

This is an important document and requires your immediate attention.

YOU SHOULD READ THE DOCUMENT IN ITS ENTIRETY BEFORE YOU DECIDE WHETHER OR NOT TO VOTE IN FAVOUR OF THE RESOLUTIONS. IF YOU ARE IN DOUBT AS TO WHAT YOU SHOULD DO, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL OR OTHER PROFESSIONAL ADVISER.

THE INDEPENDENT EXPERT HAS FORMED THE OPINION THAT BOTH THE SPECTRA TRANSACTION AND THE KINGSFIELD TRANSACTION ARE FAIR AND REASONABLE TO SHAREHOLDERS.

If, after reading this document, you have any questions, please contact Mustera for more information or alternatively seek independent professional advice on any aspects of which you are not certain.

MUSTERA PROPERTY GROUP LTD

ABN 13 142 375 522

NOTICE OF MEETING AND EXPLANATORY MEMORANDUM

Date of Meeting

Tuesday, 2 July 2019

Time of Meeting

9:00 a.m. (WST)

Place of Meeting

15 McCabe Street
North Fremantle WA 6159

In this document you will find:

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Important Notices

General

This Notice of Meeting and Explanatory Memorandum is dated 31 May 2019.

This document is important. The Explanatory Memorandum provides additional information on matters to be considered at the Meeting and forms part of the Notice of Meeting. You should read this document in its entirety before making a decision on how to vote on the Resolutions to be considered at the Meeting.

A Proxy Form for the Meeting is also enclosed. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

Interpretation

Capitalised terms used in the Notice of Meeting (such as the Independent Expert's Report) are defined in the Glossary at the end of this document, or where the relevant term is first used.

Any documents reproduced in this Notice of Meeting may have their own defined terms, which are sometimes different from those in the Glossary.

A reference to \$ and cents is to Australian currency, unless otherwise stated.

Responsibility for information

Except as outlined below, the information contained in this Notice of Meeting has been prepared by Mustera and is its responsibility. Except as outlined below, neither Mustera nor any of its subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of such information.

BDO Corporate Finance (WA) Pty Ltd has prepared the Independent Expert's Report and takes responsibility for that report. Neither Mustera nor any of its respective subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report, except, in the case of Mustera, in relation to the information which it has provided to the Independent Expert. Shareholders should read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

Mustera is responsible for the balance of this document but accepts no responsibility for any errors, omissions or misstatements in the Notice of Meeting that are attributable to errors, omissions or misstatements in publicly available information or third party sources or otherwise. Subject to the Corporations Act, Mustera makes no representation or warranty, express or implied, as to the accuracy or completeness of such information.

ASIC and ASX

Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this Notice of Meeting.

Letter to Shareholders

31 May 2019

Dear Shareholder

Enclosed with this letter are documents setting out details of two Resolutions seeking shareholder approval for a series of transactions that occurred in the financial year ended 30 June 2018. The transactions involved the sale of apartments in the Company's Victoria Quarter development in Midland, WA to (i) Spectra (WA) Pty Ltd (**Spectra**) and (ii) Kingsfield Pty Ltd (**Kingsfield**). Spectra and Kingsfield are considered to have been related parties of the Company at the date of the transactions. Because of the value of the transactions under each Resolution relative to the Company's equity interests, shareholder approval of each Resolution is required for the purposes of ASX Listing Rule 10.1.

A meeting of Shareholders has been called for Tuesday, 2 July 2019 at 9.00 a.m. to consider the matters.

You are urged to consider all of the material enclosed with this letter, determine how you wish to vote and cast your vote accordingly.

The Company's securities have been suspended from trading on the ASX until Mustera shareholders approve the transactions. Should shareholder approval not be granted, the Company will be required to arrange for cancellation of the transactions.

Independent Expert's Report

Mustera has appointed BDO Corporate Finance (WA) Pty Ltd (**BDO**) to report on whether the transactions are fair and reasonable to Shareholders (except those Shareholders precluded from voting at the meeting).

On the basis of the matters discussed in its report, BDO has formed the opinion that:

- i. the Spectra Transaction is fair and reasonable to Shareholders, and**
- ii. the Kingsfield Transaction is fair and reasonable to Shareholders.**

Recommendation

The Directors of Mustera Property Group Ltd (other than Mr Benjamin Young, who has an interest in both matters), recommend Shareholders vote in favour of the Resolutions set out in the accompanying Notice of Meeting.

If you cannot attend the Meeting, you are strongly urged to complete the accompanying Proxy Form and return it (see Proxy Form for details) as soon as possible and in any event by 9:00 a.m. (WST) on Sunday, 30 June 2019. The Chair intends to vote undirected proxies in favour of the Resolutions set out in the accompanying Notice of Meeting.

If you have any questions or would like any further information concerning the matter, please contact the Company Secretary, Mr Kim Hogg, on (08) 6389 2688. If you have any questions concerning the meeting or proxies, please contact the Company's share registry (Advanced Share Registry Limited) on 1300 113 258, by email at admin@advanced.com.au, or consult www.advancedshare.com.au.

Yours sincerely

Nicholas Zborowski
Executive Director
Mustera Property Group Limited

Explanatory Memorandum

This Explanatory Memorandum forms part of the accompanying Notice of Meeting and should be read with the Notice of Meeting.

1. Introduction

The meeting referred to in the accompanying Notice of Meeting is being held so that Shareholders of Mustera Property Group Limited can consider the Resolutions set out in the Notice of Meeting in accordance with ASX Listing Rule 10.1.

The Resolutions seek approval for a number of transactions that occurred in the financial year ended 30 June 2018. The transactions involved the sale of apartments at the Company's Victoria Quarter development in Midland WA to entities that are considered to be related parties of the Company.

Under ASX Listing Rules, an entity is not permitted to dispose of a substantial asset to a related party without shareholder approval. Should an entity break this rule, ASX may require corrective action to be taken, either through the entity seeking shareholder approval of the transaction or arranging for its cancellation.

In the case of the Resolutions in question, the Company is seeking to obtain shareholder approval of the transactions. Should shareholder approval not be obtained for each of the Resolutions, the Company must arrange for the transactions the subject of the Resolution(s) not so approved to be cancelled.

Trading in the Company's securities on ASX has been suspended until the outcome of the meeting is known. If each of the Resolutions are passed, the Company will immediately seek to have the suspension of its securities lifted by ASX.

Further details of the transactions the subject of the Resolutions are set out below and in the Independent Expert Report accompanying and forming part of this Notice of Meeting.

2. Details of the Transactions

2.1 Spectra Transaction

2.1.1 During the year ended 30 June 2018, the Company's wholly owned subsidiary, Sterlink Development Pty Ltd (**Sterlink**), entered into contracts to sell the following apartments in its Victoria Quarter development in Midland WA to Spectra (WA) Pty Ltd (**Spectra**):

<u>Contract</u>	<u>Contract date</u>	<u>Settlement date</u>	<u>No. of apartments</u>	<u>Value (incl. GST)</u>
1	17 Oct 2017	2 Jan 2018	1	389,000
2	5 Apr 2018	7 Jun 2018	17	7,080,300
3	14 May 2018	29 Jun 2018	4	1,817,000

(the **Spectra Transaction**).

Although each transaction is a separate contract in its own right, Listing Rule 10.2.1 provides that separate transactions are to be aggregated if in ASX's opinion they form part of the same commercial transaction. Resolution 1 seeks approval of the three transactions on an aggregated basis.

2.1.2 At the time of the sales to Spectra, the apartments were being offered for sale on the open market. The prices at which the apartments were sold were the advertised listing prices for each apartment.

- 2.1.3 Sterlink agreed to pay Spectra the following fees/rebates in relation to the Spectra Transaction (no selling agent was involved in the transactions):

<u>Contract number</u>	<u>Value (incl. GST) \$</u>	<u>Fee/Rebate \$</u>	<u>Percentage of value</u>
1	389,000	9,725	2.5%
2	7,080,300	177,008	2.5%
3	1,817,000	45,425	2.5%

- 2.1.4 The contracts for sale of six of the apartments sold to Spectra included 24-month rental guarantees. The guarantees provide for a minimum annual return on investment to Spectra based on the selling price of the apartments in the event rental income earned during the year falls below the guaranteed amounts. To be entitled to the rental guarantees, Spectra must at all times be a party to a valid property management agreement with an independent real estate agent and abide by other conditions that seek to ensure the apartments are leased wherever reasonably possible.

