet and coil business onsite already operates two shifts Monday to Thursday and one on Fridays in the existing buildings.

Pipeclay's investigations have only served to harden our view on the most probable purpose of the meeting. The Trust has since written to BlueScope advising that a short term extension was not available.

There have been no other material developments in relation to either property or the Trust this month.

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Best Regards,
LACHLAN C. PHILIPS

04 April, 2019

On April 2, 2019, the Trust made a monthly distribution of \$9.15 per Unit.

128 Russell St, Emu Plains:

The triennial rent review is due on 1 July. The lease provides that the rent increase is to be the lesser of market rent and a 5% increase. We have reached agreement with BlueScope that rent will increase by 5%.

Whilst we have continued to press BlueScope on the topics of the concrete and solar panels as per October's email, there have been no significant developments this month.

13 Ferndell St, South Granville

There is a crack in the wall of the production office which has been noted by both the tenant and our due diligence. We have engaged engineers to investigate the matter. I will report further.

David and Emil have had another meeting with the BlueScope State Manager of "Steel Products" and the Principal Procurement Specialist – Property. There have also been two sets of correspondence exchanged (if you would like to see them, please let me know).

The discussions have confirmed our investment thesis. BlueScope is physically unable to vacate the premises in less than 18 months due to the need to disassemble the machinery and the extensive make-good works required. Unless another site had surplus capacity or a new one was already set-up with new machinery, relocation of Ferndell St would require a suspension of business. To that extent BlueScope are a highly embedded tenant. However, the Steel Products division have commenced a detailed study of their business, which includes consideration of transport costs, location availability and its cost and the opportunity and cost of automation. The study is likely to occupy the rest of this year and until it is completed, BlueScope would prefer to acquire flexibility in its leasing arrangements. Following the receipt of an offer from BlueScope yesterday, we have resolved the issues of initial rent, escalation of rent and notice period for option exercise. We have responded to BlueScope's offer with a proposal for a term certain and an alternative proposal which provides for an early termination in return for a lump sum payment. We expect that next month we will be able to report a concluded agreement, but there is no certainty that this will be so.

There have been no other material developments in relation to either property or the Trust this month.

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Best Regards,
LACHLAN C. PHILIPS

06 May, 2019

To better reflect the assets of the Trust and to avoid confusion between the Russell Street property which is geographically in Emu Plains and the whole Trust, the Trustee has changed the name of the Trust to the Steelmakers' Property Trust.

On May 3, 2019, the Trust made a monthly distribution of \$9.15 per Unit.

128 Russell St, Emu Plains:

There have been no significant developments this month at the Russell St property.

13 Ferndell St, South Granville

We have successfully concluded our negotiations with BlueScope in relation to their continued occupancy at South Granville. BlueScope have advised that the relevant division (Steel Plate) has recently commenced a nationwide strategic review of its existing operations. The review involves an analysis of both their existing operations and anticipated future needs and is expected to take 18 months. Consequently, BlueScope wanted a short-term lease extension. Following several reiterations, we have agreed to the following extension arrangements, which provide BlueScope with the flexibility they require, but at a cost which we believe is more than commensurate for the risk of vacancy to be assumed by the Trust:

1. The lease will be extended for 5 years from the conclusion of the current lease (15 April 2020)
2. Rent will increase to \$120 p.sq.m. (rent at time of purchase was \$101 p.sq.m. and presently is \$104 p.sq.m.) from 15 April 2020. On each April 15 in 2021-2024 (inclusive) rent will increase by 3%
3. BlueScope will have an option to extend the term by a further 5 years. If this option is exercised rent will be reviewed to market as at 15 April 2025. The option can be exercised by giving no less than 18 months' notice
4. BlueScope will have a right to terminate the lease on no less than 18 months' written notice. If BlueScope gives an early termination notice, BlueScope will at the time of giving the notice, pay to the Trust an amount equal to 25% of rent foregone by the Trust due to the early termination
5. BlueScope will be open and transparent about its plans to vacate the site, providing more than 18 months' notice if possible and similarly if it plans to stay on at the property in the long term
6. The Trust has agreed to:

- a. Carry out repairs and improvements to the concrete slab up to a total cost of \$210K. The Trust has adequate funds in the capital expenditure facility to meet this cost. However, if the lease terminates prior to May 2023, BlueScope will be required to refund, at the time it provides Pipeclay with its notice of early termination, the concrete expenditure incurred by the Trust.
- b. If the lease does not terminate prior to May 2023, the Trust will at its own cost replace transparent panels in the roof (estimated cost in to-day's dollars is \$160K). This is a capital expenditure that Pipeclay has always expected the Trust to incur and was allowed for in the capital expenditure facility.
- c. If BlueScope advises that it not only intends not to exercise its right of early termination but to occupy the premises in the long term, Pipeclay will replace the main electrical switchboard and the distribution boards in accordance with BlueScope specifications but subject to a cost limit of \$250,000. This is also a capital expenditure that Pipeclay had always expected the Trust to incur in the medium term and was allowed for in the capital expenditure facility.

7. All other terms of the lease (including the "make good" provisions) will remain the same

Pipeclay is extremely pleased with this outcome. At present the agreement is contained in an exchange of emails. We anticipate that within a month the agreement will be converted to a lease amendment capable of registration. If you would like a copy of the lease amendment when it becomes finalised and/or any of the correspondence that has led to this agreement, please let me know.

Last month I wrote to you about a crack in the wall of the production office. This has now been investigated by an engineer who has advised that its cause is not the result of a significant structural defect but rather of normal expansion and contraction in the brickwork. Whilst it will be monitored going forward, it appears to not be a concern. If the monitoring is in line with the engineer's expectation, then there will be a material reduction in the budgeted capital expenditure of the Trust.

The Trust

In an email sent on December 21, 2018, David advised that the Banking Facility terms had been changed to provide for a fresh valuation as at the end of April 2019. NAB has agreed to defer this valuation requirement to June to allow the Lease amendments in relation to the South Granville property to be registered. If you would like a copy of the valuation once it is to hand, please let me know.

There have been no other material developments in relation to either property or the Trust this month.

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Best Regards,
LACHLAN C. PHILIPS

04 June, 2019

On June 4, 2019, the Trust made a monthly distribution of \$9.75 per Unit.

128 Russell St, Emu Plains:

In monitoring of the area, we have become aware of a flood study of Emu Plains which has been commissioned by Penrith City Council to be completed this year. I will report further when the study is concluded.

