



Pipeclay Lawson Ltd
ACN 163 013 732
AFSL 437838

Emu Plains Property Trust
ABN 49 733 935 488

Emu Plains Property Trust Investor Distribution Emails

12 April, 2014

I am pleased to confirm that on April 7, 2014, the maiden distribution was made to the Unitholders on the Register as at April 1, 2014. The distribution was \$8.33 per Unit, which is in line with the forecast made in the IM.

We have arranged to meet, on April 28, with Bluescope personnel to discuss the operations of the Lease, including Outgoings, Maintenance and Repairs.

You will recall that we purchased the property subject to a concrete issue and that the vendor reduced the purchase price by \$150,000 on account of this problem. We have engaged Napier & Blakeley to project manage the necessary works. A specification has been prepared and tenders have been called. We have taken the opportunity to include in the specification and tender all current maintenance and repair issues relating to concrete, though the cost of these will be to the account of the tenant. One of the four firms invited to tender has a common ownership to three of the Unitholders, who in aggregate hold less than 5% of the Units on issue (but has no connection to Pipeclay or its principals).

We have commissioned a tax depreciation report and expect that it will be completed in May. Please advise whether you and/or your accountant would like a copy of the report, in which case we will send it when it becomes available.

If there is anything worthy of reporting, we will continue to do so together with the monthly Distributions Notice. 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 AilieMcKendrick, via email at ailie@pipeclaylawson.com.au. If you would like to receive copies of the valuation, any of the due diligence reports and/or the Trust's monthly bank statements please advise in the same way.

If you have any questions/comments, we would be very pleased if you gave us a call: Ailie, who is the property manager, relating to general administration or the specifics of the property (0415 126 046), Emil Pahljina, relating to financial matters (0427 929 358), me (0407 63 1255) or Sandy Libling (0438 505 624) re tenant relations or the industrial market in general.

Warm regards,
David

06 May, 2014

The monthly distribution was made on 6 May, 2014, to the Unitholders who were on the Register as at 30 April, 2014. The distribution was \$8.33 per Unit.

Ailie and I have met with the Commercial Manager – NSW and the Maintenance Manager for Lysaght (the operating division of BlueScope, our tenant). The previous landlord left all issues relating to maintenance, repairs, occupational health & safety and regulatory compliance to the tenant. We are establishing appropriate mechanisms to ensure that all these matters are attended to expeditiously but also at times convenient to the tenant. We are also discussing with the tenant the issues which have been raised by our due diligence.

There is a lack of clarity as to the depreciation entitlement on some fixtures which belong to us but have been paid for by the tenant. As the previous landlord did not maintain an asset register, we have agreed with Lysaght that we will supply a copy of the Napier & Blakeley depreciation report to Lysaght. I expect to agree the depreciation entitlements on these assets within the next 2 months.

The concrete tender has been delayed, partly due to Easter but also due to Lysaght's desire (which we welcome) to have input into the scope of works.

Lysaght has raised two issues with us. There are some trees on the property which are a nuisance to operations in Building 1. Secondly, one of the driveways has an obstructed view when exiting from the property. In order to resolve these issues, we will need to engage with the City Council, a process that I expect to take some months.

There are no records of the original configuration of the offices, which were completely refurbished in 2013. We have agreed with Lysaght that for the purposes of the Lease the current configuration and condition will constitute the base.

Our discussions with Lysaght have been cordial and co-operative and the indications are that Bluescope will be an excellent tenant. If you would like to see a copy of the resultant correspondence with Lysaght, please advise Ailie and it will be forwarded to you.

We have received a Napier & Blakeley depreciation report. I regard it as draft until we have concluded depreciation discussions with Lysaght. If you would like to see the current draft, please let Ailie know. Once the report is finalised, I shall advise.

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 Ailie via email at ailie@pipeclaylawson.com.au (if you are wondering why this statement is always included, notwithstanding advice that the monthly letter is welcome; it is a regulatory requirement for the statement to appear).

If you have any questions or comments, please contact Ailie on 0415 126 046, Email on 0427 929 358 or me on 0407 631 255. We very much welcome your input.

Kind regards,
David F. Libling

06 June, 2014

The monthly distribution was made today to the Unitholders who were on the Register as at 1 May, 2014. The distribution was \$8.33 per Unit.

Satisfactory concrete tenders have been received and we have chosen our contractor. The total cost of the work will be below the amount (\$125,000) which was allowed from the purchase price on account of the concrete. However, a portion of the cost is to BlueScope's account. We are currently negotiating with BlueScope the precise apportionment of costs between it and the Trust.

We have given permission to BlueScope to install four light poles and lighting on the southern boundary side of the driveway to illuminate the coil storage area. The consent was conditional on BlueScope removing, if required by the owner, the light poles at the conclusion of the tenancy. We see this work as a positive for the property and it is unlikely that such removal will be required.

Our insurer (Chubb) is going to conduct a survey of the Property. This standard procedure lasts about 2 hours and concentrates on disaster recovery, business continuity plans and fire and security systems. Ailie or I will attend.

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If you have any questions or comments, please contact Ailie on 0415 126 046, Emil on 0427 929 358 or me on 0407 631 255. We very much welcome your input.

Kind regards,
David

09 July, 2014

On Friday, July 4, 2014 we made a monthly distribution of \$8.33 per Unit.

In accordance with the Lease, rent has increased by 3% as of July 1.

You will recall that I wrote to you last month concerning the cost of concrete repairs on the property; some of which are necessitated by possibly inadequate works commissioned by the previous owner. We are close to concluding our negotiations with Bluescope concerning the concrete repairs. We expect that the cost to be borne by the Trust will be in the vicinity of \$42,000.

As from July 1, distributions will increase by 3%. We are pleased to be able to depart from the IM forecast of flat distributions in the period to 30/6/2015.

Bluescope is well advanced with the work of installing additional lighting on the southern boundary of the property.

Following its safety review, Chubb had no recommendations. The conclusion was that we have "good buildings", Bluescope has "good practices" and "flammable liquids are stored in the right places".

We have had a number of conversations with officers of the Penrith City Council concerning removal of trees which are detrimental to the operation of the property. We have offered to plant more greenery of a more suitable kind. Our application (which will shortly be formally made) for permission to remove the trees is likely to be a drawn-out process and unless someone advises his

or her interest in all the steps along the way, I do not propose to report further on this matter until a conclusion is reached. You may recall that in May I advised you about the trees and also about a problem for exiting vehicles on one of the driveways. Not wanting to overwhelm the Council, we are yet to raise the driveway problem. However, given the likely prolonged consideration of the tree issue, we will raise the driveway issue shortly.

I wrote to you in May concerning the need to clarify the depreciation entitlement relating to some assets. This has been done; we are pleased with the outcome. The final Napier & Blakeley report has been received. If you would like a copy please advise Ailie ailie@pipeclaylawson.com.au.

The maintenance issues raised by our due diligence continue being discussed with Bluescope and are progressing satisfactorily.