The potential amounts payable under each of the rental guarantees are shown below:

<u>Apartment</u>	<u>Total guarantee for term (\$)</u>
1	66,052
2	54,672
3	70,190
4	78,005
5	77,256
6	79,540

- 2.1.5 Sterlink has entered into similar rental guarantee arrangements with other buyers of Victoria Quarter apartments. Rental guarantees are an effective incentive to buyers who are purchasing apartments for investment purposes. The offer of rental guarantees is common in residential apartment sales and is considered a standard industry practice.

- 2.1.6 Two loans were provided to Spectra as vendor finance in respect of the acquisition of 20 of the apartments (**Vendor Finance Facilities**). Key details of the Vendor Finance Facilities are shown below:

	<u>Loan 1</u>	<u>Loan 2</u>
Amount	\$4,056,180	\$1,090,200
Period	15 years	15 years
Interest Rate	4.9% p.a.	4.9% p.a.
Repayments	Interest paid monthly in arrears; Principal paid annually in arrears	Interest paid monthly in arrears; Principal paid annually in arrears
Loan to value ratio	No more than 60% for duration of loan	No more than 60% for duration of loan

- 2.1.7 The Vendor Finance Facilities were entered into in June 2018 with each party obtaining independent legal representation. Vendor finance was considered appropriate by Mustera as it realised sales for the Group, at the asking market prices, as well as providing a return on the vendor finance, in line with the Company's objectives. The loans are secured by a first registered mortgage over the subject apartments.

- 2.1.8 The proceeds from the sale of the apartments have been used for general working capital.

2.2 Kingsfield Transaction

2.2.1 During the year ended 30 June 2018, the Company's wholly owned subsidiary, Sterlink Development Pty Ltd (**Sterlink**), entered into contracts to sell the following apartments in its Victoria Quarter development in Midland WA to Kingsfield Pty Ltd (**Kingsfield**):

<u>Apartment number</u>	<u>Contract date</u>	<u>Settlement date</u>	<u>Value (incl. GST)</u>
38	15 Aug 2017	13 Oct 2017	389,900
39	15 Aug 2017	20 Oct 2017	389,900

(the **Kingsfield Transaction**).

Although each transaction is a separate contract in its own right, Listing Rule 10.2.1 provides that separate transactions are to be aggregated if in ASX's opinion they form part of the same commercial transaction. Resolution 2 seeks approval of both of these transactions on an aggregated basis.

2.2.2 At the time of the sales to Kingsfield, the apartments were being offered for sale on the open market. The prices at which the apartments were sold were the advertised listing prices for each apartment.

2.2.3 Sterlink agreed to pay Kingsfield the following fees/rebates in relation to the Kingsfield Transaction:

<u>Apartment number</u>	<u>Value (incl. GST)</u> \$	<u>Fee/Rebate</u> \$	<u>Percentage of value</u>
38	389,900	9,748	2.5%
39	389,900	9,748	2.5%

2.2.4 The contracts for both of the apartments sold to Kingsfield included 24-month rental guarantees. The guarantees provide for a minimum annual return on investment to Kingsfield based on the selling price of the apartments in the event rental income earned during the year falls below the guaranteed amounts. To be entitled to the rental guarantees, Kingsfield must at all times be a party to a valid property management agreement with an independent real estate agent and abide by other conditions that seek to ensure the apartments are leased wherever reasonably possible.

The potential amounts payable under each of the rental guarantees are shown below:

<u>Apartment</u>	<u>Total guarantee for term (\$)</u>
38	66,038
39	66,038

2.2.5 Sterlink has entered into similar rental guarantee arrangements with other buyers of Victoria Quarter apartments. Rental guarantees are an effective incentive to buyers who are purchasing apartments for investment purposes. The offer of rental guarantees is common in residential apartment sales and is considered a standard industry practice.

2.2.6 The proceeds from the sale of the apartments have been used for general working capital.

3. Related Party Nature of the Transactions

3.1 Spectra transaction

3.1.1 All of the 22 apartments sold in the Spectra Transaction the subject of Resolution 1 were sold to Spectra.

- 3.1.2 One of the Company's Directors, Mr Benjamin Young, held an indirect shareholding interest in approximately 26.6% of the total shares of Spectra at each of the respective contract dates. Consequently, Mr Young is considered to have the capacity to determine the outcome of decisions about Spectra's financial and operating policies, rendering Spectra a related party of Mustera.
- 3.1.3 The related party nature of the Spectra Transaction gives rise to a conflict of interest for Mr Young due to his involvement in both Mustera and Spectra. Mustera managed the situation by:
- noting Mr Young's interest in Spectra prior to entering into the Spectra Transaction;
 - ensuring that Mr Young did not participate in any of the negotiations involving the Spectra Transaction; and
 - ensuring each party to the Spectra Transaction obtained its own independent legal advice regarding various aspects of the transactions.

3.2 Kingsfield transaction

- 3.2.1 Both of the apartments sold in the Kingsfield Transaction the subject of Resolution 2 were sold to Kingsfield.
- 3.2.2 One of the Company's Directors, Mr Benjamin Young, held a direct shareholding interest in 100% of the shares of Kingsfield at each of the respective contract dates. Consequently, Mr Young is considered to have the capacity to determine the outcome of decisions about Kingsfield's financial and operating policies, rendering Kingsfield a related party of Mustera.
- 3.2.3 The related party nature of the Kingsfield Transaction gives rise to a conflict of interest for Mr Young due to his involvement in both Mustera and Kingsfield. Mustera managed the situation by:
- noting Mr Young's interest in Kingsfield prior to entering into the Kingsfield Transaction; and
 - satisfying itself that the terms of the Kingsfield Transaction would be reasonable in the circumstances if Mustera and Kingsfield were dealing at arm's length.

4. Legal and Regulatory Requirements

- 4.1 Under ASX Listing Rule 10.1, the Company (or any of the Company's child entities) must not acquire a substantial asset from, or dispose of a substantial asset to, specified persons or entities without the approval of holders of the Company's ordinary securities.
- 4.2 An asset is treated as a substantial asset if its value, or the value of the consideration for it, is 5% or more of the Company's equity interests as set out in the latest accounts given to ASX under the Listing Rules. A Company's equity interests are the sum of paid up capital, reserves, and accumulated profits or losses, disregarding redeemable preference share capital and outside equity interests, as shown in the consolidated financial statements.
- 4.3 The specified persons or entities to which Listing Rule 10.1 applies include:
- (a) a related party of the Company;
 - (b) a child entity of the Company;
 - (c) a substantial holder in the Company who either alone or together with its associates has a relevant interest, or had a relevant interest at any time in the six months before the transaction, of at least 10% of the total votes attached to the voting securities in the Company;
 - (d) an associate of a person or entity referred to in paragraph (a), (b) or (c); or

- (e) a person whose relationship to the Company or a person referred to in paragraphs (a) to (d) is such that, in ASX's opinion, the transaction should be approved by the security holders.
- 4.4 In relation to the Spectra Transaction the subject of Resolution 1, Spectra is considered to be a related party of the Company. Consequently, the Spectra Transaction is required to be approved by Shareholders, given the value of the consideration provided by Spectra for the apartments it acquired exceeds 5% of the Company's equity interests.
- 4.5 In relation to the Kingsfield Transaction the subject of Resolution 2, Kingsfield is considered to be a related party of the Company. Consequently, the Kingsfield Transaction is required to be approved by Shareholders, given the value of the consideration provided by Kingsfield for both apartments when aggregated exceeds 5% of the Company's equity interests.
- 4.6 Accordingly, Mustera has called the Meeting to comply with Listing Rule 10.1 in respect of both the Spectra Transaction and the Kingsfield Transaction.

5. Independent Expert's Report

- 5.1 Under ASX Listing Rule 10.10.2 Shareholders must be given a report from an independent expert. The report must state the expert's opinion as to whether the transactions under consideration are fair and reasonable to Shareholders (except those who are precluded from voting at the Meeting).
- 5.2 What is fair and reasonable must be judged by the Independent Expert in all the circumstances of the transaction. This requires taking into account the likely advantages to Shareholders if the transaction is approved and comparing them with the disadvantages to them if the transaction is not approved.
- 5.3 The Company has appointed BDO Corporate Finance (WA) Pty Ltd (**BDO**) for this purpose.
- 5.4 On the basis of the matters discussed in its report, BDO has formed the opinion that the Spectra Transaction is fair and reasonable to Shareholders (except those whose votes are to be disregarded).**
- 5.5 On the basis of the matters discussed in its report, BDO has formed the opinion that the Kingsfield Transaction is fair and reasonable to Shareholders (except those whose votes are to be disregarded).**
- 5.6 Shareholders should read BDO's report in full. The report accompanies this Explanatory Memorandum, and can also be found on the Company's website, www.mustera.com.au.