13 Ferndell St, South Granville

Last month I wrote to you about the terms of the new lease which has been negotiated for the property. This included repairs and improvements to the concrete slab which were budgeted for in the capital expenditure facility. David and I inspected the property last month to discuss these works, accompanied by a contractor who is providing quotations for their completion. I will report further when we have commissioned the works.

Monitoring of cracks in the production office walls and a sunken area of flooring is being carried out, and I will report further in 4 months' time, when the monitoring period has concluded.

The Trust

Both properties are currently being valued by Knight Frank. If you would like a copy of the new valuation reports when available, please let me know by email and I will provide them. I will report further next month, once these valuations have been finalised. Pipeclay's current plan is to utilise the increase in value to lower the Trust's LVR and consequently seek lower margin costs from the Bank.

At settlement, the Trust entered into an interest swap arrangement for the debt incurred in January of this year. The Trust has extended this and its existing swap arrangements to October 2023, to take advantage of lower long-term swap rates. Consequently, the Trust's interest cost in FY 20 will be 20bps lower than forecast in the IM, which will permit higher distributions than forecast. Distributions for FY 20 have not yet however been determined as we are awaiting the valuation and subsequent discussions with NAB.

There have been no other material developments in relation to either property or the Trust this month.

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Best Regards,
LACHLAN C. PHILIPS

05 July, 2019

On July 2, 2019, the Trust made a monthly distribution of \$9.75 per Unit.

128 Russell St, Emu Plains:

There have been no significant developments at Russell St this month.

In May I wrote to you about the extension of the lease which we negotiated with BlueScope and its terms, which at this time was contained in an exchange of emails. All lease documents have been fully executed as per the terms described in May's email.

Last month I wrote to you that we are monitoring cracks in the production office walls and a sunken area of flooring. Thus far no movement in either the floor or walls has been detected. The engineer has advised that monitoring will be required for one more month, at which time they will prepare a report on the causes and rectification advice for both matters. At this time it appears most likely that the perceived issues are the results of past settlement, and that only superficial works are required.

The Trust

This is the June distribution, and the last for FY19.

Last month I wrote to you that new valuations for mortgagee purposes were being obtained from Knight Frank in accordance with the terms of the debt facility. The final valuation reports have been received, and the market values adopted were \$38,000,000 for Russell St, and \$30,200,000 for Ferndell St. For comparison, we purchased Ferndell St in January for \$24,225,000 and Russell St was last valued in October 2018 for \$35,800,000 and in August 2016 for \$27,800,000. The valuations exclude the 'portfolio premium'; if the properties were to be sold together current market conditions would be likely to result in a premium assessed by the valuers as 5-10% of their valuation on a single property basis. If you would like to receive a copy of these reports, please let me know.

Pipeclay has determined that Unitholders would at this time benefit more from a reduction in the margin payable to the Bank and the greater security that flows from a lower LVR than from increasing the amount of senior debt to fund a capital distribution. Pipeclay has requested NAB to reduce its margin on the debt facility given the lower LVR. NAB's initial reaction has been positive but further negotiations are required. I will report further.

A number of the Trusts' Unitholders have asked Pipeclay to provide them with its estimate of the value of the units in the Trust at 30 June. Pipeclay does not have any valuation expertise and there is no active market against which to measure Unit values.

In order to advise the Unitholders as to Pipeclay's perception of Unit values, a dual process is undertaken. First, from the latest[1] valuation[2] for[3] mortgagee[4] purposes[5] the following are deducted: interest swap break-costs as advised by the Bank as at June 30, the current bank debt and the outperformance fee that would be payable if the Trust was terminated (working capital and selling costs are ignored). The resultant number is then divided by the number of Units on issue. Secondly, Pipeclay considers what it would regard as an appropriate yield for the Units and the consequently implied Unit value. The lower of these two numbers is then adopted by Pipeclay as its perception of Unit values. Pipeclay's perception is that the current value of Units in the Trust is \$2,050 per Unit. All Units in the Trust (irrespective of issue price) are in the one class and have the same value.

There have been no other material developments in relation to either property or the Trust this month.

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Best Regards,
LACHLAN C. PHILIPS

05 August, 2019

On August 2, 2019, the Trust made a monthly distribution of \$9.75 per Unit.

128 Russell St, Emu Plains:

There have been no significant developments at Russell St this month.

13 Ferndell St, South Granville

The lease documents have now been registered.

There has still been no movement detected in the walls or floor of the production office. I am expecting to receive a final report on the matter this month and will report further.

The Trust

This is the first distribution of FY20.

The negotiations with the banks are continuing and until they are concluded distributions will remain unchanged. We are hopeful of a resolution in August.

There have been no other material developments in relation to either property or the Trust this month.

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Best Regards,
LACHLAN C. PHILIPS

03 September, 2019

On September 3, 2019, the Trust made a monthly distribution of \$9.75 per Unit.

128 Russell St, Emu Plains:

There have been no significant developments at Russell St this month.

13 Ferndell St, South Granville

In June I wrote to you about the need for repairs and improvements to the concrete slab which were budgeted for in the capital expenditure facility. We have received quotes and the cost of required works appears significantly lower than budgeted. We have made written proposals to the tenant about how to proceed. If you would like a copy of the quotes or correspondence, please let me know. I will report further when an agreement is reached.

I am yet to receive the final crack monitoring report which I wrote about last month. I expect to receive it shortly and will report further next month.

The Trust

Since the acquisition of Ferndell St, the LVR of the Trust has materially improved. Despite that NAB has been reluctant to change the pricing of the facility it provided in January. We are pleased to advise that the margin charged by NAB has now decreased by 30 bps. Consequently, as of the September distribution (which will be paid in early October), the monthly distribution will increase to \$10.53 per Unit (8% yield on the \$1,570 Unit issue price)

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Best Regards,
LACHLAN C. PHILIPS

09 September, 2019

In July this year we advised you that the Trust's properties had recently been revalued by Knight Frank for a combined market value of \$68.2 million. The valuations obtained were exclusive of the 5 - 10% "portfolio premium" currently considered likely if the properties were to be sold together.

At that time we also advised you that, based on those valuations, the Net Asset Value per Unit of the Trust was \$2,050. Our determination of Net Asset Value was erroneously based on the lower of Capitalised Unit Values (\$2,050 at a 6.15% yield) and Net Tangible Assets including a portfolio premium per Unit (\$2,186). The Net Asset Value per Unit, as at June 30, 2019, was \$1,950 being the Net Tangible Assets per Unit exclusive of the portfolio premium (i.e in accordance with Pipeclay assessment policy), which as you can see is lower than the Capitalised Unit Value. We very much regret this error and any inconvenience it may have caused you.

