

**ASX RELEASE
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14 June 2017

**SPICERS LIMITED EXTRAORDINARY GENERAL MEETING – PROPOSED
TRUST SCHEME AND ISSUE OF SPICERS SHARES AS CONSIDERATION**

CHAIRMAN'S ADDRESS AND PRESENTATION SLIDES

Good morning ladies and gentlemen.

My name is Robert Kaye, and I am Chairman of your Company, Spicers Limited. On behalf of my fellow Directors, I am pleased to welcome you to the Spicers Extraordinary General Meeting to consider a proposal to simplify your Company's capital structure.

This morning I will provide a short presentation explaining the Trust Scheme proposal. I will then move to the formal business of the meeting, being to approve the issue of Spicers ordinary shares to Eligible SPS Unitholders as consideration for the transfer to Spicers of all the SPS Units not already held by Spicers.

Background to the Proposal

- The capital structure of Spicers currently has two components:
 - Spicers (formerly PaperlinX) Limited ordinary shares (ASX: SRS); and
 - PaperlinX Step-up Preference Securities (ASX: PXUPA) – Perpetual, preferred units in the PaperlinX SPS Trust ('SPS Units')
 - not a direct investment in Spicers Limited
- This complex capital structure has restricted Spicers' ability to undertake corporate activities that many listed companies would take for granted
- Uncertainties caused by the current capital structure have also made it challenging for the equity market to accurately value Spicers

I will first provide some background to the Proposal to simplify your company's capital structure.

Spicers' capital structure currently has two components:

- Firstly, Spicers Limited (formerly known as PaperlinX) ordinary shares; and
- PaperlinX Step-up Preference Securities. These are perpetual, preferred units in the PaperlinX SPS Trust. These units are not a direct investment in Spicers.

Over the past few years complex issues associated with this capital structure have arisen, a legacy that originated from the issue of PaperlinX Step-up Preference Securities back in March 2007.

These issues have restricted your company's ability to undertake a number of financial and commercial activities that many listed Companies would take for granted. For example, the payment of dividends or engaging in equity based transactions such as capital raisings.

Uncertainties caused by these issues and the current 'split' capital structure have also made it challenging for the equity market to accurately value Spicers and its shares.

Background to the Proposal (continued)

- The Spicer's Board has thus sought to simplify the Company's capital structure
- Consultations with The Trust Company led to an announcement in October 2016 on an indicative proposal to simplify Spicer's capital structure
- Proposal confirmed in December 2016 → Trust Scheme for Spicer's to acquire the SPS Units that it does not already own, in exchange for the issue of new Spicer's ordinary shares as consideration
- Now is the right time for such a Proposal, following:
 - Withdrawal from European operations in 2015;
 - A return to overall profitability in FY 2016; and
 - The appointment of a new CEO in July 2016

Consequently, your Directors have been strongly focussed on seeking to simplify Spicer's capital structure.

It was announced in October 2016 that the Spicer's Board had initiated discussions with The Trust Company, the responsible entity of the PaperlinX SPS Trust, regarding a proposed transaction to simplify the company's capital structure, resulting in a non-binding proposal being made by Spicer's.

After further extensive consultations, in December 2016 Spicer's and The Trust Company entered into an Implementation Agreement that established the framework for a proposed Trust Scheme, under which Spicer's would acquire the SPS Units that it does not already own, in exchange for the issue of new Spicer's Shares as consideration.

Materials for this Shareholder Meeting and the Trust Scheme Meetings were then subsequently distributed to Spicer's Shareholders and SPS Unitholders in May 2017.

The Spicer's Board believes that now is the right time for such a Proposal, following:

- The group's withdrawal from European operations, and sale of the Canadian business, in 2015;
- Spicer's subsequent return to overall profitability in the 2016 financial year; and
- The appointment of David Martin as Chief Executive Officer in July 2016.

Summary of the Proposal

- Under the Proposal, via a Trust Scheme:
 - Spicers would acquire all non-Spicers SPS Units;
 - In exchange for issuing 545 new Spicers Shares for each SPS Unit
- The Trust Scheme can only be implemented if all conditions precedent are satisfied, these include (among other things):
 - Approval of SPS unitholders at the Trust Scheme Meetings;
 - Approval from Spicers shareholders (at this meeting) to issue new Spicers Shares; and
 - Final approval from the Supreme Court of NSW
- If implemented, the Proposal will result in (non-Spicers) SPS unitholders owning 68.3% of the Spicers enlarged equity base
 - Your Directors unanimously believe this represents an optimal ratio

I will now provide a summary of Proposal.