The Trust's management accounts are up-to-date and I expect will be forwarded to our external accountants (MBP Advisory) next week. I expect that you will be advised concerning the break-up of the distributions you have received in the 2013/2014 financial year between taxable and non-taxable distributions and that financial statements for the Trust will be available in October.

Possibly, a new opportunity

Very occasionally, freehold land, subject to a very long ground lease becomes available for sale. The last time a long term ground lease was sold was, in my recollection, in 1991. Four such properties, accumulated by the late Mr Scheinberg, have come to the market. One of them is leased to Woolworths for effectively 33 years. On the land Woolworths have constructed a circa 50,000 sq.m. distribution facility.

I regard ground leases as affording the best kind of investment in industrial property. I justify my view on the basis that first, industrial land tends to appreciate at a rate that significantly outperforms inflation and secondly, the tenant having built the improvements, notwithstanding any depreciation that may take place over time, the improvements present additional (and significant) value to the landowner on termination of the lease. However, I may simply be prejudiced by my one experience of being involved in the purchase of such land (in 1991), which has been the most profitable industrial investment of my experience. Such investments are fundamentally different from the investment you have made in the Emu Plains Property Trust. The distribution yield is low as no part of the cash flow represents depreciation, the lease is very long and there is no vacancy risk as the rent payable by the tenant for the land is but a fraction of the market rent for the property (land + improvements). The big attraction is the secure long term income which tends to grow faster than inflation and the long term capital growth which tends to significantly outperform inflation.

This property is larger than the scale of investments that Pipeclay ordinarily regards as its preferred market segment and has different characteristics from our usual investments. I am interested to know whether such a property is one in which you may consider investing (it is likely that the minimum investment will be no < \$1.5M). I enclose on a **confidential basis** the relevant portion of a memorandum I have written to my fellow directors. The memorandum refers to a spreadsheet; if you are sufficiently interested, please let me know and I will send you a copy. I stress that the information contained in the memorandum might prove inaccurate, Pipeclay is quite far from having done enough work to have decided to bid, let alone winning any bid, and even further away from being able to prepare an IM (which is the only proper basis for an investment decision). All I

am conveying at this stage is my excitement at seeing again an asset in the class which I regard as having the best potential to build long-term, almost intergenerational, family income and capital. I should add that any bid would require equity of circa \$34M and it is quite likely that Pipeclay will not bid.

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If you have any questions or comments, please contact Ailie on 0415 126 046, Emil on 0427 929 358 or me on 0407 631 255. We very much welcome your input.

Kind regards,
David

PS. One of Pipeclay Lawson's directors, Matthew Libling, has his own website. It has nothing to do with industrial property, but you may find it interesting – www.timedeating.co.uk

06 August, 2014

Today the Trust made a monthly distribution of \$8.58 per Unit, a 3% increase on the prior period and on the forecasts contained in the IM.

The increase in distributions relate to surplus cash flow expected to be derived from effecting the concrete repairs identified prior to acquisition at a lower cost than the price discount negotiated with the vendor. The increase is forecast to be maintained for the financial year.

Upon further review, Chubb has made a recommendation relating to the installation of an automatic fire alarm which we are discussing with Bluescope.

As anticipated last month, we have applied to Penrith City Council for changes which would facilitate visibility for exiting vehicles.

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Kind regards,
David

05 September, 2014

On 4 September 2014 the Trust made a monthly distribution of \$8.58 per Unit.

There have been no material developments during the month and everything is proceeding satisfactorily.

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Kind regards,
David

10 October, 2014

On 7 October 2014 the Trust made a monthly distribution of \$8.58 per Unit.

I last wrote to you in July about a section of the concrete which required repairs. The work is technically difficult as it seeks to align the levels of concrete sections which have been laid many years apart and are subject to heavy but differential loads. Since then the work has been carried out under project management by Napier & Blakeley but has proven unsatisfactory. The contractor has agreed to remedy without any additional cost to the Trust or the tenant. Work is expected to be finished next week and I shall inspect after a settling period, so probably early next month.

Also in July I wrote to you concerning an application the Trust has made to the Penrith City Council. There are approximately 40 mature gum trees on the property which shed bark, leaves and branches. The botanical debris enters the buildings causing safety concerns. The Council has advised that it requires an arborist's report concerning the trees on the property and suitable alternatives. The tenant needs to consider whether given the uncertainty of outcome, the cost of pursuing the application with Council is warranted as contrasted with the continued recurrent cost of sweep-out of the 2 buildings.

In August I advised you of our application to Council for the introduction of parking restrictions near the exit driveways from the property. In over a decade of operations there has not been an accident involving a vehicle exiting the property and the Council has taken the view that exiting vehicles from the site have adequate visibility of oncoming traffic. It is unlikely that the tenant or the Trust will pursue this matter further in the near term.

You should have now received the Annual Tax Statement concerning your investment in the Trust. If there has been any mishap in the post, please let Ailie know and another copy will be sent to you. If you would like a copy of the Financial Statements for the 2013/2014 year, please let Ailie know and she will send it to you.

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If you have any questions or comments, please contact Ailie on 0415 126 046, Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Kind regards,
David

07 November, 2014

On 6 November 2014 the Trust made a monthly distribution of \$8.58 per Unit.

The concrete works are finished and have been signed off by Napier & Blakeley, our consultants, as being satisfactory. This has been a technically difficult exercise but fortunately it has been carried out under a fixed price contract. I shall be on site on 27 November and will see the outcome.

On 28 February 2014 Bluescope announced the acquisition of Fielders Australia Pty Ltd. The Fielders business operates out of a 10,943 sq.m. Unit in Minto. Recently Bluescope has announced the forthcoming closure of the Minto site. To the extent that the Fielders business is complimentary to Bluescope's operations in Emu Plains it will be relocated to our site. The relocation will involve the movement of some heavy machinery to Building 2 at Emu Plains. I will be meeting with BlueScope's NSW Commercial Manager on 27 November to discuss the relocation and its effect on operations at our site. In summary, this is very good news as it increases our site's strategic importance to BlueScope's Lysaght Division and reduces the cost of rent as an input per unit of production.

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If you have any questions or comments, please contact Ailie on 0415 126 046, Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Kind regards,
David

08 December, 2014

On 4 December 2014 the Trust made a monthly distribution of \$8.58 per Unit.

On November 27, we had inspected the property and met with the New South Wales Commercial Manager and the State Maintenance Manager. Everything is proceeding satisfactorily. We are very pleased with the increased significance of the site to Lysaght.

On behalf of Sandy, Ailie, Emil and myself, I wish you an enjoyable Festive Season and much success and laughter for 2015!

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If you have any questions or comments, please contact Ailie on 0415 126 046, Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Kind regards,
David

06 January, 2015

On 6 January 2015 the Trust made a monthly distribution of \$8.58 per Unit.

There have been no material developments since I last wrote to you and everything is proceeding satisfactorily.

