

SPICERS PROSPECTUS

for the issue of 1,431,386,910 Spicers Shares
pursuant to the Trust Scheme in consideration
for the acquisition by Spicers of all SPS Units
it does not already own, in accordance
with the Trust Scheme

This is an important document and requires your immediate attention. You should read this document in its entirety before deciding how to vote and, if necessary, consult your legal, investment, taxation or other financial adviser without delay.

Issuer
Spicers Limited
ACN 005 146 350

Corporate Adviser
SLM /

Legal Adviser
Arnold Bloch Leibler
Lawyers and Advisers

Spicers 

Important Notices

About this Prospectus

This Prospectus is issued by Spicers Limited ACN 005 146 350 ('**Spicers**') for the purposes of Chapter 6D of the Corporations Act 2001 (Cth) ('**Corporations Act**'). This Prospectus relates to the offer by Spicers to issue the Trust Scheme Consideration (being 1,431,386,910 New Shares) to Eligible SPS Unitholders (or, in the case of Ineligible Overseas Unitholders, to the Foreign Nominee) in accordance with the terms of the Trust Scheme ('**Offer**'). Refer to section 2 of this Prospectus for further information.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In preparing this Prospectus regard has been had to the fact that Spicers is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and professional advisers whom investors may consult. Eligible SPS Unitholders should therefore have regard to the other information disclosed to the ASX Limited ABN 98 008 624 691 ('**ASX**') in relation to Spicers before deciding whether to invest.

SPS Unitholders should read this Prospectus, and the Trust Scheme Booklet, in their entirety and seek professional advice where necessary.

Lodgement and Listing

This Prospectus is dated 4 May 2017, and a copy was lodged with the Australian Securities and Investments Commission ('**ASIC**') on that date ('**Prospectus Date**'). Spicers will apply to ASX within seven days after the Prospectus Date for official quotation of the New Shares on ASX offered pursuant to this Prospectus.

None of ASIC, ASX or their respective officers takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Spicers and Computershare Investor Services Pty Limited ('**Share Registry**') disclaim all liability, whether in negligence or otherwise, to persons who sell their New Shares before receiving their holding statements, even if you obtained details of your holding statement from the SPS Information Line, or otherwise.

Expiry Dates

This Prospectus expires on the date which is 13 months after the Prospectus Date ('**Expiry Date**'), and no New Shares will be issued on the basis of this Prospectus after the Expiry Date.

This Prospectus does not provide investment advice

The information in this Prospectus is not investment advice or financial product advice and does not take into account your investment objectives, financial situation or particular needs. It is important that you read this Prospectus, and the Trust Scheme Booklet, carefully and in its entirety.

In particular, you should consider the risk factors that could affect the performance of Spicers. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, financial adviser, accountant or other independent professional adviser. Some of the key risk factors that should be considered are set out in section 7. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

Except as required by law, and only to the extent required, no person named in this Prospectus, nor any other person, warrants or guarantees the performance of Spicers or the repayment of capital by Spicers or any return on investment made pursuant to this Prospectus.

This Prospectus includes information regarding past performance of Spicers. Investors should be aware that past performance is not indicative of future performance.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by Spicers, Spicers' Directors, or any other person in connection with the Offer. You should rely only on Spicers-related information contained in this Prospectus.

Financial Information presentation

Sections 3.8 and 5.7 sets out the financial information referred to in this Prospectus and the basis of preparation of that information.

The historical financial information in section 3.8 has been prepared and presented in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards ('**AAS**'), except where otherwise stated. The pro forma financial information in section 5.7 included in this Prospectus has been prepared to illustrate the impact of the Proposal on the historical financial position and financial performance of the Spicers Group. The basis of preparation and presentation of the financial information is, to the extent applicable, consistent with the basis of preparation and presentation of the historical financial information.

All financial amounts contained in this Prospectus are expressed in Australian currency, unless otherwise stated. Any discrepancies between totals and sums of components in tables and figures contained in this Prospectus are due to rounding.

Forward looking statements

This Prospectus may contain forward looking statements which can be identified by words such as 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'plan', 'likely', 'intend', 'guidance', 'target', 'should', 'may', 'could' and other similar words or expressions. Forward looking statements included in this Prospectus include statements regarding the outcome and effects of the Offer, the Proposal and Spicers' intentions in relation to the SPS Trust and the Combined Spicers Group.

These forward looking statements are based on Spicers' current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of Spicers and Spicers' Directors, that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in this Prospectus.

Forward looking statements should be read in conjunction with, and are qualified by reference to, the risks outlined in section 7 and the other information contained in this Prospectus.

Other than as required by law, none of Spicers, Spicers' Directors, officers, employees or advisers give any representation, assurance or guarantee that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur, and investors are cautioned not to place undue reliance on such forward looking statements. Spicers does not intend to update or revise forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

Foreign jurisdictions

This Prospectus does not constitute an offer or invitation to apply for New Shares in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation. No action has been taken to register or qualify the New Shares or the Offer, or to otherwise permit a public offering of the New Shares, in any jurisdiction outside Australia.

The taxation treatment of Australian securities may not be the same as that for securities in foreign jurisdictions.

The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice in relation to, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

See section 10.13 for more detail on selling restrictions that apply to the Offer and the issuance of New Shares in jurisdictions outside Australia.

Changes to information

Information contained in this Prospectus may change. If a change occurs that will be materially adverse to the Offer, then in accordance with the Corporations Act, Spicers will issue a supplementary or replacement prospectus. However, if a change occurs that will not be materially adverse to the Offer, Spicers may not issue a supplementary or replacement prospectus.

Prospectus availability

A paper copy of this Prospectus is available free of charge to any SPS Unitholder in Australia by calling the SPS Information Line on 1300 783 484 (toll free within Australia) or +61 3 9415 4235 (toll and outside Australia) on Business Days between 9.00am and 5.00pm (Sydney time).

This Prospectus is also available to SPS Unitholders in Australia in electronic form at www.asx.com.au or www.spicerslimited.com.au. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

The Offer constituted by this Prospectus in electronic form is available only to persons downloading or printing it within Australia and is not available to persons in any other jurisdiction.

Applications

Eligible SPS Unitholders are not required to make any application in relation to the Offer. If the Trust Scheme becomes Effective, on the Implementation Date, Eligible SPS Unitholders who are not Ineligible Overseas Unitholders will be issued 545 Spicers Shares for every SPS Unit they hold. Eligible SPS Unitholders who are Ineligible Overseas Unitholders will be treated in the manner set out in section 2.6, with their New Shares issued to the Foreign Nominee.

If the Trust Scheme becomes Effective, without the need for any further act, Spicers and each of the Spicers Directors and officers, jointly and severally, are irrevocably appointed as each Eligible SPS Unitholders' attorney and agent for the purposes of doing anything (including executing any document) necessary, expedient or incidental to give full effect to the Trust Scheme and the transactions contemplated by it.

No cooling-off rights

Cooling-off rights do not apply to the Offer.

Definitions

Defined terms used in this Prospectus are explained in the Glossary at the end of this Prospectus. Unless otherwise stated or implied, references to times in this Prospectus are to Sydney time.

Privacy

Spicers and the Share Registry may collect personal information in the process of making the Offer and Implementing the Trust Scheme. The type of information that it may collect about you includes your name, contact details and information on your unitholding in the SPS Trust.

The collection of some of this information is required or authorised by the Corporations Act. The primary purpose of the collection of personal information is to assist Spicers to conduct the Offer and to Implement the Trust Scheme. Without this information, Spicers may be hindered in its ability to issue this Prospectus and Implement the Trust Scheme.

Personal information of the type described above may be disclosed to the Share Registry, third party service providers (including print and mail service providers and parties), authorised securities brokers, professional advisers, related bodies corporate of Spicers, regulatory authorities, and also where disclosure is otherwise required or allowed by law.

SPS Unitholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. If you would like to obtain details of information about you held by Spicers, please contact the SPS Information Line on 1300 783 484 (toll free within Australia) or +61 3 9415 4235 (toll and outside Australia) on Business Days between 9.00am and 5.00pm (Sydney time).

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Questions

If you have any questions about the Offer, please call the SPS Information Line on 1300 783 484 (toll free within Australia) or +61 3 9415 4235 (toll and outside Australia) on Business Days between 9.00am and 5.00pm (Sydney time).

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Key Dates and Timetable

| Event | Date |
|--|-------------------------|
| Lodgement of Prospectus | 4 May 2017 |
| Shareholder Meeting to be held at Computershare, Level 4, 60 Carrington Street, Sydney NSW 2000 Australia | 10.00am on 14 June 2017 |
| Trust Scheme Meetings for Unitholders of the SPS Trust to be held at Computershare, Level 4, 60 Carrington Street, Sydney NSW 2000 Australia | 12.00pm on 14 June 2017 |
| Announce results of Meeting and Trust Scheme Meetings | 14 June 2017 |
| If the Proposal is approved by Shareholders and SPS Unitholders: | |
| Judicial Advice Date | 20 June 2017 |
| Effective Date for Trust Scheme – amendments to the SPS Trust Constitution to give effect to the Trust Scheme are lodged with ASIC | 20 June 2017 |
| Trading in SPS Units suspended | 20 June 2017 |
| Record Date – date for determining entitlements to Trust Scheme Consideration | 22 June 2017 |
| Implementation Date – date on which Trust Scheme Consideration will be issued under this Offer in accordance with the Trust Scheme | 27 June 2017 |
| Despatch of holding statements for New Shares | 27 June 2017 |
| Trading of New Shares commences on the ASX on normal settlement basis | 28 June 2017 |

Dates and times are indicative only and subject to change. Any changes to the above timetable will be announced through the ASX and notified on Spicers' website www.spicerslimited.com.au. Unless otherwise specified, all dates refer to Sydney time.

Key Statistics

Current number of Spicers Shares on issue

665,181,261

Number of New Shares to be issued under Trust Scheme

1,431,386,910

Total number of Spicers Shares on issue following Implementation of the Proposal

2,096,568,171

Number of SPS Units held by Spicers

223,602

Number of SPS Units being acquired by Spicers under Trust Scheme

2,626,398

Number of SPS Units on issue

2,850,000

Existing Shareholders' interest in Spicers following Implementation of the Proposal ⁽¹⁾

31.7 per cent

Eligible SPS Unitholders' interest in Spicers following Implementation of the Proposal ⁽²⁾

68.3 per cent

(1) Excludes any New Shares issued to existing Shareholders in their capacity as an Eligible SPS Unitholder.

(2) Excludes any Shares held by Eligible SPS Unitholders prior to Implementation of the Proposal. Includes New Shares to be issued to the Foreign Nominee on behalf of Ineligible Overseas Unitholders.

Chairman's Letter



4 May 2017

Dear SPS Unitholders

On 20 December 2016, Spicers Limited (**'Spicers'** or **'the Company'**) announced that it had entered into a binding Implementation Agreement (**'Implementation Agreement'**) with The Trust Company (RE Services) Limited as responsible entity (**'The Trust Company'**) of the PaperlinX SPS Trust (**'SPS Trust'**) to simplify Spicers' capital structure. Under the Implementation Agreement, it is proposed that Spicers will acquire all PaperlinX Step-up Preference Securities in the SPS Trust (**'SPS Units'**) that it does not already own in consideration for issuing 545 Spicers ordinary shares (**'Spicers Shares'**) for each SPS Unit acquired (the **'Proposal'**). The Proposal is to be implemented via a trust scheme for the SPS Trust (**'Trust Scheme'**), which is subject to SPS Unitholder approval and Spicers Shareholder approval in relation to the issue of new Spicers Shares.

This Prospectus relates to the offer by Spicers of the Spicers ordinary shares (**'New Shares'** or **'Trust Scheme Consideration'**) under the Trust Scheme to Eligible SPS Unitholders (or, in the case of Ineligible Overseas Unitholders, to the Foreign Nominee) (**'Offer'**).

If the Proposal is approved and Implemented, Eligible SPS Unitholders will receive 545 Spicers Shares in exchange for each SPS Unit held.⁽³⁾ The Offer will result in non-Spicers SPS Unitholders holding 68.3 per cent of the Spicers' enlarged ordinary equity base.⁽⁴⁾ I and my fellow Spicers Directors unanimously believe that this is an optimal ratio, which gives the best opportunity to accommodate, and offers value to, both sets of security holders.

The Spicers Board strongly believes in the commercial rationale and benefits of the Proposal. Simplifying the capital structure is a key pillar of the Spicers Board's plans to unlock value for both sets of security holders and to put Spicers on a more sound and sustainable footing for the future. The Spicers Board believes that now is the right time for such a transaction, following the Company's withdrawal from European operations in 2015, a subsequent return to overall profitability in FY2016 and the appointment of David Martin as CEO in July 2016.

The Spicers Board believes that a simplified capital structure is in the best interests of the Company and both sets of security holders. Specifically, it is expected that Implementation of the Trust Scheme will provide several benefits, including:

- (a) the creation of a unified, simplified and transparent capital structure. The Directors believe it may also broaden investor and analyst interest in the Company, thus enhancing trading liquidity in Spicers Shares. This may also assist in improving the Company's equity market based valuation;
- (b) removal of dividend-paying constraints imposed by the existing capital structure, enabling a new Board to consider paying ordinary share dividends in the future;
- (c) enabling the Company to undertake a full range of commercial and financial activities beyond its current capabilities;
- (d) removing the uncertainties caused by the existing capital structure will enable the Spicers Board and management to focus without distraction on Spicers' performance and delivering its strategy;

(3) However, in the case of Ineligible Overseas Unitholders, Spicers will issue Shares to the Foreign Nominee who will sell the Shares on behalf of Ineligible Overseas Unitholders with the net proceeds of the sale to be distributed among Ineligible Overseas Unitholders proportionately to their relevant holdings of SPS Units.

(4) Excludes any Shares held by Eligible SPS Unitholders prior to Implementation of the Proposal. Includes New Shares to be issued to the Foreign Nominee on behalf of Ineligible Overseas Unitholders.

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- (e) improving confidence and removing perceptions of counterparty risk among the Company's key stakeholders, including customers, suppliers and financiers; and
 - (f) eliminating the complexity and administrative cost of maintaining the SPS Trust structure.

Importantly, both sets of security holders will have a say in the outcome of the Proposal by requiring respective votes on the Trust Scheme and the Shareholder Resolution. The Company's capital structure will only be unified and simplified if both sets of security holders vote in favour of the respective resolutions with the requisite majorities.

Should the Proposal be successful, Michael Barker and I intend to step down from the Spicers Board immediately upon the election of new Directors at an extraordinary general meeting to be held as soon as reasonably practical following Implementation of the Proposal. I believe that it makes sense to allow the newly unified body of shareholders to determine who should lead Spicers forward on its next phase of activity. Wayne Johnston, as Finance Director and CFO, intends to remain on the Spicers Board. Spicers has also undertaken that it will not undertake any Spicers Prescribed Occurrence⁽⁵⁾, other than as contemplated by the Implementation Agreement, the Trust Scheme or the Offer, until after the extraordinary general meeting to elect new Directors.

Spicers has come through an exceptional period of disruption in core paper markets and its previous European operations. The Company is starting to see a clear path forward at last, but the legacy issue of a complex capital structure, originating from the issuance of the SPS Units in 2007, still stands in the way. Unless this issue is properly confronted and resolved, the Spicers Board believes it may lead to adverse implications for Spicers and both sets of security holders.

This Prospectus contains detailed information about the Offer, Spicers, and a profile of the Combined Spicers Group should the Proposal be Implemented. Implementation of the Proposal and an investment in Spicers Shares is subject to a range of risks which are described in section 7 of the Prospectus. These risks include risks specific to the Proposal and the Offer (such as the value of the Trust Scheme Consideration and the conditions under the Scheme Implementation Agreement), risks specific to the Combined Spicers Group (such as structural decline in 'core' paper markets, competitive and industry landscapes, and contingent liabilities), and general risks.

I encourage you to read it carefully together with any supplementary or replacement information that may be released. The directors of The Trust Company have unanimously recommended that Unitholders of the SPS Trust vote in favour of the Trust Scheme Resolutions, in the absence of a Superior Proposal. There will be no winners unless a resolution to this legacy issue of a complex capital structure can be agreed.

Yours faithfully



Robert Kaye SC Chairman Spicers Limited

(5) Refer to section 2.3 for further information.

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Investment overview

This section is a summary of the Offer only and is not intended to address all the relevant issues in relation to the Offer for SPS Unitholders. SPS Unitholders should read this Prospectus (and the Trust Scheme Booklet) in its entirety. This section should be read in conjunction with the other sections of this Prospectus and the Trust Scheme Booklet.

| Question and answer | Where can I find more information? |
|---|------------------------------------|
| Overview of the Proposal and the Offer and key terms and conditions | |
| <p>What is the Proposal?</p> <p>On 20 December 2016, Spicers announced that it had entered into an Implementation Agreement with The Trust Company to simplify Spicers' capital structure.</p> <p>The Proposal involves Spicers acquiring all of the SPS Units from Eligible SPS Unitholders not currently held by Spicers in consideration for Spicers issuing to Eligible SPS Unitholders 545 Spicers Shares for every 1 SPS Unit transferred to it.⁽⁶⁾ If Implemented, the Proposal involves Spicers issuing 1,431,386,910 new Spicers Shares under the Trust Scheme, representing 68.3 per cent of the total Spicers Shares on issue following Implementation.</p> <p>In addition, a release will be provided by Spicers to The Trust Company, and releases will be provided by Unitholders to The Trust Company and Spicers.</p> | Sections 2 and 10.9 |
| <p>What is the Offer?</p> <p>The Offer is the offer by Spicers to issue the Trust Scheme Consideration (being 1,431,386,910 New Shares) to Eligible SPS Unitholders (or, in the case of Ineligible Overseas Unitholders, to the Foreign Nominee) in accordance with the terms of the Trust Scheme.</p> | Section 2.2 |
| <p>What are the rights and liabilities attaching to the New Shares?</p> <p>The rights and liabilities attaching to Spicers Shares, which form the Trust Scheme Consideration, are set out in Spicers Constitution and in the Corporations Act, including the right to vote, attend shareholder meetings and receive dividends. In addition, a comparison of the key terms of Spicers Shares and SPS Units is set out in section 8.5 of the Trust Scheme Booklet.</p> | Section 6 |

(6) However, in the case of Ineligible Overseas Unitholders, Spicers will issue Shares to the Foreign Nominee who will sell the Shares on behalf of Ineligible Overseas Unitholders with the net proceeds of the sale to be distributed among Ineligible Overseas Unitholders proportionately to their relevant holdings of SPS Units.

