

2 September 2022

CIRCULAR TO CREDITORS

Dear Sir / Madam

Project Volar Creditors' Trust (the Trust)

We refer to our previous updates to creditors, including our last update to creditors dated 29 April 2022.

Appeals against the Trustees' adjudications

As previously notified to creditors, in September 2021 a number of creditors, including 17 aircraft lessors and financiers, commenced proceedings in the Supreme Court of NSW (the **Court**) challenging the Trustees' adjudication of their proof(s) of debt (**PODs**). On 13 April 2022, the Court handed down judgment in the Trustees' favour, dismissing claims brought by several aircraft lessors that rent and maintenance reserves accruing during the external administrations of the Virgin Companies was payable in priority to other claims against the Trust (**Judgment**). On 27 April 2022, the Court made costs orders in favour of the Trustees. In late May 2022 notices of intention to appeal were filed by some of the aircraft lessors. However, the appeal period expired on 26 July 2022, without any appeal(s) being pursued.

The Trustees have separately resolved, by agreement, the claims of the majority of aircraft lessors and financiers in the Court proceedings, including claims in relation to the quantum for which the relevant aircraft lessors and financiers PODs should be admitted. As of the date of this circular, all but two of the proceedings commenced by the relevant aircraft lessors and financiers in the Court proceedings have been dismissed by order of the Court.

Timing of interim distribution (Corporations Regulation 5.6.69)

The Trustees are now in a position to declare and pay an interim dividend, and intend to do so on **15 September 2022** for Pool A and Pool B creditors. The Trustees will continue to keep creditors updated of any further material changes to or postponement of this date.

Quantum of interim distribution

We noted at section 11.2 of our [Report to Creditors dated 25 August 2020](#) (the **Report**), that the quantum of any final return to creditors would be dependent on the actual level of claims lodged by creditors and other variables, including the matters outlined at Section 11.2.6 of the Report.

As you are aware, the Trustees have undertaken an extensive and comprehensive adjudication of all PODs lodged via the Halo platform for dividend purposes. We are now able to notify creditors of the return they will receive from the interim dividend in respect of their admitted claims.

As noted in our [circular to creditors dated 18 November 2021](#) (refer Table 1 below), there is, compared to the estimate made at the time of the Report, a significant variance to the admitted claims which relates to the number of aircraft ultimately retained or returned by the purchaser, in accordance with its rights under the sale agreement (and the consequential claims by Aircraft Lessor/Financiers for aircraft return costs or end of lease maintenance and other costs). At the time of our Report, the number of aircraft which would ultimately be retained (or returned), and the terms of retention of any aircraft (which directly affects the quantum of any claim made against the Trust Fund), was uncertain. This increase in overall admitted Aircraft Lessor/Financier claims will affect the return to creditors from the interim dividend.

Table 1

Claim Category	Bain DOCA (low) (AUD\$m)	Admitted Amount (AUD\$m)*	Variance (AUD\$m)
Bondholders	1,929.1	1,910.9	(18.2)
Employee Entitlements (unsecured)	n/a	0.2	0.2
Financiers (incl. derivative counterparties)	621.1	569.1	(52.0)
Landlords	n/a	66.8	66.8
Aircraft Lessors/Financiers	1,174.8	2,923.1	1,748.3
Other Unsecured	468.9	430.7	(38.2)
Total	4,193.9	5,900.8	1,706.9

**Note – these admitted claims are as at 31 August 2022. Since the previous circular dated 18 November 2021 there have been some amendments to admitted amounts, along with some further amendments which are in the process of being updated, but will not materially affect the rate of return to creditors.*

In relation to the cash available in the Trust Fund, there is likely to be AUD\$21.8m more than was originally estimated in Section 11.2 of the Report (see a breakdown in table 2). The Trustees intend to retain AUD\$60m to meet future costs (which are anticipated to be minimal) and utilise these funds to make a meaningful final distribution to creditors, with this balance potentially increasing if the Contingent Value Entitlement (CVE) requirements set out in clause 2.1 in Schedule 2 of the [Primary Deed of Company Arrangement \(DOCA\)](#) are met by Virgin Australia.