We are conscious of the fact that over time circumstances can change. If for any reason you would like to sell some or all of your Units, please contact Emil or me.

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If you have any questions or comments, please contact Ailie on 0415 126 046, Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Happy New Year!
David

03 February, 2015

On 1 February 2015 the Trust made a monthly distribution of \$8.58 per Unit.

There have been no material developments since I last wrote to you and everything is proceeding satisfactorily.

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If you have any questions or comments, please contact Ailie on 0415 126 046, Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,
David

05 March, 2015

On 3 March 2015 the Trust made a monthly distribution of \$8.58 per Unit.

We believe that there has been a substantial uplift in the value of the property. We have commenced discussions with the Banks with a view to lengthening the period of the interest rate swap and a lowering of the line fee. I will report further in the next 2 months. There have been

no other material developments since I last wrote to you and everything is proceeding satisfactorily.

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If you have any questions or comments, please contact Ailie on 0415 126 046, Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,
David

20 March, 2015

On 20 March 2015 the Trust made a monthly distribution of \$8.58 per Unit. Whilst this payment is being made in March, it is the APRIL distribution. BlueScope has paid the April rent early and we are making the distribution early in order to avoid the Easter disruption.

I am sorry to advise you that Ailie has resigned from Pipeclay effective on April 8. Sandy, Emil and I wish her extremely well for the future and are glad of this public opportunity to acknowledge her contribution to the Trust and the company.

As from April 1, Sheila Quarta will start employment with Pipeclay. Sheila will assume the administrative and accounting responsibilities which are presently Ailie's. We are seeking to employ a property manager. Until that role is filled, I have assumed additional responsibility for this function.

There have been no other material developments and everything is proceeding satisfactorily.

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If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,
David

01 May, 2015

On 29 April 2015 the Trust made a monthly distribution of \$8.58 per Unit.

We have renegotiated the banking facility with the CBA. The period of the swap has been extended to April 1, 2023. This extension substantially de-risks the investment. You will recall that the lease (which, depending on option exercises(s), could expire in May 2026 or 2031 or 2036) provides annual fixed increases in rent except every 3 years when rent is determined "to market" but subject to a floor and a ceiling. The ceiling is an increase of 5%, which, in a high interest and/or high inflation environment, could prove inadequate. The possibility of such an environment emerging prior to 2026 was identified in the IM as a major risk in relation to the investment. The extension of the

swap from March 2019 to April 2023 is consequently particularly pleasing as over 75% of the remaining intended investment term is now subject to an interest rate swap. The Bank's willingness to extend the swap was conditional on a reduction in the Trust's LVR. The Trust has commissioned a new valuation of the property from Jones Land LaSalle who have advised that the value of the property is \$23,800,000 (the purchase price was \$20,656,000). To-date, we have only received JLL's Executive Summary (if you would like to see a copy, please advise Sheila by email sheila@pipeclaylawson.com.au); we will advise when the full valuation report is available. The reduction in the LVR is to 56.75% (from 65.39% at purchase). The other changes in the facility are:

- a reduction in the line fee payable to the Bank from 1.9% p.a. to 1.65% p.a.
- an extension of the term by 13 months to 1 April 2018
- reduction from a fixed rate up to March 2016 of 3.62% p.a. and from March 2016 to March 2019 of 4.02% p.a. to a fixed rate to March 2023 of 3.58% p.a.

The cost (property valuation + extension fee to the Bank) to the Trust has been circa \$14K. When negotiating or renegotiating any facility we generally deal with 3 banks. It would not necessarily be helpful to such future negotiations (or to property purchase negotiations) whether in relation to this or other Trusts if the terms of our facilities became generally known. We hope that you will bear this consideration in mind when dealing with the above information.

The net outcome of these changes is that as from the July distribution (distributions are paid monthly in arrears, so the July distribution will be paid circa August 4) the monthly per Unit distribution will be \$9.17 (as against the IM forecast of an increase from \$8.33 to \$8.58 per Unit per month as from the July 2015 distribution). The new distribution will give a yield of 11% on the cost of each Unit and 9.7% on the per Unit (net of debt) property value (as per the valuation).

The distribution outperformance will increase substantially as from April 2019; the interest rate on the new swap being significantly below the forecast rate used in the model for the post March 2019 period.

We had considered increasing the debt so as to keep the LVR constant circa 65% and making a capital return. This may have increased the IRR of the investment over the period of the Trust. However, we believe that in the current environment reducing the risk from interest rate increases in the 1919-1923 period is more in line with our conservative approach and (coupled with the increased distributions) of more value to the Unitholders.

The recent hail has caused some minor water damage to the property. We have arranged repairs and I will be inspecting in the week after next. This is the second time this decade that hail has caused damage in the same location. The problem stems from drainage being blocked by hail. I have discussed the issue with Lysaght and the cost of enlarging the drainage outweighs the infrequency of damage and the relatively low cost of repair. There will be no cost to the Trust from this incident. There have been no other material developments and everything is proceeding satisfactorily.

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 Sheila via email at sheila@pipeclaylawson.com.au.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,
DAVID F. LIBLING

02 June, 2015

On 26 May 2015 the Trust made a monthly distribution. The distribution for May was \$8.58 per Unit. This was the May distribution due to have been paid circa June 5. The tenant has paid the rent early and we took the opportunity to pay the distribution early. We expect the next distribution to be paid circa July 5.

The tenant has carried out at its own cost some upgrading works to the office component of the property.

The valuer has almost completed its work and we expect a formal document this week. If you would like a copy, please let Sheila know (sheila@pipeclaylawson.com.au) and we will email it to you.

There have been no other material developments and everything is proceeding satisfactorily.

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 Sheila via email at sheila@pipeclaylawson.com.au.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,
DAVID F. LIBLING

06 July, 2015

On 6 July 2015 the Trust made a monthly distribution. The distribution for June was \$8.58 per Unit.

This is the last distribution for the FY 2014/2015.

The Trust's accounts are up-to-date and I expect that they will be forwarded to the external accountant (MBP Advisory) by July 17. I expect that you will be advised in October concerning the break-up of the distributions you have received in the 2014/2015 financial year between taxable and non-taxable distributions. I expect that financial statements for the Trust will be available at the same time.

As advised on May 4, distributions will increase as from the next distribution.

The valuer has completed its work and we have received the valuation. If you would like a copy, please let Sheila know (sheila@pipeclaylawson.com.au) and we will email it to you. If you would like a copy of the Bank statements for the financial year 2014/2015, please let Sheila know.

On June 12, Bluescope completed its move of the Fielders business from Minto to our Emu Plains site. As movement of heavy machinery often causes damage, I visited the property on June 12. I am pleased to report that the move was completed very satisfactorily.

