

20 June 2020

Sandeep Gupta
Broad Peak Investment Advisers
Via email: Sandeep.Gupta@broadpeakinv.com

Willie Wong
Tor Investment Management (Hong Kong) Limited
Via email: wwong@torinvestment.com

Dear Sandeep and Willie

**Virgin Australia Holdings Ltd
and certain entities listed in Schedule A
(All Administrators Appointed) (the Companies or Virgin Australia)**

We appreciate the time you both spent with Sal Algeri and myself today. Further to our conversation we have taken the opportunity to cover off the items covered and next steps.

The access to the DIP funding data room was provided on 26 May 2020 for the purposes of exploring your intent to provide interim funding to the voluntary administrators to enable the business to be traded to a sale. Unfortunately, and despite follow up by Houlihan Lokey on our behalf, no such offer of interim funding has been received from your group.

Per our letter dated 9 June 2020, in good faith and on the understanding of your intentions to provide DIP funding we provided access to the bidder data room and facilitated meetings with Virgin management team over the past two weeks. We have also sought to answer the additional questions you have asked.

In addition to the above we also agreed to facilitate meetings with both the preferred bidders to allow you the opportunity to share your thoughts on how returns to unsecured creditors could be structured. Despite agreeing to this we note that the Bain meeting was held but there was confusion around the purpose of the meeting, and we understand you have to date not requested a meeting with Cyrus Capital.

In our letter dated 9 June we also sought your agreement to a framework whereby you would be granted access to further information and the Virgin management team, to assist you in considering the contours of a backup recapitalisation plan, should it be needed. In this eventuality, we agreed we would advise you whether a backup recapitalisation plan would be required. If a bid represents, in our view, to be in the best interests of all creditors, the administrators reserve the right to move forward with that party (this has always been the case).

We were specific in our correspondence and agreement with you, that you would not be provided with a copy of the confidential binding proposals, consistent with the way the sale process has been managed to date. As previously outlined if you choose to submit a backup recapitalisation plan, it must result in a better return to creditors than that proposed in the binding bid selected by the administrators.

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We also advised that FIRB approval must be obtained in order for any proposal to be considered in this final stage of the sale process. This pre-requisite has also been imposed on the preferred bidders. We understand that you have lodged your FIRB application but, as yet, approval has not been received. Please note, as is consistent with what we have articulated to our 2 final bidders, any proposals without FIRB approval cannot and will not be advanced.

We again reiterate that should you wish to submit a backup recapitalisation plan you must also undertake to provide:

1. A binding Interim Funding proposal for A\$125m (previously advised \$200m) to be drawn immediately upon acceptance of your proposal for the purposes of funding the operations of the airline until the date of the second creditors' meeting, secured against the administrators' statutory lien;
2. Cash collateral acceptable to the administrators of not less than the amount needed to cover employee entitlements plus the cash portion, if any, of the return offered to unsecured creditors. This cash collateral will be domiciled in Australia with acceptable first ranking security taken over it by the Administrators; and
3. A binding DOCA proposal to be put to the creditors offering the cash collateral in 2. above as a dividend to employees and unsecured creditors. This will not prevent you from submitting an additional and alternative DOCA proposal for the Administrators' consideration so long as it results in a better return to all creditors as provided in the binding DOCA, supported by the cash collateral.

We informed you that in the event a backup recapitalisation plan is not provided in a form acceptable to the Administrators, we will move forward in our sole discretion, including to enter into a binding proposal, your access to the dataroom will be terminated and no additional time or resources will be provided to you for the purposes of undertaking any further due diligence.

As previously advised on several occasions, we are extremely concerned about the possibility of our short-listed bidders exiting the current process if the process is not adhered to. Please note that both shortlisted preferred bidders have already raised serious concerns about your involvement in the process at this time. Their and our concerns are further exacerbated by the continued messaging in the press which we believe has been very unhelpful to date. We have raised this concern with you more than once.

As you can appreciate the retention of competitive tension is critical to achieving the best outcome for all creditors. We hope you also appreciate the efforts we have made to procure Government support for the industry and also Virgin Australia. However, we continue to be concerned that any further imbalanced and inappropriate messaging through the press may adversely impact the sale process and key stakeholder support.