Best regards,
DAVID F. LIBLING

04 October, 2019

On October 2, 2019, the Trust made a monthly distribution of \$10.53 per Unit.

128 Russell St, Emu Plains:

There have been no significant developments at Russell St this month.

13 Ferndell St, South Granville

After 3 months of monitoring the walls of the office (with the floor dip), a 1mm movement has been detected. Whilst that may not sound much, extrapolated over time, it is material. Pipeclay has asked the engineers to advise on cause and best remedy.

There have been no other significant developments at Granville this month.

The Trust

Both Properties' insurances have been renewed this month following a review, and the sums insured increased.

There have been no other material developments in relation to either property or the Trust this month.

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Best Regards,
LACHLAN C. PHILIPS

05 November, 2019

On November 4, 2019, the Trust made a monthly distribution of \$10.53 per Unit.

128 Russell St, Emu Plains:

There have been no significant developments at Russell St this month.

13 Ferndell St, South Granville

Last month I wrote to you about the crack monitoring of the walls of the office. As 1mm of movement was recorded, but only in one of the monitors, we have been advised by the engineers to extend this monitoring period, to isolate and best understand this movement.

We have received a letter from BlueScope which proposes that BlueScope is not responsible for repairs to the concrete hardstand, where we have identified they are necessary. This letter also suggests that such works are unnecessary. We are currently preparing our response. In our experience taking a proactive approach to concrete maintenance before it becomes essential is far cheaper in the long-run. Our intention is for the Trust to share the cost of such works with BlueScope, whereby BlueScope only undertake works on areas of the hardstand which have been directly damaged by their operations. The total cost of works has been quoted at \$86,000. I will report further.

The Trust

There have been no other material developments in relation to either property or the Trust this month.

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Best Regards,
LACHLAN C. PHILIPS

04 December, 2019

On December 3, 2019, the Trust made a monthly distribution of \$9.75 per Unit.

128 Russell St, Emu Plains:

There have been no significant developments at Russell St this month.

13 Ferndell St, South Granville

Last month I wrote to you about a letter which we had received from BlueScope which argues that they were not responsible for repairs to the concrete hardstand as any damage to the hardstand was a result of "fair wear and tear". We have responded to this letter, outlining that given the extent of damage to the hardstand which has occurred since a condition report was produced in 2013, this can only be attributed to the extreme loads which BlueScope subjects the concrete to. We are confident that BlueScope have directly damaged the hardstand due to the nature of their operations, and that the Lease places some repair obligations onto them. If you would like a copy of these letters, please let me know.

The Trust

There have been no other material developments in relation to either property or the Trust this month.

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Best Regards,
LACHLAN C. PHILIPS

09 January, 2020

On January 6, 2020, the Trust made a monthly distribution of \$10.53 per Unit.

Changes to the Property Management Team

Sadly, for Pipeclay, Lachlan has resigned in order to pursue further studies. He was already studying (actually aceing) part-time the Property Economics/Management degree at UTS but he has decided to switch to a full-time Masters in Economics. We are appreciative of his intelligent contribution over the last three years and wish him very well for the future.

We have made three very exciting part-time appointments: -

Daniel Shafferman has a wealth of experience in industrial property management. He has managed his family's property portfolio and provided management services to major agencies and private owners in Queensland. He will be our man on the ground in Queensland.

Daryl Knighton is a mechanical engineer by training. He has decades of project management experience including in industrial property. We think he will bring particular value in organizing tenders, supervising works and in our dealings with Bluescope.

Hannah Butt will take on the additional role of Property Management Co-ordinator. A year ago, Luke automated a reminder system of all lease obligations for each property. After 10 months of testing, we are confident that the system will, in Hannah's hands, ensure that all recurrent obligations, rent reviews and end of lease activities will be timely and well directed. The next month's newsletter will come from Hannah. Hannah's email is Hannah@pipeclaylawson.com.au and her mobile is 0414 932 034.

Otherwise, there have been no other material developments this month.

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Best Regards,
David

05 February, 2020

On February 5, 2020, the Trust made a monthly distribution of \$10.53 per Unit.

Property Management Update

The repairs to the concrete hardstand at South Granville, as noted in the December 2019 communications, remains to be resolved. A combination of Christmas and the relative unimportance of the issue to Bluescope has meant that discussions have not progressed as we had hoped. We will provide an update in our next monthly email.

David has been contacted by Andrew Cook, Bluescope's State Manager. Production on the Emu Plains site has doubled in the last 4 years and additional improvements of the site are required by Bluescope David and Andrew have explored the various ways that existing facilities could be augmented. Next week David and a private certifier will visit the site. A meeting with Bluescope is proposed for early March. I expect to update you in April.

There have been no other material developments this month.

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Best Regards,
Hannah

03 March, 2020

On March 3rd, 2020, the Trust made a monthly distribution of \$10.53 per Unit.

South Granville

David and I met with Alex Buckoski (Bluescope NSW Operation Manager) on the 11th Feb to enquire about the progress of Bluescope's premises review and to resolve outstanding repairs to concrete hardstand, alcynite panels and the roof. We are following up Bluescope for its response and will report further.

An inspection of the hardstand was carried out while on site, and though Bluescope have recently carried out two areas of repair works to concrete on the truck entry and exit points to the warehouse, we noted a number of areas still needed to be repaired. Subsequent inspection was arranged to obtain a quote for concrete repair work. Twelve areas were identified as requiring repair due to subsidence or sever damage that is now impacting the integrity of the adjoining slab. We are awaiting a quote which will then be discussed with Bluescope.

Emu Plains

Following a request from the Lysaght State Manager, David and I met with Martin Willard, the Business Improvement Manager. Lysaght are considering whether it requires further development of the site. Two potential projects are being considered:-

- # the enlargement of the older warehouse by the construction of an additional bay; and
- # the construction of an additional warehouse (3rd)

The Trust has obtained advice from CC Solutions, a private certifier, and the existing zoning permits either or both projects. If you would like a copy of this advice, please let me know.

We expect slow progress as Lysaght develop specifications for the project(s) and we ascertain likely cost and respond with rental increase implications

Property Management Team

Due to personal reasons, Daryl Knighton has not joined the team. We expect to make an appointment shortly.

There have been no other material developments this month.

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Best Regards,
Hannah

02 April, 2020

On April 2nd, 2020, the Trust made a monthly distribution of \$10.53 per Unit.