6. Voting

Some Shareholders are not permitted to vote in favour of the Resolutions set out in the accompanying Notice of Meeting. Please refer to the voting exclusion statement in the Notice of Meeting.

7. Recommendation

- 7.1 Having regard to the conclusions reached by the Independent Expert on the Spectra Transaction and the Kingsfield Transaction, the Directors of Mustera Property Group Ltd (other than Mr Benjamin Young, who has an interest in the matters under consideration) recommend Shareholders vote in favour of the Resolutions set out in the accompanying Notice of Meeting.
- 7.2 If Shareholders cannot attend the Meeting, they are urged to complete the Proxy Form and return it (see Proxy Form for details) as soon as possible and, in any event by 9.00 a.m. (WST) on Sunday, 30 June 2019. The Chair intends to vote undirected proxies in favour of the Resolutions set out in the accompanying Notice of Meeting.

8. Glossary

\$ means an Australian dollar.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) and where the context permits the Australian Securities Exchange operated by ASX Limited.

Board means the current board of directors of the Company.

Chair means the Chair of the Meeting.

Company or **Mustera** means Mustera Property Group Limited (ACN 142 375 522).

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company and **Directors** means the directors of the Company.

Explanatory Memorandum means this explanatory memorandum accompanying the Notice of Meeting.

Group means Mustera and all of its subsidiaries.

Independent Expert means BDO Corporate Finance (WA) Pty Ltd (ABN 27 124 031 045) (AFS Licence No. 316158).

Independent Expert's Report means the report of the Independent Expert accompanying and forming part of this Notice.

Kingsfield Transaction means the sale of apartments to Kingsfield Pty Ltd (ACN 145 837 903) as described in Section 2.2 of the Explanatory Memorandum.

Listing Rules mean the official listing rules of ASX.

Meeting means the general meeting of the Company to be held on Tuesday, 2 July 2019.

Notice means the notice convening the general meeting of the Company, including the Explanatory Memorandum and the Proxy Form.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions that are set out and explained in this Notice.

Share means a fully paid ordinary share in the capital of the Company

Shareholder means a member of the Company.

Spectra Transaction means the sale of apartments to Spectra (WA) Pty Ltd (ACN 621 976 752) as described in Section 2.1 of the Explanatory Memorandum.

WST means Western Standard Time, as observed in Perth, Western Australia.



MUSTERA PROPERTY GROUP LIMITED
Independent Expert's Report

OPINION: Fair and Reasonable

21 May 2019



Financial Services Guide

21 May 2019

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Mustera Property Group Limited ('Mustera') to provide an independent expert's report on the proposal to contract to sell 22 of its Victoria Quarter apartments to a related party (Spectra (WA) Pty Ltd). You are being provided with a copy of our report because you are a shareholder of Mustera and this Financial Services Guide ('FSG') is included in the event you are also classified under the Corporations Act 2001 ('the Act') as a retail client.

Our report and this FSG accompanies the Explanatory Memorandum and Notice of Meeting required to be provided to you by Mustera Property Group Limited to assist you in deciding on whether or not to approve the proposal.

Financial Services Guide

This FSG is designed to help retail clients make a decision as to their use of our general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

Information about us

We are a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide professional services primarily in the areas of audit, tax, consulting, mergers and acquisition, and financial advisory services.

We and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business and the directors of BDO Corporate Finance (WA) Pty Ltd may receive a share in the profits of related entities that provide these services.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients, and deal in securities for wholesale clients. The authorisation relevant to this report is general financial product advice.

When we provide this financial service we are engaged to provide an expert report in connection with the financial product of another person. Our reports explain who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. If you have any questions, or don't fully understand our report you should seek professional financial advice.



Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$22,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report and our directors do not hold any shares in Mustera Property Group Limited.

Other Assignments -

BDO Audit and Assurance (WA) Pty Ltd is the appointed Auditor of Mustera Property Group Limited. We do not consider that this impacts on our independence in accordance with the requirements of Regulatory Guide 112 'Independence of Experts'. We have completed a conflict search of BDO affiliated organisations within Australia. This conflict search incorporates all Partners, Directors and Managers of BDO affiliated organisations. We are not aware of any circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective assistance in this matter.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Mustera Property Group Limited for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ('AFCA').

AFCA is an external dispute resolution scheme that deals with complaints from consumers in the financial system. It is a not-for-profit company limited by guarantee and authorised by the responsible federal minister. AFCA was established on 1 November 2018 to allow for the amalgamation of all Financial Ombudsman Service ('FOS') schemes into one. AFCA will deal with complaints from consumers in the financial system by providing free, fair and independent financial services complaint resolution. If an issue has not been resolved to your satisfaction you can lodge a complaint with AFCA at any time.

Our AFCA Membership Number is 12561. Further details about AFCA are available on its website www.afca.org.au or by contacting it directly via the details set out below.

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
AFCA Free call: 1800 931 678
Website: www.afca.org.au
Email: info@afca.org.au

You may contact us using the details set out on page 1 of the accompanying report.

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Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

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21 May 2019

The Directors
Mustera Property Group Limited
15 McCabe Street
North Fremantle, WA 6159

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 20 March 2019 the ASX suspended Mustera Property Group Limited ('**Mustera**' or '**the Company**') under Listing Rule 17.3 in relation to a related party transaction which Mustera had previously entered into. The Company seeks shareholder approval for a number of transactions that occurred in the financial year ended 30 June 2018. The transactions involved the sale of apartments at the Company's Victoria Quarter development in Midland to Spectra (WA) Pty Ltd ('**Spectra**') and Kingsfield Pty Ltd ('**Kingsfield**') entities which are considered to be a related parties of the Company.

2. Summary and Opinion

2.1 Requirement for the report

The directors of Mustera Property Group Limited have requested that BDO Corporate Finance (WA) Pty Ltd ('**BDO**') prepare an independent expert's report ('**our Report**') to express an opinion as to whether or not a number of transactions with related parties are fair and reasonable to the non-associated shareholders of Mustera Property Group Limited ('**Shareholders**'). The transactions are:

- The Spectra Transaction ('**Spectra Transaction**') that is comprised of contracts to sell 22 of its Victoria Quarter apartments ('**Spectra Apartments**') to a related entity of the Company, Spectra. Mustera director Benjamin Young held an indirect shareholding in Spectra representing 26.6% of issued shares in the Company; and
- The Kingsfield Transaction ('**Kingsfield Transaction**') that is comprised of contracts to sell two of its Victoria Quarter apartments ('**Kingsfield Apartments**') to a related party Kingsfield Pty Ltd ('**Kingsfield**'). Mustera director Benjamin Young is a shareholder and director of Kingsfield.

In this report the Spectra Transaction and the Kingsfield Transaction are referred to together as the Transactions.

Our Report is prepared pursuant to ASX listing rule 10.1 and is to be included in the Explanatory Memorandum for Mustera Property Group Limited in order to assist the Shareholders in their decision whether to approve the Transactions.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guide 74 'Acquisitions Approved by Members' ('RG 74'), Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Spectra Transaction and Kingsfield Transaction as outlined in the body of this report. We have considered:

- How the value of the assets being sold compares to the value of the consideration to be received for the assets;
- The likelihood of an alternative offer being made to Mustera;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Transactions; and
- The position of Shareholders should the Transactions not be approved.

2.3 Opinion

We have considered the terms of the Spectra Transaction and Kingsfield Transaction as outlined in the body of this report and have concluded that, in the absence of an alternate offer, both the Spectra Transaction and Kingsfield Transaction are fair and reasonable to Shareholders.

2.4 Fairness

The Spectra Transaction

In section 11 we determined that the Spectra Transaction consideration compares to the value of the Spectra Apartments, as detailed below.

	Reference	Valuation (\$)
Value of the Spectra Apartments	10.1	8,576,775
Total value of consideration	11.5	8,931,218

Source: BDO analysis

The above pricing indicates that, in the absence of any other relevant information, and an alternate offer, the Spectra Transaction is fair for Shareholders.

The Kingsfield Transaction

In section 12 we determined that the Kingsfield Transaction consideration compares to the value of the Kingsfield Apartments, as detailed below:

	Reference	Valuation (\$)
Value of the Kingsfield Apartments	10.1	712,274
Total value of consideration	12.4	728,553

Source: BDO analysis

The above pricing indicates that, in the absence of any other relevant information, and an alternate offer, the Kingsfield Transaction is fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in sections 14 and 15 of this report, in terms of both:

- advantages and disadvantages of the Transactions; and
- other considerations, including the position of Shareholders if the Transactions do not proceed and the consequences of not approving either the Spectra Transaction or the Kingsfield Transaction.