| Question and answer | Where can I find more information? |
|--|------------------------------------|
| Overview of the Proposal and the Offer and key terms and conditions continued | |
| <p>Am I eligible to participate in the Offer?</p> <p>Those SPS Unitholders on the SPS Trust Register on the Record Date (i.e. at 7.00pm on 22 June 2017) will be Eligible SPS Unitholders.</p> <p>Eligible SPS Unitholders whose addresses are shown in the SPS Trust Register on the Record Date as being in the following jurisdictions will be entitled to be issued New Shares under the Offer in accordance with the Trust Scheme subject to any qualifications set out below in respect of that jurisdiction:</p> <ul style="list-style-type: none"> (a) Australia and its external territories; (b) New Zealand; (c) United States of America; (d) the Cayman Islands; and (e) any other person or jurisdiction in respect of which Spicers and The Trust Company are satisfied that Spicers is not prevented from issuing Spicers Shares to such Eligible SPS Unitholder pursuant to the Trust Scheme by the laws of that place either unconditionally or after compliance with such conditions as The Trust Company and Spicers regard as acceptable. | Section 2.5 |
| <p>What if I am an Ineligible Overseas Unitholder?</p> <p>An Eligible SPS Unitholder will be considered an Ineligible Overseas Unitholder if the Eligible SPS Unitholder's registered address on the SPS Trust Register is in any jurisdiction other than those jurisdictions listed in section 2.5 and as noted in the 'Am I eligible to participate in the Offer?' question above.</p> <p>Accordingly, Ineligible Overseas Unitholders will not be issued with any New Shares under the Offer. The Trust Scheme Consideration that would otherwise have been issued to the Ineligible Overseas Unitholders will be issued to the Foreign Nominee and sold on the ASX, with the net proceeds of sale to be distributed among Ineligible Overseas Unitholders proportionately to their relevant holdings of SPS Units.</p> | Section 2.6 |
| <p>When will the New Shares under the Offer be issued?</p> <p>Once the Trust Scheme becomes Effective, New Shares will be issued on the Implementation Date, which is expected to occur on Tuesday, 27 June 2017.</p> <p>The issuance of new shares is conditional on the conditions precedent under the Implementation Agreement being satisfied or waived.</p> | Section 2.10 |
| <p>Will the New Shares be quoted on the ASX?</p> <p>Within seven days after the Prospectus Date, Spicers will apply to the ASX for official quotation of the New Shares on the ASX. New Shares will only be issued, quoted and tradeable on the ASX if the Proposal is Implemented.</p> | Section 2.11 |
| <p>When can New Shares be traded on the ASX?</p> <p>Trading in New Shares on the ASX is expected to commence on a normal settlement basis on Wednesday, 28 June 2017.</p> | Section 2.11 |
| <p>Do I need to apply for the New Shares?</p> <p>No. If you are an Eligible SPS Unitholder other than an Ineligible Overseas Unitholder, and the Trust Scheme becomes Effective, you will be issued your New Shares on the Implementation Date in accordance with the terms of the Trust Scheme.</p> | Section 2.10 |

| Question and answer | Where can I find more information? |
|--|------------------------------------|
| Implementation of the Proposal | |
| <p>What are the conditions that need to be satisfied before the Proposal can proceed?</p> <p>There are a number of conditions precedent that will need to be satisfied or waived (as applicable) before the Proposal can be Implemented. In summary, as at the Prospectus Date, the outstanding conditions precedent include:</p> <ul style="list-style-type: none"> • approval by Unitholders of the SPS Trust of the Trust Scheme Resolutions by the requisite majorities at the Trust Scheme Meetings; • approval by Spicers Shareholders of the Resolution by the requisite majority at the Meeting; • prior to 8.00am on the Judicial Advice Date, ASIC and ASX providing such consents or approvals required to Implement the Trust Scheme; • no Spicers Prescribed Occurrences or The Trust Company Prescribed Occurrences (as those terms are defined in the Implementation Agreement) occurring between 19 December 2016 and 5.00pm on the Business Day immediately prior to the Judicial Advice Date (except with the consent of The Trust Company or Spicers, respectively); • approval by the Court by granting the Judicial Advice; and • no restraints being imposed by any court or government agency. <p>The Proposal will not proceed unless all conditions precedent are satisfied or waived (as applicable).</p> | Section 2.3 |
| <p>What will happen to the SPS Trust if the Proposal is Implemented?</p> <p>Following Implementation, it is intended that:</p> <ul style="list-style-type: none"> • the SPS Trust will be removed from the official list of the ASX; • the SPS Trust will be deregistered as a registered managed investment scheme, following which The Trust Company will be replaced as the responsible entity of the SPS Trust with a subsidiary of Spicers; and • the SPS Units will be redeemed and cancelled and the SPS Trust will be wound up. <p>In addition, Spicers will seek to simplify its group structure by unwinding the arrangements which were put in place in relation to the SPS Units, by undertaking the steps set out in section 5.5. Although the stand alone financial statements of Spicers Limited and the Spicers Deed of Cross Guarantee Group will benefit from reinstatement to positive equity positions from the extinguishment of the subordinated loan notes payable to PaperlinX LLC, there will be no net impact on the Spicers Group's consolidated financial information, as the transactions relating to the relevant intra-group balances will be eliminated upon consolidation.</p> | Sections 5.5 and 5.6 |
| <p>What happens if the Proposal is not Implemented?</p> <p>If the Proposal is not Implemented:</p> <ul style="list-style-type: none"> • SPS Trust will remain listed on the ASX and Spicers will continue to operate as it currently does; • Spicers will not acquire the outstanding SPS Units not already owned by it and will not issue any new Spicers Shares to SPS Unitholders; and • the expected benefits of the Proposal will not be realised. | Section 7.2(a) |

Information about Spicers, SPS Trust and Spicers' intentions following Implementation

What is Spicers?

Spicers Limited (formerly PaperlinX 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.

Sections 3.1 and 3.2

What is Spicers' historical financial information?

A brief summary of Spicers' historical consolidated income statements is presented below.

Section 3.8

| | Year ended 30 June 2015 (restated) ⁽¹⁾ | Year ended 30 June 2016 | Half year ended 31 Dec 2015 | Half year ended 31 Dec 2016 |
|---|--|-------------------------------|--------------------------------------|--------------------------------------|
| \$'000 | | | | |
| Continuing operations | | | | |
| Revenue from sale of goods | 403,961 | 392,682 | 202,634 | 195,217 |
| Gross profit ⁽²⁾ | 85,697 | 81,405 | 40,610 | 40,384 |
| Result from operating activities ⁽²⁾ | (9,591) | 5,516 | 2,913 | 3,044 |
| Profit/(loss) from continuing operations | (14,089) | 1,497 | 1,440 | 1,412 |

(1) As reflected in Spicers' financial report for Financial Year (FY) 2016, FY2015 financial information was restated to reclassify operations discontinued in FY2016.

(2) For Half Year (HY) 2016 and HY2017, foreign exchange gains and losses in relation to inventory purchases have been recorded as part of 'Cost of inventory sold'. For FY2015 and FY2016, foreign exchange gains and losses in relation to inventory purchases have been recorded as part of 'Net finance costs'.

What is Spicers' pro forma financial information?

A brief summary of Spicers' pro forma consolidated statement of financial position is presented below.

Section 5.7

| | Statutory 31 Dec 2016 | Pro forma adjustments | Pro forma 31 Dec 2016 |
|-------------------------|-----------------------------|--------------------------|-----------------------------|
| \$'000 | | | |
| Total assets | 225,248 | (4,189) | 221,059 |
| Total liabilities | 82,939 | – | 82,939 |
| Net assets/Total equity | 142,309 | (4,189) | 138,120 |

There would be no material impacts on the Spicers consolidated income statement or consolidated statement of cash flows arising from the Implementation of the Proposal.

What is the SPS Trust?

The SPS Trust was established for the purposes of issuing a security called PaperlinX Step-up Preference Securities (**SPS Units**). The SPS Units are perpetual, preferred units. On 30 March 2007, 2,850,000 SPS Units were issued at an issue price of \$100 per security raising \$285 million. All funds raised from the issue were used to subscribe for preference shares in a subsidiary of Spicers Limited, PaperlinX LLC. PaperlinX LLC then lent the subscription proceeds received from the SPS Trust to the Spicers Group to retire debt. The SPS Units are quoted on the ASX under 'PXUPA'.

The SPS Trust is a registered managed investment scheme domiciled in Australia.

Section 4

| Question and answer | | Where can I find more information? | | | | | | | | | | | | |
|---|-------------------------|------------------------------------|-----------|----------------|-----------|---|-------------------|-----------|---|-------------------|---------|---|----------------------|--|
| Information about Spicers, SPS Trust and Spicers’ intentions following Implementation continued | | | | | | | | | | | | | | |
| <p>What are Spicers’ intentions in relation to the Combined Spicers Group following Implementation?</p> <p>If the Proposal is Implemented, Spicers will issue the Trust Scheme Consideration under the Offer and the SPS Trust will become wholly owned by Spicers Limited.</p> <p>Following Implementation of the Proposal, Spicers’ operations and business will remain unchanged.</p> | Sections 5.1 and 5.6 | | | | | | | | | | | | | |
| <p>Who will be on the Spicers Board following Implementation of the Proposal?</p> <p>On 20 December 2016, Spicers announced that the Spicers Board has agreed to undertake a comprehensive board renewal process. This will enable the newly unified body of Shareholders to elect the Directors that will take Spicers forward on its next phase of activity. The board renewal process involves a number of steps which are further described in section 5.3.</p> <p>Spicers has undertaken to Eligible SPS Unitholders that, until Spicers holds an extraordinary general meeting of Shareholders to seek Shareholder approval for the election of new Directors, it will not undertake any Spicers Prescribed Occurrence, other than as contemplated by the Implementation Agreement, the Trust Scheme or the Resolution.</p> | Section 5.3 | | | | | | | | | | | | | |
| <p>What are the significant benefits and interests of Directors and other persons connected with the Offer?</p> <p>As at the Prospectus Date, the Directors have the following relevant interests in Spicers Shares and SPS Units:</p> <table><tr><th>Director</th><th>Spicers Shares</th><th>SPS Units</th></tr><tr><td>Mr Robert Kaye</td><td>1,002,246</td><td>0</td></tr><tr><td>Mr Michael Barker</td><td>1,000,000</td><td>0</td></tr><tr><td>Mr Wayne Johnston</td><td>469,130</td><td>0</td></tr></table> <p>Further details of Directors’ remuneration arrangements and other interests are described in section 8.2.</p> <p>In addition, the costs of the Proposal (including the Offer) expected to be payable by Spicers is currently estimated to be approximately \$4.2 million. This includes financial advisory, legal, accounting, independent experts, tax, administrative fees, registry, and other expenses. It also includes transaction costs incurred by The Trust Company.</p> | Director | Spicers Shares | SPS Units | Mr Robert Kaye | 1,002,246 | 0 | Mr Michael Barker | 1,000,000 | 0 | Mr Wayne Johnston | 469,130 | 0 | Sections 8.2 and 8.5 | |
| Director | Spicers Shares | SPS Units | | | | | | | | | | | | |
| Mr Robert Kaye | 1,002,246 | 0 | | | | | | | | | | | | |
| Mr Michael Barker | 1,000,000 | 0 | | | | | | | | | | | | |
| Mr Wayne Johnston | 469,130 | 0 | | | | | | | | | | | | |
| <p>What will Spicers’ dividend policy be?</p> <p>As the Spicers Board is undertaking a board renewal process, the current Spicers Board will not determine a future dividend policy for Spicers following Implementation of the Proposal and will instead allow the new Spicers Board to establish and then communicate the future Spicers dividend policy at the appropriate time.</p> | Section 5.4 | | | | | | | | | | | | | |
| <p>What fees are paid in connection with the Proposal (including the Offer)?</p> <p>Total fees incurred by Spicers are expected to total approximately \$4.2 million. This estimate includes fees payable to legal, financial, tax and accounting advisers, independent experts, and other costs relating to the Proposal (including the Offer).</p> | Sections 5.7(c) and 8.5 | | | | | | | | | | | | | |

Key risks

Section 7

What are the key risks associated with the Proposal, the Offer and the Combined Spicers Group?

The key risks associated with the Proposal, the Offer and relating to the Combined Spicers Group include:

Risks specific to the Proposal and the Offer:

- **Implications for Spicers if the Proposal is not Implemented:** If the Proposal is not Implemented there may be adverse implications for Spicers, its Shareholders and SPS Unitholders. Some of these risks include that market valuations for Spicers Shares may continue to be adversely affected, open market trading in Spicers Shares is likely to remain constrained and ongoing legal disputes may continue to affect Spicers.
- **Value of Trust Scheme Consideration:** The implied value of the Trust Scheme Consideration to be issued by Spicers to the Eligible SPS Unitholders (and, in the case of Ineligible Overseas Holders, to the Foreign Nominee) will depend on the price at which Spicers Shares trade on the ASX after the Implementation Date and is not fixed.
- **Sale of Spicers Shares by Eligible SPS Unitholders and/or Foreign Nominee:** Under the Offer, Spicers will issue a significant number of New Shares. Some Eligible SPS Unitholders who receive New Shares under the Offer may not intend to continue to hold their New Shares and wish to sell them. The New Shares issued to the Foreign Nominee will be sold on the ASX as soon as practicable after Implementation. It is possible that the sale of those Spicers Shares on-market may apply downward pressure to the price of Spicers Shares.
- **Conditions under the Implementation Agreement:** Implementation of the Proposal (and the Offer) is subject to the satisfaction or waiver (as applicable) of conditions precedent under the Implementation Agreement.
- **Board renewal process:** There is a risk that suitable new Directors may not be identified. There is also uncertainty over the strategic direction a new board may implement, which may be different from the present strategy and intentions of the current Spicers Board as identified in sections 3.2(b) and 5.6.

Risks specific to the Combined Spicers Group:

- **Structural decline in 'core' paper markets:** Spicers' future financial performance is dependent upon the success of its business strategies in 'core' paper markets, which have been subject to decline. Further, it is difficult to accurately forecast the level of structural decline in the consumption of paper, which may impact Spicers' overall profitability.
- **Competitive and industry landscapes:** The Spicers Group is subject to risks related to the competitive and industry landscapes it operates in, including linkages with ongoing structural decline in core paper markets. Spicers' future sales levels, gross profit margins, and overall financial performance may be impacted by these risks.
- **Execution of diversification strategy:** There are risks that Spicers' strategy to expand into new markets and product categories in order to reduce reliance on 'core' paper markets may not be successfully executed. In particular, the growth of diversified revenue streams, including via acquisition, may not be sufficient, and the nature and risks of new markets and product categories entered may not be properly understood.
- **Contingent liabilities relating to Spicers' previous European operations:** Spicers (then known as PaperlinX) withdrew from its former operations in Europe during 2015. Several European subsidiaries were placed into insolvency proceedings during this period. These insolvency proceedings are ongoing and are expected to continue for some time. As part of Spicers' previous European operations and/or these proceedings, legal claims and other exposures may arise that impact Spicers. There is a material uncertainty as to whether a future liability will arise in respect of these matters and the amount of any potential liability.

It is further noted that two of Spicers' previous United Kingdom subsidiaries were the principal employer of defined benefit pension schemes which had significant deficits at the time these subsidiaries entered external administration proceedings. In certain circumstances, the UK Pensions Regulator can use its 'moral hazard' powers to seek to extend liability for UK defined benefit schemes to other entities in a corporate group. There is material uncertainty as to whether a future liability will arise in respect of these matters. The amount of any potential liability is unascertainable at this time and will depend on a variety of factors. Spicers has not received any correspondence from the UK Pension Regulator nor does it have any reason to believe that the UK Pension Regulator intends to exercise its 'moral hazard' powers in relation to Spicers.

| Question and answer | Where can I find more information? |
|--|------------------------------------|
| Key risks continued | |
| <ul style="list-style-type: none"> • Material litigation risks: Proceedings have been brought against Spicers in the NSW Supreme Court seeking preliminary discovery of documents relating to a loan from PaperlinX LLC to Spicers and its subsidiaries, and to the renegotiation and amendment or variation of the loan. In addition, The Trust Company has sought judicial advice and direction of the Court pursuant to section 63(1) of the <i>Trustee Act 1925 (NSW)</i> in respect of particular matters. Further, while not the subject of litigation, allegations have been made in correspondence by two SPS Unitholders against Spicers and its Directors regarding the management and conduct of the Spicers Group and the arrangements with respect to the SPS Trust. <p>Further risks relating to the Proposal, the Combined Spicers Group and general factors are noted in sections 7 and 10. General risks include general economic and financial conditions, government policy, regulatory risks and taxation, equity market conditions, liquidity risk and litigation risk.</p> | Section 7 |
| Other questions | |
| <p>What are the tax consequences for Spicers?</p> <p>Spicers has obtained a private binding ruling from the ATO that confirms that the Proposal:</p> <ul style="list-style-type: none"> • will not result in Spicers failing the continuity of ownership test which is currently relied upon by Spicers for the utilisation of tax losses in future years; and • will not give rise to any adverse income tax implications associated with the post-implementation corporate restructure steps as described in section 5.5. | Section 5.5 |
| <p>What are the tax consequences for SPS Unitholders?</p> <p>The taxation consequences of the Offer will depend upon the Eligible SPS Unitholder's particular circumstances. As such, it is the obligation of the Eligible SPS Unitholders to make their own enquiries concerning the taxation consequences of the Offer.</p> <p>An overview of the tax treatment for Australian tax resident investors is included in section 9.</p> | Section 9 |
| <p>What if I have further questions about the Proposal or the Offer?</p> <p>If, after reading this Prospectus and the Trust Scheme Booklet, you have any questions about the Proposal or the Offer, you should call the SPS Information Line on 1300 783 484 (toll free within Australia) or +61 3 9415 4235 (toll free and outside Australia) on Business Days between 9.00am and 5.00pm (Sydney time).</p> <p>If you are in doubt as to what you should do, you should consult your financial, legal or other professional adviser.</p> | |
| <p>What are the prospects of Spicers or The Trust Company receiving a Superior Proposal in the future?</p> <p>The Spicers Board believes that the Proposal is in the best interests of Spicers and both sets of security holders.</p> <p>After exhaustive investigation, the Spicers Board believes that there are no other feasible alternatives for the resolution of the Spicers Group's complex capital structure, originating from the issuance of the SPS Units in 2007, and therefore the possibility of a proposal that could give rise to a Superior Proposal emerging in the foreseeable future is low.</p> | |

2

Details of the Proposal and the Offer

2.1 Background and Offer

On 20 December 2016, Spicers announced that it had entered into an Implementation Agreement with The Trust Company to simplify Spicers' capital structure (the **Proposal**).

The Spicers Board strongly believes in the commercial rationale and benefits of the Proposal. Simplifying the capital structure is a key pillar of the Spicers Board's plans to unlock value for both sets of security holders and to put Spicers on a more sound and sustainable footing for the future. The Spicers Board believes that now is the right time for such a transaction, following Spicers' withdrawal from European operations in 2015 and a subsequent return to overall profitability in FY2016.

Under the Proposal, Eligible SPS Unitholders will receive 545 Spicers Shares (**New Shares**) in exchange for each SPS Unit held (**Offer**).⁽⁷⁾ The Spicers Board unanimously believes that this is an optimal ratio, which provides the best opportunity to accommodate both sets of security holders, and offers value to both ordinary shareholders and SPS Unitholders.

The Spicers Board believes that a simplified capital structure is in the best interests of Spicers and both sets of security holders. Specifically, it is expected that Implementation of the Proposal will provide several benefits, including:

- (a) creation of a unified, simplified and transparent capital structure. The Directors believe it may also broaden investor and analyst interest in Spicers, thus improving trading liquidity in Spicers Shares. This may also assist in improving Spicers' equity market based valuation;
- (b) removal of dividend-paying constraints imposed by the existing capital structure, enabling a new Spicers Board to consider paying ordinary share dividends in the future;
- (c) enabling Spicers to undertake a full range of commercial and financial activities beyond its current capabilities, including, if determined appropriate by a new Board, access to capital raisings and engaging in M&A activity;
- (d) improving confidence and removing perceptions of counterparty risk among Spicers' key stakeholders including customers, suppliers and financiers; and
- (e) eliminating the complexity and administrative cost of maintaining the SPS Trust structure.

In addition, Spicers will seek to simplify its group structure by unwinding the arrangements which were put in place in relation to the SPS Units, by undertaking the steps set out in section 5.5. Although the stand alone financial statements of Spicers Limited and the Spicers Deed of Cross Guarantee Group will benefit from reinstatement to positive equity positions from the extinguishment of the subordinated loan notes payable to PaperlinX LLC, there will be no net impact on the Spicers Group's consolidated financial information, as the transactions relating to the relevant intra-group balances will be eliminated upon consolidation.

Importantly, the Proposal allows the two sets of security holders to have a say in the outcome by requiring respective votes on the Trust Scheme Resolutions and the Shareholder Resolution. The Spicers Group's capital structure will only be unified and simplified if both sets of security holders vote in favour of those resolutions.

⁽⁷⁾ However, in the case of Ineligible Overseas Unitholders, Spicers will issue Shares to the Foreign Nominee who will sell the Shares on behalf of Ineligible Overseas Unitholders with the net proceeds of the sale to be distributed among Ineligible Overseas Unitholders proportionately to their relevant holdings of SPS Units.

2.2 Overview of the Proposal and the Offer

If the Proposal is Implemented:

- (a) Spicers will acquire the remaining 2,626,398 SPS Units not already held by it (Spicers currently owns 223,602 SPS Units);
- (b) under the Offer in accordance with the Trust Scheme, Eligible SPS Unitholders will receive the Trust Scheme Consideration in respect of each SPS Unit they hold on the Record Date. Ineligible Overseas Unitholders will not be issued with any New Shares. Any New Shares that would otherwise have been issued to the Ineligible Overseas Unitholders will be issued to the Foreign Nominee and sold on the ASX, with the net proceeds of sale to be distributed among Ineligible Overseas Unitholders proportionately to their relevant holdings of SPS Units; and
- (c) all of the Units in the SPS Trust will be held by Spicers and the SPS Trust will subsequently be delisted from the ASX (and ultimately wound up).