Fielders occupied 10,943 sq.m. in Minto. Whilst Bluescope was able to achieve considerable economies of scale by co-locating the Lysaght and the Fielders businesses (which prior to 2014 were competitors), the existing facilities impose limitations on storage, which prevent additional fabrication. We have considered how the current site configuration can be made more efficient; you will recall that the current site coverage is circa 40% (against the Sydney standard ratio of 60%). It is our intention to advise Bluescope that as their needs grow, the Trust is open to considering the construction of additional facilities on the site. I have had a preliminary discussion with Lysaght's Commercial State Manager who indicated that a requirement is unlikely to arise within the next 18 months but is anticipated in the next 5 years. These, in our opinion, are pleasing developments.

The inspection on June 12, revealed, as one would expect, the need for some additional maintenance. I have discussed the matter with the tenant who accepts the need but for operational reasons expects to delay the work for a few months. The inspection also confirmed that the concrete works carried out earlier in the year have deteriorated to an unacceptable extent. The work is subject to a warranty and the matter is being pursued.

There have been no other material developments and everything is proceeding satisfactorily.

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If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,

DAVID F. LIBLING

10 August, 2015

On August 6, 2015 the Trust made a monthly distribution of \$9.17 per Unit.

The trust accounts have been forwarded to our external accountants, MBP Advisory. We are hoping that the Trust's Financial Statements as well as your summary of distributions received and its break-up into assessable and non-assessable components will be available by early October.

There have been no other material developments and everything is proceeding satisfactorily.

The Trustee wishes to also advise that 200 Units in the Trust are available for sale at a price of \$1,295.00 per Unit. The forecast distributions for the year represent a yield of 8.5% p.a. on the

price offered. If you have an interest in acquiring these Units, please advise
Email at emil@pipeclaylawson.com.au

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at sheila@pipeclaylawson.com.au.

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624, or me on 0407 631 255. We very much welcome your input.

Regards,
DAVID F. LIBLING

03 September, 2015

On September 3, 2015 the Trust made a monthly distribution of \$9.17 per Unit.

We expect that the Financial Statements for the Trust will be available next week; if you would like
a copy please advise Sheila on sheila@pipeclaylawson.com.au. We expect to be sending you, next
week, your Tax Statement; if you have any queries, please contact Emil
on Emil@pipeclaylawson.com.au or 0427 929 358.

There have been no material developments and everything is proceeding satisfactorily.

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at sheila@pipeclaylawson.com.au.

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624, or me on 0407 631 255. We very much welcome your input.

Regards,
DAVID F. LIBLING

01 October, 2015

On October 1, 2015, the Trust made a monthly distribution of \$9.17 per Unit.

There have been no material developments and everything is proceeding satisfactorily.

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Pipeclay Lawson Ltd, please advise us at any time by writing to Sheila via email
at sheila@pipeclaylawson.com.au.

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624, or me on 0407 631 255. We very much welcome your input.

Regards,
DAVID F. LIBLING

04 November, 2015

On November 2, 2015, the Trust made a monthly distribution of \$9.17 per Unit.

There have been no material developments and everything is proceeding satisfactorily.

Pipeclay now has a website – www.pipeclaylawson.com

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 Sheila via email at sheila@pipeclaylawson.com.au.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,
DAVID F. LIBLING

09 December, 2015

On December 1, 2015, the Trust made a monthly distribution of \$9.17 per Unit.

There have been no material developments and everything is proceeding satisfactorily.

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 Sheila via email at sheila@pipeclaylawson.com.au.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Compliments of the Season,
DAVID F. LIBLING

12 January, 2016

On January 4, 2016, the Trust made a monthly distribution of \$9.17 per Unit.

There have been no material developments and everything is proceeding satisfactorily.

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 Sheila via email at sheila@pipeclaylawson.com.au.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,
DAVID F. LIBLING

02 February, 2016

On February 1, 2016, the Trust made a monthly distribution of \$9.17 per Unit.

There have been no material developments and everything is proceeding satisfactorily.

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 Sheila via email at sheila@pipeclaylawson.com.au.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,
DAVID F. LIBLING

01 March, 2016

On March 1, 2016, the Trust made a monthly distribution of \$9.17 per Unit.

A market rent review (subject to a 5% cap) is due as of the 1st of July. We are meeting with a valuer on March 14 to verify our internal views as to the appropriate rent demand we need to make in late April.

There have been no material developments and everything is proceeding satisfactorily.

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 Sheila via email at sheila@pipeclaylawson.com.au.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,
DAVID F. LIBLING

04 April, 2016

On April 2, 2016, the Trust made a monthly distribution of \$9.17 per Unit.

We have discussed rental levels in Emu Plains with various valuers and agents. In order to better support the position we intend to take at the forthcoming rent review, Pipeclay has decided that the Trust should undertake the expense of obtaining a letter of advice from a valuer (in addition to the "free" one we have from an agent).

There have been no material developments and everything is proceeding satisfactorily.

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 Sheila via email at sheila@pipeclaylawson.com.au.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,
DAVID F. LIBLING

10 May, 2016

On May 2, 2016, the Trust made a monthly distribution of \$9.17 per Unit.

There have been no material developments and everything is proceeding satisfactorily.

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 Sheila via email at sheila@pipeclaylawson.com.au.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,
DAVID F. LIBLING

06 June, 2016

On June 1, 2016, the Trust made a monthly distribution of \$9.17 per Unit.

The rent due pursuant to the Lease is due to change as of July 1. I expect a resolution this month of the rental demand made by the Trust and to advise in the next newsletter of the consequent increase in distributions.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

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 Sheila via email at sheila@pipeclaylawson.com.au.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,
DAVID F. LIBLING

06 July, 2016

BlueScope is late in paying rent this month. This is out of character as customarily rent is paid approximately a week early by BlueScope. We are told that the late payment is being caused by a

combination of first, a change in rent necessitating the cancellation of the old and substitution of a new standard payment order and, secondly, an error by the commercial manager in failing to ensure that the rent payment was processed in priority to the normal payment cycle. We anticipate that the rent will be paid and the monthly distribution made in the next 10 days. We do not expect a repetition of this problem during the balance of the current financial year.

As a consequence of the late payment of rent, the Trust's cheque account was overdrawn by circa \$70,000 for 2 days. Due to the absence of the directors from Sydney it took time for the transfer from the Trust's deposit account to the Trust's cheque account to be authorized. The funds were required towards meeting the Trust's quarterly interest obligation (circa \$120K) and monthly line fee obligation (circa \$18k).

The Trust is entitled to interest from BlueScope for the late payment of rent.

If you would like a copy of the Trust's cheque account and/or deposit bank statements for any particular or all months, please advise Sheila by email to sheila@pipeclaylawson.com.au

Regards,
David

12 July, 2016

On July 11, 2016, the Trust made a monthly distribution of \$9.17 per Unit.

I wrote to you a few days ago explaining the delay in the payment of the distribution. Attached please find a copy of a confirmatory email from BlueScope's legal department.