The Spectra Transaction

In our opinion, the position of Shareholders if the Spectra Transaction is approved is more advantageous than the position if the Spectra Transaction is not approved. Accordingly, in the absence of any other relevant information and/or an alternate proposal we believe that the Spectra Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
14.3	The Spectra Transaction is fair to shareholders	14.4	Costs associated with provision of rental guarantees
14.3	The Spectra Transaction removes apartment stock from the development		
14.3	Approving the transaction ensures compliance with ASX listing rule 10.1		

The Kingsfield Transaction

In our opinion, the position of Shareholders if the Kingsfield Transaction is approved is more advantageous than the position if the Kingsfield Transaction is not approved. Accordingly, in the absence of any other

relevant information and/or an alternate proposal we believe that the Kingsfield Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
15.3	The Kingsfield Transaction is fair to shareholders	15.4	Costs associated with provision of rental guarantees
15.3	The transaction removes apartment stock from the development		

3. Scope of the Report

3.1 Purpose of the Report

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires or disposes of a substantial asset, when the consideration to be paid for the asset or the value of the asset being disposed constitutes more than 5% of the equity interest of that entity at the date of the latest published accounts. Based on the audited accounts as at 30 June 2018, the value of the consideration received for the Spectra Apartments exceeds the 5% equity interest threshold for disposed assets and therefore represents a substantial equity interest of Mustera.

Listing Rule 10.1 applies where the vendor or acquirer of the relevant assets is a related party of the listed entity.

During the time the Spectra Transaction was entered into, one of the Company's Directors, Mr Benjamin Young, held an indirect shareholding interest in Spectra via two of Spectra's shareholders. The indirect interest of Mr Young represented approximately 26.6% of the total issued shares of Spectra.

Listing Rule 10.10.2 requires the Notice of Meeting for shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the shareholders whose votes are not to be disregarded.

Accordingly, an independent experts' report is required for the transactions. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to non-associated shareholders of Mustera Property Group Limited.

In the case of the resolution in question, ASX has requested that the Company obtain shareholder approval of the Transactions. Should shareholder approval not be obtained, the Company must arrange for the Transactions to be cancelled.

3.2 Regulatory guidance

RG 111.57 states that a proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity.

In the case of Mustera, the Spectra and the Kingsfield Apartments are the subject of the Transactions. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

RG 111.11 states that when considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. However, as stated in Section 4 we do not consider that the Transactions are control transactions. As such, we have not included a premium for control when considering the value of the Spectra and Kingsfield Apartments sold by Mustera.

Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any alternate options.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between value of the financial benefit to be provided to Spectra arising from the Transaction and the proposed value of the Transaction consideration provided to Mustera (fairness - see Section 12 'Is the Transaction Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness - see Section 14 'Is the Transaction Reasonable?').

RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison for each transaction in two parts:

- A comparison between the value of the Spectra Apartments being sold and the value of the consideration received and a comparison between the value of the Kingsfield Apartments being sold and the value of the consideration received (fairness - see Section 13 'Are the Transactions Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness - see Section 14 'Are the Transactions Reasonable?').

RG 111 suggests that the main purpose of an independent expert's report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the transaction.

Having regard to RG 111, we have completed our Report as follows:

- An investigation into the advantages and disadvantages of the Transactions (Sections 14.3 and 14.4);
- An analysis of any other issues that could be reasonably anticipated to concern Shareholders as a result of the Transactions.

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Transactions

4.1 The Spectra Transaction

During the year ended 30 June 2018, the Company's wholly owned subsidiary, Sterlink Development Pty Ltd ('Sterlink'), entered into contracts to sell 22 apartments in the Victoria Quarter development located in Midland, Western Australia, to Spectra ('Spectra Apartments'). As part of the negotiated transaction, Sterlink agreed to pay Spectra a fee equal to the prevailing fees for engaged selling agents. The sales occurred in three separate transactions throughout the year as follows:

Contract date	Settlement date	Number of apartments	Transaction value (including GST) (\$)	Fees/ rebates paid (\$)
17 October 2017	2 January 2018	1	389,000	9,725
5 April 2018	7 June 2018	17	7,080,300	177,008
14 May 2018	29 June 2018	4	1,817,000	45,425
Total		22	9,286,300	232,158

As part of the Spectra Transaction, the Company provided vendor finance facilities to Spectra and entered into two loans of \$4,056,180 and \$1,090,200 respectively. The loans were provided to Spectra to finance the acquisition of 20 of the total acquired apartments. The loan terms included:

- Regular principal repayments and monthly interest repayments of 4.9% per annum;
- Maximum loan to value ratio ('LVR') of 60% for the total loan duration; and
- Loans are secured by a first registered mortgage over the apartments.

Sale contracts for six of the apartments included 24-month rental guarantees. These guarantees established a minimum annual return on investment to Spectra based on the selling price of the apartments. In the event that earned rental income falls below the guaranteed amount monthly shortfall payments are made to Spectra. Entitlement to the rental guarantees require that Spectra be party to a valid property management agreement and other conditions, which are discussed in section 10.3.

4.2 The Kingsfield Transaction

During the year ended 30 June 2018, Sterlink entered into contracts to sell two apartments in its Victoria Quarter development to Kingsfield ('Kingsfield Apartments'). As part of the negotiated transaction, Sterlink agreed to pay Kingsfield a rebate equal to \$9,747.50 for each of the properties, no agent fees were payable. The sales occurred as follows:

Contract date	Settlement date	Number of apartments	Transaction value (including GST) (\$)	Fees/ rebates paid (\$)
15 August 2017	13 October 2017	1	389,900	9,748
15 August 2017	20 October 2017	1	389,900	9,748
Total		2	778,900	19,495

5. Profile of Mustera Property Group Limited

5.1 History

Mustera is a Real Estate Investment and Development company listed on the Australian Securities Exchange ('ASX'). Mustera provides a real estate development platform for domestic, quality residential, commercial, industrial and mixed-use projects. Mustera acquires, invests in, develops, and sells residential, commercial, industrial, and mixed-use projects. The Company was incorporated in 2010 and is based in North Fremantle.

Mustera's current operations relate to the following property developments,

- **10 - 14 Forbes Road and 40 A, B, C Kishorn Road, Applecross WA:** Mustera purchased the property in Q3 2017 and has progressed schematic design works at the property, a development application submitted in November 2018 was rejected 7 March 2019. However, Mustera is considering progressing follow-up application procedures and mediation through the State Administrative approval process.
- **Grace Quarter, Lot 801 Helena Street, Midland WA:** Mustera has development approval for 67 apartments and two restaurant tenancies. Mustera is conducting due diligence on alternative development themes for the development.
- **75 Haig Park Circle, East Perth WA:** Currently leased for an open-air carpark, Mustera intends to develop the property subject to the required development and planning approvals. Last reporting period, the City of Perth Council voted in favour of new design guidelines which will introduce development standards for the property.
- **15 McCabe Street, North Fremantle WA:** A property which comprises of an office and warehouse, Mustera is conducting preliminary due diligence for development with the intention of applying for a structure plan approval later this year. The property has been leased in the interim.
- **82 Belmont Avenue, Rivervale WA:** Mustera entered into a conditional sale contract for the property which comprises of office and warehouse space, the transaction was expected to settle in March 2019, subject to sale conditions being met.

6. Profile of Victoria Quarter Apartments

6.1 History

The Victoria Quarter development was completed in late 2016, it comprises of 70 residential apartments over four levels, inclusive of ground floor commercial units with a common basement. Victoria Quarter is located near the corner of Helena Street and Foundry Road, within 500m of Midland's city centre. The development is situated within the Midland Railway Workshops precinct, which is being rejuvenated as part of the Western Australian Government's urban renewal initiative, led by the Metropolitan Redevelopment Authority ('MRA').

As at 10 April 2019, 65 of the 70 residential apartments had been sold, which includes those subject to shareholder approval, for a gross consideration of \$25.7 million. Five apartments remain unsold.

During the year ended 30 June 2018, Mustera entered into contracts for sale with Spectra to sell 22 apartments via its wholly owned subsidiary, Sterlink.

During the same period, Mustera entered into contracts for sale with Kingsfield to sell two apartments via its wholly owned subsidiary, Sterlink.

As part of the sale process, rental guarantees were granted to 10 of the residential apartments, six of which were sold to Spectra, two of which were granted to Kingsfield. The details of these guarantees are discussed in detail in section 10.3.