From the date of their issue, the New Shares issued under the Offer will rank equally in all respects with the existing Spicers Shares and will be fully paid and free from any encumbrances. The rights and liabilities attaching to the New Shares will be governed by the Spicers Constitution, subject to the Corporations Act and the ASX Listing Rules.

Details on Eligible SPS Unitholders and Ineligible Overseas Unitholders are set out in sections 2.5 and 2.6, respectively.

Details of the consideration to be paid to Ineligible Overseas Unitholders is set out in section 2.6.

2.3 Conditions of the Offer

The Offer is conditional on Spicers Shareholders approving the Shareholder Resolution to issue the New Shares and SPS Unitholders approving the Trust Scheme Resolutions to Implement the Trust Scheme. The Offer and the Proposal are also subject to several other conditions precedent which are summarised in the Trust Scheme Booklet.

The Offer will not proceed unless all conditions precedent are satisfied or waived (if applicable) in accordance with the Implementation Agreement. As at the date of the Prospectus, Spicers is not aware of any circumstances which would cause the conditions precedent not to be satisfied.

2.4 Trust Scheme Consideration

If the Proposal is Implemented, Eligible SPS Unitholders will receive the Trust Scheme Consideration.

Other than in respect of Ineligible Overseas Unitholders, the Trust Scheme Consideration comprises the issuance of New Shares under the Offer. Spicers will issue to each Eligible SPS Unitholder (and, in the case of Ineligible Overseas Unitholders, to the Foreign Nominee) 545 Spicers Shares for every SPS Unit held on the Record Date. In aggregate, Spicers will issue 1,431,386,910 New Shares under the Offer in accordance with the Trust Scheme.

Ineligible Overseas Unitholders will not be entitled to receive New Shares in connection with the Proposal. Any New Shares which Ineligible Overseas Unitholders would otherwise be entitled to be issued to the Foreign Nominee who will sell them on their behalf and provide them with the net proceeds of the sale.

2.5 Eligible SPS Unitholders

Those SPS Unitholders on the SPS Trust Register on the Record Date (i.e. at 7.00pm on 22 June 2017) will be Eligible SPS Unitholders.

SPS Unitholders whose addresses are shown in the SPS Trust Register on the Record Date as being in the following jurisdictions will be entitled to be issued New Shares under the Offer in accordance with the Trust Scheme subject to any qualifications set out below in respect of that jurisdiction:

- (a) Australia and its external territories;
- (b) New Zealand;
- (c) United States of America;
- (d) the Cayman Islands; and
- (e) any other person or jurisdiction in respect of which Spicers and The Trust Company are satisfied that Spicers is not prevented from issuing Spicers Shares to such Eligible SPS Unitholder pursuant to the Trust Scheme by the laws of that place either unconditionally or after compliance with such conditions as The Trust Company and Spicers regard as acceptable.

2.6 Ineligible Overseas Unitholders

Restrictions in certain foreign countries may make it impractical or unlawful to offer or receive securities in those countries. For this reason, the entitlement of Eligible SPS Unitholders who are Ineligible Overseas Unitholders to New Shares will be dealt with under the Trust Scheme by the Foreign Nominee.

An Eligible SPS Unitholder will be considered an Ineligible Overseas Unitholder if the Eligible SPS Unitholder's registered address on the SPS Trust Register is in any jurisdiction other than those jurisdictions listed in section 2.5.

Accordingly, Ineligible Overseas Unitholders will not be issued with any New Shares under the Offer. The Trust Scheme Consideration that would otherwise have been issued to the Ineligible Overseas Unitholders will be issued to the Foreign Nominee and sold on the ASX, with the net proceeds of sale to be distributed among Ineligible Overseas Unitholders proportionately to their relevant holdings of SPS Units.

2.7 Effective Date

The Trust Scheme (and the Offer) will, subject to the conditions precedent being satisfied or waived (if applicable) as referred to in section 2.3, become Effective on the Effective Date (being the date the Trust Scheme takes effect pursuant to section 601GC of the Corporations Act). Spicers will, on the Proposal becoming Effective, give notice of that event to the ASX.

2.8 Determination of Eligible SPS Unitholders

As referred to in section 2.5, those SPS Unitholders on the SPS Trust Register on the Record Date (i.e. at 7.00pm on 22 June 2017) will be Eligible SPS Unitholders.

For the purposes of calculating entitlements under the Trust Scheme (and the Offer), any dealing in SPS Units will only be recognised if:

- (a) in the case of dealings of the type to be effected by CHESS, the transferee is registered in the SPS Trust Register as the holder of the relevant SPS Units by the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before the Record Date at the SPS Registry.

Subject to the Corporations Act, ASX Listing Rules and the SPS Trust Constitution, The Trust Company must register registrable transmission applications or transfers of the kind recognised above by the Record Date (provided that The Trust Company is not required to register a transfer that would result in a SPS Unitholder holding a parcel of SPS Units that is less than a marketable parcel (as defined in the market rules of the ASX)).

The Trust Company will not accept for registration or recognise for any purpose any transmission application or transfer in respect of SPS Units after the Record Date.

2.9 Notice to custodians and nominees

Due to foreign legal restrictions, persons acting as custodians or nominees for other persons may not send any documents relating to the Offer to any person in any jurisdiction outside Australia, New Zealand, the United States of America or the Cayman Islands without the consent of Spicers.

2.10 Implementation Date and issuance of New Shares

The Implementation Date is the date that is three Business Days after the Record Date.

The Implementation Date is expected to be 27 June 2017.

On the Implementation Date, Spicers must issue the Trust Scheme Consideration to Eligible SPS Unitholders (and, in the case of Ineligible Overseas Holders, to the Foreign Nominee), and cause their names and addresses to be entered in the Share Register in respect of the new Spicers Shares to which they are entitled.

Once the Trust Scheme Consideration has been issued, the SPS Units will be transferred to Spicers without any need for further actions by any SPS Unitholder.

2.11 ASX quotation and trading of New Shares

Once the Trust Scheme becomes Effective, New Shares issued under the Offer are expected to commence trading on the ASX on a normal settlement basis on Wednesday, 28 June 2017.

Spicers will apply to the ASX within seven days after the Prospectus Date for official quotation of the New Shares on the ASX.

2.12 CHESS and issuer sponsored holdings

As soon as practicable after the Implementation Date, Spicers must send a certificate or holding statement (or equivalent document) to each Eligible SPS Unitholder (and the Foreign Nominee in respect of Ineligible Overseas Unitholders) representing the number of New Shares issued to the SPS Unitholder pursuant to the Offer. This statement will also provide details of a shareholder's HIN in the case of a holding on the CHESS subregister or SRN in the case of holding on the issuer sponsored subregister. Shareholders will be required to quote their HIN or SRN, as applicable, in all dealings with a stockbroker or the Share Registry.

Subsequent statements will be issued at the end of any month in which there has been a change to their holding on the Share Register and as otherwise required under the ASX Listing Rules.

2.13 Representations and acknowledgement

Each Eligible SPS Unitholder (and the Foreign Nominee in respect of Ineligible Overseas Holders) will be deemed to have:

- (a) agreed to be bound by the terms and conditions of the Offer and on issuance of Spicers Shares, agrees to become a member of Spicers and to be bound by the terms of the Spicers Constitution;
- (b) acknowledged that the Eligible SPS Unitholder(s) has had the opportunity to consider the suitability of an investment in Spicers Shares with their professional advisers;
- (c) declared that if a natural person, the Eligible SPS Unitholder is/are over 18 years of age;
- (d) authorised Spicers and its officers or agents, to do anything on the Eligible SPS Unitholder's behalf necessary for the Spicers Shares to be issued to the Eligible SPS Unitholder(s), including to act on instructions received by the SPS Trust Registry upon using the contact details on the SPS Trust Register;
- (e) acknowledged that the information contained in this Prospectus (or any supplementary or replacement document) is not investment advice or a recommendation that Spicers Shares are suitable for the Eligible SPS Unitholder(s), given its/their investment objectives, financial situation or particular needs;
- (f) declared that the Eligible SPS Unitholder is an Australian resident or otherwise a person to whom the Offer can be made, and Spicers Shares issued, in accordance with section 2.5;
- (g) consented to the use and disclosure of the Eligible SPS Unitholder's(s') personal information as described in the Important Notices above, and understood and agreed that the use and disclosure of the Eligible SPS Unitholder's(s') personal information applies to any personal information collected by Spicers and any member of the Spicers Group in the course of the Eligible SPS Unitholder's(s') relationship with Spicers and any member of the Spicers Group;
- (h) acknowledged that Spicers Shares have not been, and will not be, registered under the US Securities Act or pursuant to the securities laws of any other jurisdiction outside Australia;
- (i) represented and warranted that the laws of any other place, including any restrictions set out in section 10.13 of this Prospectus, do not prohibit the Eligible SPS Unitholder(s) from being given the Prospectus (or any supplementary or replacement Prospectus) or being issued with the Spicers Shares; and
- (j) investments can be subject to investment risk, including possible delays in repayment and loss of income and principal invested. Spicers does not in any way guarantee or stand behind the capital value or performance of Spicers Shares.

2.14 Implementation of the Proposal and other information

For further information regarding the Proposal, you should read this Prospectus and also the Trust Scheme Booklet in full.

3

Information about Spicers

This section provides an overview of Spicers, its principal activities and recent history.

Spicers is listed on the ASX and is obliged to comply with the continuous disclosure requirements of the ASX. Information on Spicers may also be obtained from the ASX's website at www.asx.com.au or from Spicers' website at www.spicerslimited.com.au.

3.1 Background

Spicers 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.

Spicers sources, stocks, markets and distributes a broad range of products and services to its customers, supported by expert local sales teams and broad nationwide distribution footprints.

3.2 Current operations and strategy

(a) Principal business activities

Spicers is a leading distributor and provider of services to customers in commercial print, sign & display, pressure sensitive labelling and packaging market sectors. Spicers has business operations in Australia, New Zealand and Asia, with approximately 440 employees and continuing sales revenue of approximately \$390 million.

Spicers stock and distribute a wide range of products and services in two broad market sectors:

- (i) **Commercial print and packaging categories:** A broad range of paper related products are supplied to customers, covering traditional commercial print and packaging uses through to expanding digital print applications and industrial packaging materials.

Products and services include:

- (A) coated and uncoated fine papers (many with recycled content);
- (B) carbonless paper;
- (C) speciality papers – coloured, textured, embossable;
- (D) synthetic papers;
- (E) digital (high speed inkjet) papers;
- (F) cardboard packaging materials;
- (G) narrow web pressure sensitive materials; and
- (H) other industrial packaging products, ranging from protective packaging through to wrapping films and self-adhesive tapes.

- (ii) **Sign & display and other diversified categories:** A wide array of products and services are provided to customers in the signage, visual display, labels and graphics industries. From point-of-sale graphics and vehicle wraps, through to shop fit out and architectural and construction applications Spicers has a solution to meet customers' needs.

Products and services include:

- (A) flexible vinyl substrates – cut and coloured to suit a wide variety of applications;
- (B) rigid substrates – a broad range of sign & display substrates;

3.2 Current operations and strategy continued

- (C) pressure sensitive films and wraps – coloured, reflective and protective materials for a varied range of applications;
- (D) wide format printing equipment and inks;
- (E) print media and finishing products – roll media and protective laminates;
- (F) LED and LCD display products; and
- (G) architectural & construction – interior and exterior solutions to suit varied construction and rejuvenation applications.

Products are sourced with consideration for environmental and social criteria. All Spicers operations have chain-of-custody certifications, such as Forest Stewardship Council (FSC) or Program for the Endorsement of Forest Certification (PEFC), and are committed to providing a wide range of products with strong environmental credentials.

(b) Strategic direction and prospects

Spicers' principal strategic focus is for its businesses to maximise returns in commercial print and packaging markets, while driving profitable revenue growth in sign & display and other diversified market sectors.

Using a more structured market and product segmentation approach recently introduced, Spicers aims to achieve this by a combination of:

- (i) maximising returns in the commercial print and packaging market sectors, by leveraging off strong market positions, established national logistics footprints and valuable long standing relationships with suppliers and customers;
- (ii) driving strong organic growth in sign & display and other diversified market sectors, using structured product categories to identify opportunities and develop positioning to meet market demand and customer needs. Opportunities to secure new brand and agency partnerships with suppliers are an important element of this organic growth strategy; and
- (iii) investing in suitable 'bolt-on' acquisitions, funded out of free cash flow, to further accelerate profitable growth in attractive diversified market sectors.

Strong market engagement with customers, operational excellence via developing a 'LEAN' culture in the business, and a focus on employee development are key areas to assist in executing Spicers' strategy.

3.3 Board and senior management

(a) Board

The Spicers Board and a brief description of their qualifications and other directorships are set out below:

Robert Kaye SC

LLB (Syd), LLM (Cambridge) (Hons)
Independent Non-executive Director
(Chairman)

Appointed a Director in September 2012 and Chairman effective 28 March 2013. He is also Chairman of the Nomination & Governance Committee.

Robert was admitted to legal practice in 1978 and employed as a solicitor at Allen, Allen & Hemsley Solicitors. Thereafter, he pursued his legal career at the NSW Bar and was appointed Senior Counsel in 2003, practising in commercial law. He has been involved extensively in an array of commercial matters, both advisory and litigious in nature, and served on a number of NSW Bar Association committees, including the Professional Conduct Committee. He has also served as a director for various private companies. In the conduct of his practice as a barrister, he has acted for many financial institutions and commercial enterprises, both public and private, and given both legal and strategic advice. He has had significant mediation experience and been involved in the successful resolution of complex commercial disputes.

Currently he is a Non-executive Director of Magontec Limited (effective 16 July 2013) and Collins Foods Limited (effective 7 October 2014) and was appointed Non-executive Chairman of the Board of Collins Foods Limited (effective 25 March 2015). In addition, he is Chairman of the Macular Disease Foundation of Australia, a not-for-profit organisation committed to reducing the incidence and impact of macular disease in Australia.

He was previously a Non-executive Director of UGL Limited (10 August 2015 to 3 January 2017).

3.3 Board and senior management continued

Michael Barker

MA (Oxon), FIAA, FIA

Independent Non-executive Director

Appointed a Director in September 2012, he held the position of Chairman from 1 October 2012 to 28 March 2013. He is Chairman of the Audit & Risk Committee and the Remuneration & Human Resources Committee.

Michael is an actuary, with a career background in institutional investment management. He has served as a Non-executive Director on a number of Boards in the financial and property sectors.

Michael's last executive role was Director of NatWest Investment Management in London from 1994 to 1996, responsible for Marketing and Sales in Europe and Asia. Prior to that he held senior positions in Sydney, Australia, with County NatWest Investment Management (1986 to 1994) and Aetna Life and Casualty (1968 to 1986). Michael has been extensively involved with the Actuaries Institute in the areas of education and governance and was elected a Life Member in 2007.

He was previously a Non-executive Director of Metlife Insurance Ltd (1 May 2001 to 31 December 2012).

Wayne Johnston

B.Bus (Acc.), ASCPA

Finance Director and Chief Financial Officer, Company Secretary

Wayne was appointed Chief Financial Officer for Spicers Limited (formerly PaperlinX Limited) effective 1 May 2015, subsequently joining the Spicers Limited Board as Finance Director effective 24 February 2016.

He joined Spicers in 2009 and performed a number of senior finance roles before being appointed Deputy CFO in August 2010 and additionally Executive General Manager Corporate Services in June 2012 (also becoming an additional Company Secretary on 1 July 2012). In addition, he was Acting CEO of Spicers between May and July 2016 while a search for a new CEO was undertaken.

Prior to joining Spicers, he had a long career at Symbion Health Limited (formerly Mayne Group Limited), where he occupied a number of commercial and corporate finance roles.

(b) Senior management and company secretaries

Spicers' senior management, and its company secretaries, and a brief description of their qualifications are set out below:

David Martin

MBA, GAICD

Chief Executive Officer

David was appointed as Chief Executive Officer of Spicers effective 18 July 2016.

He joined Spicers after a long and distinguished career with Avery Dennison, a NYSE listed multinational company that specialises in providing materials and solutions in the packaging, label, reflective and graphics segments.

David led various divisions across Australia and New Zealand, Asia, South Africa and the USA during his 23 years at Avery Dennison. His most recent role was as Vice President and General Manager, ASEAN, Australia and New Zealand.

David has an MBA from the University of South Australia and comes with significant experience in business and market development, across many geographies and market segments. Previous to his business leadership roles, David's background includes sales, marketing and operations leadership roles within Avery Dennison and 3M.

Frank Glynn

B. Comm, CA, CTA

Company Secretary

Frank was appointed as Company Secretary in December 2015. Frank joined Spicers in 2000 and has held various senior finance positions within Spicers during his long career with the Company.

Wayne Johnston

Refer to section 3.3(a) above.

3.4 Capital structure

As at the Prospectus Date of 4 May 2017, Spicers had the following securities on issue:

- (a) 665,181,261 ordinary shares;
- (b) 61,100 employee options and performance options pursuant to Spicers' employee share/options plans; and
- (c) 10,000,000 options pursuant to Spicers' executive options plan. 3,000,000 of these options will expire on 10 May 2017, unless exercised prior to this date.

3.5 Dividend history

No dividends have been declared or paid since October 2008.

3.6 Top Spicers Shareholders

(a) Substantial Shareholders

The names and shareholdings of substantial holders of Spicers Shares as disclosed in the substantial shareholder notifications to the Company up to 2 May 2017 are as follows:

| Name | Number of Spicers Shares | Percentage |
|--|--------------------------|------------|
| Allan Gray Australia Pty Ltd | 111,814,965 | 16.81 |
| Hishenk Pty Ltd | 79,650,000 | 11.97 |
| Communications Power Incorporated (Aust) Pty Ltd | 55,500,000 | 8.34 |

(b) Top 20 Shareholders

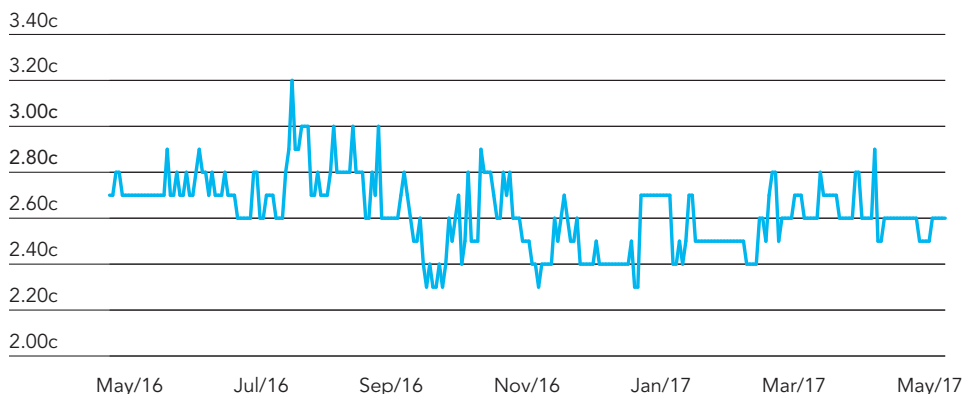
The top 20 holders of Spicers Shares as at 2 May 2017 are as follows:

| Name | Number of Spicers Shares | Percentage |
|---|--------------------------|------------|
| J P MORGAN NOMINEES AUSTRALIA LIMITED | 84,828,708 | 12.75 |
| HISHENK PTY LTD | 81,500,000 | 12.25 |
| COMMUNICATIONS POWER INCORPORATED (AUST) PTY LTD | 65,400,000 | 9.83 |
| CITICORP NOMINEES PTY LIMITED | 44,151,930 | 6.64 |
| NATIONAL NOMINEES LIMITED | 17,799,823 | 2.68 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 16,919,779 | 2.54 |
| AJP INVESTMENT SERVICES PTY LTD <CAMNAT SUPER FUND A/C> | 8,815,344 | 1.33 |
| MEDI INFO PTY LTD | 7,000,000 | 1.05 |
| MR JASON ALAN CARROLL | 6,564,147 | 0.99 |
| ACE PROPERTY HOLDINGS PTY LTD | 5,200,000 | 0.78 |
| CK SUPER PTY LTD <CK SUPER FUND A/C> | 4,700,000 | 0.71 |
| CVC LIMITED | 4,637,864 | 0.70 |
| SUN PHOONG CORPORATION PTY LTD | 4,549,940 | 0.68 |
| NAPIER EARTHQUAKE COMPANY PTY LTD <SUPERANNUATION FUND A/C> | 4,500,000 | 0.68 |
| MR JOHN SCHOTKAMP | 4,500,000 | 0.68 |
| MEDI INFO PTY LTD <TAUBER FAMILY A/C> | 4,243,146 | 0.64 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA | 4,164,501 | 0.63 |
| L & G SUPER FUND PTY LTD <GUNN & TAYLOR EXEC S/F A/C> | 3,330,000 | 0.50 |
| MODEL SITES PTY LTD | 3,000,000 | 0.45 |
| VAUGHAN FAMILY SUPER FUND PTY LTD <VAUGHAN FAMILY S/FUND A/C> | 3,000,000 | 0.45 |

3.7 Spicers Share price performance

The graph below shows Spicers' Share price and the volume of Spicers Shares traded for the 12 months to 2 May 2017.