As from July 1, the agreed rent under the Lease is \$1,941,907.84 p.a. This represents the maximum increase permissible under the Lease. The agreed rent is below the bottom of the range of market rent as assessed by JLL. If you would like to see a copy of JLL's assessment, please advise Sheila by email sheila@pipeclaylawson.com.au

The rent achieved is in excess of the rental forecast made in the IM for the current year. As from the July distribution (payable early in August), the per Unit distribution will be \$10.00 monthly. This compares with the IM forecast of \$8.83 per Unit per month.

The value of the property has increased significantly since the last valuation. We are considering capital management for the Trust. We have held preliminary discussions with the CBA. Whether a capital distribution is in the interest of Unitholders depends on whether Unitholders have available to them other attractive investment opportunities returning more than the cost to the Trust of the capital distribution (and the relative risk profiles of the investments). Current interest swap levels and bank margins which the Trust currently pays indicate that the cost to the Trust would be below 5% p.a. (including the asset fee). It is quite likely that long-term interest rates and bank margins will alter during the next two months. The Trustee has made no decision but inclines to the view that a capital distribution would be in the interest of the Unitholders. I expect to write to you further on this topic next month.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

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 Sheila via email at sheila@pipeclaylawson.com.au.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.



FW Landlord
Requirement - Emu Pl

Regards,

DAVID F. LIBLING

02 August, 2016

On August 2, 2016, the Trust made a monthly distribution of \$10.00 per Unit.

The CBA has commissioned JLL to provide a valuation of the property for mortgage purposes. We expect the valuation to have been finalised in the next fortnight. Once it is available, we will make a decision whether a capital distribution would be in the interest of the Unitholders. I expect to write to you further on this topic next month.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

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 Sheila via email at sheila@pipeclaylawson.com.au.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,
David

01 September, 2016

On September 1, 2016, the Trust made a monthly distribution of \$10.00 per Unit.

JLL has provided CBA with a valuation of the property for mortgage purposes; if you would like a copy of the valuation please advise Sheila by email sheila@pipeclaylawson.com.au. The assessed value is \$27,800,000. This compares to the purchase price in March 2014 of \$20,656,000 (a 34.6% increase). Ignoring cash at bank and the value of the swap, the Net Asset Backing per Unit is \$1,576, a 57.6% increase on the \$1,000 issue price.

We have considered whether it would be in the interest of the Unitholders to realise the gain by selling the property. The Trustee has resolved not to recommend an early sale of the property and

liquidation of this Trust at this time based on three major principles. The first is that we believe the majority of Unitholders in this Trust are seeking long term income which the property still provides. Secondly the transaction costs, most notably the stamp duty costs of 5.75%, would be wastefully incurred at this juncture for those who following a sale wished to maintain an industrial property exposure. Finally, though the future remains as ever uncertain, we are of the opinion that further capital growth will be experienced in relation to this property over the remaining circa 10 years of the lease period.

One of the advantages of a long term trust is that it often affords an opportunity for capital management. With a long lease and guaranteed rental increases, yield degradation due to shortening lease maturity tends to have a smaller effect on value than rental growth. We have decided to utilise the increase in the value of the Trust property to effect capital management. We have asked our bankers to make a formal proposal reflective of the discussions we have had with them. Our expectations are that in late September (however, our experience is that sometimes things take longer than the indication provided by the Banks)-

- a) The Trust's borrowings will increase so as to enable a capital return of circa \$330 per Unit;
- b) The swap maturity will be lengthened so as to secure the net cash flow of the Trust for a longer period; and
- c) The Trust's gearing will be 60% (this is a reduction from the 67.5% at the time of purchase, though, obviously, an increase from the current 48.6%).

Following the capital reduction, we expect the Trust's distributions to be \$8.50 per Unit per month (15.2% on the remaining capital invested).

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input. We appreciate that major changes are proposed to the Trust and hope that you, like us, view them as highly positive.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

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 Sheila via email at sheila@pipeclaylawson.com.au.

Regards,
David

04 October, 2016

On October 4, 2016, the Trust made a monthly distribution of \$10.00 per Unit.

Last month I wrote to you concerning a proposed capital return. On the positive side, we have agreed satisfactory loan terms with the CBA –

- A. Line fee of 1.65% p.a.
- B. An establishment of fee of 0.5% on the increase in the facility only

- C. 7 year swap of the newly borrowed funds from the date of drawdown; and
- D. An extension of the existing swap maturity to a date 7 years from the drawdown date of the additional funds being borrowed.

Unfortunately, Pipeclay trusts have in aggregate crossed a previously undisclosed threshold within CBA which requires more extensive and complex swap documentation than has hitherto been the case. When the proposed documents arrived last week, they involved cross-collateralisation between the swap obligations of each of the Pipeclay trusts. That was both unsatisfactory and importantly beyond Pipeclay's capacity to grant. We have negotiated amendments which were drafted by Corrs, acting for Pipeclay. The Bank has advised that fresh documents will be with us in "the next day or so" and consequently I am confident that the capital distribution will take place this month.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

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 Sheila via email at sheila@pipeclaylawson.com.au.

Regards,
David

28 October, 2016

On October 28, 2016, the Trust made a capital return of \$335.00 per Unit.

The October distribution (expected to be paid on or before November 7) will be the last distribution based on a subscription price per Unit of \$1,000. As from the November distribution (expected to be paid on or before December 5) it will be \$8.73 per Unit per month for the balance of this financial year. This represents 15.75% p.a. on the capital remaining subscribed (\$665.00). We expect that as from the July 2017 distribution, the monthly payment will increase to \$8.87 per Unit, i.e. a 16% yield

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

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 Sheila via email at sheila@pipeclaylawson.com.au.

Regards,
David

07 November, 2016

On November 3, 2016, the Trust made a monthly distribution of \$10.00 per Unit.

The Trust has been approached by a leading Sydney industrial property agent who thinks that he could sell the property on a yield of 6.25%. This would indicate a price of \$31,070,000. You will recall that on August 4, 2016, the valuer appointed by CBA valued the property at \$27,800,000. On the assumption that there is no element of exaggeration in the agent's view, we have built a forward value forecast model. As all such models, ours included, suffer from forecasting many future unknowns and are bound to prove inaccurate.

A property subject to a long lease, such as the Trust's Russell Street property, is subject to opposing forces. On the one hand rents rise over time which, all other things being equal, increases the value of the property. On the other hand, passage of time shortens the remaining term of the lease and, therefore, all other things being equal, increases the appropriate yield and decreases the value of the property. Over these forces, one needs to overlay a forecast of future interest rates, future general level of economic activity and a forecast of supply of comparable industrial premises.

Subject to these qualifications, I expect that the value of our property to grow until the first half of 2019 when the next "market" rent review is due. After that I expect a decline in value until about 2021 followed by a recovery. The lease is due to terminate in January 2017. If one assumes, as at present seems more likely than not, that the property will be under-rented on termination of the lease, then, irrespective of whether the tenant exercises its option or not, growth in value is the better prediction and our model indicates a higher value in 2026 than to-day.