Bluescope is operating from both premises, though non-essential access has been suspended. All inessential repairs and maintenance are in abeyance on both sites. Similarly, discussions of further developments and/or improvements have been postponed till post Covid-19; my recent discussion with the State Manager indicates that whilst the development cannot presently be progressed, it is still on his mind as being very much needed.

Steel products fabricated and stored on the sites are vital to the construction industry. At present construction activity in NSW is not subject to any governmental compulsory or advisory shut-down. Bluescope is an ASX top 50 company. We do not expect there to be a need to provide any rental relief.

At present, the Trust has just shy of \$500k in cash in bank; with both land tax and quarterly interest payments falling due this month cash balance is expected to be \$200k at the end of April, which is the low point in the 12 month cash forecast. As illustrated, the Trust's working capital fluctuates considerably and is consequently dependent on the regular receipt of lease payments.

The Trust has two undrawn loan facilities. \$500k for capital works on the South Granville site; this covers the Trust's contingent liability for works specified in the lease with a 2018 cost estimate of \$430K. Secondly, \$467k for capital works on either site.

I am delighted to advise that John Commisso has joined Pipeclay as Asset Manager. John has decades of experience in managing works on industrial sites and in dealing with agents and tenants.

There have been no other material developments this month.

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We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Most importantly, I hope you and all yours are well.

Best regards,
David

04 May, 2020

On May 1st 2020, the Trust made a monthly distribution of \$10.53 per Unit.

We have received two emails from Bluescope which indicate a misunderstanding of its repair and maintenance obligation in relation to the roof and concrete in Granville. If you would like a copy of the emails please let me know. The authors are Wollongong based and in the current environment it will be difficult to arrange an on-site meeting which usually helps in such matters.

There have been no other material developments this month.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

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Regards
John

02 June, 2020

On June 2nd, 2020, the Trust made a monthly distribution of \$10.53 per Unit.

Access to the property at Granville has been granted. Our roofing contractor has been booked in to perform a thorough inspection of the roof condition so that discussion on repair and on-going maintenance issues can be held with up-to date information on hand. We hope to progress these discussions this month.

Access at Emu Plains remains at essential services only, so discussions regarding future expansion of this facility have been put on hold for the time being.

There have been no other material developments this month.

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We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Regards,
John

02 July, 2020

On July 2nd, 2020, the Trust made a monthly distribution of \$10.53 per Unit.

The roofing contractor attended the Granville property and prepared a condition report. If you would like a copy, please let me know. The report states that the translucent roof sheets throughout the building are at the limit of their life span. The need to replace the alcynite has been known to us since before the purchase. The understanding we reached with Bluescope during the lease extension negotiations is that if Bluescope has not terminated the Lease prior to May 2023, the Trust would at its cost replace the panels. In addition, there are maintenance issues that need to be addressed. A quotation is now being obtained.

The crack monitors that were installed to the production office in April 2019 have now been removed. A preliminary Engineers report has been obtained which reports minor but continuing movement. If you would like a copy of the Engineers report, please let me know. The Trust is obtaining further advice whether any rectification is appropriate.

Bluescope have advised -

“By way of an update, BlueScope’s future plans for our continued occupation at Ferndell Street were looking positive. The business had considered alternative business strategies and decided late last year that we were comfortable with not executing the termination clause and remaining at Ferndell Street as a part of our longer term strategy. Unfortunately, due to the Covid pandemic, we are forecasting a downturn and some difficult months ahead, subjecting this site (amongst others in our portfolio) to further review.”

Access to the Emu Plains site is still limited to essential services only. Any discussions of expanding the facility remaining on hold.

There have been no other material developments this month.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Regards
John

07 August, 2020

On August 5th, 2020, the Trust made a monthly distribution of \$11.12 per Unit.

We expect distributions to continue at this rate for the remainder of FY21. This distribution rate is 8% on the \$1,570 issue price in December 2018 and is a little higher than forecast in the IM of 20 November 2018.

Property Update

Further investigations regarding the roof works at the Granville property have been ongoing. A site meeting with the NSW state manager for BlueScope was held on 28 July. Given the deterioration of the translucent roof sheets, works have now been expedited to maintain building safety. Upon obtaining a further two quotations, the contract will be let; if you would like copies of the quotations, please let me know. We expect this expenditure to be well within the capital works reserve which was established when the South Granville property was acquired

A second opinion has been obtained regarding the minor building movement in the production office. If you would like a copy, please let me know. Advice has been provided that the building movement is due to fluctuating moisture level in the subterranean, which is typical for the geology of the area. At this stage, as the movement is well within tolerance, no further actions are required.

Access to the Emu Plains site is still limited to essential services only. Any discussions of expanding the facility remaining on hold.

Finance Update

To assist Unitholders which are Superannuation Trusts, the Trustee annually assesses Unit value by applying the Valuation Policy. As at 1 July 2020 the Unit Value was assessed at \$2,225.

There have been no other material developments this month.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Regards
John

03 September, 2020

On September 2nd, 2020, the Trust made a monthly distribution of \$11.12 per Unit.

Luke Libling has joined Pipeclay as an Analyst. Luke studied computer programming at Melbourne University. Prior to joining Pipeclay, Luke has worked as an Analyst for MBP Advisory.

Having obtained two additional quotations for the roofing works in South Granville, the contract has been let (if you would like a copy of any of the quotations, please let me know). The cost to the Trust is anticipated to be \$135k and the cost of repairs to be met by Bluescope \$15k. This work was anticipated at the time of purchase. The Trust will make its first drawing on its \$967,000 capital works facility with NAB.

Access to the Emu Plains continues to be limited due to Covid precautions adopted by Bluescope.

Correspondence has been received from Penrith Council advising that an Overland Flow Flood Study for the Emu Plains catchment has recently been completed; the Study extends the flood affected areas. If you would like a copy of the Study, please let me know. The Trust will hire appropriate experts to assist it in making submissions to Council.

There have been no other material developments this month.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Regards
John

02 October, 2020

On October 1st, 2020, the Trust made a monthly distribution of \$11.12 per Unit.