SRS Closing Price



As at 2 May 2017:

- (a) the last recorded trading price of Spicers Shares was \$0.026;
- (b) the 1-month volume weighted average price of Spicers Shares was \$0.025;
- (c) the highest recorded trading price of Spicers Shares in the previous three months was \$0.030; and
- (d) the lowest recorded trading price of Spicers Shares in the previous three months was \$0.024.

The last recorded trading price of Spicers Shares immediately before the Proposal was announced on 11 October 2016 was \$0.025.

3.8 Spicers historical financial information

(a) Basis of preparation

The selected financial information of Spicers in this section 3.8 is extracted from the consolidated financial reports for the financial years ended 30 June 2015 ('FY2015') and 30 June 2016 ('FY2016'), and from the condensed consolidated interim financial reports for the half years ended 31 December 2015 ('HY2016') and 31 December 2016 ('HY2017'). In the financial report for FY2016, FY2015 financial information was restated to reclassify operations discontinued in FY2016. Financial information for HY2016 has been restated in relation to foreign exchange gains and losses relating to the purchase of inventory.

The consolidated financial reports for FY2015 and FY2016 were audited by KPMG, Spicers' auditor.

KPMG issued an unqualified opinion for both periods, with an emphasis of matter drawing attention to contingent liabilities in relation to subsidiaries in administration. Refer to section 3.8(d) for further information.

The condensed consolidated interim financial report is a general purpose financial report prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act. Spicers' condensed consolidated interim financial reports for HY2016 and HY2017 do not include all the information required for a full annual financial report and were not audited, but were subject to review by KPMG for the purpose of the members of Spicers Group, in accordance with the Auditing Standard on Review Engagements ('ASRE') 2410 'Review of a Financial Report Performed by the Independent Auditor of the Entity'.

KPMG issued an unmodified conclusion for both periods, with an emphasis of matter drawing attention to contingent liabilities in relation to subsidiaries in administration. Refer to section 3.8(d) for further information.

3.8 Spicers historical financial information continued

The following selected financial information of Spicers has been prepared in accordance with the recognition and measurement requirements of AAS (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act. The financial information presented in the tables below does not represent complete financial statements and should therefore be read in conjunction with the financial reports for the respective periods, including the description of accounting policies contained in those financial reports. Where appropriate, adjustments have been made to headings and classifications of historical data to provide a consistent basis of presentation. Except as set out in section 5.7(f) (Events subsequent to balance date), in the interval between the end of the half year ended 31 December 2016 and the Prospectus Date, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to significantly affect the operations of Spicers, the results of those operations, or the state of affairs of Spicers, in future financial years other than as disclosed on the ASX.

SPS Unitholders may obtain copies of Spicers' financial reports and statements from the ASX's website www.asx.com.au or from Spicers' website www.spicerslimited.com.au.

(b) Historical consolidated income statements

| \$'000 | Year ended 30 June 2015 (restated) ⁽¹⁾ | Year ended 30 June 2016 | Half year ended 31 Dec 2015 | Half year ended 31 Dec 2016 |
|--|--|-------------------------------|--------------------------------------|--------------------------------------|
| Continuing operations | | | | |
| Revenue from sale of goods | 403,961 | 392,682 | 202,634 | 195,217 |
| Cost of inventory sold ⁽²⁾ | (318,264) | (311,277) | (162,024) | (154,833) |
| Gross profit | 85,697 | 81,405 | 40,610 | 40,384 |
| Other income | 3,639 | 1,933 | 1,208 | 711 |
| Personnel costs | (43,413) | (40,597) | (19,753) | (19,942) |
| Logistics and distribution | (26,348) | (22,943) | (11,561) | (11,308) |
| Sales and marketing | (1,389) | (1,616) | (800) | (767) |
| Impairment charge – non-current assets | (6,995) | – | – | – |
| Other expenses | (20,782) | (12,666) | (6,791) | (6,034) |
| Result from operating activities | (9,591) | 5,516 | 2,913 | 3,044 |
| Net finance costs ⁽²⁾ | (2,755) | (2,341) | (495) | (385) |
| Profit/(loss) before tax | (12,346) | 3,175 | 2,418 | 2,659 |
| Tax expense | (1,743) | (1,678) | (978) | (1,247) |
| Profit/(loss) from continuing operations | (14,089) | 1,497 | 1,440 | 1,412 |
| Discontinued operations | | | | |
| Profit/(loss) from discontinued operations, net of tax | (378,237) | 3,799 | 4,846 | 2,192 |
| Profit/(loss) for the period | (392,326) | 5,296 | 6,286 | 3,604 |
| Profit/(loss) for the period attributable to: | | | | |
| Equity holders of Spicers Limited | (392,326) | 5,296 | 6,286 | 3,604 |

(1) As reflected in Spicers' financial report for FY2016, FY2015 financial information was restated to reclassify operations discontinued in FY2016

(2) For HY2016 and HY2017, foreign exchange gains and losses in relation to inventory purchases have been recorded as part of 'Cost of inventory sold'. For FY2015 and FY2016, foreign exchange gains and losses in relation to inventory purchases have been recorded as part of 'Net finance costs'.

3.8 Spicers historical financial information continued

(c) Historical consolidated statements of cash flows

| \$'000 | Historical consolidated statements of cash flows | | | |
|--|--|-------------------------------|--------------------------------------|--------------------------------------|
| | Year ended 30 June 2015 | Year ended 30 June 2016 | Half year ended 31 Dec 2015 | Half year ended 31 Dec 2016 |
| Cash flows from operating activities | | | | |
| Receipts from customers | 2,026,473 | 430,268 | 234,098 | 194,703 |
| Payments to suppliers and employees | (2,072,298) | (440,523) | (253,545) | (192,678) |
| Dividends received | – | 56 | 56 | – |
| Interest received | 1,783 | 555 | 289 | 164 |
| Interest paid | (11,689) | (1,602) | (828) | (488) |
| Income taxes paid | (2,340) | (2,764) | (2,360) | (1,472) |
| Net cash from/(used in) operating activities | (58,071) | (14,010) | (22,290) | 229 |
| Cash flows from investing activities | | | | |
| Acquisition of: | | | | |
| Controlled entities and businesses (net of cash and bank overdraft acquired) | (5,008) | – | – | – |
| Property, plant and equipment and intangibles | (3,900) | (1,922) | (1,504) | (301) |
| Net (payments)/proceeds from the disposal of: | | | | |
| Controlled entities and businesses (proceeds less transaction costs) – net of cash | 51,277 | 865 | (413) | (570) |
| Property, plant and equipment | 4,103 | 2,350 | 2,343 | – |
| Investments | 581 | 768 | 770 | – |
| Net cash from/(used in) investing activities | 47,053 | 2,061 | 1,196 | (871) |
| Cash flows from financing activities | | | | |
| Proceeds from borrowings | 34,575 | 3,067 | 9,767 | 1,427 |
| Repayment of borrowings | (46,037) | (6,805) | (2,539) | (3,099) |
| Capitalised borrowing costs paid | – | – | – | (24) |
| Other borrowing costs paid | (1,927) | (236) | (217) | (31) |
| Net cash from/(used in) financing activities | (13,389) | (3,974) | 7,011 | (1,727) |
| Net decrease in cash and cash equivalents | (24,407) | (15,923) | (14,083) | (2,369) |
| Cash and cash equivalents at the beginning of the period | 103,062 | 55,518 | 55,518 | 31,626 |
| Cash and cash equivalents disposed on de-recognition of controlled entities | (30,070) | (10,728) | (10,698) | – |
| Effect of exchange rate changes on cash held | 6,933 | 2,759 | 2,082 | (584) |
| Cash and cash equivalents at the end of the period | 55,518 | 31,626 | 32,819 | 28,673 |

3.8 Spicers historical financial information continued

(d) Contingent liabilities

Subsidiaries in administration

In FY2016, a number of German subsidiaries were placed into administration. This followed several United Kingdom and other European subsidiaries being placed into administration during FY2015. As at 31 December 2016, these administration proceedings are ongoing and are expected to continue for some time. As part of these proceedings, legal claims and other exposures may arise that impact the Spicers Group, including in respect of pension plan liabilities, other employee entitlements, trade and other creditors and director / officer indemnities. There is a material uncertainty as to whether a future liability will arise in respect of these matters. The amount of any potential liability is unascertainable at this time and will depend on a variety of factors. These matters have been taken into consideration in undertaking the going concern assessment.

Refer also to sections 3.8(e) and 7.1(f) for further information.

(e) Going concern basis of accounting

In preparing the condensed consolidated interim financial report for HY2017, the Spicers Directors made an assessment of the ability of the Spicers Group to continue as a going concern. An entity is a going concern when it is considered to be able to pay its debts as and when they are due and continue in operation without any intention or necessity to liquidate the entity or to cease trading.

Following asset sales and the commencement of insolvency proceedings in Spicers' businesses in various foreign jurisdictions in previous reporting periods, the Spicers Group's continuing operations now consist of trading businesses in Australia, New Zealand and Asia and a corporate support function. The ability of the Spicers Group to meet its operational cash requirements and remain in compliance with the terms and covenants included in existing debt facilities in the foreseeable future is dependent in part on meeting forecast trading results and cash flows, and maintaining trading/settlement terms with key creditors (including suppliers and credit insurers). These forecasts are necessarily based on best-estimate assumptions that may or may not occur as expected and are subject to influences and events outside of the control of the Spicers Group. The forecasts, taking into account reasonably possible changes in trading performance, showed that the Spicers Group should be able to operate within the level and terms of its current facilities for at least the next 12 months from the date of the HY2017 interim financial report. Should trading performance not meet expectations the Spicers Group will pursue other measures to generate cash such as accessing undrawn debt facilities, working capital reductions or selling assets.

As at 31 December 2016, insolvency proceedings relating to the former Spicers' businesses in the UK and Europe were ongoing and are expected to continue for some time. As part of the insolvency proceedings for these businesses, legal claims and other exposures may arise that impact the Spicers Group, including in respect of pension plan liabilities, other employee entitlements, trade and other creditors and director/officer indemnities. There is a material uncertainty as to whether a future liability will arise in respect of these matters. As a consequence, the Spicers Directors are aware that uncertainties exist in relation to the insolvency proceedings in the UK and Europe which may cast doubt upon Spicers Group's ability to continue as a going concern. The Spicers Directors noted as part of their deliberations that no new material matters have arisen or have otherwise been communicated to Spicers since the last reporting date.

After making enquiries, the Spicers Directors have a reasonable expectation that the Spicers Group will have adequate resources to continue to operate and meet its obligations as they fall due and remain within the terms of its debt facilities. For these reasons, the Spicers Directors continued to adopt the going concern basis in preparing the condensed consolidated interim financial report for HY2017.

(f) Valuation of Property

As at 31 December 2016, the Spicers Group owns a building in Singapore with a carrying value of \$3.1 million and two properties in Tasmania with nil carrying values. Spicers' accounting policy is to record property, plant and equipment at cost or deemed cost less accumulated depreciation and impairment losses. Therefore, any appreciation in the fair value of these assets is ignored for accounting purposes. None of the properties currently qualify as 'held for sale', and the Singapore property is in use by the Asian business. The realisable value of these properties, if sold, may be significantly higher than their carrying values in the Spicers accounts as at 31 December 2016.

3.9 Management discussion and analysis

(a) FY2016

For FY2016, the Spicers Group reported a statutory profit after tax of \$5.3 million, Spicers' first full year profit since 2008. This followed the Spicers Group's withdrawal from European operations and divestment of the Canadian operations during 2015, transforming Spicers into a business based exclusively in Australia, New Zealand and Asia.

Continuing sales revenue fell by 2.8 per cent compared to the FY2015 prior corresponding period (**pcp**). Ongoing structural decline in 'core' commercial print revenue was partly offset by strong growth in diversified revenue streams, particularly in the sign & display category.

Profit results from New Zealand and Asia were significantly ahead of pcp. Robust growth from the 'Total Supply' signage business acquired in October 2014 contributed strongly to the New Zealand result. The Australian business experienced a challenging year due to competitive pressures in the commercial print market, with its profit result down on pcp. Corporate/unallocated costs were down significantly on pcp due to cost savings from reducing the Group's operational footprint during 2015.

For further management discussion and analysis in relation to Spicers' financial performance for FY2016, refer to the detailed financial reports and statements available on Spicers' website www.spicerslimited.com.au.

(b) HY2017

For HY2017, Spicers recorded a consolidated statutory profit after tax of \$3.6 million on net sales revenue of \$195.2 million. Continuing sales revenue was 3.7 per cent lower than in the half year ended 31 December 2015 prior corresponding period (**pcp**), as declining commercial print revenues continued to be partly offset by growth in diversified revenue streams.

Profit after tax from continuing operations was consistent with pcp, with improved performances on pcp from New Zealand and Asia offsetting weakness in the Australian result. Corporate costs were lower than pcp, as benefits from the reduced complexity of the Group following its 2015 withdrawal from European and Canadian operations continued to be realised.

Statutory profit after tax was less than pcp, due entirely to a lower non-recurring profit amount related to discontinued operations in Germany as compared to pcp.

Net cash inflow from operations was \$0.2 million, during a period where seasonality in working capital balances has historically resulted in a first-half operating cash outflow. This represented a \$22.5 million turnaround versus pcp, driven by a consistent management focus on working capital performance, with inventory levels tightly controlled and creditor terms improved with key suppliers.

For further management discussion and analysis in relation to Spicers' financial performance for HY2017, refer to the Spicers 2017 Interim Results released on 15 February 2017 and available on the ASX's website www.asx.com.au and Spicers' website www.spicerslimited.com.au.

4

Information about SPS Trust

This section provides an overview of the SPS Trust, its principal activities and recent history. The SPS Trust is listed on the ASX and is obliged to comply with the continuous disclosure requirements of the ASX. Information on the SPS Trust may also be obtained from the ASX's website www.asx.com.au.

The information on the SPS Trust in this Prospectus has been prepared by Spicers using publicly available information and has not been independently verified. To the extent permitted by law, Spicers does not make any representation or warranty (express or implied), nor assume any responsibility, as to the accuracy or completeness of such information.

Further information regarding the SPS Trust is included in the Trust Scheme Booklet.

4.1 Overview of SPS Trust and its purpose

The SPS Trust was established for the purpose of issuing SPS Units.

SPS Units are perpetual, preferred units in the SPS Trust.

The Trust Company has acted in the capacity of responsible entity of SPS Trust since it was established under the SPS Trust Constitution dated 7 February 2007.

4.2 Relationship between SPS Trust and Spicers

On 30 March 2007, 2,850,000 SPS Units were issued at an issue price of \$100 per security raising \$285 million. All funds raised from this issue were used to subscribe for preference shares in a subsidiary of Spicers Limited, PaperlinX LLC. PaperlinX LLC then lent the subscription proceeds received from the SPS Trust to the Spicers Group to retire debt.

The PaperlinX LLC Preference Shares entitle The Trust Company to distributions on terms similar to SPS Units. In particular, distributions on the PaperlinX LLC Preference Shares are discretionary and non-cumulative. No distributions have been paid or declared since 30 June 2011.

An investment in the SPS Trust is not an investment directly in Spicers and Spicers has provided no guarantee of the payment of any distributions on SPS Units or their capital value and/or performance as an investment.

4.3 SPS Trust issued securities

As at the Prospectus Date, there are 2,850,000 SPS Units on issue. SPS Units are quoted on the ASX under ASX Code PXUPA.

There is also one ordinary unit in the SPS Trust, held by Spicers, currently on issue. Accordingly, in circumstances where approval is required to be obtained from each class of SPS Trust unitholders, Spicers would be the sole member of the class comprising ordinary units.

5

Profile of the Combined Spicers Group

This section sets out the current intentions of the Spicers Board for the business, corporate matters, head office and employees of the Combined Spicers Group (including the SPS Trust and the assets and undertakings held by the SPS Trust) following Implementation of the Proposal.

The statements of intention contained in this section are based on information concerning Spicers and SPS Trust and their businesses at the time of preparation of this Prospectus. Final decisions on these matters will only be made in light of all material information, facts and circumstances at the relevant time if the Proposal is Implemented.

Accordingly, the statements set out in this section are statements of current intention only, which may change as new information becomes available or circumstances change.

5.1 Overview of the Combined Spicers Group

Following Implementation of the Proposal, Spicers' operations and business will remain unchanged. Refer to sections 3.2, 5.5 and 5.6 for further information.

5.2 Capital structure and ownership

If the Proposal is Implemented, then 1,431,386,910 New Shares will be issued under the Offer in accordance with the Trust Scheme to Eligible SPS Unitholders (and, in the case of Ineligible Overseas Holders, to the Foreign Nominee) representing 68.3 per cent of the total Spicers Shares on issue in Spicers following Implementation. This means that existing Shareholders' interests will be diluted to 31.7 per cent of Spicers' total capital following Implementation.⁽⁸⁾

As such, the Spicers Shares that existing Shareholders will hold following Implementation will represent a significantly lower proportion of the ownership of Spicers.

The issuance of Spicers Shares is not expected to result in any individual Eligible SPS Unitholder having control of Spicers. However, Eligible SPS Unitholders will hold approximately 68.3 per cent⁽⁹⁾ of the enlarged Spicers capital base and, therefore, may collectively have the ability to exert significant influence over Spicers.

| | |
|--|----------------------|
| Spicers Shares currently on issue | 665,181,261 |
| Number of New Shares to be issued | 1,431,386,910 |
| Total number of Spicers Shares on issue following Implementation of the Proposal | 2,096,568,171 |
| Existing Shareholders' interest in Spicers following Implementation of the Proposal⁽¹⁰⁾ | 31.7 per cent |
| Eligible SPS Unitholders' interest in Spicers following Implementation of the Proposal⁽¹¹⁾ | 68.3 per cent |

(8) Excludes any New Shares issued to existing Shareholders under the Trust Scheme in their capacity as an Eligible SPS Unitholder.

(9) Excludes any Shares held by Eligible SPS Unitholders prior to Implementation of the Proposal. Includes New Shares to be issued to the Foreign Nominee on behalf of Ineligible Overseas Unitholders.

(10) Excludes any New Shares issued to Existing Shareholders under the Trust Scheme in their capacity as an Eligible SPS Unitholder.

(11) Excludes any Shares held by Eligible SPS Unitholders prior to Implementation of the Proposal. Includes Shares to be issued to the Foreign Nominee on behalf of Ineligible Overseas Unitholders.

5.3 Board renewal process

As announced to the ASX on 20 December 2016, the Spicers Board has agreed to undertake a comprehensive board renewal process. This will enable the newly unified body of Shareholders to elect the Directors that will take Spicers forward on its next phase of activity.

The board renewal process involves the following:

- (a) Spicers has appointed a recruitment consultant which specialises in director and chairperson appointments for ASX-listed entities to undertake a recruitment process to appoint up to three suitably qualified and experienced, independent, non-executive directors (including a potential chairperson) to the Spicers Board;
- (b) if the Proposal is Implemented, Spicers will after the Implementation Date, make an announcement to the ASX that Spicers will accept nominations for the election of directors from Shareholders, subject to those nominations being made in compliance with the ASX Listing Rules and the Spicers Constitution; and
- (c) Spicers will, as soon as reasonably practicable following the Implementation Date and in any event within four months from the Implementation Date, call and hold an extraordinary general meeting to seek Shareholder approval for:
 - (i) the election of any person nominated by the Spicers Board to be a Director, or any person appointed as Director by the Spicers Board prior to the extraordinary general meeting (including those appointed under the recruitment process); and
 - (ii) the election of any person validly nominated by a Shareholder to be a Director.
- (d) It is also intended that Mr Robert Kaye and Mr Michael Barker will each resign as Directors with effect from the close of the extraordinary general meeting subject to the Spicers Board comprising such minimum number of Directors as is required under the Corporations Act and the Spicers Constitution. Mr Wayne Johnston, as Finance Director and CFO, intends to remain on the Spicers Board.

