

4 May 2015

**UPDATE TO ALL CREDITORS AND NOTEHOLDERS
of BABCOCK & BROWN LIMITED
ACN 108 614 955 (IN LIQUIDATION) (“BBL”)**

Dear Sir / Madam,

I refer to my appointment as Liquidator of BBL on 24 August 2009 and all previous correspondence provided to creditors and noteholders. Please find below a brief update in relation to the Liquidation, which should be read together with the Annual Report to Creditors and Noteholders dated 17 November 2014.

1) Further update on the Liquidation of BBL

As advised in the Annual Report, three sets of legal proceedings were brought against BBL on behalf of 1,065 shareholders (Applicants), with claims to the value of \$143 million. The details of these proceedings are as follows:

Proceeding Number	Applicants	Value of Claim
NSD 2070/2012	78	\$12.9m
NSD 2525/2013	100	\$14.1m
NSD 947/2014	887	\$116.0m
Total	1,065	\$143.0m

These proceedings resulted from my decision to reject the claims lodged by the shareholders pursuant to section 1321 of the Corporations Act 2001 (Cth) (the Act). The litigation has been pursued by a common litigation funder and firm of solicitors.

On 4 March 2015, Justice Perram of the Federal Court handed down his judgement rejecting the claims of the applicants in the first set of proceedings. The applicants subsequently lodged an appeal to the judgement on 24 March 2015.

At this stage we anticipate the appeal to be heard over 2 days in August 2015.

The Court has adjourned the second and third set of proceedings until October 2015 to await the final outcome of the first set of proceedings.


Please note that due to the above mentioned proceedings, I am unable to comment on the value of any funds available for distribution to unsecured creditors and Subordinated Noteholders. I am required to finalise the above legal proceedings and all unsecured creditor claims prior to quantifying what funds might be available for Subordinated Noteholders.

2) Tax declaration to Noteholders

As any future dividends to noteholders are contingent upon the outcome of the abovementioned proceeding, I am unable to issue a notice declaring that BBL subordinated notes have no value. I will be in a position to issue a tax declaration in relation to the subordinated notes pursuant to Section 104-145 of the Income Tax Assessment Act after the distribution of net recovery proceeds to unsecured creditors.

Should you have any queries regarding the above, please send your queries to bandbltd@deloitte.com.au, or contact Adam Edmondson of my office on +61 2 9322 5513.

Yours faithfully


D J F Lombe
Liquidator