The alcynite replacement roof works have been completed at South Granville. Recently, Bluescope has raised the condition of the concrete at the rear of the property. This is a section of concrete which had been damaged prior to the Trust's acquisition of the property and which was one of the areas of concrete identified in our DD as requiring repair but which has deteriorated further due to the heavy loads being placed by steel carrying trucks. When negotiating the extension of the Granville lease, shortly after the acquisition of the property, the Trust wrote to Bluescope saying

“Our due diligence identified a number of areas where the concrete slab requires repair. Under the lease, this is a tenant expenditure. We are prepared to carry out the work now at our cost up to \$210,000 (which is the maximum estimate by Napier & Blakeley), but on the basis that if the lease terminates prior to May 2023, Bluescope will be required to refund, at the time it provides Pipeclay with its notice of early termination, the expenditure on concrete incurred by Pipeclay.” The Trust also proposed to contribute \$250,000 to electrical board replacements provided Bluescope advised that it intends to occupy the premises beyond the term of the current lease. These proposals were not incorporated into the Lease and the works were left to be dealt with in “good faith” which we interpreted as eventually requiring the Trust to bear the expenditure. On May 28, we received an email from Bluescope which refers to these proposals and goes on to say “However it is clear from our email trail that at no time did we accept nor enter into the lease on this basis which is why it was not included in the lease documentation. I clearly asked that we deal with any proposed site works in good faith after the extension had been executed.” It may therefore follow that the Trust is unlikely to fully bear the expenditures for which we have budgeted. We are discussing with Bluescope the extent of the rectification of the rear concrete required and who should bear the cost.

We have examined the Loop development by Dexus on the other side of Ferndell Street to our property. The configuration of the development and the rents being achieved augurs well for our property in the medium to long term.

Bluescope have advised that contrary to its advice in February it does not require further building(s) on the Emu Plains site, where it has constructed a steel stacker, which has improved operational efficiency. However, its current thought is that the site requires additional awning(s). We will report further if and when discussions concerning the proposed awning materially progress.

Insurance of both sites has been renewed. By going out to the market and combining the two sites in one policy, a material saving has been achieved, which is passed on to the tenant.

1,150 Units in the Trust were offered for sale by 3 related Unitholders. All of the Units have been sold for \$2,225 each to 14 separate parties.

There have been no other material developments this month.

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We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Regards
John

04 November, 2020

On 2nd November, 2020, the Trust made a monthly distribution of \$11.12 per Unit.

We had agreed with Bluescope to share the cost of (circa \$47k) of essential concrete works at South Granville 50/50. However, some additional works are required and consequently the works need to be quoted and cost sharing renegotiated.

The division occupying Emu Plains reported increased demand for product which was attributable to developers racing to bring their projects to the market. Since then home renovations have further elevated demand for product. We are meeting with Bluescope on Monday discuss the possible construction of a breezeway and an awning. Whilst these developments would enhance Bluescope's operations, Bluescope is a highly cost-conscious company and there is no certainty that the additional rent the Trust would charge for these improvements would be acceptable.

A Council Flood certificate for the Emu Plains site confirms the flood levels for the property have changed marginally since 2010. Advice received from a Flood Consultant is that the current building floor levels could be adopted to future building additions, should the need arise, alleviating excessive civil works. If you would like copies of the correspondence, please let me know.

Following demand exceeding supply for the sale 1,150 Units at \$2,225 each a month or so ago, 2 related Unitholders wish to sell 468 Units at \$2,450 each. If you have interest in acquiring additional Units, please advise Emil or David.

There have been no other material developments this month.

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Regards
John

04 December, 2020

On December 4th, 2020, the Trust made a monthly distribution of \$11.12 per Unit.

The concrete works at Granville have been requoted (\$53,300). Works are due to commence 4 January. Costs of the works will be shared equally with BlueScope. If would you like a copy of the updated quote, please let me know.

A site meeting was held at Emu Plains with the NSW State Manager. Due to a 20-30% business growth within the division, BlueScope have increased their requirements for the site. If you would like to see the list of possible site alterations to enable more efficient site utilisation, please let me know. Pipeclay will obtain preliminary costings and based on these will make rental proposals to Bluescope. We do not anticipate any agreement prior to the end of Q1 2021.

There have been no other material developments this month.

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Regards,
John

06 January, 2021

On 6 January, 2021 the Trust made a monthly distribution of \$11.12 per Unit.

There have been no material developments this month.

John is on leave.

I wish you and all yours a happy and successful 2021!

David

04 February, 2021

On 4 February 2021, the Trust made a monthly distribution of \$11.12 per Unit.

The concrete works at Granville have now been completed. If you would like copies of the photographs, please let me know.

There have been no other material developments this month.

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Regards,

John

04 March, 2021

On 2nd March, the Trust made a monthly distribution of \$11.12 per Unit.

Knight Frank have recently completed valuations for both sites. The values adopted were \$41,600,000 for Russell St, and \$34,500,000 for Ferndell St. If you would like a copy of either or both valuations, please advise me.

In the last month or so 936 Units have been traded at the sum of \$2,250 each.

As Easter falls at the beginning of April this year, please note April distributions will likely be paid after Easter Monday.

There have been no other material developments this month.

Pipeclay has carried out an analysis of its investment performance to date. A Unitholder who invested in a 100 Units (or any other consistent number) in every Pipeclay Trust would as at 30/6/2020 have an IRR of 23.09% based on the Directors' estimate of unit values as at that date. A Unitholder who took up a consistent percentage of the equity in each Pipeclay Unit Trust would

have done slightly better (23.68%) over the same period. If you would like to see or discuss the analysis, please contact Luke (0433 446 643).

Pipeclay will recalculate the IRR as at 1/7/21 and will advise the updated outcomes when it advises Unit values as at July 1.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Regards,
John

06 April, 2021

On 1 April 2021, the Trust made a monthly distribution of \$11.12 per Unit.

NAB has accepted the valuations by Knight Frank and are in the process of increasing the Trust's facility. We anticipate that the Trust will have an undrawn facility of \$6M and anticipate a capital return to the Unitholders this financial year. The Manager's asset fee has increased in line with the valuations.

Emu Plains

Roofs, gutters and downpipes have passed the test of the recent heavy rains. However, the back of the site experienced water ponding to a level which affected operations. The Trust has engaged a flood engineer to advise.

The Trust has obtained a detailed survey of the site. This has been needed to

- progress the design of the very large awning between the two principal buildings;
- apply for approval for the removal of trees that are impeding a more efficient use of the site
- redesign of the carparks to allow greater utilisation, and
- to deal with a rectification of an encroachment by one of the neighbours

The design of the large awning between the two principal buildings is being considered by a certifier and a fire engineer. We are also scoping the introduction of roof solar panels. We expect to be in a position to discuss, the carparks, the awning and the solar panels with Lysaght (Bluescope) in June.

Sth Granville

The recent heavy rains have revealed inadequacies in the installation of the alcynite panels. These are being rectified under warranty.