In addition to being influenced by our expectations as to the future values of the Trust's property, we assumed that the proceeds of any sale would be reinvested by majority of Unitholders in another industrial property. This further assumption, required us to consider stamp duty and other acquisition costs, which led us to conclude that the interests of unitholders generally would be best served by retaining the property at this stage and probably to the end of the specified term of the Trust.

We review our view of the best strategy for the Trust periodically and also as when new information emerges. The predictions and views set out above will certainly lead us to review the Trust's options in the first half of 2019.

If you would like to discuss any aspect of this matter please give any of the Principals a call.

I want to introduce two new team members to you –

- Oliver Schaffer (0425 247 313) has been appointed Property Executive and his focus will be on the physical management of the properties. Oliver has a BA (in Psychology) and a Masters in Business Management, both from the University of Sydney. He has experience in project management which he gained with Chartered Accountants Australia & New Zealand;
- Irene Cheung (0414 622 629) has been appointed Manager Finance & Compliance. Irene has a Bachelor of Commerce and is a CPA. She has 18 years of experience gained in BT Financial Group, Ironbark Asset Management, Deutsche Asset Management and CitiStreet;

Please do not hesitate to contact any team member if they can assist with any information. All email addresses are firstname@pipeclaylawson.com.au.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

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 Irene via email at irene@pipeclaylawson.com.au.

Regards,
David

11 December, 2016

On December 8, 2016, the Trust made a monthly distribution of \$8.73 per Unit.

The rent was not paid on time this month. We are told that this is due to a major restructure in the payments team and that timely payments will be back to normal this month. I have spoken with the Commercial Manager - NSW and the CFO for Lysaght and believe the explanation we have been given.

Sheila has left Pipeclay with our best wishes. Matters in relation to which you would have contacted Sheila, please contact Irene Cheung on 0414 622 629 or irene@pipeclaylawson.com.au.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

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 Irene via email at irene@pipeclaylawson.com.au.

Best regards,
David

03 January, 2017

On January 2, 2017, the Trust made a monthly distribution of \$8.73 per Unit.

A number of Unitholders have been kind enough to write and express pleasure at the progress of the Trust. One or two, expressing, I fear, a wider view, have gently chided me for the infrequency of Pipeclay's purchases. In a low interest rate environment, there is a tendency for land values to appreciate at above the long term rate. We seek to guard against overpaying by always testing the

current price against our guess of future value in a harsher environment – a dark and highly imprecise art. For as long as low interest rates prevail, good buying opportunities are likely to remain scarce, though as always, we are working on a few possible acquisitions.

Oliver has finished his two months assignment with us. We wish him well for the future.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

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 Irene via email at irene@pipeclaylawson.com.au.

I hope you have a successful and happy 2017!

Best Regards,
David

07 February, 2017

On February 3, 2017, the Trust made a monthly distribution of \$8.73 per Unit.

I take this opportunity to introduce Lachlan Philips. Lachlan has started work with us as Property Executive and one of his responsibilities will be to look after repairs and maintenance of our Russell Street property. Lachlan is a graduate of Melbourne University with a major in History and Philosophy of Science. I have known Lachlan for a long time and we are very pleased to have someone of his calibre start with us. You can contact Lachlan by email on Lachlan@pipeclaylawson.com.au or by phone 0431 377 678.

We inspected the property on January 30. In the last 18 months BlueScope has made major improvements in the way it operates from the property. Its daily shipment rate has increased from 80-100 tons to the current 180-300 range. We have discussed three possible capital projects in relation to the property with Bluescope's senior management. It is much too early to be excited or to believe that any of these projects will come to fruition. However, it is good to see that Bluescope is committed to the property and is engaged in long term planning of its use. The inspection was satisfactory with following matters emerging:

Bluescope has replaced the lighting system in both of the warehouse; the quality/quantity of light is much higher now than had previously been the case. This change is a significant upgrading of our property;

A number of expansion joints has perished in the external hardstand. Pipeclay will arrange for the replacement of the joints and at the same time for some needed spot repairs to the hardstand and kerbs. This is normal maintenance and is covered by Outgoings paid for by the tenant;

The old warehouse has developed a largish crack in the floor; Bluescope will repair.

Except as above, the property presents well. We have arranged to conduct a desktop review of the maintenance on lessor's plant (air conditioning, fans, roller door motors, gutters, downpipes, roofing, cranes). We do not anticipate any issues.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

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 Irene via email at irene@pipeclaylawson.com.au.

Best Regards,
David

03 March, 2017

On March 3, 2017, the Trust made a monthly distribution of \$8.73 per Unit.

We have arranged to obtain two quotes for the required concrete works. There is on-going discussion between the tenant and the concreters as to how the works could be carried out without undue disruption to tenant operations and without significant additional cost. Either of these aims is achievable but the two together are proving elusive. We are aiming to achieve a decision by the end of March.

Bluescope is reluctant to carry out maintenance work on some metal items. The attitude seems to be that these items are cheaper to replace than maintain. Pipeclay is taking the view that provided Bluescope accepts responsibility for, when needed, replacing these items, even though they might otherwise have been regarded as capital items, that is an acceptable approach.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

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 Irene via email at irene@pipeclaylawson.com.au.

Best Regards,
David

04 April, 2017

On April 4, 2017, the Trust made a monthly distribution of \$8.73 per Unit.

I am delighted to advise that Sandy has been unanimously elected as Chairman of Pipeclay Lawson Limited.

March has been an extremely wet month, which has significantly delayed our concreters in providing quotes, which took multiple visits to assemble. We are now confident that next month, there will be something substantive to report on this matter.

We have new neighbours in 124 Russel St who have applied to Council to remove and replace the trees adjoining our respective properties at their cost. The existing trees are unsuitable for an industrial property – they are tall gum trees of a bark shedding variety. When we first acquired the property we had applied to Council for permission to replace these trees; Lysaght have on more than one occasion made similar applications. We have supported the current application and hope that Council attitude has changed.

The Trust has renewed its insurance policies on the site. Lachlan has made progress in improving information flows.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

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If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Best Regards,
David

03 May, 2017

On May 2, 2017, the trust made a monthly distribution of \$8.73 per Unit.

An old insurance matter has resurfaced in relation to the site this month, which is the state of fire detection systems. No automatic fire detection system exists. The site is not unsafe; the matter has been raised with the tenant in the past and it was found that smoke detectors exist throughout the property, as do all other required pieces of fire protection equipment. As such, as long as a fire produces smoke, the buildings are fully equipped. This situation was previously deemed satisfactory to Pipeclay, Lysaght and Chubb, our insurer, however Chubb now wishes to survey the site to reinvestigate the issue. Should anything arise from this I will keep you updated.

We have also received several quotes for repairs of the concrete, however these quotes were deemed unreasonable. New contractors have been turned to, which should lead to a final works proposal in May. We are attempting to strike a balance between resolving the problem permanently, and limiting any capital costs as much as possible, in order to maximise the extent to which these works can be classified as outgoings.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

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 Irene via email at irene@pipeclaylawson.com.au.