The CVE will be met and paid by Virgin Australia to the Trust, if Virgin Australia meets the following criteria for the financial years ending 30 June 2022 (FY22) and 30 June 2023 (FY23):

Relevant Financial Year	EBITDAR* target (AUD\$m)	CVE payable to the Trust (AUD\$m)
FY22	1,000.0	62.5
FY23	1,200.0	62.5

**Definition of EBITDAR can be found in clause 1.1 in Schedule 2 of the [Primary DOCA](#).*

Table 2

Claim Category	Bain DOCA (low) (AUD\$m)	Actual amount available (AUD\$m)	Variance (AUD\$m)
Funds Available	367.9*	389.7	21.8
<i>Less: Funds retained for future liabilities and final distribution</i>	-	(60.0)	-
<i>Less: Pool B Fund</i>	-	(10.0)	-
Funds Available for Interim Pool A Distribution	-	319.7	-

*This amount reflects that Pool C creditors have been paid (AUD\$94.1m).

We have also provided an estimated return to both Pool A and B creditors for this interim distribution (see table 3 below).

Table 3

Claim Category	Pool A	Pool B
Funds Available in Creditors Trust (Pool A)	319.7	10.0
<i>Pool A & B creditors (admitted only)</i>	5,900.8	1,978.4
Interim distribution rate of return (cents/\$)	5.4	0.005

Bank account details

The Trustees will be paying the distribution in \$AUD to creditors via Electronic Funds Transfer (**EFT**) to the nominated bank account submitted via the Halo platform. Those creditors who have provided a bank account in a currency other than AUD will have any associated foreign exchange (**FX**) or transaction costs deducted from their distribution and the FX rate will be the best available carded rate provided by ANZ.

If you have not already done so, please ensure your details in the Halo platform are correct prior to **5:00pm AEST, Friday 9 September 2022**. If you have not provided your EFT details, your distribution will be sent in the form of a physical cheque to the address you have entered into the Halo platform. A guide on how to enter your bank account details into the Halo platform is enclosed as **Annexure A**.

Further Queries

The Trustees thank you for your patience and continued cooperation with our team throughout this process, and we will continue to provide ongoing updates as these matters develop.

In the event you have any queries regarding the contents of this circular, or the administration in general, please do not hesitate to contact us at virginadmin@deloitte.com.au.

Yours faithfully



Richard Hughes
Trustee

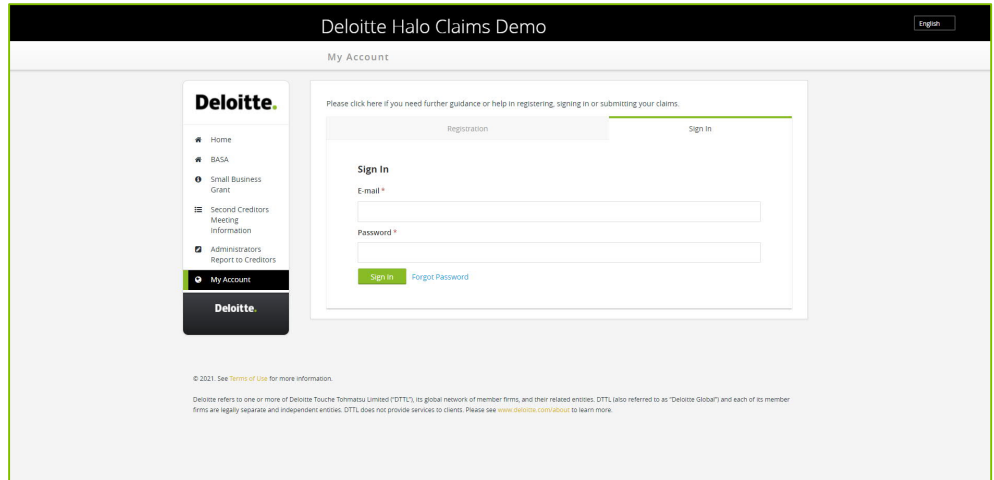
Project Volar Creditors' Trust

Steps for Creditors to Add Bank Details

The Trustees have prepared this summary guide to assist creditors in navigating the 5 steps that must be followed to add bank details to the Halo platform.