7. Economic analysis

7.1 Australia

Domestic growth

The Australian economy grew slightly above trend in 2018 despite slow GDP growth in recent quarters. In Australia, long-term bond yields are at historically low levels and short-term bank funding costs have declined further. The Reserve Bank of Australia ('RBA') is expecting GDP growth to be 2.75% in 2019 and 2020 as mining production stabilises. Business investment conditions remain positive. Non-residential building and private infrastructure projects led growth in non-mining business investment, with the pipeline of work yet to be done above recent year averages. Forecast GDP growth in 2019 is supported by rising business investment and higher levels of public infrastructure spending.

Similar to trends exhibited globally, downside risks have increased. Growth in international trade has declined and investment intentions have softened in a number of countries. The main domestic uncertainty continues to be the outlook for household consumption, which is being affected by a protracted period of low income growth and declining housing prices. Some pick-up in growth in household disposable income is expected and this should support consumption.

The adjustment in developed housing markets is continuing, after the previous rally in house prices in some capital cities. Conditions remain soft and low rent inflation persists. Lending conditions for some borrowers have slowed over the past year or so. Concurrently, demand for credit by investors in the property market has dissipated as factors within the housing market have changed. Growth in credit extended to owner-occupiers has eased over the past year. Mortgage rates remain low and there is significant competition for high credit quality borrowers.

Unemployment

Conditions in the Australian labour market have continued to improve, with the unemployment rate broadly steady at 5% and is forecast to remain at this level over the next 12 months. Total employment increased by a further 80,000 in the December quarter to be 2.25% higher year-over-year. Wage growth has picked up slightly, but remains low. While low wage growth is expected to continue, a stronger domestic economy should see a gradual lift in wage growth overtime.

Inflation

Domestic inflation data for the March quarter were noticeably lower than forecast and suggest subdued inflationary pressures across much of the economy. Underlying inflation is forecast to increase over the next two years but only gradually. In headline terms, inflation is expected to be around 2% this year, with underlying inflation expected to reach 2% by 2020.

Currency movements

On a trade-weighted basis, the Australian dollar has depreciated marginally in recent months, but remains within the narrow range that it has been trading recently. Australian market interest rates have narrowed the gap on major economies' market interest rates since the end of 2018. This has tended to offset exchange rate appreciation stemming from higher commodity prices.

Source: www.rba.gov.au Statement by Philip Lowe, Governor: Monetary Policy Decision 7 May 2019, Statement on Monetary Policy - May 2019

7.2 Global outlook

Global Growth Outlook

While conditions in the global economy remain positive, the outlook has become more uncertain. However, global financial conditions remain accommodative. Long-term bond yields are low, consistent with the subdued outlook for inflation, and equity markets have rallied from their falls in late 2018.

This volatility is partly due to the difficulty predicting how global trade policies will evolve, particularly between China and the US. Trade tensions between China and the US remain high and this contributed to the sharp decline in exports between the two countries in late-2018.

China's GDP growth is expected to moderate in 2019 due to tightening financial conditions. Recently targeted fiscal and monetary policies have partially offset any negative effects arising from trade tensions. However, growing trade tensions have led to considerable uncertainty around future growth in China and countries with strong trade links to China.

Financial market conditions in most advanced economies tightened in late-2018. This followed a lengthy period of accommodative market conditions. The tightening of conditions resulted in: rising corporate funding costs, easing of new debt issuances, lower equity prices and rises in volatility in financial markets. These risks have since been partially reversed, and it is worth noting that risk premiums remain historically low. Long term government bond yields have also declined in recent months, due to the scaling back of expectations over the frequency of central bank interest rate increases as well as a decline in inflation expectations. Monetary policy settings are expected to remain little unchanged globally for some time.

Emerging market currencies have somewhat appreciated in recent months, along with increases in equity prices. Despite these positive indications, some risks remain in emerging markets, specifically in East Asia, where growth has eased over the past year due to softer external demand. GDP growth in emerging Asian economies is just below 5%.

Core inflation in advanced economies including the USA, Canada, Norway, Sweden and the UK is around central banks' targets. In other advanced economies however, inflation remains noticeably below target. Headline inflation is subdued, and is expected to decline further due to falling oil prices.

Although GDP growth rates are expected to ease in a number of advanced economies, ongoing capacity constraints are likely to put upward pressure on inflation. Once oil prices return to stable levels, inflation is expected to rebound slightly in European and Japan, whilst remaining close to target in the US.

Source: www.rba.gov.au Statement by Philip Lowe, Governor: Monetary Policy Decision 7 May 2019, Statement on Monetary Policy - May 2019

8. Industry analysis

8.1 Western Australia Property Market

The Western Australian Property market is closely linked to the local economy, which grew by 1.9 per cent during the 2017-18 financial year after recording a decline 1.8 per cent during 2016-17. Strong exports of commodities, supported by a temporary boost in business investment, primarily drove this improvement. There is still strong international demand for iron ore and LNG, as these are WA's primary export commodities they continue to generate strong export income for the state which helps to offset weakness in the domestic economy. With respect to the labour market, the total number of employed Western Australian's rose to 1.34 million, the highest in our state's history. However, unemployment remains the highest since January 2002 at 6.8%, well above the national unemployment rate of 5.0%.

Population growth is a fundamental driver of demand for housing. The state's population is currently growing at just 0.8% per annum, substantially lower than the 3.0% growth rates experienced during the mining boom a decade ago. As the local economy and labour market slowly improves, there is less incentive for people to move away from the state which should support population growth. Conditions across the residential property market remain weak with sale transactions low. House prices are unchanged year over year, with data showing the Perth median house price for the year end 2018 has held at \$510,000. Oversupply, coupled with an environment generating very limited demand for residential property, has countered any upward pressures on price. Low population growth and circumspect consumer sentiment are constraining owner-occupier demand. More broadly, tighter access to housing finance which has been attributed to the fallout of the royal commission has further impacted interest from both owner-occupiers and investors.

In the rental market, the first signs of a recovery are evident with house rents rising to \$360 per week during 2018. The supply of listings has declined by 27% and the vacancy rate plummeted to 2.8%. Notably, there has been material decreases in vacancy rate which has fallen below its 10-year average. This improvement in the vacancy rate can be attributed to a reduced level of new housing stock entering the rental market which has enabled existing supply to be absorbed. However, as the improvement in the Perth rental market is being driven by a shift in supply (rather than by demand as population and capacity levels remain weak), the expectation that these improvements will have a positive impact on price (or demand) in the residential sales market is low.

With population growth expected to remain weak and lending standards restricting home loans, property transaction volumes are expected to remain low in 2019. The supply of new housing in the market should slow, although new supply is still likely to continue to exceed population growth. The falling vacancy rate and stable prices in the rental market indicate new supply is being absorbed in this sector without disruption. Lower levels of rental stock are expected to increase competition amongst tenants and put pressure on rents, likely causing them to rise in 2019.

Recent declines in house prices, tighter lending standards and weakened consumer demand and population growth, all point toward diminishing growth in housing supply in the medium term. Although a healthy vacancy rate and some stability in the rental market indicate the early stages of a recovery, the extent of this recovery on overall demand for housing is not forecast to have a meaningful impact. High unemployment and mixed consumer sentiment will continue to temper demand, with below trend population growth unlikely to stimulate material change in demand growth.

Source: www.reiwa.com.au Market Update: December Quarter 2018, Statement on Monetary Policy - February 2019

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or a transaction. The principal methodologies which can be used are as follows:

- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of the transactions conducted by Mustera we have chosen to employ a Market Based Assessment as our chosen methodology.

We have chosen this methodology for the following reasons:

- Comparable transaction data for the other apartment sales within the development is available and a highly relevant indicator of the remaining apartment values. Therefore, a market based assessment is reflective of the value of the Apartments at the time the Transactions took place.
- QMP valuation, which references tradeable public securities prices, has little relevance in determining the value of the apartments sold by Mustera
- NAV methodology relies, in part, on transaction and sale information which is encompassed in the market based assessment methodology.

We have selected a market based assessment as the primary and only methodology for the apartments as:

- The third party apartment sales within the Victoria Quarter development are at arm's length, between willing buyers and sellers and are a relevant determinant of value; and
- Apartments values vary amongst developments due to varying factors, such as age, location, size and therefore, are not directly comparable.

10. Valuation of Victoria Quarter Apartments

In the following sections, we calculate the value of the individual components for each Transaction in order to determine the total net value of each. These components are:

- The net proceeds received;
- Agent fees and rebates paid;
- Rental guarantees provided; and
- Vendor finance facilities (for the Spectra Transaction only).

10.1 Market based assessment of the Victoria Quarter apartment values

We determined the value of the Victoria Quarter apartments using a market based assessment to determine the appropriate value. We did so as follows.