As discussed today, the next steps are as follows:

- We are expecting to receive binding offers from both preferred bidders on Monday.
- We are intending on entering into an agreement as soon as possible, but this may take a few days, given the complexities of the transaction.
- We will advise you on Monday the level of cash collateral which would be required to be made available, in committed funds by COB Wednesday 24 June 2020 in order for a backup recapitalisation plan to be considered. Please note the minimum requirements of any backup recapitalisation plan, as stated above in this letter.
- In addition to the cash collateral we require interim funding of \$125m to be immediately available and capable of being drawn down in full by the Administrators. This commitment is a factor we would require of you by COB Wednesday 24 June 2020 in order for us to even be able to consider progressing with your backup recapitalisation plan.
- A pre-requisite to any backup recapitalisation plan received being considered by the Administrators, from any party is confirmation FIRB approval has been obtained.

We have undertaken that we will provide you until COB Wednesday 24 June 2020 to provide the above, failing which we will proceed to enter into an agreement with one of the preferred bidders without any further reference to you.

Yours faithfully



Vaughan Strawbridge

Joint and Several Administrator

Schedule A – Virgin Group entities, all Administrators Appointed

Virgin Australia Holdings Ltd, ACN 100 686 226
Virgin Australia International Operations Pty Ltd, ACN 155 859 608
Virgin Australia International Holdings Pty Ltd, ACN 155 860 021
Virgin Australia International Airlines Pty Ltd, ACN 125 580 823
Virgin Australia Airlines (SE Asia) Pty Ltd, ACN 097 892 389
Virgin Australia Airlines Holdings Pty Ltd, ACN 093 924 675
VAH Newco No.1 Pty Ltd, ACN 160 881 345
Tiger Airways Australia Pty Limited, ACN 124 369 008
Virgin Australia Airlines Pty Ltd, ACN 090 670 965
VA Borrower 2019 No. 1 Pty Ltd, ACN 633 241 059
VA Borrower 2019 No. 2 Pty Ltd, ACN 637 371 343
Virgin Tech Pty Ltd, ACN 101 808 879
Short Haul 2018 No. 1 Pty Ltd, ACN 622 014 831
Short Haul 2017 No. 1 Pty Ltd, ACN 617 644 390
Short Haul 2017 No. 2 Pty Ltd, ACN 617 644 443
Short Haul 2017 No. 3 Pty Ltd, ACN 622 014 813
VBNC5 Pty Ltd, ACN 119 691 502
A.C.N. 098 904 262 Pty Ltd, ACN 098 904 262
Virgin Australia Regional Airlines Pty Ltd, ACN 008 997 662
Virgin Australia Holidays Pty Ltd, ACN 118 552 159
VB Ventures Pty Ltd, ACN 125 139 004
Virgin Australia Cargo Pty Ltd, ACN 600 667 838
VB Leaseco Pty Ltd, ACN 134 268 741
VA Hold Co Pty Ltd, ACN 165 507 157
VA Lease Co Pty Ltd, ACN 165 507 291
Virgin Australia 2013-1 Issuer Co Pty Ltd, ACN 165 507 326
737 2012 No.1 Pty. Ltd, ACN 154 201 859
737 2012 No. 2 Pty Ltd, ACN 154 225 064

Short Haul 2016 No. 1 Pty Ltd, ACN 612 766 328

Short Haul 2016 No. 2 Pty Ltd, ACN 612 796 077

Short Haul 2014 No. 1 Pty Ltd, ACN 600 809 612

Short Haul 2014 No. 2 Pty Ltd, ACN 600 878 199

VA Regional Leaseco Pty Ltd, ACN 127 491 605

VB 800 2009 Pty Ltd, ACN 135 488 934

VB Leaseco No 2 Pty Ltd, ACN 142 533 319

VB LH 2008 No. 1 Pty Ltd, ACN 134 280 354

VB LH 2008 No. 2 Pty Ltd, ACN 134 288 805

VB PDP 2010-11 Pty Ltd, ACN 140 818 266