There have been no other material developments this month.

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We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below

Best regards,
David

05 May, 2021

On 4th May 2021, the Trust made two distributions –

- \$11.12 per unit being the monthly distribution; and
- \$250 per unit being a capital return.

As Zygote Holdings Pty Ltd as Trustee for the Grove Family Superannuation Fund holds 335 Units, \$87,475.20 was deposited into the nominated Bank Account.

The Trust has approached two of our Emu Plains neighbours concerning a potential acquisition. If either (small) property was available, it would assist in Bluescope's Emu Plains space requirements and one of them would give us another street frontage. It seems unlikely that either neighbour will consider sale, in which case, we anticipate returning a further \$130 per Unit next month.

Assuming the further capital return next month, the Trust will have circa \$850K in cash at bank and in an undrawn facility. We will further review the Trust's working capital/contingency needs after agreement is reached with Bluescope whether any and if so what capital works are to be carried out at Emu Plains. We anticipate this process taking till the end of the calendar year. Our site represents a rental advantage which has led Bluescope to concentrate the Lysaght division onto our property. Lysaght's Lease for another small operation expires next year and ideally it would be relocated to Emu Plains. Additionally, the current building products demand has introduced demand for additional storage space for the next 3 years. If you would like to see the site plan, please advise Camilla.

There have been no other material developments this month.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below

Best regards,
David

20 May, 2021

The neighbour was unwilling to entertain any proposal for the sale or lease of his (apparently) spare land. Consequently, on 20th of May, the Trust made a capital return of \$130.00 per unit.

Regards,
David

04 June, 2021

On 3rd June, 2021, the Trust made a monthly distribution of \$11.12 per unit.

The Trust has been approached by JLL, who were the selling agents for AMP's disposal of its Eastern Creek property leased to Best & Less, which sold on a yield of 3.62%. JLL has provided the Trust with a report. The Report advises that, as a portfolio, the two properties would sell in to-day's market in the range of \$116M (yield of 3.61%) to 123M (yield 3.39%). The Report is credible though the Manager's expectation, in to-day's market, would be somewhat lower at circa \$111.6M (yield of 3.75%). If you would like a copy of the Report please contact Hannah (hannah@pipeclaylawson.com.au).

The latest valuations, held by the Trust, aggregate the value of the 2 properties to \$76M. We have contacted the bank's valuer who has advised that, if asked for updated valuations, the likely aggregate value would be circa \$91M.

The Trustee intends to mandate JLL to go to the market with a reserve of \$120M. At that price, the final capital return would be circa \$4,550 per Unit and the Trustee intends to recommend a sale. The Trustee intends to call a meeting of Unitholders once the outcome of the sales campaign is known. The meeting is likely to be in September.

This has been a difficult decision. Below I have set out the principal matters considered by the Manager and the Trustee.

A multi scenario model has been built to consider what is in the interest of the Unitholders. If you would like to discuss the model and/or obtain a copy please contact Luke (0433 446643; luke@pipeclaylawson.com.au)

The Trustee has considered three principal directions –

- i. Sale of the properties. If that course was recommended by the Trustee, it would require a Simple Resolution of the Unitholders. If the price realised was circa \$111M the capital distribution would be in excess of \$4,050 per Unit (after all fees);
- ii. Obtaining an updated valuation and continuing to hold the properties for a further 4-6 years in accordance with the Constitution. The valuation would enable the Trust to borrow additional funds from the Bank to fund a further capital return of circa \$500 per Unit;
- iii. Extending the life of the Trust by 6 years. That course would require a Special Resolution of Unitholders. It would be combined with ii. above, that is obtaining an updated valuation funding a further capital return.

The Manager agrees with JLL that both properties are under-rented. Whilst rental growth is a positive for property value, the key consideration of these properties' future value is the future yield on sale. On the Manager's assumptions of rent in circa 4 years' time, if –

- a. The yield on sale was unchanged from to-day's postulated yield (3.75%) and both properties' options have been exercised by the tenant, the value of the properties would increase to circa \$134M, which would result in a forward IRR of 12% (from the Unit value based on a \$111.6M value);
- b. If the yield on sale was to increase by 175 basis points (bps) from to-day and the tenant's options have been exercised then the value of the properties would fall to circa \$91.6M and the forward IRR would be a negative 3.7%;
- c. If the yield on sale was to increase by 75 bps from to-day and the options have been exercised then the value of the properties would not change from about \$111M; and the forward IRR would be about 4%.

The JLL report refers to \$45B of unsatisfied demand for high quality industrial property or 10 times the total value of industrial property transacted in Australia in 2020. There appears to be an allocation shift by major investors from retail and commercial property to industrial property. How long the excess demand will persist and the direction and quantum of its effect on industrial property yields are matters of opinion on which reasonable people may and do differ.

Changes in interest rates, in particular the 10 year bond rate, traditionally have been a major driver of yields of industrial property. Again, the timing and quantum of change in short term rates and the effect of anticipated and actual changes in short term rates on the 10 year bond rate are matters on which there can be major differences of opinion.

Traditionally, industrial property has sold on a yield premium to 10 year bonds of 250-500 bps depending on an assessment of a particular property. South Granville is an excellent location and Emu Plains a good one. Both properties have a quality tenant with a heavy investment in the site. Both properties are under-rented but neither has a long-term lease. The tenant has option(s) in relation to both sites, which, in the case of Emu Plains, are likely to result in continued under-rental. Both have buildings of various ages. On traditional measures, I would expect the portfolio to be priced on a yield of at least 300 bps above the 10 year bond rate. That would result in a yield of circa 4.6% or 85 bps above the postulated current sale yield. As industrial properties age, the premium to the 10 year bond rate increases reflecting lower utility compared with more modern stock and the higher maintenance/capital expenditure forecast. I would expect that, in circa 4 years, on the traditional measure, our portfolio's yield's premium to the 10 year bond rate will expand and would be around 350 bps.

In my experience and research yields on industrial property have hitherto not been this low. However, short term interest rates have also never been this low and monetary creation has not been this large since WW2. In 2006/7, the premium on industrial property yields to 10 year bond was zero as against the current circa 200 bps premium. If the exuberance of that period was to be repeated we would be some \$20M from the top market value for these properties.

There is a variety of views. There are those who believe that industrial property has been re-rated and the traditional premia associated with retail or office rather than industrial will now be the norm. That suggests a permanent reduction of circa 100 bps in the premium for industrial property over the 10 year bond rate. Others point to the strong unsatisfied demand and forecast a long period of compressed industrial yields before an eventual return to traditional relationships. Some forecast inflation and consequently increasing interest rates and falling yields.