Spicers will undertake appropriate background checks of each person nominated as a director to confirm that they are legally entitled to be appointed a director and have not been disqualified from being a director.

Spicers has also given an undertaking to Eligible SPS Unitholders that until Spicers holds an extraordinary general meeting of Shareholders to seek Shareholder approval for the election of new Directors, it will not undertake any Spicers Prescribed Occurrence, other than as contemplated by the Implementation Agreement, the Trust Scheme or the Shareholder Resolution.

5.4 Dividend policy

As the Spicers Board is undertaking a board renewal process, the current Spicers Board will not determine a future dividend policy for Spicers following Implementation of the Proposal and will instead allow the new Spicers Board to establish and then communicate the future Spicers dividend policy at the appropriate time.

5.5 Post-implementation corporate restructure

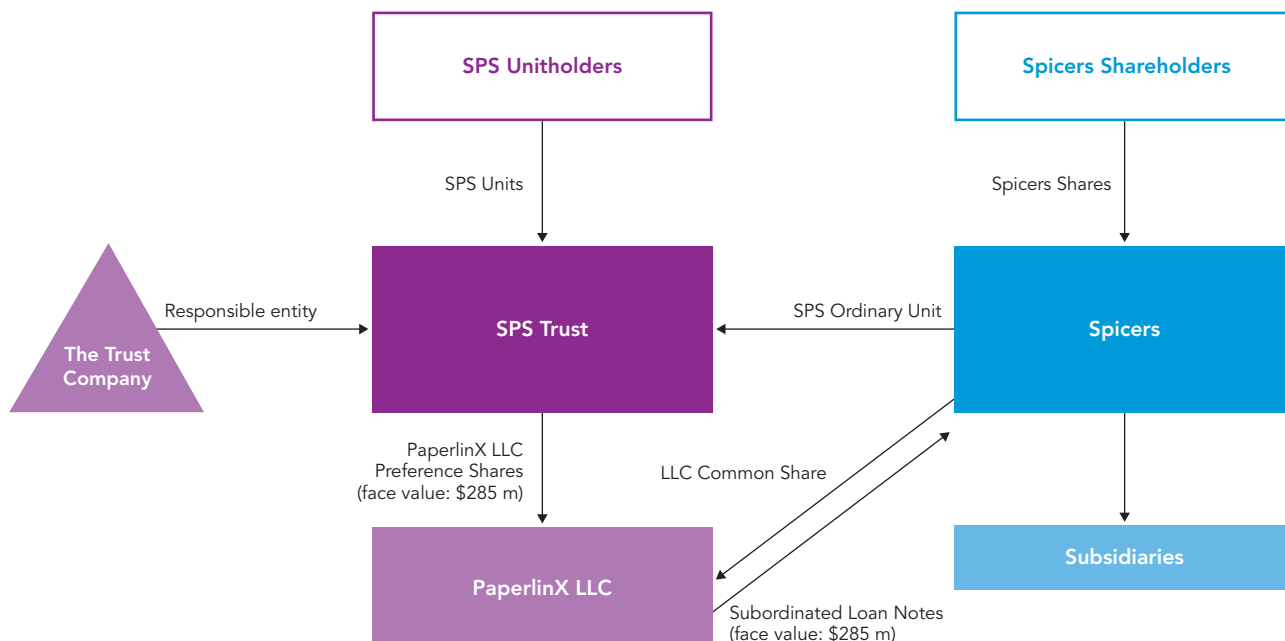
On 30 March 2007, 2,850,000 SPS Units were issued at an issue price of \$100 per security raising \$285 million. All funds raised from this issue were used to subscribe for preference shares in a subsidiary of Spicers Limited, PaperlinX LLC. PaperlinX LLC then lent the subscription proceeds received from the SPS Trust to the Spicers Group to retire debt.

Following Implementation of the Proposal (and following Spicers holding 100 per cent of the SPS Units), Spicers will seek to simplify its group structure by unwinding the arrangements which were put in place in relation to the SPS Units, by undertaking the following steps:

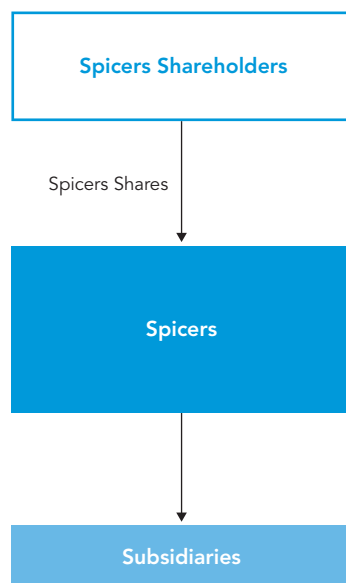
- (a) SPS Trust and PaperlinX LLC will join the Spicers' Australian income tax consolidated group;
- (b) SPS Trust will be deregistered as a registered managed investment scheme;
- (c) Spicers will require The Trust Company to redeem and cancel the SPS Units (which will be held by Spicers) in consideration for The Trust Company distributing the PaperlinX LLC Preference Shares to Spicers;
- (d) the PaperlinX LLC Preference Shares held by Spicers will be redeemed by PaperlinX LLC, in consideration for the redemption by Spicers of the subordinated loan notes held by PaperlinX LLC;
- (e) SPS Trust will be wound up and the outstanding ordinary unit held by Spicers cancelled; and
- (f) PaperlinX LLC will be wound up and the outstanding common share cancelled.

5.5 Post-implementation corporate restructure continued

The diagram below shows the structure of the Combined Spicers Group, prior to implementation of the Proposal and the corporate restructure:



The diagram below shows the structure of the Combined Spicers Group, after implementation of the Proposal and the corporate restructure:



Spicers has obtained a private binding ruling from the ATO that confirms that the Proposal:

- will not result in Spicers failing the continuity of ownership test which is currently relied upon by Spicers for the utilisation of tax losses in future years; and
- will not give rise to any adverse income tax implications associated with the post-implementation corporate restructure steps as described above.

Although the stand alone financial statements of Spicers Limited and the Spicers Deed of Cross Guarantee Group will benefit from reinstatement to positive equity positions from the extinguishment of the subordinated loan notes payable to PaperlinX LLC, there will be no net impact on the Spicers Group's consolidated financial information, as the transactions relating to the relevant intra-group balances will be eliminated upon consolidation.

5.6 Intentions in relation to Spicers and the SPS Trust

(a) Business and corporate matters

It is the current intention of Spicers that it will continue to operate its business in substantially the same manner as it is currently being conducted.

In relation to the SPS Trust, it is Spicers' present intention that:

- (i) SPS Trust will be removed from the official list of the ASX;
- (ii) SPS Trust will be deregistered as a registered managed investment scheme, following which The Trust Company will be replaced as the responsible entity of the SPS Trust with a subsidiary of Spicers; and
- (iii) the SPS Units will be redeemed and cancelled and the SPS Trust will be wound up.

(b) Head office

The head office of the Combined Spicers Group will be the current head office of Spicers. It is the intention that once The Trust Company is replaced as the responsible entity of the SPS Trust with a subsidiary of Spicers, the head office activities relating to SPS Trust will be relocated to Spicers' head office.

In addition, as announced on 4 April 2017, Spicers intends to relocate the premises of its Auckland operations and New Zealand head office. The premises will be in the same area of south-east Auckland as the current premises, with construction and relocation of the new customised premises to be completed by March 2018, in line with the dates that lease terms on Spicers' current Auckland sites expire.

(c) Employees

It is the present intention that, following the SPS Trust being deregistered as a registered managed investment scheme, The Trust Company will be replaced as the responsible entity of the SPS Trust with a subsidiary of Spicers, as trustee.

Spicers presently has no intention to make any employee redundancies directly connected with the SPS Trust Structure on Implementation of the Proposal.

5.7 Pro forma financial information

(a) Basis of preparation

The pro forma historical financial information presented within this Prospectus has been prepared to illustrate the impact of the Proposal on the historical financial position and financial performance of the Spicers Group as if the Proposal had been Implemented on 31 December 2016. The pro forma information is not represented as being indicative of the Spicers Group's views on its future financial performance or position, and investors should note that past financial performance is not a reliable indicator of future financial performance.

The summary pro forma consolidated statement of financial position has been derived from the condensed consolidated interim financial report for the Spicers Group for the half year ended 31 December 2016.

The condensed consolidated interim financial report for the half year ended 31 December 2016 has been subject to review by KPMG. KPMG issued an unmodified conclusion for this period, with an emphasis of matter drawing attention to contingent liabilities in relation to subsidiaries in administration. Refer to section 3.8(d) for further information.

Shareholders may obtain copies of Spicers' financial reports and statements from the ASX's website www.asx.com.au or from Spicers' website at www.spicerslimited.com.au.

The pro forma historical financial information presented, including the pro forma adjustments described in section 5.7(c) below, has been prepared in accordance with the measurement and recognition requirements, but not the presentation or disclosure requirements, of Australian Accounting Standards (AASB's), IFRS or other mandatory reporting requirements in Australia. In preparing the financial information within this Prospectus, the accounting policies of the Spicers Group have been applied consistently throughout the reporting periods presented.

The Spicers Directors are responsible for the preparation and presentation of the pro forma historical financial information.

5.7 Pro forma financial information continued

(b) Pro forma financial information

The following table presents Spicers' consolidated statement of financial position as at 31 December 2016, as well as the pro forma consolidated statement of financial position as at 31 December 2016, which is presented on the assumption that the pro forma adjustments as described in section 5.7(c) below had occurred on 31 December 2016.

| \$'000 | Notes | Statutory 31 Dec 2016 | Pro forma adjustments | Pro forma 31 Dec 2016 |
|--------------------------------------|-------|-----------------------------|--------------------------|-----------------------------|
| Current assets | | | | |
| Cash and cash equivalents | (iv) | 29,023 | (2,982) | 26,041 |
| Short-term deposits | | 3,955 | – | 3,955 |
| Trade and other receivables | (iv) | 78,507 | (1,207) | 77,300 |
| Inventories | | 74,791 | – | 74,791 |
| Total current assets | | 186,276 | (4,189) | 182,087 |
| Non-current assets | | | | |
| Receivables | | 504 | – | 504 |
| Property, plant and equipment | | 9,074 | – | 9,074 |
| Intangible assets | | 28,679 | – | 28,679 |
| Deferred tax assets | | 715 | – | 715 |
| Total non-current assets | | 38,972 | – | 38,972 |
| Total assets | | 225,248 | (4,189) | 221,059 |
| Current liabilities | | | | |
| Bank overdraft | | 350 | – | 350 |
| Trade and other payables | | 68,027 | – | 68,027 |
| Loans and borrowings | | 3,124 | – | 3,124 |
| Income tax payable | | 2,618 | – | 2,618 |
| Employee benefits | | 7,613 | – | 7,613 |
| Provisions | | 295 | – | 295 |
| Total current liabilities | | 82,027 | – | 82,027 |
| Non-current liabilities | | | | |
| Deferred tax liabilities | | 310 | – | 310 |
| Employee benefits | | 602 | – | 602 |
| Total non-current liabilities | | 912 | – | 912 |
| Total liabilities | | 82,939 | – | 82,939 |
| Net assets | | 142,309 | (4,189) | 138,120 |

5.7 Pro forma financial information continued

| \$'000 | Notes | Statutory 31 Dec 2016 | Pro forma adjustments | Pro forma 31 Dec 2016 |
|---|-----------|-----------------------------|--------------------------|-----------------------------|
| Equity | | | | |
| Issued capital | (iii) | 1,895,767 | 34,458 | 1,930,225 |
| Reserves | | (9,791) | – | (9,791) |
| Accumulated losses | (v) | (1,998,490) | 216,176 | (1,782,314) |
| Total equity attributable to holders of ordinary shares of Spicers Limited | | (112,514) | 250,634 | 138,120 |
| PaperlinX step-up preference securities – issued capital | (i), (ii) | 276,518 | (276,518) | – |
| Reserve – own preference securities | (i), (ii) | (21,695) | 21,695 | – |
| PaperlinX step-up preference securities | | 254,823 | (254,823) | – |
| Total equity | | 142,309 | (4,189) | 138,120 |

(c) Notes to pro forma adjustments

In section 5.7(b) above, the following pro forma adjustments have been made to Spicers' consolidated statement of financial position as at 31 December 2016 in order to reflect the impact of the Proposal on the assumption it had been effected on 31 December 2016:

- (i) **purchase of SPS Units:** the purchase and cancellation of the SPS Units by Spicers pursuant to the terms of the Trust Scheme;
- (ii) **cancellation of own SPS Units:** the cancellation of the SPS Units held by Spicers prior to the Proposal, and the cancellation of the 1 ordinary unit in the SPS Trust;
- (iii) **issuance of new Spicers Shares:** the issuance of the Scheme Consideration to Eligible SPS Unitholders (and, in the case of Ineligible Overseas Holders, to the Foreign Nominee) pursuant to the terms of the Trust Scheme;
- (iv) **costs of the Proposal:** the estimated professional advisory fees (external consultants and advisers, including legal, financial and taxation adviser costs and the independent expert) and other expenses incurred as a result of the Proposal of \$4.2 million have been reflected as an adjustment to trade and other receivables for amounts incurred up to 31 December 2016, and to cash and cash equivalents for amounts estimated to be incurred post 31 December 2016. The \$1.2 million of costs incurred up to 31 December 2016 included in trade and other receivables will be transferred to equity upon successful completion of the Proposal; and
- (v) **impact on accumulated losses:** the estimated net adjustment to the Spicers Group's accumulated losses arising from the pro forma adjustments above.

(d) Impact of the Proposal on historical consolidated income statements

The historical consolidated income statements of the Spicers Group as presented in 3.8(b) are reflective of Spicers after the Implementation of the Proposal in that there are no ongoing material impacts on the income statement arising from the Proposal. As a result, pro forma consolidated income statements have not been presented.

While there are no ongoing material consolidated income statement impacts of the Proposal there will be an estimated \$0.3 million of annual ongoing SPS Trust administrative cost savings.

(e) Impact of the Proposal on historical consolidated statements of cash flows

The historical consolidated statements of cash flows for the Spicers Group as presented in section 3.8(c) are reflective of the Spicers Group after the Implementation of the Proposal in that there are no ongoing material impacts on the statement of cash flows arising from the Proposal. As a result, pro forma consolidated statements of cash flows have not been presented.

While there are no ongoing material impacts on the consolidated statement of cash flows arising from the Proposal, there are approximately \$4.2 million of one-off transaction costs relating to the Proposal, and there will be an estimated \$0.3 million of annual ongoing SPS Trust administrative cost savings.

(f) Events subsequent to balance date

There have been no events subsequent to 31 December 2016 which would have a material effect on the condensed consolidated interim financial report for the Spicers Group as at, and for, the period ended 31 December 2016.



Rights and liabilities attaching to Spicers Shares and comparison of key terms of Spicers Shares and SPS Units

6.1 Overview of Trust Scheme Consideration

In accordance with the Trust Scheme, the Offer comprises the issuance of 545 Spicers Shares by Spicers to Eligible SPS Unitholders in exchange for Spicers acquiring each SPS Unit held by Eligible SPS Unitholders.

However, if you are an Ineligible Overseas Unitholder, you will not receive any New Shares. Instead, Spicers will issue New Shares to the Foreign Nominee who will sell the New Shares on behalf of Ineligible Overseas Unitholders, with the net proceeds of sale by the Foreign Nominee distributed among Ineligible Overseas Unitholders proportionately to their relevant holdings of SPS Units. Refer to section 2.6 for further details about the treatment of Ineligible Overseas Unitholders under the Trust Scheme.

It is intended that New Shares offered under this Prospectus will be quoted on the ASX once issued. Spicers will apply to the ASX within seven days after the Prospectus Date for official quotation of the New Shares on the ASX.

6.2 Rights and liabilities attaching to Spicers Shares

The rights and liabilities attaching to Spicers Shares, which form the Trust Scheme Consideration, are set out in Spicers Constitution and in the Corporations Act. A copy of the Spicers Constitution can be obtained from Spicers on request (free of charge) or from Spicers' website www.spicerslimited.com.au.

The following is a broad summary of the rights and liabilities attaching to Spicers Shares. It is not intended to be an exhaustive or definitive summary as this can involve complex questions of law arising from the interaction of the Spicers Constitution, statutes, common law and ASX Listing Rule requirements. To obtain a definitive assessment of the rights and liabilities which attach to Spicers Shares in any specific circumstances, SPS Unitholders should seek their own advice.

(a) Meetings of shareholders and notices

Shareholders' rights to attend shareholder meetings are mostly prescribed by the Corporations Act. Each Shareholder is entitled to receive notice, attend and vote at, general meetings of Shareholders and to receive all notices, accounts and other documents required to be sent to Shareholders under the Spicers Constitution, the Corporations Act and ASX Listing Rules.

Spicers may serve notice on a Shareholder by, among other methods, serving it personally on the Shareholder, sending it to the shareholder's registered address or other electronic means determined by the Spicers Board for the giving of notices.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a meeting of Shareholders or classes of shareholders, each shareholder present has one vote on a show of hands, and one vote for each fully paid share held on a poll or for each other share held, a vote proportionate to the amount of the share that is paid up.

A shareholder who is entitled to attend and vote at a meeting may appoint a proxy or attorney to attend and vote on their behalf in accordance with the provisions of the Spicers Constitution and the Corporations Act.

(c) Dividends

The Spicers Board may from time to time determine that a dividend or interim dividend is payable and fix the amount, time and method of payment. Each Spicers Share has the same dividend right, except for any shares which may be newly created in the future and may provide for different dividend rights (note this does not include the New Shares that would be created by the Implementation of this Proposal, which are ordinary Spicers Shares). The Spicers Board may also establish dividend plans under which a Shareholder may elect to receive or deal with some or all of their dividends in a certain manner.

Following completion of the steps identified in section 5.5, payment of dividends on Spicers Shares will no longer be subject to restrictions contained in the SPS Trust Constitution.

6.2 Rights and liabilities attaching to Spicers Shares continued

(d) Winding up

If Spicers is wound up, the liquidator may divide among the Shareholders in kind any part of the assets of Spicers and may vest any part of the assets of Spicers on any trusts for the benefit of all or any of the Shareholders as the liquidator thinks fit.

(e) Transfer of Spicers Shares

Subject to the procedure outlined in the Spicers Constitution as well as the Corporations Act, ASX Settlement Operating Rules and ASX Listing Rules, Spicers Shares are transferable. The Spicers Board may request a holding lock to prevent a transfer of Spicers Shares subject to requirements of the ASX Settlement Operating Rules if it sees fit.

The Spicers Directors may refuse to register any transfer of Spicers Shares, including in circumstances where the registration of the transfer would contravene or fail to observe any applicable law or ASX Listing Rules or if Spicers has a lien over the shares or if permitted to do so under the ASX Listing Rules.

(f) Issue of further Spicers Shares

Subject to the Spicers Constitution and the ASX Listing Rules, Spicers has the right to issue shares or grant options over unissued shares to any person on terms that it sees fit.

Without affecting any special rights conferred on the holders of any shares, any share in Spicers may be issued with preferred, deferred, or other special rights, obligations or restrictions, whether in regard to dividends, voting, return of share capital, payment of calls or otherwise, as the Spicers Directors may determine and on any terms the Spicers Board consider appropriate.

(g) Variation of rights

Under the Corporations Act, rights, privileges and restrictions attaching to Spicers Shares or to any other class of shares which may be issued in the future can only be varied by a special resolution passed at a general meeting of Spicers and the holders of each relevant class of shares or with the written consent of Shareholders with at least 75 per cent of the votes in the relevant class.

An issue of shares of the same class as an existing class of shares is not to be considered to constitute a variation of the rights of the holders of shares in the existing class.

(h) Alteration of capital and share buy-back

Spicers may, at a general meeting, reduce or alter its share capital in any manner permitted by the Corporations Act. This includes a reduction of capital, a buy-back or otherwise, in accordance with the Spicers Constitution and the Corporations Act.

(i) Number of Spicers Directors

The Spicers Board has the power at any time to appoint any person as a Director, who shall hold office until the next annual general meeting and is then eligible for election. A Director (except for the Managing Director) must retire from office at the third annual general meeting after the Director was elected or last reelected. The Spicers Constitution provides that the number of Spicers Directors must be not less than three and not more than ten.