Firstly, we reviewed sales and transaction data for all of the apartments within Victoria Quarter. All the apartments were sold within an 18-month period, with a six-month gap between the last third party sale and the Spectra Transactions. We contemplated the impact the duration between sales may have on the value of the apartments, however, broader market data indicate a decline of approximately 0.5% in the median unit sale price for the period. Therefore, we determined there to be no material impact from the timing to our valuation.

In total; 65 apartments were sold, 22 of which were sold to Spectra, three to Kingsfield, and five remain unsold. These sales are tabled below:

Apartment type	Total net value (\$)	Number of apartments	Net proceeds per Apartment (\$)
1 x 1	4,133,330	13	317,948
2 x 1	6,415,093	17	377,358
2 x 2	14,634,179	35	418,119
Total	25,182,602	65	

Source: BDO analysis

We then excluded the apartment sales to Spectra and Kingsfield, in order to determine the average net proceeds received per apartment sold by Mustera in the open market. From this information (tabled below), we calculated the average net proceeds received per apartment type:

Apartment type	Total net value (\$)	Number of apartments	Net proceeds per Apartment (\$)
1 x 1	3,821,330	12	318,444
2 x 1	2,492,960	7	356,137
2 x 2	9,053,864	22	411,539
Total	15,368,155	41	

Source: BDO analysis

Assessment of the Spectra Apartment values

Once we determined the average net proceeds received per apartment sold to third parties, we then multiplied this by the number of apartments sold to Spectra, for each apartment type, to determine the total net value of the apartments sold to Spectra. The total sum being the equivalent net value that Mustera would expect to receive had it sold these apartments on the open market in an orderly manner.

The results of the valuations performed are summarised as follows:

Apartment type	Net proceeds per Apartment(\$)	Number of apartments	Total net value (\$)
1 x 1	318,444	1	318,444
2 x 1	356,137	8	2,849,097
2 x 2	411,539	13	5,350,011
Total		22	8,517,552

Source: BDO analysis

On the basis of the above calculations, Mustera would expect to receive \$8.5 million had it sold the Spectra Apartments on equivalent terms to the apartments it sold on the open market.

The net proceeds that Mustera received from the sale of the Spectra Apartments are tabled below:

Apartment type	Net proceeds per Apartment (\$)	Number of apartments	Total net proceeds (\$)
1 x 1	312,000	1	312,000
2 x 1	395,228	8	3,161,828
2 x 2	429,255	13	5,580,315
Total		22	9,054,143

Source: BDO analysis

Assessment of the Kingsfield Apartment values

Using the above average net proceeds received per apartment sold to third parties, we then multiplied this by the number of apartments sold to Kingsfield, for each apartment type, to determine the total net value of the apartments sold to Kingsfield. The total sum being the equivalent net value that Mustera would expect to receive had it sold these apartments on the open market in an orderly manner.

Apartment type	Net proceeds per Apartment(\$)	Number of apartments	Total net value (\$)
1 x 1	318,444	-	-
2 x 1	356,137	2	712,274

Apartment type	Net proceeds per Apartment (\$)	Number of apartments	Total net value (\$)
2 x 2	411,539	-	-
Total		2	712,274

Source: BDO analysis

On the basis of the above calculations, Mustera would expect to receive \$712,274 had it sold the Kingsfield Apartments on equivalent terms on the apartments it sold to the open market.

The net proceeds that Mustera received from the sale of the Kingsfield Apartments are tabled below:

Apartment type	Net proceeds per Apartment (\$)	Number of apartments	Total net proceeds (\$)
1 x 1	-	-	-
2 x 1	380,153	2	760,305
2 x 2	-	-	-
Total			760,305

Source: BDO analysis

10.2 Assessment of agent fees and rebates

In contemplating the total net value for the apartments, we also reviewed associated selling costs and commissions paid as part of the normal sale process. Sales agents for the apartments include Time-Conti Sheffield Real Estate, Zsa Zsa Property, and Burgess Rawson Real Estate with agent fees and commissions payable.

Although the net proceeds of the sale incorporate these costs, we assessed the agent fees separately to the net proceeds as the total fees owing for the Spectra Transaction are payable to Spectra, not third party agents.

Following the same calculations as set out in section 10.1, first we reviewed sales and transaction data for all of the apartments within Victoria Quarter and tabled the average agent fees as per below:

Apartment type	Gross sales (\$)	Total agent fee (\$)	Number of apartments	Average agent fee (%)
1 x 1	4,213,900	80,570	13	1.91%
2 x 1	6,576,800	162,608	17	2.47%
2 x 2	14,949,200	304,396	35	2.10%
Total	25,739,900	557,298	65	

Source: BDO analysis

We then excluded the apartment sales to Spectra and Kingsfield, in order to determine the average agent fee paid per apartment sold by Mustera in the open market. From this information (tabled below) we calculated the average agent fee paid per apartment type:

Apartment type	Gross sales (\$)	Total agent fees (\$)	Number of apartments	Average agent fee (%)
1 x 1	3,893,900	72,570	12	1.86%
2 x 1	2,555,000	62,040	7	2.43%
2 x 2	9,224,900	171,036	22	1.85%
Total	15,673,800	305,645	41	

Source: BDO analysis

Assessment of the agent fees paid for the Spectra Apartments

Once we determined the average agent fee paid per apartment sold to third parties, we then multiplied this by the number of apartments sold to Spectra, for each apartment type, to determine the total agent fees paid for the apartments sold to Spectra. The total sum being the equivalent agent fee that Mustera would expect to pay had it sold these apartments on the open market in an orderly manner.

The sum of the agent fees paid had the Spectra apartments been sold in the open market is summarised as follows:

Apartment type	Average agent fee (%)	Number of apartments	Gross sales (\$)	Total agent fees (\$)
1 x 1	1.86%	1	320,000	5,964
2 x 1	2.43%	8	3,242,900	78,743
2 x 2	1.85%	13	5,723,400	106,116
Total		22	9,286,300	190,823

Source: BDO analysis

We determine from the above calculations that Mustera would expect to pay total agent fees of \$190,823 had it sold the Spectra Apartments on equivalent terms in the open market.

Assessment of the agent fees paid for the Kingsfield Apartments

Apartment type	Average agent fee (%)	Number of apartments	Gross sales (\$)	Total agent fees (\$)
1 x 1	1.86%	-	-	-
2 x 1	2.43%	2	779,800	18,935
2 x 2	1.85%	-	-	-
Total		2	779,800	18,935

Source: BDO analysis

We determine from the above calculations that Mustera would expect to pay total agent fees of \$18,935 had it sold the Kingsfield Apartments on equivalent terms in the open market.

10.3 Assessment of rental guarantees

Rental guarantees are generally offered as an incentive to prospective purchasers to buy a property. They establish a minimum annual return on investment to the purchaser, and are calculated as a rental yield which is based on the selling price of the apartments. In the event that earned rental income falls below the guaranteed amount monthly shortfall payments are made to the purchaser by the developer. As rental guarantees are offered as an inducement to investors to purchase a property, they are commonly offered at above market rental rates by developers.

Mustera provided rental guarantees for 12 properties within Victoria Quarter, of these guarantees, two were provided for commercial properties (which have been excluded from our analysis), 10 for residential apartments, six of which are owned by Spectra, and two by Kingsfield. We have tabled below the key terms of each rental guarantee that Mustera entered into with purchasers of residential apartments.

The rental guarantees comprise of two components, the first being a rental guarantee equivalent to a rental yield of 7%, the second component relating to holding costs which comprise of Strata, council rates, land tax and other services. The 7% rental guarantees are calculated as follows:

Purchaser	Start date (settlement date)	Acquisition price (\$)	Rental Guarantee (%)	Term (months)	Rent per year (\$)	Guarantee for term (\$)
Spectra	29/06/2018	419,000	7.0%	24	29,330	58,660
Spectra	29/06/2018	464,000	7.0%	24	32,480	64,960
Spectra	29/06/2018	459,000	7.0%	24	32,130	64,260
Spectra	29/06/2018	475,000	7.0%	24	33,250	66,500
Spectra	07/06/2018	320,000	7.0%	24	22,400	44,800
Spectra	02/01/2018	389,000	7.0%	24	27,230	54,460
Kingsfield	20/10/2017	389,900	7.0%	24	27,288	54,586
Kingsfield	13/10/2017	389,900	7.0%	24	27,288	54,586

Source: BDO analysis

The holding cost components are estimated as per below:

Purchaser	Strata Costs per year (\$)	Council Rates per year (\$)	Land Tax per year (\$)	Services per year (\$)	Management Costs per year (\$)	Holding Costs for the term (\$)
Spectra	4,550	2,396	1,100	1,050	2,496	11,592
Spectra	3,810	2,114	900	864	2,184	9,872
Spectra	4,904	2,255	900	1,131	2,340	11,530
Spectra	5,433	2,607	1,100	1,253	2,652	13,045
Spectra	5,398	2,607	1,100	1,283	2,652	13,040
Spectra	5,398	2,607	1,100	1,239	2,652	12,996
Subtotal	29,494	14,585	6,200	6,820	14,976	72,076
Kingsfield	4,904	2,255	900	1,053	2,340	11,452
Kingsfield	4,904	2,255	900	1,053	2,340	11,452
Subtotal	9,808	4,510	1,800	2,105	4,680	22,903

Source: BDO analysis

We observe that all the rental guarantees for the Spectra Apartments and Kingsfield Apartments are on identical terms of 24 months, and are provided with a guarantee for an equivalent rental yield of 7% of the apartment acquisition price.