Ultimately the decision to hold or sell these properties depends more on economic factors including structural long term changes in the market than on considerations of the properties' attractions or shortcomings.

The three Sydney based directors are also Unitholders, which may introduce personal/family considerations. I, for example, am conscious of the capital gains tax my family would need to pay on our Units if the properties were sold and the consequent diminution in the funds available for reinvestment. The directors who want to maintain their investment allocation to industrial property are conscious of the delay in and, then, the transaction costs of reinvesting in industrial property. Reinvestment costs (principally stamp duty) are approximately 7% of price or 14% of equity contributed. These, however, are matters on which each Unitholder needs to take its own professional advice and come to its own view.

As usual, we welcome your input. Our email addresses are formatted `firstname@pipeclaylawson.com.au` as per my own details below. Sandy's mobile is 0438 505624 and Emil's 0427 929358.

There were no other major developments this month.

Best regards
David

02 July, 2021

This is the last distribution for FY 20/21. We will, next month, advise the level of distributions for FY 21/22.

Covid and the associated lock-down have led Bluescope to exclude all non-essential personnel from the sites. Consequently -

- # various service providers who are to prepare updated DD reports, which are required for an institutional offering cannot visit the site and progress; and
- # potential works on the Emu Plains site cannot be progressed.

We have received an email from Bluescope concerning the Sth Granville site and advising: "Our business is doing well and outlook looks positive for continued occupation"

As usual, we welcome your input. Our email addresses are formatted `firstname@pipeclaylawson.com.au` as per my own details below. Sandy's mobile is 0438 505624 and Emil's 0427 929358.

There were no other major developments this month.

Best regards
David

03 August, 2021

On 3rd August, 2021, \$11.12 per Unit was distributed to each Unitholder in the Steelmakers Trust.

We anticipate that the monthly distribution of \$11.12 per Unit will be held constant during FY22

Covid and the associated lock-down have brought most activities to a stand-still. Consequently -

- # various service providers who are to prepare updated DD reports, which are required for an institutional offering cannot visit the site. It looks likely that the potential sale of the property will be deferred till at least Q4 and possibly Q1 of 2022; and
- # potential works on the Emu Plains site cannot be progressed.

To assist Unitholders which are Superannuation Trusts, the Trustee annually assesses Unit value by applying the Valuation Policy. As at 1 July 2021 the Unit Value was assessed at \$2,670. The Valuation Policy requires the Trustee to assume that the value of the property is as stated in the latest written external valuation by the bank appointed valuer except as modified by any communication from that valuer. Consequently, the Trustee assumed that the combined value of the two properties owned by the Trust is \$91M.

The Trustee also annually calculates the performance of each of the Pipeclay Trusts.

On the basis of the Unit value as at 1 July 2021, each of the Unitholders who acquired the Units on the establishment of the Trust on 3/12/2018 by paying \$1,570 per Unit, has had a compound return of 36.85% p.a. over the last three-and-a-half years.

An investor who had taken up the same percentage of Units in each of Pipeclay's trusts would have, on the basis of the July 1, 2021 valuations, achieved an IRR of 25.48% since September 24, 2013.

If you would like to see or discuss the model, please contact Luke.

There were no other major developments this month.

As usual, we welcome your input. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best regards,
David

02 September, 2021

On 1st September 2021, \$11.12 per Unit was distributed to each Unitholder in the Steelmakers Trust.

Covid is still preventing DD consultants from visiting the sites and consequently delaying the launch of the campaign. We have accepted the JLL's advice, and a "teaser" will issue next week. If you would like to see a copy, please advise Hannah.

Luke has gained permission to visit Emu Plains together with the consulting engineer on Friday. Additional drainage is likely to be required if more of the site is to be covered in concrete as per Bluescope's preference.

There were no other major developments this month.

As usual, we welcome your input. Our email addresses are formatted `firstname@pipeclaylawson.com.au` as per my own details below.

Best regards
David

01 October, 2021

On 1 October \$11.12 per Unit was distributed to each Unitholder in the Steelmakers Trust.

Following the issue of the "teaser" announcing the sale campaign, the Trust received a proposal from a credible party to sell both properties for \$120,250,000. The proposal was subject to DD, final Board approval of Pittwater Industrial Pty Ltd ("Pittwater") and FIRB approval. (If you would like a copy of the proposal, please advise Luke.) The Trustee is of the opinion that selling at or above \$120M would be in the interest of the Unitholders. The Trustee will shortly be issuing a Notice of Meeting and an Explanatory Memorandum seeking the Unitholders' authority to sell the Trust's properties. Indicatively, a sale at \$120M, settled in December, would result in approximately \$4,580 per Unit being distributed to the Unitholders.

The Trustee believes that there is a prospect of achieving a better price than proposed by Pittwater. Consequently, with Covid restrictions ameliorating, the Trustee has decided, in accordance with JLL advice, to proceed with the campaign. The Trustee is of the opinion that selling the Properties may result in a higher price being achieved if sold as part of a portfolio with two other properties. As such, the Properties are being offered for sale together with a property at 68 Anzac Street Chullora, Sydney (Chullora Property) and at 55 Brownlee Street, Pinkenba, Brisbane (the Brownlee Property). Whilst the Properties are being offered as a portfolio with the Chullora Property and the Brownlee Property, they are also being marketed for individual sale and interested parties will be asked to ascribe individual values to each property. If you would like a copy of the IM and/or the Supplementary Information (prepared for institutional bidders) please advise Luke.

In order to facilitate the sale process and shorten the period between bid and settlement, the Trust is updating its DD materials at a budgeted cost of \$55k.

The Trust is continuing works on potential improvements of the Emu Plains site as maybe required by Bluescope. However, no major expenditure is planned for October.

There were no other major developments this month.

As usual, we welcome your input. Our email addresses are formatted `firstname@pipeclaylawson.com.au` as per my own details below.

Best regards
David

03 November, 2021

In June we advised that the Trust has received an assessment from JLL that its properties could achieve a price of \$110M in the then current market. The Trustee decided to test the market and offer the properties for sale. Early in the campaign, the Trustee received a proposal from Pittwater to sell the properties for \$120.25M. Pittwater is an organization controlled by people who have managed large and very successful investments in student accommodation but have no prior experience in industrial property. The Trustee decided to continue with the sales campaign. In the event that has proved the correct decision as the proposal from Pittwater has been withdrawn.