Under the Proposal, by way of a Trust Scheme, Spicers would acquire all the SPS Units that it does not already own, in exchange for issuing 545 new Spicers Shares for each SPS Unit acquired as consideration.

The proposed Trust Scheme can only be implemented if all conditions precedent of the transaction are satisfied or waived. Importantly, these include SPS Unitholder approvals by the requisite majorities at the Trust Scheme Meetings that are being held later today, and Spicers Shareholder approval at this meeting in relation to the issue of new Spicers Shares. This gives both sets of security holders the opportunity to consider and vote on the Proposal. Final approval by the Supreme Court of New South Wales, by granting judicial advice is also required before the Trust Scheme can be implemented.

If implemented, the Proposal will result in eligible SPS Unitholders owning 68.3 percent of the Spicers enlarged equity base. I and my fellow Directors unanimously and strongly believe that this represents an optimal ratio which gives the best opportunity to accommodate both sets of security holders.

Under the Proposal, the Spicers Board has also agreed to a comprehensive board renewal process should the Trust Scheme be successfully implemented. This will allow the newly enlarged Shareholder base to elect a new Board to take Spicers forward on its next phase of activity. I will provide an update on this board renewal process later in my address.

Benefits of the Proposal

The Spicers Board strongly believes in the commercial rationale of the Proposal, and that it is in the best interests of all parties.

Capital structure simplification would put Spicers on a more sound and sustainable footing for the future.

Implementing the Proposal would provide the following key benefits:

- A simplified capital structure, which should:
 - Broaden investor interest in Spicers;
 - Enhance trading liquidity in Spicers Shares; and
 - May assist in improving Spicers' equity market valuation
- The removal of dividend-paying constraints

I will now outline the key benefits of the Proposal.

Your Directors strongly believe in the commercial rationale and benefits of the Proposal, and that it is in the best interests of your company and both sets of security holders.

Simplifying Spicers' capital structure is a key pillar in unlocking value for both sets of security holders and putting Spicers on a more sound and sustainable footing for the future.

Specifically, it is expected that implementation of the Proposal will provide a number of key benefits, including:

- The creation of a simplified, unified and transparent capital structure. This should broaden investor and analyst interest in Spicers, thus enhancing trading liquidity in Spicers Shares. This may assist in improving the correlation between the company's current equity market value and its asset based valuation.
- The removal of dividend paying constraints imposed by the current capital structure. This will allow Spicers, under a new Board, to consider paying dividends in the future.

Benefits of the Proposal (continued)

Key benefits from implementing the Proposal (continued):

- Access to a full range of corporate activities, some of which are beyond the Company's current capabilities due to its existing capital structure
- Spicer's operational turnaround activities would be assisted:
 - Board and executives able to focus without distraction on strategy and performance
 - Improved stakeholder confidence in Spicer's
 - Removal of complexity and costs attributable to the SPS Trust structure

- Your company would also be able to undertake a full range of financial and commercial activities, some of which are beyond its current capabilities due to the existing capital structure. Such activities could include engaging in M&A activity and equity-based transactions such as capital raisings or share buy backs, if determined appropriate by a new Spicer's Board.
- Implementing the Proposal would benefit Spicer's by removing the issues and uncertainties associated with the existing capital structure. This would assist Spicer's in its operational turnaround activities by:
 - Enabling a new board and Spicer's management to focus without distraction on your company's strategy and performance;
 - Improving confidence in Spicer's among key stakeholders, including customers, suppliers and financiers; and
 - Removing complexity and cost attributable to the SPS Trust structure.

Independent Experts

- Appointed to assess whether the Proposal is in the best interests of Spicers shareholders and SPS unitholders respectively
- Pitcher Partners Corporate Pty Ltd appointed as the Spicers Independent Expert
 - Concluded that the Proposal, and issue of new Spicers Shares, is fair and reasonable to Spicers shareholders
- Deloitte Corporate Finance Pty Ltd appointed as Independent Expert by The Trust Company directors
 - Concluded that the proposed Trust Scheme is fair and reasonable, and therefore in the best interests of SPS unitholders

I will now move to provide a summary of Independent Expert assessments, an important element of the process in making this Proposal.

