

5 April 2013

**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. Please find below an update to the Liquidation.

1) Priority Distribution to Contributing Creditors

As previously advised, we successfully raised c.\$557k from contributing creditors and noteholders ("Contributing Creditors") following our initial funding proposal, dated 12 August 2009 ("Funding Proposal"). The contributions were used to fund the Liquidators' investigations into the affairs of BBL, which led to the Liquidators' successful settlement of causes of action against several of the Company's former directors and officers, and its former auditor.

Subsequently, the Liquidator obtained a Court Order entitling Contributing Creditors to obtain a preferential return out of recoveries over and above those creditors and noteholders who elected not to participate in the Funding Proposal.

As at the date of this circular, a total of \$5,957,691.00 (approximately 97%) has been distributed to Contributing Creditors.

My office has taken steps to contact all Contributing Creditors from whom insufficient payment authority instructions have been received, or where further information has been required. There are still a number of contributing creditors who have not completed and returned the relevant authority form to my office to obtain their reimbursement and uplift payment.

Please note that the Court Orders regarding the reimbursement and uplift payments do NOT affect the priority of a creditor's original claim against BBL.

Please contact Adam Edmondson of this office on +61 2 9322 5513 or aedmondson@deloitte.com.au if you are a Contributing Creditor and have not yet received your reimbursement and uplift payment.

2) Further update on the Liquidation of BBL

I previously disclosed in my Annual Report to Creditors and Noteholders dated 22 November 2012, that I had estimated a declaration and payment of dividend to unsecured creditors to occur on or about February 2013.

I advise that this timeframe will now be delayed due to a number of claimants lodging an appeal in the Federal Court of Australia and Supreme Court of New South Wales against my adjudication of their claims. I confirm that all claims received have been carefully considered and further independent investigations and legal advice were obtained where relevant. However, the Corporations Act 2001 provides that claimants are able to appeal my adjudication and the timing to resolve these matters are difficult to estimate.

Once all appeals have been resolved, I will provide a further update on our website providing guidance as to the timing and quantum of the first dividend payment to unsecured creditors.

3) Tax declaration to Noteholders

Due to the appeal applications to Court mentioned above, it is difficult to assess whether there will be any funds available to provide a return to Noteholders.

Therefore, I am not in a position at this stage to declare that the BBL Subordinated Notes have no value and are unlikely to have any value in the future. This position will be reviewed when the distribution to unsecured creditors are finalised.

Should you have any queries regarding the above, please contact **Adam Edmondson** of this office on:

Ph: +61 2 9322 5513
Fax: +61 2 9322 7261
Email: bandbltd@deloitte.com.au

Yours faithfully,


D J F Lombe
Liquidator