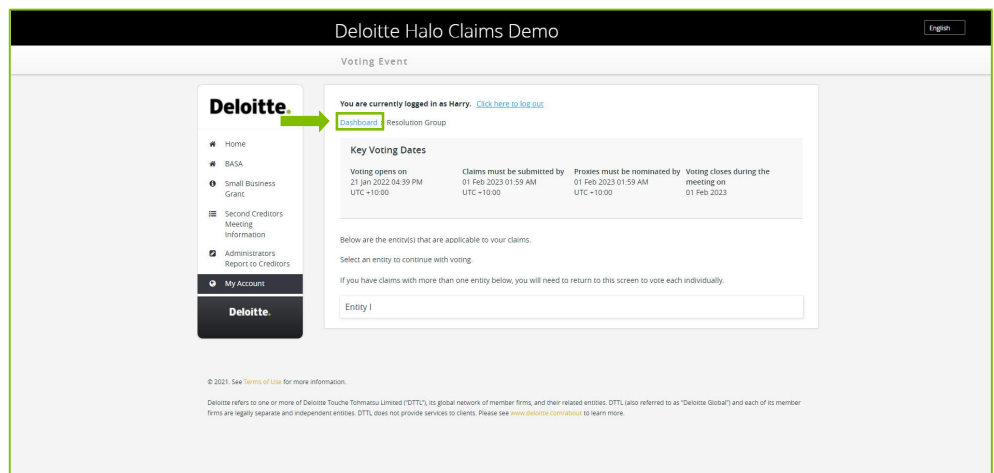
1 Login to Halo

You'll need the email address and password that you have previously registered under.
<https://virgin.deloitte-halo.com/>



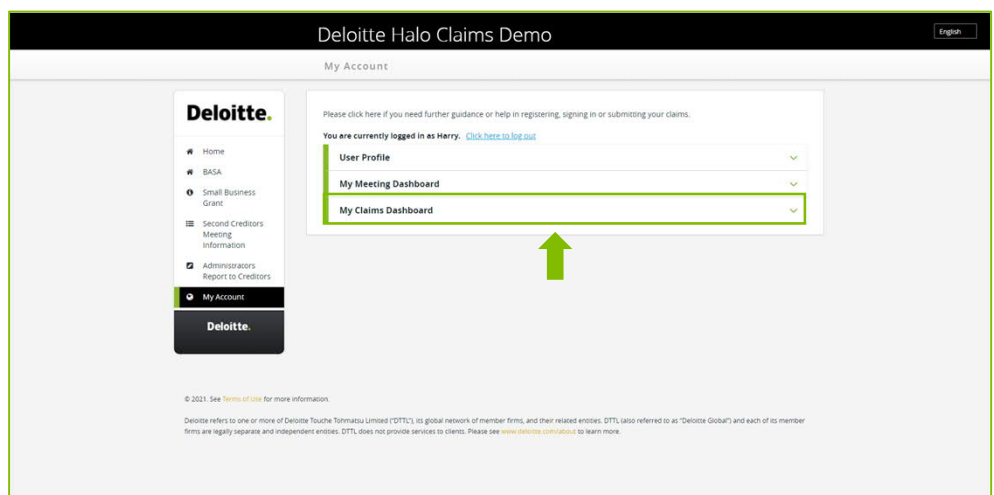
2 Access 'Dashboard'

Access the 'Dashboard' by selecting the link highlighted in green.



3 Access 'My Claims Dashboard'

Access 'My Claims Dashboard' by selecting the tab shown in green.