(j) Amending the Spicers Constitution

The Corporations Act provides that the Spicers Constitution may be modified or repealed by a special resolution of the members of the Company (i.e. passed by at least 75 per cent of the votes cast by members entitled to vote on the resolution).

The Spicers Constitution does not provide any further requirements to be complied with to effect a modification or to repeal, the constitution.

(k) Sale of unmarketable parcel of shares

Subject to the Corporations Act, ASX Listing Rules and ASX Settlement Operating Rules, Spicers may sell the shares of a shareholder if the total number of shares held by the shareholder on the date on which notice is given is less than a marketable parcel.

6.3 Comparison of holding Spicers Shares and SPS Units

The key differences between holding Spicers Shares and SPS Units are summarised in the table set out in section 8.5 of the Trust Scheme Booklet.

7

Risks

There are a number of risks, specific to the Combined Spicers Group, the Proposal and the Offer and general risks, which may, individually or in combination, adversely affect the business, future operating and financial performance, reputation or prospects of the Combined Spicers Group and/or the value of Spicers Shares. Many of the circumstances giving rise to these risks are beyond the control of the Spicers Group, its Directors and management.

This section sets out the risk factors considered by Spicers to be the material risks relating to:

- (a) the Combined Spicers Group as a result of Implementation of the Proposal;
- (b) the Proposal and the Offer; and
- (c) general risks.

The risk factors described in this section are not an exhaustive list, and should be read in conjunction with the other information described in this Prospectus, as well as the Trust Scheme Booklet. There may be additional risks and uncertainties not currently known that may also have an adverse effect on the Spicers Group's business and the value of Spicers Shares.

The risk factors described in this section do not take into account the investment objectives or financial circumstances of individual SPS Unitholders. SPS Unitholders should have regard to their own investment objectives and financial circumstances and seek professional advice from their legal, financial and other independent advisers before determining whether or not to vote in favour of the Proposal and Offer.

7.1 Risks specific to the Combined Spicers Group

(a) Structural decline in 'core' paper markets

Paper consumption has been subject to decline due to structural factors, such as changing technologies and consumer preferences, for some time. This has resulted in Spicers 'core' paper products being impacted by falling consumption and/or pricing. This structural decline is expected to continue.

Spicers' future financial performance is thus dependent upon the success of its business strategies in 'core' paper markets, including its ability to maintain or increase the selling prices and gross profit margins received from the sale of its paper products and to execute its diversification strategy. Further, it is difficult to accurately forecast the level of structural decline in the consumption of paper, which may impact Spicers' overall profitability.

(b) Execution of diversification strategy

Expansion into new markets and product categories is a key component of the strategic plans of the Spicers Group, and related activities to reduce Spicers' reliance on 'core' paper based products and markets. There are risks that:

- (i) execution of the diversification strategy may not be successful, including properly understanding the nature and risks of new markets and product categories entered, and effective execution of any future acquisitions in diversified sectors; and/or
- (ii) the level of growth in diversified business may not be sufficient to offset the loss of revenues and profits from ongoing structural decline in core paper markets.

7.1 Risks specific to the Combined Spicers Group continued

(c) Competitive and industry landscapes

Spicers operates in wholesale and distribution markets, with core paper markets subject to structural decline and many products 'commoditised' in nature. The Spicers Group is subject to risks related to the competitive and industry landscapes it operates in, including linkages with ongoing structural decline in core paper markets, such as:

- (i) competitive pressures caused by aggressive competitor actions or industry consolidation;
- (ii) supplier and supply chain related factors, for example supply partnership arrangements and the nature and extent of supplier 'channels' to market; and
- (iii) changes in the customer base of the business, for example consolidation.

Future sales levels, gross profit margins, and overall financial performance of the Spicers Group may be impacted by the above risks.

(d) Financing and cash availability

Financing accessibility and effective use of cash are relevant to Spicers meeting its strategic and business objectives. Pressures on financing and cash availability may thus reduce the ability of the Spicers Group to support its strategic objectives, such as diversifying via acquisition, and to respond to market conditions and opportunities. If extreme pressures were to eventuate, these may also result in liquidity risks for Spicers.

Existing financing facilities maturing and being unable to be refinanced could lead to such pressures. They may also arise due to adverse effects from other significant risks, such as rapid declines in demand for 'core' paper products, adverse working capital movements, or possible contingent liabilities related to withdrawal from European operations.

(e) Compliance with financing facility covenants and other key terms

The Spicers Group's financing facilities in Australia and New Zealand are subject to debt covenants, based on the financial performance and position of relevant Spicers operations, and several other key terms. The asset backed financing facility in Australia also involves the securitisation of eligible debtor balances.

Depending on future financial performance and position, there are risks that a Spicers operation may breach a debt covenant or other key obligation under these financing facilities. This could result in acceleration of the scheduled time for repayment under those facilities and/or additional fees being levied by the financier. In extreme circumstances, these facilities could be withdrawn by the financier and/or Spicers' assets pledged as security claimed by the financier.

(f) Contingent liabilities relating to Spicers' previous European operations

Spicers (then known as PaperlinX) withdrew from its former operations in Europe during the 2015 calendar year. Several previous European subsidiaries in the UK, Netherlands, Belgium, Austria and Germany were placed into insolvency proceedings during this period.

These European insolvency proceedings are ongoing and are expected to continue for some time. As part of the Spicers Group's previous European operations and/or these proceedings, legal claims and other exposures may arise that impact Spicers, including in respect of, but not limited to, pension plan liabilities, other employee entitlements, former intercompany balances and equity transactions, and other creditors and director/officer indemnities.

There is a material uncertainty as to whether a future liability will arise in respect of these matters. The amount of any potential liability is unascertainable at this time and will depend on a variety of factors.

In addition, two of Spicers' previous United Kingdom subsidiaries, Robert Horne Group Ltd ('RHG') and Howard Smith Paper Group Ltd ('HSPG'), were the principal employer in respect of defined benefit pension schemes. At the time RHG and HSPG went into external administration, on 1 April 2015, each of the schemes had significant deficits. In certain circumstances, the UK Pensions Regulator can use its 'moral hazard' powers to seek to extend liability for UK defined benefit schemes to other entities in a corporate group. There is material uncertainty as to whether a future liability will arise in respect of these matters. The amount of any potential liability is unascertainable at this time and will depend on a variety of factors. Spicers has not received any correspondence from the UK Pension Regulator nor does it have any reason to believe that the UK Pension Regulator intends to exercise its 'moral hazard' powers in relation to Spicers.

7.1 Risks specific to the Combined Spicers Group continued

(g) Access to capital to implement strategic change

Spicers believes that expansion into new diversified markets, via strategic acquisitions and/or industry consolidation in its existing markets is likely to improve its future prospects, growth and performance. The Spicers Group's existing capital structure restricts it from undertaking such strategic acquisitions and initiating or being able to participate in any industry consolidation.

While successful completion of the Proposal would simplify its capital structure, Spicers may still find it difficult to access capital funding to undertake strategic acquisitions or be involved in any industry consolidation. This may hamper the Spicers Group's future prospects, growth and performance.

If Spicers decides, under a new board, to raise capital in the future, any issue of Spicers Shares may have a dilutive effect on the holdings of Shareholders and may adversely impact the market price of Spicers Shares as a whole.

(h) Disincentives to corporate transactions

Spicers believes that its existing capital structure may act as a disincentive to any potential bidders seeking to acquire control of Spicers. While Spicers believes that simplifying the capital structure will address such issues, there may continue to be other disincentives, such as some of the risks noted in this section, to persons seeking to acquire control of the Spicers Group. This may adversely impact the market price of Spicers Shares.

(i) Ability to attract and retain key personnel

The Spicers Group's future success will depend in part on its continued ability to attract and retain highly skilled and qualified personnel. The board renewal, succession planning and employee development activities, alongside industry and business attractiveness, are the key factors relevant to this risk.

There can be no assurance that key personnel, particularly senior executives, will continue to be employed by, or contracted to, Spicers or that the Spicers Group will be able to attract and retain qualified personnel in the future.

(j) Foreign exchange risk

Spicers is exposed to fluctuations in currency exchange rates. Spicers operations import many of the products they sell, with the purchase price of these imported products typically denominated in foreign currency. The local currency purchase costs of these imported products are thus subject to foreign exchange fluctuations between the local currency and foreign currency purchase prices.

While Spicers operations use forward foreign exchange contracts and other natural hedges to assist in managing these foreign exchange exposures on purchase commitments, there may be risks of ineffectiveness in these hedging positions. Also, there may be risks of adverse longer-term structural movements in foreign exchange rates impacting the local currency terms competitiveness of products imported by Spicers operations.

The overall financial performance and position of the Spicers Group, denominated in Australian Dollars is also subject to foreign currency translation risks on the local currency financial results and net assets of Spicers operations outside of Australia.

(k) Third party risk

The success of Spicers Group operations is dependent, in part, on several key third parties such as major financiers, customers, suppliers and service providers.

Any counterparty business failures, or failures to honour their obligations to Spicers, may have a material adverse effect on Spicers and there can be no assurance that Spicers would be successful in attempting to enforce any of its contractual rights through legal action.

(l) Reputational related risks

The brand and reputation of Spicers and its individual products are important in retaining and increasing the number of clients that utilise Spicers products. Any reputational damage or negative publicity surrounding Spicers or its products could adversely impact on the Spicers Group's business and its future growth and profitability.

(m) Australian defined benefit pension surplus/(liability) estimates

Spicers operates one defined benefit pension plan for a small number of Australian based employees. The plan has been closed to new members since 2000. Spicers estimates and discloses the estimated pension surplus/(liability) liabilities for this plan in compliance with its accounting policy and its reporting obligations. Relevantly, Spicers disclosed in its 31 December 2016 Interim Financial Report that the plan is currently estimated to be in surplus and carried at nil value due to limitations on recoupment of a net surplus position. Defined benefit pension surplus/(liability) valuations are based on estimates, assumptions and judgements which are subject to fluctuation and revision. Accordingly, these valuations may vary in future periods, and actual pension liabilities may differ from projected actuarial pension liabilities.

7.1 Risks specific to the Combined Spicers Group continued

(n) Future availability of tax losses

Spicers has obtained a private binding ruling from the ATO that confirms that the Proposal will not result in Spicers failing the continuity of ownership test. Accordingly, the Proposal should not impact the ability of Spicers to utilise tax losses in the current or future years. However, the utilisation of tax losses continues to be subject to satisfaction of the tax loss recoupment rules in future years.

(o) Australian Accounting Standards

Australian Accounting Standards ('AAS') are adopted by the Australian Accounting Standards Board ('AASB') and are outside the control of Spicers, the Directors and Spicers management. The AASB may, from time to time, introduce new or refined AAS, which may affect the future measurement and recognition of key income statement and statement of financial position items.

There is also a risk that interpretation of existing AAS, including those relating to the measurement and recognition of key income statement and statement of financial position items, may differ.

Any future changes to the AAS issued by the AASB, or to the interpretation of those standards, could materially adversely impact the financial performance and position reported in Spicers' consolidated financial statements.

In addition the AASB has issued a number of new or amended accounting standards that have application for reporting periods commencing 1 January 2018 (AASB 15 Revenue from Customers with Contracts, and AASB 9 Financial Instruments), and 1 January 2019 (AASB 16 Leases). Some or all of these standards could impact the future reported financial performance or financial position of the Spicers Group.

(p) Other operating risks

Other risks that may arise in relation to Spicers include, but are not limited to:

- (i) customer related risks, such as the loss of a major customer, or credit risks from customer bankruptcies;
- (ii) supplier related risks, such as any significant adverse changes in key supplier relationships, or any significant supplier product quality and warranty issues;
- (iii) supply chain related risks, such as adverse changes in import/export regulations and tariffs, or significant increases in shipping and transportation costs;
- (iv) working capital management related risks, in relevant areas such as:
 - (A) inventory purchasing, levels and obsolescence;
 - (B) customer credit terms and debtor balances; and
 - (C) supplier credit availability and creditor balances;
- (v) adverse movements in interest rates, which could impact upon interest expenses charged on borrowings;
- (vi) post-transaction risks related to any future acquisitions and/or divestments, such as the effectiveness of acquisition execution (including due diligence), and any post-acquisition/divestment adverse events;
- (vii) business interruption and continuity related risks, such as:
 - (A) impacts on the Spicers Group's operations and locations from natural events, for example earthquake, flood, fire, or drought;
 - (B) supply chain related shocks, for example business interruption or failure of a key supplier, or significant disruption of shipping and logistics services; and
 - (C) information technology related service outages and failures;
- (viii) risks related to the availability of sufficient and affordable insurance cover in relevant areas, such as general insurances, product liability, directors and officers, employee crime, and credit insurance;
- (ix) risks related to compliance with laws and regulations relevant to the Spicers Group's operations, in areas including, but not limited to:
 - (A) occupational health and safety;
 - (B) operating licences and permits;
 - (C) competition and fair trading;
 - (D) bribery and corruption; and
 - (E) environmental standards;

7.1 Risks specific to the Combined Spicers Group continued

(x) Information Technology (IT) related risks, in areas including, but not limited to:

- (A) IT security, 'cyber attacks', and data protection;
- (B) IT systems lifecycle management, including E-commerce platforms; and
- (C) management of IT outsourcing services.

Any of the above risks may have an effect on the operations and financial performance of the Spicers Group in the future.

7.2 Risks specific to the Proposal and the Offer

(a) Implications for Spicers if the Proposal is not Implemented

If the Proposal is not Implemented, there will be no change to the capital structure or operations of Spicers. As such, Spicers will not acquire the SPS Units and will not issue any New Shares under the Offer in accordance with the Trust Scheme.

While it is not possible to predict future performance of the Spicers Group, there may be adverse implications for Spicers, its Shareholders and SPS Unitholders if the Proposal is not Implemented, including but not limited to:

- (i) market valuations for Spicers Shares may continue to be adversely affected by the status quo of a complex capital structure and associated issues and uncertainties;
- (ii) open market trading in Spicers Shares is likely to remain constrained, reducing the ability for Shareholders to trade their Spicers Shares;
- (iii) it is unlikely that dividends to Shareholders would recommence in the foreseeable future;
- (iv) Spicers' ability to access equity and debt funding to assist with its operational activities would be severely limited;
- (v) Spicers would continue to be burdened with the administration costs and complexity in activities associated with the SPS Trust;
- (vi) any ongoing legal disputes with major SPS Unitholders may continue to affect Spicers – refer to section 10.8 for further information;
- (vii) the Spicers Board and management would not be able to focus without distraction on Spicers' performance and delivering its strategy;
- (viii) the existing complex capital structure is likely to continue to impact confidence levels and perceptions of counterparty risk among key stakeholders, including customers, suppliers and financiers; and
- (ix) the existing capital structure is inefficient from an Australian income tax perspective as it requires the utilisation of tax losses against assessable income generated within the structure.

In addition, Spicers will incur transaction costs associated with the Proposal even if the Proposal is not Implemented. Refer to section 8.5 for more information.

(b) Triggering change of control provisions

The Implementation of the Proposal may give rise to contractual consequences under material contracts to which the Spicers Group is a party, including rights for the contractual counterparty to review the contractual arrangements or exercise other rights such as termination rights. If a contractual counterparty elects to exercise such rights upon the Implementation of the Proposal, this may have an adverse effect on the financial performance of the Spicers Group.

(c) Value of Trust Scheme Consideration

If the Proposal is Implemented, Eligible SPS Unitholders (and, in the case of Ineligible Overseas Holders, to the Foreign Nominee) will receive 545 New Shares for each SPS Unit they hold on the Record Date. The implied value of the consideration paid by Spicers to the Eligible SPS Unitholders will depend on the price at which Spicers Shares trade on the ASX after the Implementation Date and is not fixed.

The price of Spicers Shares, following Implementation of the Proposal, will vary and may be volatile due to several factors, including, but not limited to, the financial and operating performance of Spicers and general market conditions.

7.2 Risks specific to the Proposal and the Offer continued

(d) Conditions under Implementation Agreement

Implementation of the Proposal (and the Offer) is subject to the satisfaction or waiver (as applicable) of conditions precedent under the Implementation Agreement, which are described further in section 2.3. There is no guarantee that the conditions precedent will be satisfied or waived. In addition, under the Implementation Agreement, Spicers is restricted from undertaking any Spicers Prescribed Occurrence without The Trust Company's consent (and, following Implementation Spicers is also restricted from undertaking any Spicers Prescribed Occurrence until it holds a general meeting for the election of new Directors), which includes the ability to undertake acquisitions or disposals above a specified threshold. An inability to obtain The Trust Company's consent may prevent Spicers from undertaking an action which could otherwise benefit Spicers.

(e) Board renewal process

As outlined in section 5.3, Spicers has announced a board renewal process.

There is a risk that suitable new Directors may not be identified. There is also uncertainty over the strategic direction a new Spicers Board may implement, which may be different from the present strategy and intentions of the current Spicers Board as identified in sections 3.2(b) and 5.6.

(f) Sale of Spicers Shares by Eligible SPS Unitholders and/or Foreign Nominee

Under the Offer, Spicers will issue a significant number of new Spicers Shares to Eligible SPS Unitholders. Some Eligible SPS Unitholders who receive New Shares under the Offer may not intend to continue to hold their New Shares and wish to sell them. There is a risk that increased sales of Spicers Shares may adversely impact the price of, and demand for, Spicers Shares.

The Foreign Nominee will be issued with New Shares attributable to Ineligible Overseas Unitholders on the Implementation Date, following which the Foreign Nominee will sell those Spicers Shares on the ASX as soon as practicable. It is possible that the sale of those Spicers Shares on-market may apply downward pressure to the price of Spicers Shares.

7.3 General risks

(a) General economic and financial conditions

The operating and financial performance of the Spicers Group is influenced by a variety of general economic conditions and business conditions, including the level of economic growth, inflation, interest rates, exchange rates, and government fiscal and monetary policies. A prolonged deterioration in general economic conditions could materially and adversely affect the Combined Spicers Group's operations and/or financial position and performance.

(b) Government policy, regulatory risk and taxation

Changes in relevant taxation laws, accounting standards, other legal, legislative and administrative regimes, and government policies may have an adverse effect on the assets, operations and, ultimately, the financial performance of the Combined Spicers Group. These factors may ultimately affect the Combined Spicers Group's financial position and performance and the market price of Spicers Shares.

(c) Equity market conditions

There are risks associated with any investment listed on the ASX and in equities, generally. The market price of Spicers Shares may fluctuate depending on the financial condition and operating performance of Spicers as well as other external factors over which Spicers and its Directors have no control.

These external factors include:

- (i) economic conditions in Australia and overseas;
- (ii) investor sentiment in the local and international stock markets;
- (iii) general political stability in Australia and overseas;
- (iv) changes in fiscal, monetary, regulatory and other government policies; and
- (v) geo-political conditions such as acts or threats of terrorism or military conflicts.

No assurance can be given that Spicers' market performance will not be adversely affected by any such market fluctuations or factors.

7.3 General risks continued

(d) Liquidity risk

There may be relatively too few, or many, potential buyers or sellers of Spicers Shares on the ASX at any time. This may increase the volatility of the market price of those Spicers Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Spicers Shares. Furthermore, no prediction can be made as to the effect, if any, that future sales of Spicers Shares or the availability of Spicers Shares for future sales will have on the market price for the Spicers Shares from time to time. Sales of substantial numbers of Spicers Shares, or the perception that such sales may occur, may adversely affect prevailing market prices for the Spicers Shares.

Investors should note that the past share price performance of Spicers provides no guidance as to its future share price performance.

(e) Litigation risk

Spicers is subject to the usual business risk that disputes or litigation may arise from time to time in the course of its business activities. Litigation risks relating to Spicers include, but are not limited to, contractual claims, employee claims, public liabilities, regulatory disputes and the costs associated with such claims and disputes.

There is also material litigation currently on foot. Proceedings have been brought against Spicers in the NSW Supreme Court seeking preliminary discovery of documents relating to a loan from PaperlinX LLC to Spicers and its subsidiaries and to the renegotiation and amendment or variation of the loan.

These proceedings have been adjourned to allow Spicers to convene the Shareholder Meeting and to provide The Trust Company time to propose the Trust Scheme.

In addition, The Trust Company has sought judicial advice and direction of the Court pursuant to section 63(1) of the *Trustee Act 1925* (NSW) in respect of particular matters.

These proceedings have been adjourned to allow The Trust Company time to propose the Trust Scheme.