In addition to the terms stated above, to be entitled to the rental guarantee, the buyer must:

- At all times be a party to a valid property management agreement in connection with the property with an independent and properly qualified real estate agency;
- Make the property available for lease on such terms and conditions that are reasonable and proper;
- Not unreasonably refuse to enter into one or more leases with tenants sourced by the Buyer's managing agent; and
- The Seller reserves the right to assist the buyer in sourcing tenants and determining the rent during the period.

In assessing the value of the rental guarantee, we have relied upon the gross rental yield as a proxy in the absence of reliable, standardised rental guarantee data. We believe the gross rental yield is appropriate, as the purpose of the rental guarantee is to provide assurance over the equivalent rental income expected for the property. Our research and observation of market rental data indicates gross rental yields for apartments in the suburb of Midland to be 5% as at the settlement date.

Although rental guarantees are commonly offered at above market rental yields as inducement to purchasers, we have assessed the value of the total rental guarantees as compared to the open market rental yield observed at the time of settlement for each transaction as follows:

	Rental guarantee	Total sales price of apartments	Term (months)	Value of rental yield guarantee (\$)	Value of holding costs (\$)	Total value of guarantee (\$)
Spectra	7.0%	2,526,000	24	353,640	72,076	425,716
Open Market	5.0%	2,526,000	24	252,600	72,076	324,676

Source: BDO analysis, BDO market research

	Rental guarantee	Total sales price of apartments	Term (months)	Value of rental yield guarantee (\$)	Value of holding costs (\$)	Total value of guarantee (\$)
Kingsfield	7.0%	779,800	24	109,172	22,903	132,075
Open Market	5.0%	779,800	24	77,980	22,903	100,883

Source: BDO analysis, BDO market research

We have not made any adjustment for the holding costs as it is comprised of outgoings which do not differ depending on who the owner is (strata costs, council rates, land tax, services, and management costs).

10.4 Assessment of vendor finance facility

As part of the sale for 20 of the Spectra Apartments, vendor finance facilities were negotiated between Sterlink and Spectra. No vendor financing was negotiated for the Kingsfield Apartments. These negotiations resulted in the provision of two loans subject to the below commercial terms. In addition to

regular principal payments and monthly interest payments, the loans were secured by a first registered mortgage over the apartments in question.

	Principal (\$)	Interest rate (%)	Loan-to-value ratio
Loan value	4,056,180	4.90%	60.0%
Loan value	1,080,200	4.90%	60.0%
Total	5,136,380		

Source: BDO analysis

We observe that Mustera has strong conditions in place to protect its interests via secured first registered mortgages over the Spectra apartments and a 60% loan-to-value ratio for the lifetime of the agreement. In the event of default, Mustera is entitled to vacant possession of the mortgaged property which they may subsequently sell, lowering the overall risk of the financing facility.

We have assessed the merits of the facility and have determined that the interest rate, and repayment terms are commercial and competitive with residential market rates.

11. Valuation of consideration for the Spectra Apartments

When contemplating the value of the consideration received by Mustera from Spectra in relation to the sale of the Spectra Apartments, we considered the following elements in the context of the whole Spectra Transaction:

- Total net proceeds received by Mustera;
- Agent fees and commissions received by Spectra;
- Rental guarantee provided by Mustera to Spectra; and
- Vendor finance facilities provided by Mustera to Spectra.

11.1 Consideration received for the Spectra Apartments

From our assessment of value discussed in section 10.1, we have tabled below the consideration received for the Spectra Apartments as compared to the indicative net proceeds had Mustera sold the apartments on the same terms as its open market sales:

Transaction	Reference	Total net proceeds (\$)
Net proceeds received from Spectra	10.1	9,054,143
Indicative net proceeds (open market)	10.1	8,517,552

Source: BDO analysis

We calculate that the sale of the Spectra Apartments resulted in total net proceeds \$546,316 greater than if it had sold the apartments on the open market under equivalent terms.

11.2 Consideration paid for agent fees to Spectra

From our assessment of the fees discussed in section 10.2, we have tabled below the agent fees paid for the Spectra Apartments as compared to the indicative net proceeds had Mustera sold the apartments on the same terms as its open market sales:

Transaction	Reference	Total agent fees (\$)
Fees paid to Spectra	10.2	232,158
Indicative agent fees (open market)	10.2	190,823

Source: BDO analysis

We calculate that the sale of the Spectra Apartments resulted in total agent fees paid that were \$31,610 greater than if Mustera had transacted on the open market under equivalent terms.

11.3 Consideration of value for rental guarantees provided to Spectra

From our assessment of the rental guarantees discussed in section 10.3, we have tabled below the guarantees provided for the Spectra Apartments as compared to the market rental yields observed in the open market:

Transaction	Reference	Value of rental guarantee (\$)
Spectra	10.3	425,716
Open Market	10.3	324,676

Source: BDO analysis, BDO market research

We calculate that the guarantee provided for the Spectra Apartments to be \$101,040 greater than if Mustera had provided guarantees on terms equivalent to rental yields observed in the open market.

As the ultimate value of this guarantee is contingent on many factors, such as; prospective tenants, rental income, and vacancy rates, we contemplated various methods to assess its total value. We determined that a 100% provision for the total rental guarantee in excess of the market rate to be prudent when determining its value to Spectra:

Transaction	Reference	Value of rental guarantee (\$)
Excess rental guarantee (above market)	10.3	101,040

11.4 Consideration of value for vendor finance facility provided to Spectra

We note the terms of the vendor finance facility as discussed in section 10.4 and believe the terms are commercial, and are satisfied the financing risk has been appropriately transferred to Spectra.

11.5 Total value of the consideration for the Spectra Apartments

In assessing the total value of the consideration from the Spectra Transaction, we have determined that the total consideration received to be \$344,718 greater than the calculated value of the Spectra Apartments.

	Reference	Amount
Consideration received	11.1	9,054,143
Agent fee adjustment	11.2	(31,610)
Rental guarantee adjustment	11.3	(101,040)
Total value of consideration		8,921,493
Value of the Spectra Apartments	10.1	8,576,775

12. Valuation of consideration for the Kingsfield Apartments

When contemplating the value of the consideration received by Mustera from Kingsfield in relation to the sale of the Kingsfield Apartments, we considered the following elements in the context of the whole Kingsfield Transaction:

- Total net proceeds received by Mustera;
- Agent fees and rebates received by Kingsfield; and
- The rental guarantees provided by Mustera to Kingsfield.

12.1 Consideration received for the Kingsfield Apartments

From our assessment of value discussed in section 10.1, we have tabled below the consideration received for the Kingsfield Apartments as compared to the indicative net proceeds had Mustera sold the apartments on the same terms as its open market sales:

Transaction	Reference	Total net proceeds (\$)
Net proceeds received from Kingsfield	10.1	760,305
Indicative net proceeds (open market)	10.1	712,274

Source: BDO analysis

We calculate that the sale of the Kingsfield Apartments resulted in total net proceeds \$48,031 greater than if it had sold the apartments on the open market under equivalent terms.

12.2 Consideration paid for agent fees to Kingsfield

From our assessment of the fees discussed in section 10.2, We have tabled below the agent fees paid for the Kingsfield Apartments as compared to the indicative net proceeds had Mustera sold the apartments on the same terms as its open market sales:

Transaction	Reference	Total agent fees (\$)
Fees paid to Kingsfield	10.2	19,495
Indicative agent fees (open market)	10.2	18,935

Source: BDO analysis

We calculate that the sale of the Kingsfield Apartments resulted in fees paid that were \$560 greater than if Mustera had transacted on the open market under equivalent terms.