The sales process had to be delayed because of Covid lock-down which for a time prevented inspections and due diligence. It is only on Monday that second round bids have been received. Notwithstanding the circa 90 bps increase in the 10 year bond rate (from circa 1.1% in June to circa 2% to-day) since June, the proposal which the Trustee intends to recommend to Unitholders exceeds the JLL \$110M market assessment. The Trustee expects to negotiate and execute a Heads of Agreement in the next few days. In the usual way, the HOA will be subject to DD and contract which carries completion risk. The Trustee has decided to recommend a transaction with a party which has not previously purchased industrial property in Australia (though it has purchased commercial properties in Australia) but which is one of the world's largest and most highly reputable property companies.

The Unitholders' Meeting for Monday, November 8 is cancelled. The Trustee will shortly call a meeting of Unitholders and issue a new Explanatory Memorandum.

We are making slow progress on property enhancing works at Emu Plains but no material expenditure is planned for November.

There were no other major developments this month.

Best regards
David

02 December, 2021

On 02 December \$11.12 per Unit was distributed to each Unitholder in the Steelmakers Trust.

The Trust has entered into Heads of Agreement (HOA) with Hines (Aus) Investment Services Pty Ltd (Hines) for the sale of both of its properties (and the other properties which were concurrently marketed by Pipeclay). Pursuant to the HOA-

Hines has been granted an exclusive dealing period until December 15;

there are milestones for Hines' DD and progress towards contract execution.

A key milestone of confirmation of valuation support has been met for both properties (and the other properties which were concurrently marketed by Pipeclay).

Inspections by environmental, physical due diligence and geotechnical consultants have been completed in due time for both properties (and the other Sydney properties). Geotechnical

inspection and a survey were delayed in relation to the Brisbane property. It looks likely that Technical DD Assessment will not be completed in relation to the Brisbane property by the milestone date of December 7. We do not know what effect, if any, the delay in obtaining geotechnical advice and the survey for the Brisbane property will have on our Trust's sale timetable. To-date, the only issue arising out of DD that has been raised by the Purchaser does not appear significant. The Purchasers' Requests for Information (RFI) continue to be received though the milestone date is well passed and are many. However, except for timing, they do not present an issue.

Hines has met its FIRB application milestone of November 18, ten days early. Hines' ultimate parent is an American company but Pipeclay does not have visibility on Hines' source of funds for this acquisition. Hines has expressed confidence that FIRB approval will be granted but the Trustee, at this stage, has no visibility on the progress of the application and the likely timing of its resolution.

At our request, we will be meeting with Hines representatives next week.

There has been a few days' delay in the Trust's solicitors receiving responses to the draft contract but we believe that the December 7 milestone for the final form of contract to be agreed will be met.

Final Purchaser Investment Committee and Board Approval are scheduled to be considered at a meeting scheduled for 10 December.

Once the Trustee has been advised that final investment committee approval has been granted, the Trustee intends to call a Meeting of Unitholders to consider and, if thought appropriate, approve the sale. In order not to have to schedule a Meeting of Unitholders during early January, the Trustee is seeking Unitholders' consent to the Notice for Meeting being abridged from 14 days to 2 days. The Trustee intends to issue the Notice of Meeting and the Explanatory Memorandum on December 11 and hold the Meeting on December 16; we are asking for a shorter notice period as insurance. Under the Constitution, for consent to short notice to be valid it must be received from every Unitholder. If you agree to the proposed short notice, please advise us by email.

Assuming that the Purchaser's Investment Committee gives final approval and the Unitholders resolve to sell the property, exchange of contracts is targeted for December 15 and settlement for the latter of FIRB approval and 20 business days after exchange.

In the meantime, the Trustee continues to manage the property and the Trust as if a sale was not going to take place but is minimizing non-recoverable expenditures.

There were no other major developments this month.

As usual, we welcome your input. Our email addresses are formatted `firstname@pipeclaylawson.com.au` as per my own details below.

Best regards
David

03 February, 2022

Though there was no distribution email \$11.12 Per Unit was paid on 5 January 2022. \$11.12 Per Unit was also paid on 3 February 2022.

FIRB has a statutory obligation to respond by 14 February 2022 to the application to sell both properties to Hines. Nevertheless, we expect FIRB's response to be delayed. We understand that an unusually large number of applications are currently before FIRB. There are also staffing issues due to Covid and work from home arrangements. We have no visibility on the likely period of delay.

There is no other material news in relation to either property.

Best regards

David

02 March, 2022

A distribution of \$11.12 Per Unit was paid on 2 March 2022

FIRB had a statutory obligation to respond by 14 February 2022 to the application to sell both properties to Hines. FIRB requested Hines' consent to extend the statutory period by 1 month. After consulting with Pipeclay and taking advice from its solicitors, Hines agreed to the response date being no later than 5 March 2022. Pipeclay is unaware of any further communications with FIRB. Hines have advised that "they have received FIRB approval to purchase assets in alternate sectors (Commercial) with no concerns re their eligibility".

The recent and current rains have led to some issues on both properties, which are being dealt with.

I hope to write to you more fully next week.

Best regards

David

08 April, 2022

The sale of both our Emu Plains property and the South Granville property settled late yesterday. Also yesterday, the Trust repaid its debt to the Bank and terminated its interest rate swaps. If you would like a copy of the Sale settlement statement or the Swap termination statements, please advise Camilla.

I am delighted to advise that the Manager estimates a per Unit capital return of \$4,491, made up of 2 payments:-

- # to-day a payment of \$4,255 per Unit is being made;
- # the 2nd payment will be made in circa 4 months. It awaits the release of the Warranty security (\$2.875M) which is due on July 7, the finalisation of the Trust's accounts for FY22 and the processing of the final GST return in July. The current estimate is \$236 per Unit. There is a number of relatively small items which cumulatively may lead to a change in either direction.

In the EM issued for the December 2021 Unitholders Meeting, the estimated proceeds from sale were \$4,350. The principal reason why distributions are \$141 per Unit more than the estimate is a change in interest rate swap break costs.

This outcome materially exceeds the forecasts which we made in the IM issued in September 2014 and the updated forecasts made in the October 2018 EM recommending a rights issue. Camilla will be inviting you shortly to a celebration on May 7. Sandy, Emil and the rest of the Team (including me) look forward to seeing you. Apart from that, unless there is a material change as to the likely timing or quantum of the 2nd payment, there will be no further email concerning the Trust until the final payment is made.

Best regards
David