Further, allegations have been made in correspondence by two SPS Unitholders against Spicers and its Directors regarding the management and conduct of the Spicers Group and the arrangements with respect to the SPS Trust. Except as identified in this section, there are no current proceedings in relation to these allegations.

Refer to section 10.8 for further information.



Key people, interests and benefits

8.1 Board of Directors and senior management

Details of the Spicers Board and its senior management are set out in section 3.3.

8.2 Directors' interests

(a) Interests of Spicers Directors

At the Prospectus Date, the Directors have the following relevant interests in Spicers Shares and SPS Units:

| Director | Spicers Shares | SPS Units |
|-------------------|----------------|-----------|
| Mr Robert Kaye | 1,002,246 | 0 |
| Mr Michael Barker | 1,000,000 | 0 |
| Mr Wayne Johnston | 469,130 | 0 |

Directors may hold the interest in securities shown above directly, or through holdings by companies, trusts or other persons with whom they are associated.

(b) Other interests, agreements or arrangements with Spicers Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- (i) the formation or promotion of Spicers;
- (ii) the Offer; or
- (iii) any property acquired or proposed to be acquired by Spicers in connection with the formation or promotion of Spicers or the Offer.

Other than as set out in this Prospectus, at the time of lodgement of this Prospectus with ASIC, no one has paid or agreed to pay any amount, and no one has given or agreed to give any benefit, to any Director or proposed Director:

- (iv) to induce that person to become, or qualify as, a Director; or
- (v) for services provided by that person in connection with the formation or promotion of Spicers or the Offer.

(c) Payments and other benefits to Spicers Directors or officers

It is not proposed that any payment or other benefit be made or given to any Director, or any secretary or executive officer of Spicers as compensation for loss of, or as consideration for or in connection with his retirement from office in Spicers or any of its related bodies corporate as a result of the Proposal (or the proposed board renewal process as described in section 5.3).

8.2 Directors' interests continued

(d) Remuneration

The Spicers Constitution contains provisions about the remuneration of the Directors. As remuneration for their services as Directors, the non-executive Directors are paid an amount of remuneration determined by the Spicers Board, subject to a maximum annual aggregate amount determined by Shareholders in a general meeting. The maximum annual aggregate amount has been set at \$1.26 million, which was approved by Spicers shareholders at the 2007 Annual General Meeting. Each Director may also be paid additional remuneration for performance of extra services and is entitled to reimbursement of reasonable out-of-pocket expenses.

The remuneration of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) may be fixed by the Spicers Board. The remuneration may consist of salary, bonuses, long-term and short-term incentive plans or any other elements.

Details of the remuneration arrangements with Spicers' key management personnel in respect of FY2016 are set out in the Remuneration Report contained in Spicers' 2016 Annual Report which was lodged with the ASX on 7 October 2016.

In addition, as noted in the Remuneration Report, the Spicers Board stated an intention to develop a new long-term incentive (**LTI**) plan for key management personnel. On 21 November 2016, Spicers entered into a LTI plan with its CEO and CFO, the terms of which are as follows:

- (i) the measurement period is three years from 1 July 2016 to 30 June 2019;
- (ii) the maximum award is 20 per cent of the senior executive's total fixed remuneration, subject to certain performance hurdles;
- (iii) the LTI will be paid 100 per cent in cash (net of applicable employment taxes);
- (iv) the LTI targets comprise financial targets in relation to growth in diversified revenue streams and operating cash flows. A maximum payment will only be paid if superior performance is achieved. These financial measures were identified drivers in improving financial performance and ultimately enhancing shareholder returns;
- (v) the participating senior executive must be employed by Spicers for the whole of the measurement period and continue to be employed by Spicers at the measurement date (which is expected to be no later than 31 August 2019);
- (vi) if the senior executive ceases employment before the measurement date, then the LTI will automatically lapse, unless the Spicers Board determines otherwise;
- (vii) the Spicers Board has the discretion to allow some or all of the LTI to vest early in the event of a takeover or scheme of arrangement is made or undertaken in relation to the equity of Spicers;
- (viii) the Spicers Board has a broad discretion to resolve anomalies and certain other aspects of the LTI; and
- (ix) the senior executive will forfeit any right or interest in its LTI if, in the Spicers Board's opinion, the senior executive has acted fraudulently or dishonestly in relation to the affairs of any company in the Spicers Group or is in material breach of his obligations to any company in the Spicers Group.

(e) Indemnity and insurance

Spicers has entered into a Director's Access Insurance and Indemnity Deed with each Director. Under that deed, a Director is entitled (among other things) to be indemnified against liabilities incurred as a Director to the extent permitted by law.

Subject to and so far as may be permitted under applicable law, the Constitution stipulates that each Director must be indemnified against such liability and also permits Spicers to enter and pay premiums on directors and officers liability insurance policies for their benefit.

8.3 Benefits agreed to be given SPS Unitholders during previous four months

During the period of four months before the Prospectus Date, neither Spicers nor any associate of Spicers gave, or offered to give, or agreed to give, a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

- (a) vote in favour of the Trust Scheme Resolutions; or
- (b) dispose of SPS Units,

and which will not be provided to all Eligible SPS Unitholders under this Offer in accordance with the Trust Scheme.

8.4 Interests of experts and advisers

Other than as set out in this Prospectus:

- (a) no promoter or person named in the Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus has, or in the last two years before the Prospectus Date has had, any interests:
 - (i) in the formation or promotion of Spicers; or
 - (ii) property acquired or proposed to be acquired by Spicers in connection with its formation or promotion, or in connection with the Offer; or
 - (iii) in the issue of New Shares under the Offer;
- (b) no amounts have been paid or agreed to be paid, and no value or other benefit has been given or agreed to be given, to such persons in connection with preparation or distribution of this Prospectus or in connection with the formation or promotion of Spicers or the issue of the New Shares under the Offer.

8.5 Fees and interests of advisers and others

The costs of the Proposal (including the Offer) expected to be payable by Spicers is currently estimated to be approximately \$4.2 million. This includes financial advisory, legal, accounting, independent experts, tax, administrative fees, registry, printing and other expenses. It also includes transaction costs incurred by The Trust Company.

SLM Corporate has acted as corporate adviser to Spicers in relation to the Proposal. Spicers has paid, or agreed to pay, approximately \$950,000 (excluding GST) for these services up until the Prospectus Date (of which \$500,000 excluding GST is payable only on Implementation of the Proposal).

Arnold Bloch Leibler has acted as Australian legal adviser (other than in respect of taxation and stamp duty) to Spicers in relation to the Proposal. Spicers has paid, or agreed to pay, approximately \$1,100,000 (excluding GST) for these services up until the Prospectus Date. Further amounts may be paid to Arnold Bloch Leibler for other work in accordance with its normal time-based charges.

8.6 Related party transactions

Other than as disclosed in this Prospectus, no Spicers entity is a party to any related party arrangements.

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Australian tax considerations



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8 March 2017

PaperlinX SPS Trust Australian Tax Implications for Eligible SPS Unitholders in relation to the trust scheme of arrangement

Dear Directors

We have been requested to provide a tax opinion for inclusion in the Prospectus in relation to the intended acquisition of PaperlinX step-up preference securities ("**SPS Units**") in the PaperlinX SPS Trust by Spicers Limited ("**Spicers**") which is to be effected by a trust scheme of arrangement for Eligible SPS Unitholders ("**Trust Scheme**") and an ordinary resolution for Spicers Shareholders ("**Ordinary Resolution**").

1. Introduction

This tax opinion provides a summary of the Australian income tax, Goods and Services Tax ("**GST**") and stamp duty consequences for Eligible SPS Unitholders who participate in the Trust Scheme.

This tax opinion is not intended to provide an exhaustive or definitive statement as to all the possible tax outcomes for Eligible SPS Unitholders. Specifically, this tax opinion summarises the likely Australian tax implications for Eligible SPS Unitholders who participate in the Trust Scheme and dispose of their SPS Units to Spicers.

The information contained in this tax opinion is provided in relation to Australian resident and foreign resident Eligible SPS Unitholders who hold their SPS Units on capital account for income tax purposes.

This tax opinion does not consider the Australian tax consequences for Eligible SPS Unitholders:

- ▶ who hold their SPS Units on revenue account or as trading stock;
- ▶ who are Australian tax residents though hold their SPS Units as part of an enterprise carried on, at, or through a permanent establishment in a foreign country;
- ▶ that are financial institutions, insurance companies, partnerships, tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated) or temporary residents; or
- ▶ are subject to the taxation of financial arrangements rules contained in Division 230 of the *Income Tax Assessment Act 1997* (Cth) (**the 1997 Act**) in relation to gains and losses on their SPS Units.

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The information contained in this tax opinion is based on the tax law at the date of the Prospectus. The tax consequences outlined in this tax opinion may alter if there is a change in the tax law after the date of the Prospectus.

The information contained in this opinion is general in nature and should not be relied upon by Eligible SPS Unitholders as tax advice. This opinion is not intended to be an authoritative or complete statement of the tax law applicable to the specific circumstances of every Eligible SPS Unitholder. Eligible SPS Unitholders should obtain their own independent professional advice on the tax consequences of disposing of their SPS Units under the Trust Scheme.

This tax opinion should be read with the remainder of the Prospectus, together with the Trust Scheme Booklet.

2. Australian Income Tax Implications

2.1. Disposal of SPS Units – Australian Tax Residents

The Australian income tax implications relevant for Eligible SPS Unitholders who dispose of their SPS Units under the Trust Scheme and that are Australian residents for tax purposes are outlined below.

2.1.1. Capital gains tax (“CGT”) event

CGT event A1 should occur for Eligible SPS Unitholders when they dispose of their SPS Units to Spicers. The disposal should occur on the Implementation Date when the SPS Units are disposed of by the SPS Unitholder.

Eligible SPS Unitholders should make a capital gain from the CGT event if the capital proceeds from the disposal of their SPS Units exceed their cost base. CGT roll-over relief should not be available in respect of any capital gain on the disposal of SPS Units in exchange for Spicer's Shares.

Alternatively, Eligible SPS Unitholders should make a capital loss if the capital proceeds received are less than the reduced cost base of their SPS Units.

The capital proceeds received on the disposal of the SPS Units should be the market value of the Spicer's Shares received in exchange for the SPS Units on the date of the CGT event as described above.

The cost base (or reduced cost base) of SPS Units should generally be the amount paid to acquire the SPS Units plus incidental costs of ownership (provided the costs have not previously been claimed as a tax deduction).

The cost base and reduced cost base of each SPS Unit will depend on the individual circumstances of each Eligible SPS Unitholder.

2.1.2. CGT discount

Eligible SPS Unitholders who are individuals, trusts or complying superannuation funds should be able to apply the CGT discount where they have held their SPS Units for at least 12 months (excluding the date of acquisition and disposal) before their disposal under the Trust Scheme.



The CGT discount rules will, broadly, enable the Eligible SPS Unitholders to reduce their capital gain (after the application of any current year or prior year capital losses) by 50% for individuals and trusts and 33 1/3% for complying superannuation funds.

The CGT discount is not available to Eligible SPS Unitholders that are companies.

2.1.3. Capital losses

Capital losses will arise where the capital proceeds received are less than the reduced cost base of the SPS Units.

A capital loss can offset other capital gains made by Eligible SPS Unitholders in the income tax year in which the CGT event arises. Where the capital losses are not utilised in that year, they may be carried forward to future income years (subject to any specific loss recoupment rules).

Eligible SPS Unitholders should seek tax advice in relation to the operation of these rules.

2.2. Disposal of SPS Units – Foreign Tax Residents

The Australian income tax consequences relevant for Eligible SPS Unitholders who dispose of their SPS Units under the Trust Scheme and that are foreign residents for tax purposes are outlined below.

Eligible SPS Unitholders who are foreign residents for income tax purposes and who do not carry on business in Australia at or through a permanent establishment should be able to disregard a capital gain or capital loss on the disposal of their SPS Units.

Foreign resident Eligible SPS Unitholders should obtain their own independent tax advice regarding the tax implications of the Trust Scheme in Australia and in their country of residence.

3. Stamp Duty

No stamp duty should be payable by the Eligible SPS Unitholders in respect of the disposal of their SPS Units or on the acquisition of Spicers Shares under the Trust Scheme.

4. GST

No GST should be payable by Eligible SPS Unitholders in respect of the disposal of their SPS Units or on the acquisition of Spicers Shares under the Trust Scheme, regardless as to whether the Eligible SPS Unitholder is registered for GST. In the event the Eligible SPS Unitholder is registered for GST, the disposal of the SPS Units should be considered an input taxed financial supply.

The Eligible SPS Unitholders may incur GST on costs (such as third party brokerage and advisor fees) that relate to their participation in the Trust Scheme. The Eligible SPS Unitholders that are registered, or required to be registered, for GST will not generally be entitled to full input tax credits for any GST payable on such costs but may be entitled to partial “reduced input tax credits” for certain transaction costs, although this will depend on each Eligible SPS Unitholder’s individual circumstances.

Eligible SPS Unitholders should seek their own independent tax advice in relation to the GST implications of their participation in the Trust Scheme.

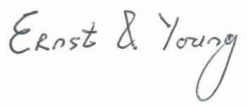
5. Disclaimer

Our comments are general in nature and the individual circumstances of each Eligible SPS Unitholder may affect the taxation implications of the Trust Scheme for that Eligible SPS Unitholder. Eligible SPS Unitholders should seek appropriate independent professional advice that considers the taxation implications in respect of their own specific circumstances. Taxation is only one of the matters that must be considered when making a decision on whether to vote in favour of the Trust Scheme.

This summary does not constitute financial product advice as defined in the *Corporations Act 2001*. This summary is confined to taxation issues and is only one of the matters you need to consider when making a decision about your investments. You should consider taking advice from a licensed adviser before making a decision about your investments. The partnership of Ernst & Young is not required to hold an Australian Financial Services Licence under the *Corporations Act 2001* to provide you with this taxation advice.

We have not caused and take no responsibility for the publication of any part of the Prospectus in which this letter appears, other than this letter itself.

Yours faithfully,



Ernst & Young

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Additional information

This section 10 sets out a number of matters of which you should be aware that have not been addressed in detail elsewhere in this Prospectus. It gives details of the availability of certain other important documents and a summary of some of these documents that are relevant to the Offer.

This Prospectus should be read together with the Trust Scheme Booklet.

10.1 Nature of this Prospectus

This Prospectus is a prospectus for continuously quoted securities to which the special content rules under section 713 of the Corporations Act apply. This provision allows the issue of a more concise prospectus in relation to offers of securities in a class which have been continuously quoted on the ASX for the three months prior to the Prospectus Date.

This Prospectus is a 'transaction specific prospectus'. In general terms, a transaction specific prospectus is only required to contain information in relation to the effect of the issue of securities on a company and the rights and liabilities attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus contains information only to the extent to which it is reasonable for investors and their professional advisers to expect to find the information in it. It does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange.

As an ASX-listed company, Spicers has provided the ASX with a substantial amount of information regarding its activities and that information is publicly available. This Prospectus is intended to be read in conjunction with that publicly available information. Investors should therefore have regard to the other publicly available information in relation to Spicers.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

10.2 Reporting and disclosure obligations

Spicers is a 'disclosing entity' (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to the regime of continuous disclosure and periodic reporting requirements. Specifically as a listed company, Spicers is subject to the ASX Listing Rules which require continuous disclosure to the market of any information possessed by Spicers which a reasonable person would expect to have a material effect on the price or value of the Spicers Shares, subject to certain exemptions.

Spicers is also required to prepare and lodge with ASIC and the ASX both yearly and half yearly financial statements accompanied by a Directors' declaration and report, and an audit or review report.

10.3 Availability of documents

The ASX maintains files containing publicly disclosed information about all listed companies.

Spicers' file is available for inspection at the ASX during normal working hours, and Spicers' announcements may be viewed on the ASX's website www.asx.com.au or on Spicers' website www.spicerslimited.com.au. In addition, copies of documents lodged by, or in relation to, Spicers with ASIC may be obtained from, or inspected at, an ASIC office.

10.3 Availability of documents continued

Spicers will provide a copy of any of the following documents, free of charge, to any SPS Unitholder who so requests until the Implementation Date:

- (a) the annual financial report for the year ended 30 June 2016;
- (b) the half year financial report for the half year ended 31 December 2016; and
- (c) any other document used to notify the ASX of information relating to Spicers under the continuous disclosure provisions of the ASX Listing Rules and the Corporations Act after the date of lodgement of this Prospectus with ASIC of the annual financial report referred to above and before lodgement with ASIC of this Prospectus.

The following is a list of all ASX announcements lodged since 26 August 2016 (being the date of lodgement of its Appendix 4E & Financial Report for FY2016) and before the Prospectus Date.

| Recent ASX announcements | |
|--------------------------|--|
| Date | Headline |
| 24 April 2017 | Appendix 3B |
| 21 April 2017 | PXU: Update on transaction to simplify SRS capital structure |
| 21 April 2017 | Update on transaction to simplify Spicers capital structure |
| 4 April 2017 | Spicers New Zealand to relocate Auckland premises |
| 15 Feb 2017 | Spicers 2017 Interim Results |
| 15 Feb 2017 | Appendix 4D & Interim Financial Report 31 December 2016 |
| 20 Dec 2016 | Boardroom Media Interview |
| 20 Dec 2016 | PXU: Restructuring of the Paperlinx SPS Trust |
| 20 Dec 2016 | Scheme Implementation Agreement |
| 20 Dec 2016 | Spicers enters into Implementation Agreement |
| 19 Dec 2016 | Trading Halt |
| 1 Dec 2016 | PaperlinX Step-Up Preference Securities |
| 16 Nov 2016 | Germany Obligations Settled |
| 11 Nov 2016 | 2016 AGM Results |
| 11 Nov 2016 | 2016 AGM Speeches |
| 11 Nov 2016 | 2016 AGM Presentation Slides |
| 21 Oct 2016 | PXU: Amended Announcement |
| 11 Oct 2016 | PXU: Proposed Restructure of the Paperlinx SPS Trust |
| 11 Oct 2016 | Spicers to Propose Resolution of Capital Structure |
| 7 Oct 2016 | Appendix 4G and Corporate Governance Statement 2016 |
| 7 Oct 2016 | Notice of AGM, Proxy Form and Letter to Shareholders |
| 7 Oct 2016 | Spicers 2016 Annual Report |
| 30 August 2016 | PXU: Full Year Statutory Accounts |
| 26 August 2016 | 2016 Full Year Results |
| 26 August 2016 | Appendix 4E & Financial Report 30 June 2016 |

All requests to Spicers for copies of the above documents should be addressed to:

The Company Secretary
Spicers Limited
PO Box 4557
Dandenong South VIC 3164 Australia

10.4 Incorporation by reference

The following documents are incorporated by reference into this Prospectus:

- (a) Implementation Agreement;
- (b) Supplemental Deed; and
- (c) Spicers Deed Poll.

Spicers will provide a copy of these documents, free of charge, to any SPS Unitholder who so requests until the Implementation Date. All requests to Spicers for copies of the above documents should be addressed to:

The Company Secretary
 Spicers Limited
 PO Box 4557
 Dandenong South VIC 3164 Australia

10.5 Sale Facility

Spicers has entered into an agreement with the Foreign Nominee, under which the Foreign Nominee has been appointed to run the Sale Facility.

Under the Sale Facility, the Foreign Nominee will be issued the Trust Scheme Consideration on behalf of Ineligible Overseas Unitholders. The Foreign Nominee must then:

- (a) sell all of the Shares issued to the Foreign Nominee on-market no later than 25 Business Days after Implementation; and
- (b) deposit all the proceeds of the sale (less duties, taxes and brokerage) into an account maintained by the Share Registry within five Business Days after the sale of all of the New Shares issued to the Foreign Nominee.

The Share Registry will then distribute the net proceeds of the sale to the Ineligible Overseas Unitholders, proportionately to their relevant holdings of SPS Units, within a further five Business Days.

Under the Sale Facility, Spicers will pay the Foreign Nominee \$5,000 (plus GST) and reimburse the Foreign Nominee its pre-approved expenses. These amounts will be paid separately by Spicers, and the Foreign Nominee will not deduct this from the amounts to be distributed to Ineligible Overseas Unitholders.

10.6 Rights and liabilities attaching to Spicers Shares

The rights and liabilities attaching to the Spicers Shares are summarised in section 6.