Best Regards,
David

05 June, 2017

On June 5, 2017, the trust made a monthly distribution of \$8.73 per Unit.

Permission has been granted to Chubb to survey but they have not done so to-date. The question on which I reported last month of whether fire detection in addition to smoke detectors is required is in abeyance until we receive further advice from Chubb. The concrete appears to have stabilised and our advice is that no work is required for approximately 6 months. In the meantime, the contractor has devised a much more cost effective solution and we are awaiting a quote. Except as above, there have been no material developments and everything is proceeding satisfactorily.

Clause 22 of the Trust's Constitution requires that in the event of a meeting of unitholders, the appointment of a proxy be received between 24 and 48 hours before the meeting. A corresponding provision in another Pipeclay Trust has proved a significant inconvenience. The Trustee has resolved to amend the Constitution so that proxies will be able to be delivered and/or amended at any time after a meeting has been called, but no less than 24 hours before the meeting takes place. If you would like to see the amending deed, please advise Lachlan Philips at lachlan@pipeclaylawson.com.au.

We are conscious that Unitholders who are superannuation funds will need to adopt a value for the Units they hold in the Trust as at June 30, 2017. In the July email I will advise the Investment Manager's view of Unit values. It is likely that in order to allow Unit value to be calculated (which requires a calculation of interest swap value and of net current assets), the July email is likely to be delayed; the monthly distribution should be made at the usual time.

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 Irene via email at irene@pipeclaylawson.com.au.

Best Regards,
David

04 July, 2017

On July 4, 2017, the trust made a monthly distribution of \$8.73 per Unit. This was the last distribution for the 2016/2017 Financial Year.

There are no material developments this month and matters are proceeding satisfactorily.

We are conscious that Unitholders who are superannuation funds will need to adopt a value for the Units they hold in the Trust as at June 30, 2017. I expect that in mid-July we will advise the Investment Manager's view of Unit values.

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 Irene via email at irene@pipeclaylawson.com.au.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, David on 0407 631 255, or me on 0431 377 678. We very much welcome your input.

Best regards,
Lachlan

03 August, 2017

On August 3, 2017, the Trust made a monthly distribution of \$9.00 per Unit. This is the July distribution, that is the first of the 2017/2018 distributions. We expect distributions to continue at this rate for the remaining 11 months of the current financial year. The distribution represents a 16.25% yield on the residual equity invested, as contrasted to the IM forecast for 2017/2018 of a 11.10% yield.

The perimeter fence with our neighbour ACO Polycrete has been in a state of disrepair for several years. The area is overgrown on both sides of the fence, with significant amounts of dead bushes and trees having collapsed the fence in several locations. We are now coordinating with ACO to have the area on both sides of the fence cleared of this overgrowth, and to have the fence repaired. This is a tenant cost, to be shared between Lysaght and ACO, although I am pleased to report that we have an agreeable relationship with our neighbour.

The site's insurer, Chubb, has also conducted an inspection of the property in the past month and made some minor recommendations relating to hydrant flow testing and thermographic scans. The inspection revealed no high priority items and no items which will require any capital expenses.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

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 Irene via email at irene@pipeclaylawson.com.au.

We welcome your input; Sandy can be contacted on 0438 505 624 (but please bear in mind that she is in Europe), Emil on 0427 929 358, Lachlan on 0431 377 678 and I on 0407 631 255.

Best Regards,
David

05 September, 2017

On September 4, 2017, the Trust made a monthly distribution of \$9.00 per Unit.

We have further investigated the concrete on the property. The sub-grade was not properly prepared before it was laid, and is being eroded by significant rains, causing minor movement and cracking in a few localised areas of the concrete. In order to permanently address the issue, sections of concrete would need to be replaced. It is likely that the tenant would see such work as capital

expenditure and to the account of the Trust. The alternative is to undertake regular maintenance to damaged areas when required. This would increase the tenant's Outgoings and consequently its total occupancy cost. We are currently in early discussions with the tenant on the matter. We expect the issue to be resolved by Christmas.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

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 Irene via email at irene@pipeclaylawson.com.au.

We welcome your input; David can be contacted on 0407 631 255, Emil on 0427 929 358, or I on 0431 377 678.

Best Regards,
LACHLAN C. PHILIPS

04 October, 2017

On October 4, 2017, the Trust made a monthly distribution of \$9.00 per Unit.

There have been no material developments and everything is proceeding satisfactorily.

Earlier this month, we issued the Annual Tax Statement for the Emu Plains Property Trust for the 2017 financial year. You should have received this in the mail. If you have not received this document, please let me know by replying to this email and I will ensure that it reaches you as soon as possible.

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 Irene via email at irene@pipeclaylawson.com.au.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505624.

Best Regards,
LACHLAN C. PHILIPS

03 November, 2017

On November 3, 2017, the Trust made a monthly distribution of \$9.00 per Unit.

I visited Emu Plains earlier in the month to assist with the organisation of some repairs and maintenance. Two items arose from the visit:

1. Keeping vegetation which is encroaching on the perimeter fence under control is a challenge as it is impossible to bring in large equipment, such as a wood-chipper, without causing major disruptions to the tenant.

2. The trees on the Southern Boundary of the property are continuing to grow larger, dropping leaves and branches into the gutters, drains, and in the vicinity of the workshop. As a result, the maintenance of these items has become increasingly demanding.

I am currently working through solutions to these items by:

1. Coordinating gardening with the neighbours, who have better access to the relevant vegetation.
2. Seeking a meeting (which he refused when we first bought the property) with the Council's Tree Officer to obtain permission to remove the offending trees (which has been refused twice in the past), and
3. investigating measures to assist with the maintenance of gutters and drains onsite.

I will provide further updates as these matters progress.

There have been no material developments and everything is proceeding satisfactorily.

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 Irene via email at irene@pipeclaylawson.com.au.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505624.

Best Regards,
LACHLAN C. PHILIPS

06 December, 2017

On December 4, 2017, the Trust made a monthly distribution of \$9.00 per Unit.

I wrote to you last month about some required works, curtailing vegetation around the perimeter of the property. Our neighbours to the North have been cooperative in arranging this, and consequently I am optimistic that the matter will soon be resolved.

I anticipate the other matters taking longer, and will provide updates as they progress.

There have been no other material developments and everything is proceeding satisfactorily.

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 Irene via email at irene@pipeclaylawson.com.au.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505624.

Best Regards,
LACHLAN C. PHILIPS

09 January, 2018

On January 5, 2018, the Trust made a monthly distribution of \$9.00 per Unit.

There have been no material developments and everything is proceeding satisfactorily. Given the season, it is unlikely that anything substantive to report will arise over the next 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 Irene via email at irene@pipeclaylawson.com.au.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505624. Please be aware however, that David, Emil and Sandy are currently overseas and will be returning later in January.

With compliments of the season,
LACHLAN C. PHILIPS

06 February, 2018

On February 5, 2018, the Trust made a monthly distribution of \$9.00 per Unit.