Pitcher Partners Corporate was appointed as Independent Expert by Spicers, to consider whether the Proposal, and the issue of new Spicers Shares as consideration, is in the best interests of Spicers Shareholders.

Pitcher Partners have concluded that the Proposal is fair and reasonable to existing Spicers Shareholders.

The Trust Company directors also appointed Deloitte Corporate Finance, to similarly assess whether the proposed Trust Scheme is in the best interests of SPS Unitholders.

Deloitte also concluded that the proposed Trust Scheme is fair and reasonable and therefore is also in the best interests of SPS Unitholders.

Spicers Board Renewal



- Spicer's Board has agreed to a comprehensive board renewal process
- Non-executive directors (Robert Kaye and Mike Barker) intend to step-down as Directors upon appointment of new Directors.
- Spicer's Board search process for up to 3 new director nominations is well advanced
- Opportunity for other new director nominations to come from newly enlarged Spicer's Shareholder base
- New director nominations be voted on by Spicer's Shareholders at EGM to be called post-implementation of the Trust Scheme
 - EGM to be held as soon as practicable, and in any event within 4 months of successful implementation of the Trust Scheme

Before concluding my address, I will provide an update on the Spicer's board renewal process.

As part of the Implementation Agreement with The Trust Company, the Spicer's Directors agreed to a comprehensive board renewal process. This process will see myself and my co non-executive director, Mike Barker, step down from the Board. Mike and I strongly believe that this change will be in the best interests of your company, as it will allow the newly enlarged Shareholder base to elect the non-executive directors that will take Spicer's forward on its next phase of activity.

We are well advanced on an executive search process to identify up to three new Directors. Further announcements in relation to these Spicer's Board nominated candidates are expected to be made shortly.

Should the Proposal be successful, the board renewal process will also allow shareholders from the newly enlarged Spicer's Shareholder base to nominate suitably qualified and experienced candidates to join the new Spicer's Board.

Assuming the Proposal is successfully implemented, Spicer's will call an extraordinary general meeting to allow Shareholders to vote on the candidates identified by the Spicer's Board search and any candidates nominated by Shareholders. This extraordinary general meeting would be held as soon as practicable and in any event within four months from implementation of the Trust Scheme.

Directors Recommendations

- Your Directors unanimously recommend that Spicers shareholders vote in favour of the Proposal, and resolution to issue new Spicers Shares as consideration ⁽¹⁾
- No superior proposal has eventuated since announcement of this Proposal in October 2016
- The directors of The Trust Company also unanimously recommend that SPS unitholders vote in favour of the proposed Trust Scheme ⁽¹⁾

(1) – Subject to no Superior Proposal emerging

I will now conclude with the Spicers Directors' recommendation before we then move to the formalities of the Meeting.

Your Directors unanimously recommend that Spicers Shareholders vote in favour of the Proposal, and the resolution before this meeting to issue new Spicers Shares as consideration pursuant to the Trust Scheme. This recommendation is supported by the fair and reasonable opinion of the Spicers Independent Expert, as outlined earlier, and is subject to the customary caveat of no Superior Proposal emerging.

The Spicers Board strongly believes in the commercial rationale and benefits of the Proposal, and that a unified and transparent capital structure is in the best interests of your company and both sets of security holders.

Your Directors unanimously believe that 545 Spicers Shares in consideration for each SPS Unit is an optimal exchange ratio, which gives the best opportunity to accommodate, and offers value to, both sets of security holders. Importantly, no Superior Proposal to simply the capital structure or create superior shareholder value has emerged since the Proposal was first announced last October.

Lastly, I also note that the Directors of The Trust Company have also unanimously recommended that SPS Unitholders vote in favour of the proposed Trust Scheme, to offer the possibility of a 'new start' to Spicers and its operations. This recommendation is also subject to the caveat of no Superior Proposal emerging.

In conclusion, there will be no winners unless a resolution can be reached to this long-standing legacy of a complex capital structure.

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About Spicers Limited (SRS)

Spicers Limited is a merchant group with market leading positions in Australia, New Zealand and Asia. Spicers offers a full suite of products and services to the printing, signage, visual display and graphics industries – incorporating commercial print, packaging, digital media, sign & display, hardware, pressure sensitive labels and industrial packaging offerings.