10.7 Consents

- (a) The following parties have given and have not, before the lodgement of the Prospectus with ASIC, withdrawn their written consent to be named in this Prospectus in the form and context in which they are named:
 - (i) SLM Corporate as Spicers' corporate adviser;
 - (ii) Arnold Bloch Leibler as Spicers' Australian legal adviser;
 - (iii) Computershare as Spicers' Share Registry and the SPS Trust Registry;
 - (iv) The Trust Company as the responsible entity of the SPS Trust;
 - (v) Ernst & Young as taxation adviser of Spicers; and
 - (vi) KPMG as auditor of Spicers.
- (b) KPMG has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of the references to it as auditor, and the statements regarding KPMG's reports in relation to Spicers' financial reports, in the form and context in which they are included in section 3.8(a) of this Prospectus.
- (c) Ernst & Young has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of the tax opinion in section 9 in the form and context in which it is included in this Prospectus.

10.7 Consents continued

- (d) Each person referred to above:
 - (i) does not make, or purport to make, any statement in this Prospectus other than the statements in the report (if any) referred to next to that person's name; and
 - (ii) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than as described in this section 10 with that person's consent.
- (e) The issue of this Prospectus has been authorised by each Spicers Director. Each Spicers Director has consented to the lodgement of this Prospectus with ASIC and to the issue of this Prospectus and has not withdrawn that consent.

10.8 Material litigation

Proceedings have been brought against Spicers in the NSW Supreme Court seeking preliminary discovery of documents relating to a loan from PaperlinX LLC to Spicers and its subsidiaries, and to the renegotiation and amendment or variation of the loan.

The preliminary discovery proceedings relate to a potential claim foreshadowed by a Unitholder seeking declarations that Spicers has failed to comply with its continuous disclosure obligations under section 674 of the Corporations Act and the ASX Listing Rules in relation to the loan and its renegotiation. Spicers has not yet filed any evidence in the preliminary discovery proceedings and has foreshadowed an application seeking security for costs.

These proceedings have been adjourned to allow Spicers to convene the Shareholder Meeting and to provide The Trust Company time to propose the Trust Scheme. If the Trust Scheme proceeds, it will be a matter for the Unitholder as to whether it will pursue its application for preliminary discovery. If the Trust Scheme does not proceed, the matter may be relisted for orders progressing the summons.

In addition, The Trust Company has sought judicial advice and direction of the Court pursuant to section 63(1) of the *Trustee Act 1925 (NSW)* in respect of whether:

- (a) the cancellation of certain performance rights held by Canadian employees in March 2015 (in conjunction with the sale of Spicers' Canadian operations in 2015) ('**Rights Cancellation**'); or
- (b) certain share transactions associated with Spicers' employee share plans and recorded in Spicers' annual reports as 'Purchase of own shares for employees' ('**Employee Share Purchase**'),

constitute a breach of undertakings provided by Spicers in the SPS Trust Constitution, which may result in the SPS Units being exchanged for preference shares in Spicers.

These proceedings have been adjourned to allow The Trust Company time to propose the Trust Scheme. If the Trust Scheme proceeds, the proceedings will be withdrawn. If the Trust Scheme does not proceed, The Trust Company will seek orders on this matter within the 2017 calendar year.

In addition, while not the subject of litigation, allegations have been made in correspondence by two SPS Unitholders against Spicers and its Directors regarding the management and conduct of the Spicers Group and the arrangements with respect to the SPS Trust. Except as identified in this section, there are no current proceedings in relation to these allegations.

As far as the Spicers Directors are aware, other than as described elsewhere in this Explanatory Statement, there are no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which Spicers is directly or indirectly concerned which are likely to have a material adverse impact on the business or financial position of Spicers.

10.9 Releases

As per the Implementation Agreement, under the Trust Scheme, Spicers will release and indemnify (except to the extent of any fraud or wilful misconduct) The Trust Company (in its personal capacity) in respect of all actions, conduct and decisions made as responsible entity of the SPS Trust in relation to the following matters (**The Trust Company Matters**):

- (a) the preparation, issue and distribution of the replacement product disclosure statement dated 7 March 2007 (**PDS**) issued by The Trust Company as responsible entity of the SPS Trust and the issue of the SPS Units by The Trust Company pursuant to that PDS;
- (b) The Trust Company's compliance with the SPS Trust Constitution, the terms of issue of the Units and all agreements between The Trust Company and Spicers; and
- (c) the management and operation of the SPS Trust (in the period from inception until completion of the Trust Scheme).

In addition, Eligible SPS Unitholders will under the terms of the Trust Scheme:

- (d) fully release Spicers in respect of all actions, conduct and decisions made in relation to the management and operation of the Spicers business in the period from the date of the SPS Trust to the completion date of the Trust Scheme (**Spicers Matters**); and
- (e) fully release The Trust Company, in its personal capacity and in its capacity as responsible entity of the SPS Trust, in respect of all actions, conduct and decisions made in relation to The Trust Company Matters,

except to the extent of any fraud or wilful misconduct.

Subject to certain limitations, the releases from Eligible SPS Unitholders will act to release all rights held by SPS Unitholders in relation to The Trust Company Matters and the Spicers Matters. In this way the releases will affect any rights currently held by SPS Unitholders in equity, at common law and under statute. The releases will only be effective to the extent permitted by law. As a result, if a court were to find the release of a specific right unlawful, the releases provided by the SPS Unitholders under the Trust Scheme would not be effective in respect of that right. Further, the releases will not be effective to release The Trust Company or Spicers from liability in relation to fraud or wilful misconduct.

Refer to section 8.4 of the Trust Scheme Booklet for further information regarding the releases.

10.10 Arrangements with substantial shareholder

Communications Power Incorporated (Aust) Pty Ltd, a substantial shareholder of Spicers, entered into an agreement with Spicers to provide property advice and consultancy services in relation to the Consolidated Entity's owned and leased properties. The contract terms were based on market rates for these types of services and amounts were payable on a monthly basis. Amounts incurred under the contract were \$0.12 million during the six months to 31 December 2016 and \$0.28 million during FY2016. Based upon mutual agreement, the agreement was terminated in February 2017.

10.11 ASIC relief

ASIC has granted Spicers relief from the following provisions of the Corporations Act to enable the Offer to be made and the Proposal to be Implemented:

- (a) relief from Chapter 6D of the Corporations Act to enable Spicers Shares to be issued to Eligible SPS Unitholders (and the Foreign Nominee) without the Eligible SPS Unitholders (or the Foreign Nominee) receiving or completing an application form in respect of the Spicers Shares to be issued and to permit advertisements and publications to be made without reference to an application form;
- (b) relief from Chapter 7 of the Corporations Act so that Spicers is not required to:
 - (i) hold an Australian Financial Services licence to provide information in the Trust Scheme Booklet or the Prospectus in relation to Spicers, the Spicers Shares and the Trust Scheme; and
 - (ii) issue a financial services guide with the Trust Scheme Booklet or the Prospectus in relation to the Trust Scheme; and
- (c) relief from Division 5A of Part 7.9 of the Corporations Act so that the Trust Scheme (including the payment of the Trust Scheme Consideration) does not constitute an unsolicited offer.

10.12 ASX waivers

Spicers has been granted a waiver from ASX Listing Rule 14.11 to permit Shareholders who participate in the Trust Scheme to vote on the Shareholder Resolution, to the extent only that those holders are acting solely in a fiduciary, nominee, trustee or custodial capacity on behalf of beneficiaries who do not participate in the Trust Scheme (the '**Nominee Holders**'), on the following conditions:

- (a) the beneficiaries provide written confirmation to the Nominee Holders that they will not participate in the Trust Scheme, nor are they an associate of a person who will participate in the Trust Scheme;
- (b) the beneficiaries direct the Nominee Holders to vote for or against on the Resolution; and
- (c) the Nominee Holders do not exercise discretion in casting a vote on behalf of the beneficiaries.

In addition, the ASX has provided the following confirmations under the ASX Listing Rules in connection with the Proposal:

- (d) confirmation under ASX Listing Rule 15.1.1 that ASX does not object to the draft explanatory statement in relation to the Shareholder Meeting; and
- (e) confirmation that the timetable for the Implementation of the Proposal is acceptable to the ASX.

10.13 Foreign jurisdiction restrictions

This Prospectus does not constitute an offer of securities in any jurisdiction in which it would be unlawful. In particular, this Prospectus may not be distributed to any person, and the Spicers Shares may not be offered or sold, in any country outside Australia except to the extent provided below.

(a) New Zealand

This Prospectus is not a New Zealand disclosure document and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Financial Markets Conduct Act 2013 (or any other relevant New Zealand law). The offer of Spicers Shares being made to existing Eligible SPS Unitholders (or, in the case of Ineligible Overseas Unitholders, to the Foreign Nominee) in reliance upon the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 and, accordingly, this Prospectus may not contain all the information that a disclosure document is required to contain under New Zealand law.

(b) United States of America

Spicers intends to rely on an exemption from the registration requirements of the US Securities Act of 1933 provided by Section 3(a)(10) thereof in connection with the consummation of the Proposal and the Trust Scheme and the issuance of Spicers Shares. Approval of the Trust Scheme by the Court will be relied upon by Spicers for purposes of qualifying for the Section 3(a)(10) exemption.

Eligible SPS Unitholders should note that the Trust Scheme is made for the securities of an Australian company in accordance with the laws of Australia and the listing rules of the Australian Securities Exchange. The Trust Scheme is subject to disclosure requirements of Australia that are different from those of the United States of America.

It may be difficult for you to enforce your rights and any claim you may have arising under US federal securities laws, since Spicers is located in Australia and its officers and directors are residents of Australia. You may not be able to sue Spicers or its officers or directors in Australia for violations of the US securities laws. It may be difficult to compel Spicers and its affiliates to subject themselves to a US court's judgement.

You should be aware that Spicers may purchase securities otherwise than under the Proposal and Trust Scheme, such as in privately negotiated purchases.

The Prospectus has not been filed with or reviewed by the US Securities and Exchange Commission or any state securities authority and none of them has passed upon or endorsed the merits of the Proposal and Trust Scheme or the accuracy, adequacy or completeness of the Prospectus. Any representation to the contrary is a criminal offence.

The Spicers Shares have not been, and will not be, registered under the US Securities Act 1933 or the securities laws of any US state or other jurisdiction. The offer of Spicers Shares is not being made in any US state or other jurisdiction where it is not legally permitted to do so.

(c) Cayman Islands

No offer or invitation to subscribe for the Spicers Shares may be made to the public in the Cayman Islands.

10.14 Supplementary information

Spicers will issue a supplementary or replacement prospectus if it becomes aware of any of the following between the date of lodgement of this Prospectus with ASIC and the date of the Trust Scheme Meetings:

- (a) a material statement in this Prospectus is false or misleading;
- (b) a material omission from this Prospectus;
- (c) a significant change affecting a matter included in this Prospectus; or
- (d) a significant new matter arising which would have been required to be included in this Prospectus if it had arisen before the date of lodgement of this Prospectus with ASIC.

The form which the supplementary document may take will depend on the nature and timing of the new or changed circumstances.

10.15 Governing law

This Prospectus is governed by the law applicable in Victoria, and each Eligible SPS Unitholder submits to the non-exclusive jurisdiction of the courts of Victoria.

10.16 Statement of Directors

This Prospectus is authorised by each Spicers Director who consents, and who has not withdrawn their consent, to its lodgement with ASIC and its issue.

11

Glossary

In this Prospectus, unless the context otherwise requires, the following definitions apply:

| | |
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| ATO | Australian Taxation Office |
| ASIC | Australian Securities & Investments Commission |
| ASX | ASX Limited ACN 008 624 691 or the Australian Securities Exchange operated by ASX Limited, as the context requires |
| ASX Listing Rules | Official listing rules of ASX |
| Business Day | A business day in Sydney, Australia |
| Combined Spicers Group | Spicers Limited ACN 005 146 350 and its subsidiaries and the SPS Trust following acquisition of all SPS Units not already held by Spicers under the Proposal |
| Computershare | Computershare Investor Services Pty Ltd ABN 48 078 279 277 |
| Corporations Act | <i>Corporations Act 2001</i> (Cth) |
| Directors | The directors of Spicers |
| Effective | The Trust Scheme taking effect pursuant to section 601GC of the Corporations Act |
| Effective Date | The date on which the Trust Scheme becomes effective, being the date on which the Supplemental Deed takes effect pursuant to section 601GC of the Corporations Act |
| Eligible SPS Unitholder | A registered holder of SPS Units immediately following the close of the SPS Trust Register on the Record Date, excluding Spicers |
| Financial Year or FY | 12 months ended or ending 30 June of any year |
| Foreign Nominee | Gleneagle Securities (Aust) Pty Limited ABN 58 136 930 526 |
| Half Year or HY | 6 months ended or ending 31 December of any Financial Year |
| Implement, Implemented and Implementation | The implementation of the Proposal on the Implementation Date |
| Implementation Agreement | The Scheme Implementation Agreement dated 19 December 2016 entered into between Spicers and The Trust Company in relation to the Proposal |
| Implementation Date | The date on which the Proposal is Implemented, being the third Business Day following the Record Date or such later Business Day as Spicers and The Trust Company may agree |
| Ineligible Overseas Unitholders | An Eligible SPS Unitholder who has a registered address which is outside Australia and its external territories, New Zealand, the United States of America or the Cayman Islands, unless The Trust Company and Spicers are satisfied that Spicers is not prevented from lawfully issuing Spicers Shares to such SPS Unitholder, either unconditionally or after compliance with such conditions as The Trust Company and Spicers regard as acceptable |

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| Judicial Advice | Confirmation from the Supreme Court of New South Wales that, subject to the Trust Scheme Resolutions being approved at the Trust Scheme Meetings, The Trust Company would be justified in doing all things and taking all necessary steps to effect the Trust Scheme |
| Judicial Advice Date | The date on which the Supreme Court of New South Wales confirms that, subject to the Trust Scheme Resolutions being approved at the Trust Scheme Meetings, The Trust Company would be justified in doing all things and taking all necessary steps to effect the Trust Scheme |
| Meeting | The extraordinary general meeting of the Shareholders convened to consider the Shareholder Resolution, and includes any adjournment of that meeting |
| New Shares | The Trust Scheme Consideration to be issued under the Offer in accordance with the terms of the Trust Scheme |
| Offer | The offer by Spicers pursuant to this Prospectus to issue the Trust Scheme Consideration to Eligible SPS Unitholders (or, in the case of Ineligible Overseas Unitholders, to the Foreign Nominee) in accordance with the terms of the Trust Scheme |
| PaperlinX LLC | PaperlinX SPS LLC, a limited liability company established under the laws of Delaware, United States of America |
| PaperlinX LLC Preference Shares | The preference shares in PaperlinX LLC, currently held by The Trust Company on behalf of the SPS Trust |
| Proposal | Proposal to simplify Spicers' capital structure, as set out in the Implementation Agreement, including making the Offer in accordance with the Trust Scheme |
| Prospectus | This prospectus issued by Spicers to SPS Unitholders in relation to the offer to issue the Trust Scheme Consideration under the Trust Scheme |
| Prospectus Date | 4 May 2017, being the date a copy of the Prospectus was lodged with ASIC |
| Realisation, Realised or Realise | In relation to the SPS Units, has the meaning given to that term in the SPS Trust Constitution, and includes a Redemption, Exchange or Resale (as those terms are defined in the SPS Trust Constitution) |
| Record Date | The second Business Day following the Effective Date or such later date as Spicers and The Trust Company may agree in writing |
| Sale Facility | The facility to be run by the Foreign Nominee, governed by a sale facility deed, under which it will be issued the Trust Scheme Consideration for Ineligible Overseas Holders, and sell those Shares on-market following Implementation, with the net proceeds distributed to Ineligible Overseas Holders proportionately to their relevant holdings of SPS Units |
| Share Register | The share register of Spicers |
| Share Registry | The registry engaged by Spicers, being Computershare Investor Services Pty Limited |
| Shareholder | A person registered on the Share Register as a holder of Spicers Shares |
| Shareholder Resolution | The resolution to be put to Shareholders at the Meeting to approve the issue of the New Shares pursuant to the Offer and the Trust Scheme |
| Spicers | Spicers Limited ACN 005 146 350 |
| Spicers Board | The board of Directors of Spicers |
| Spicers Constitution | The constitution of Spicers (as amended from time to time) |
| Spicers Deed of Cross Guarantee Group | Represents Spicers and its wholly owned Australian subsidiaries who have entered into an approved deed for the cross guarantee of liabilities pursuant to ASIC Class Order 98/1418 (as amended) |

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| Spicers Deed Poll | The deed poll given by Spicers in favour of each Eligible SPS Unitholder for the purpose of covenanting in favour of the Eligible SPS Unitholders to take certain steps to facilitate the Implementation of the Proposal if the Resolution is approved and the Trust Scheme becomes Effective, including the issuance of the Trust Scheme Consideration |
| Spicers Group | Spicers Limited ACN 005 146 350 and its subsidiaries |
| Spicers Prescribed Occurrence | Has the meaning given to that term in the Scheme Implementation Agreement |
| Spicers Share | An ordinary share in Spicers |
| SPS Trust | PaperlinX SPS Trust, ARSN 123 839 814 |
| SPS Trust Constitution | The constitution establishing the SPS Trust dated 7 February 2007 (as amended from time to time) |
| SPS Trust Register | The unit register of the SPS Trust |
| SPS Units | PaperlinX SPS, being a class of units in the SPS Trust that is not the ordinary Unit |
| SPS Unitholder | A person registered on the SPS Register as a holder of SPS Units |
| Superior Proposal | Has the meaning given to that term in the Implementation Agreement |
| Supplemental Deed | The deed poll under which The Trust Company will amend the SPS Trust Constitution |
| The Trust Company | The Trust Company (RE Services) Limited ACN 003 278 831 in its capacity as responsible entity for the SPS Trust |
| The Trust Company Prescribed Occurrence | Has the meaning given to that term in the Scheme Implementation Agreement |
| Trust Scheme | An arrangement under which Spicers acquires all of the SPS Units in the SPS Trust from Eligible SPS Unitholders in consideration for the Trust Scheme Consideration, by way of amending the SPS Trust Constitution, among other matters, subject to the requisite approval of Unitholders of the SPS Trust |
| Trust Scheme Booklet | The booklet to be issued to Unitholders on or about the Prospectus Date in respect of the Trust Scheme |
| Trust Scheme Consideration | 545 Spicers Shares in respect of each SPS Unit held by an Eligible SPS Unitholder that: <ul style="list-style-type: none"> (a) are issued on the Implementation Date to each Eligible SPS Unitholder; or (b) in the case of Ineligible Overseas Unitholders, the Spicers Shares are issued to the Foreign Nominee on the Implementation Date and which must be sold on behalf of Ineligible Overseas Unitholders under the Sale Facility |
| Trust Scheme Meetings | The meetings of the Unitholders of the SPS Trust convened by The Trust Company to consider the Trust Scheme Resolutions and includes any adjournment of those meetings |
| Trust Scheme Resolutions | The resolutions to be put to the Unitholders of the SPS Trust to agree to the Trust Scheme as follows: <ul style="list-style-type: none"> (a) a resolution for the purposes of item 7 of section 611 of the Corporations Act to approve the acquisition of all the SPS Units held by Eligible SPS Unitholders by Spicers; and (b) a resolution for the purposes of section 601GC(2) of the Corporations Act to approve amendments to the Trust Constitution |
| Unit | An ordinary unit or SPS Unit in SPS Trust |
| Unitholder | A person registered on the SPS Register as a holder of Units in SPS Trust |
| you | The reader of this document, if you are a SPS Unitholder |

Corporate Directory

Company

Spicers Limited ACN 005 146 350
155 Logis Boulevard
Dandenong South VIC 3175 Australia

Directors

Mr Robert Kaye SC
Mr Michael Barker
Mr Wayne Johnston

Company Secretaries

Mr Frank Glynn
Mr Wayne Johnston

Corporate Adviser

SLM Corporate
Level 15, 330 Collins Street
Melbourne VIC 3000 Australia

Lawyers

Arnold Bloch Leibler
Level 21, 333 Collins Street
Melbourne VIC 3000 Australia

Tax Adviser

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia

Auditor

KPMG
Tower Two, Collins Square
727 Collins Street
Melbourne VIC 3008 Australia

Share Registry

Computershare Investor Services Pty Limited
452 Johnston Street
Abbotsford VIC 3067 Australia

SPS Information Line

1300 783 484 (toll free within Australia)
+61 3 9415 4235 (toll free and outside Australia)

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