There have been no material developments and everything is proceeding satisfactorily.

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 Irene via email at irene@pipeclaylawson.com.au.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505624.

Best Regards,
LACHLAN C. PHILIPS

02 March, 2018

On March 2, 2018, the Trust made a monthly distribution of \$9.00 per Unit.

There have been no material developments and everything is proceeding satisfactorily.

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 Irene via email at irene@pipeclaylawson.com.au.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505624.

Best Regards,
LACHLAN C. PHILIPS

06 April, 2018

On April XXXX, 2018, the Trust made a monthly distribution of \$9.00 per Unit.

There have been no material developments and everything is proceeding satisfactorily.

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 Irene via email at irene@pipeclaylawson.com.au.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505624.

Best Regards,
LACHLAN C. PHILIPS

03 May, 2018

On May 2, 2018, the Trust made a monthly distribution of \$9.00 per Unit.

Last year I wrote to you that we had identified the subgrade underneath a section of concrete on the property to be poor quality. This means that heavy rains can currently erode the soil beneath the slab, leaving it inadequately supported. As this problem worsens, sections of the slab move vertically relative to one another resulting in an unsatisfactory roadway and sometimes a breakup of the slab. There are two ways to resolve this issue before the slab reaches that stage:

1. Grout can be periodically pumped into the subgrade replacing eroded material in order to maintain support for the slab.
2. The slab can be torn up and re-laid, allowing for the subgrade to be compacted, and brought to a high standard. This would permanently resolve the problem, and lower future maintenance costs. This would however be a significant cost.

David and I are meeting with the tenant next week to discuss how we will proceed, and I will report further as these discussions are concluded.

There have been no other material developments and everything is proceeding satisfactorily.

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 Irene via email at irene@pipeclaylawson.com.au.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505624.

Best Regards,
LACHLAN C. PHILIPS

04 June, 2018

On June 4, 2018, the Trust made a monthly distribution of \$9.00 per Unit.

I wrote to you last month that we would be meeting with the tenant to discuss the concrete on the property. A section of the older concrete has markedly deteriorated and it is unlikely that the problem can be remedied by additional reinforcement and probably is best replaced. The Lease

provides that capital works are to the tenant's account but structural works are to the Landlord's. Not surprisingly, the initial positions are that concrete replacement & upgrade are seen as structural by the tenant and as capital works by us. The meeting concluded with an agreement that the tenant would consider its long term operational requirements and develop its preferred scope of works and in particular the specifications. Once that has been done, we will meet with the tenant again to discuss capital and rental implications. I will write again on this topic when there is progress, which I do not expect for some months.

There have been no other material developments and everything is proceeding satisfactorily.

Irene Cheung will be finishing her employment with Pipeclay on Friday, June 8. Camilla Cable has been appointed General Manager Finance & Company Secretary. Camilla's mobile number is 0412 520 121 and her email address is camilla@pipeclaylawson.com.au

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. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358; Sandy is overseas during June.

Best Regards,
LACHLAN C. PHILIPS

04 July, 2018

On July 3, 2018, the Trust made a monthly distribution of \$9.00 per Unit. This is the last distribution for FY 17/18.

There have been no material developments and everything is proceeding satisfactorily.

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. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358; Sandy is away until September.

Best Regards,
LACHLAN C. PHILIPS

03 August, 2018

On August 3, 2018, the Trust made a monthly distribution of \$9.15 per Unit. This is the first distribution for FY 18/19.

Distributions have increased to \$9.15 per Unit. We expect distributions to continue at this rate for the remaining 11 months of the financial year. This represents a 16.51% yield on residual equity invested, as contrasted to the IM forecast which ended in FY18 with an 11.15% yield.

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. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358; Sandy is away until September.

Best Regards,
LACHLAN C. PHILIPS

06 September, 2018

On September 5, 2018, the Trust made a monthly distribution of \$9.15 per Unit.

The tenant's site manager for the Property has changed this month. I already have a positive working relationship with the replacement as it was an internal promotion. As they are responsible for several properties they have been travelling for most of this month and there have therefore not been any material developments. I expect to provide a more substantive update next month.

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. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505 624.

Best Regards,
LACHLAN C. PHILIPS

08 October, 2018

On October 2, 2018, the Trust made a monthly distribution of \$9.15 per Unit.

We have been approached by a commercial rooftop energy investment fund, Solar Bay, who are seeking to install solar panels on the roof of the Property. Such an arrangement would involve Solar Bay installing and maintaining solar panels on the roof over a 20-year period, selling cheap energy to the tenant at a profit, and paying us rent for the roof space utilised by the panels. We are yet to investigate whether the roof has the necessary weight bearing capacity and if it does, we will work with the tenant and Solar Bay to put a proposal together. The proposal is quite timely, as Bluescope recently signed a seven-year, \$250 million deal forecast to see 20% of its electricity requirements provided by solar energy.

It is currently Pipeclay's policy to assist any Unitholder who wants to sell their Units by providing liquidity or finding an alternate purchaser of their Units. Consequently, entities associated with the Manager have purchased 500 Units at a cost of \$1,570 each from a Unitholder wishing to exit. In July 2017 we advised that \$1,500 was the current Unit value.

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. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505 624.

Best Regards,
LACHLAN C. PHILIPS

02 November, 2018

On November 2, 2018, the Trust made a monthly distribution of \$9.15 per Unit.

We have recently had a valuer inspect the property and he has advised that the current market value of the property for mortgagee purposes is \$35.8M. We expect the Valuation Report shortly; if you would like a copy please let me know.

Following a review and marketing of the Property to several insurers, the Property's existing insurance policies have been renewed and the sums insured increased.

Please see David's separate email.

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. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505 624.

Best Regards,
LACHLAN C. PHILIPS

03 December, 2018

On December 4, 2018, the Trust made a monthly distribution of \$9.15 per Unit.

This email relates only to the Emu Plains property.

We have obtained a valuation of the property for mortgagee purposes. Savills has valued the property at \$35,800,000. This compares to the last valuation dated August 2016 of \$27,800,000 (a 29% increase) and the March 2014 purchase price of \$20,656,000 (a 74% increase). If you would like a copy of the valuation report, please let me know.

We will report separately on the potential South Granville acquisition. There have been no other material developments at Emu Plains 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. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505 624.

Best Regards,
LACHLAN C. PHILIPS

03 January, 2019

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

David has already advised that the Trust has exchanged contracts for the purchase of the South Granville property. He has also initiated contact with Bluescope.

BlueScope's onsite manager at Russell Street was replaced last month. I have been introduced to the new manager, with whom the maintenance of all fire safety equipment was swiftly arranged, in a positive start to this relationship.

NAB requires a change to the Trust's Constitution to clarify one of the powers of the Trustee. The change is not material and does not require a meeting of the Unitholders. If you would like to see a copy of the proposed wording, please let me know and I shall send it to you.

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. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505 624.

Best Regards,
LACHLAN C. PHILIPS