All images are indicative. Actual Halo screens may appear slightly different.

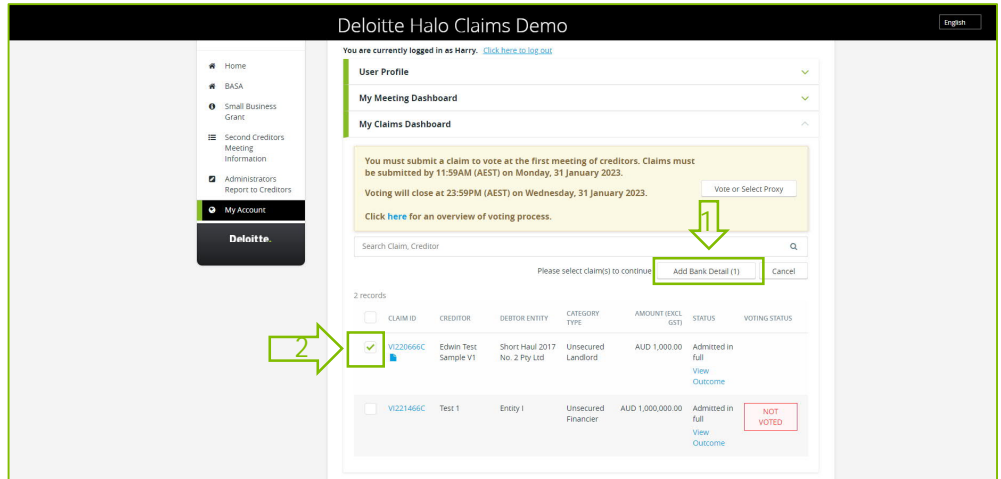
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4 Select 'Add Bank Detail'

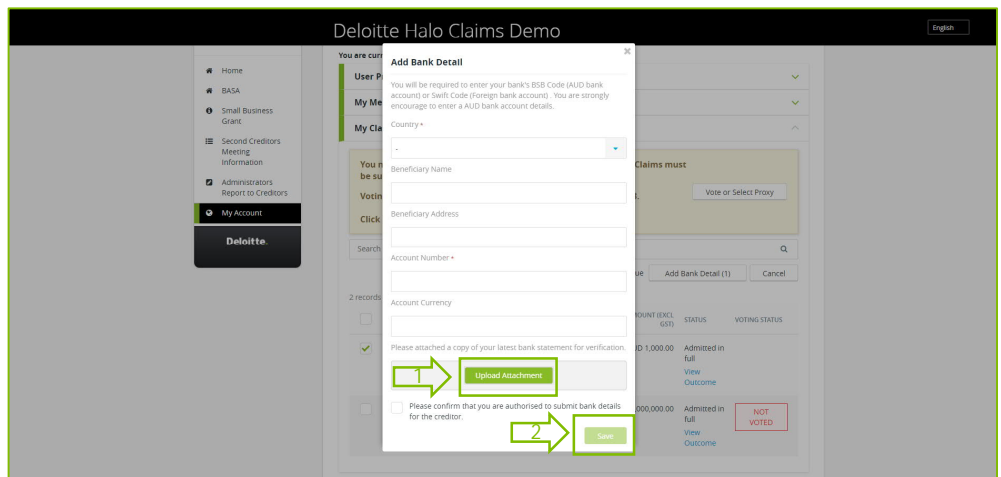
Select the 'Add Bank Detail' button (Arrow 1), then select the Claim ID you would like to add the bank details to (Arrow 2). Note you can add bank details to multiple claims by selecting multiple claim ID's.



5 Enter Bank Details

Select the 'Add Bank Detail' button a second time and input your bank account details. You must then upload a bank account statement to verify your nominated account details (Arrow 1). Then select the save button (Arrow 2).

Note: you may redact transaction details from your bank statement provided the full account details including account number, BSB, BIC or OBAN are clearly visible.



All images are indicative. Actual Halo screens may appear slightly different.