12.3 Consideration of value for rental guarantees provided to Kingsfield

From our assessment of the rental guarantees discussed in section 10.3, we have tabled below the guarantees provided for the Kingsfield Apartments as compared to the market rental yields observed in the open market:

Transaction	Reference	Value of rental guarantee (\$)
Kingsfield	10.3	132,075
Open Market	10.3	100,883

Source: BDO analysis, BDO market research

We calculate that the guarantee provided for the Kingsfield Apartments to be \$31,192 greater than if Mustera had provided guarantees on terms equivalent to rental yields observed in the open market.

As the ultimate value of this guarantee is contingent on many factors, such as; prospective tenants, rental income, and vacancy rates, we contemplated various methods to assess its total value. We determined that a 100% provision for the total rental guarantee in excess of the market rate to be prudent when determining its value to Kingsfield:

Transaction	Reference	Value of rental guarantee (\$)
Excess rental guarantee (above market)	10.3	31,192

Source: BDO analysis

12.4 Total value of the consideration for the Kingsfield Apartments

In assessing the total value of the consideration from the Kingsfield Transaction, we have determined that the total consideration received to be \$16,279 greater than the calculated value of the Kingsfield Apartments.

	Reference	Amount
Consideration received	12.1	760,305
Agent fee adjustment	12.2	(560)
Rental guarantee adjustment	12.3	(31,192)
Total value of consideration		728,553
Value of the Kingsfield Apartments	10.1	712,274

Source: BDO analysis

13. Are the Transactions fair?

13.1 The Spectra Transaction

We calculate the total net value of the Spectra Transaction for the Spectra Apartments to be:

	Reference	Amount
Value of the Spectra Apartments	10.1	8,576,775
Value of Consideration	11.1	8,921,493

Source: BDO analysis

We note from the table above that the value of the consideration received, exceed the value of the Spectra Apartments. Therefore, we consider that the Spectra Transaction is fair.

13.2 The Kingsfield Transaction

We calculate the total net value of the Kingsfield Transaction for the Kingsfield Apartments to be:

	Reference	Amount
Value of the Kingsfield Apartments	10.1	712,274
Value of Consideration	12.1	728,553

Source: BDO analysis

We note from the table above that the value of the consideration received, exceed the value of the Kingsfield Apartments. Therefore, we consider that the Kingsfield Transaction is fair.

14. Is the Spectra Transaction reasonable?

14.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Mustera a premium over the value resulting from the Spectra Transaction. An alternative proposal is unlikely on the basis that the Spectra Transaction has already occurred.

14.2 Consequences of not Approving the Spectra Transaction

Consequences of not approving the transaction include:

- Costs associated with the termination, reversal, and unwinding of 22 apartment sales contracts and associated agreements including (but not limited to) existing rental guarantee agreements and tenancy agreements;
- Costs associated with the preparation, marketing, and resale of the apartments;
- Costs associated with the termination and repayment of vendor finance facilities provided to Spectra for the acquisition of the apartments;
- Potential loss in property values as a result of the resupply of apartments; and
- Potential loss in property values as a consequence of depreciation incurred since the settlement date and eventual prospective sale date of apartments.

14.3 Advantages of Approving the Spectra Transaction

We have considered the following advantages when assessing whether the transaction is reasonable.

Advantage	Description
The transaction is fair to shareholders	If a transaction is fair it is also considered to be reasonable.
The transaction removes apartment stock from the development	As a result of the transaction, only five apartments remain for sale in the Victoria Quarter development. Having less stock available for sale removes supply which may otherwise negatively impact apartment prices.
Approving the Spectra Transaction ensures compliance with ASX listing rule 10.1	ASX has suspended trading in the Company's securities until the outcome of the matter regarding the Spectra Transaction is known. If the resolution is passed, the Company will immediately seek to have the suspension of its securities lifted by ASX.

14.4 Disadvantages of Approving the Spectra Transaction

If the Spectra Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Costs associated with provision of rental guarantees	Should the rental guarantees be provided for in full, Mustera would be obligated to compensate Spectra for the total amount owing in section 11.3

15. Is the Kingsfield Transaction reasonable?

15.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Mustera Property Group Limited a premium over the value resulting from the Kingsfield Transaction. An alternative proposal is unlikely on the basis that the Kingsfield Transaction has already occurred.

15.2 Consequences of not Approving the Kingsfield Transaction

Consequences to not approving the transaction include:

- Costs associated with the termination, reversal, and unwinding of two apartment sales contracts and associated agreements including (but not limited to) existing rental guarantee agreements and tenancy agreements;
- Costs associated with the preparation, marketing, and resale of the apartments;
- Potential loss in property values as a result of the resupply of the apartments; and
- Potential loss in property values as a consequence of depreciation incurred since the settlement date and eventual prospective sale date of apartments.

15.3 Advantages of Approving the Kingsfield Transaction

We have considered the following advantages when assessing whether the transaction is reasonable.

Advantage	Description
The transaction is fair to shareholders	If a transaction is fair it is also considered to be reasonable.
The transaction removes apartment stock from the development	As a result of the transaction, only five apartments remain for sale in the Victoria Quarter development. Having less stock available for sale removes supply which may otherwise negatively impact apartment prices.

15.4 Disadvantages of Approving the Kingsfield Transaction

If the transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Costs associated with provision of rental guarantees	Should the rental guarantees be provided for in full, Mustera would be obligated to compensate Kingsfield for the total amount owing in section 11.3.

16. Conclusion

We have considered the terms of the Spectra Transaction and Kingsfield Transaction as outlined in the body of this report. We have concluded that both the Spectra Transaction and Kingsfield Transaction are fair and reasonable and in the best interests to the Shareholders of Mustera Property Group Limited.

17. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Mustera Property Group Limited for the years ended 30 June 2017 and 30 June 2018
- Sale and transaction data for the Victoria Quarter residential development;
- Individual sale contracts for the Spectra and Kingsfield Apartments;
- Rental guarantee contracts for the Spectra and Kingsfield Apartments;
- Information in the public domain, including rental yield information and interest rate data; and
- Discussions with Directors and Management of Mustera Property Group Limited.

18. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$22,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Mustera Property Group Limited in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Mustera Property Group Limited, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Mustera Property Group Ltd, Spectra (WA) Pty Ltd, Kingsfield Pty Ltd and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Mustera Property Group Ltd, Spectra (WA) Pty Ltd, Kingsfield Pty Ltd, and their respective associates.



A draft of this report was provided to Mustera Property Group Limited and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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19. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 30 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 300 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Corporate Finance Practice Group Leader of BDO in Western Australia, the Global Natural Resources Leader for BDO and a former Chairman of BDO in Western Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 20 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

20. Disclaimers and consents

This report has been prepared at the request of Mustera Property Group Limited for inclusion in the Explanatory Memorandum which will be sent to all Mustera Property Group Limited Shareholders. Mustera Property Group Limited engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the sale of 22 apartments in its Victoria Quarter development in Midland WA to Spectra (WA) Pty Ltd and two apartments to Kingsfield Pty Ltd.



BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Mustera Property Group Ltd. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transaction, tailored to their own particular circumstances.

Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Mustera Property Group Limited, or any other party.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Adam Myers

Director

Sherif Andrawes

Director

Appendix 1 - Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001 Cth
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
The Company	Mustera Property Group Ltd
Corporations Act	The Corporations Act 2001 Cth
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service
Kingsfield	Kingsfield Pty Ltd
Kingsfield Apartments	The 2 apartments sold by Mustera Property Group Ltd to Kingsfield Pty Ltd
Kingsfield Transaction	The transaction relating to the 2 apartments sold by Mustera Property Group Ltd to Kingsfield Pty Ltd
LVR	Loan to value ratio
MRA	Metropolitan Redevelopment Authority
Mustera	Mustera Property Group Ltd
NAV	Net Asset Value
QMP	Quoted market price
RBA	Reserve Bank of Australia

Reference	Definition
Regulations	Corporations Act Regulations 2001 (Cth)
Our Report	This Independent Expert's Report prepared by BDO
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Section 411	Section 411 of the Corporations Act
Section 611	Section 611 of the Corporations Act
Shareholders	Shareholders of Mustera Property Group Limited
Spectra	Spectra (WA) Pty Ltd
Spectra Apartments	The 22 apartments sold by Mustera Property Group Ltd to Spectra (WA) Pty Ltd
Spectra Transaction	The transaction relating to the 22 apartments sold by Mustera Property Group Ltd to Spectra (WA) Pty Ltd
Sterlink	Sterlink Development Pty Ltd, a wholly owned subsidiary of Mustera Property Group Ltd
Sum-of-Parts	A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies
The Transactions	Refers to the Spectra Transaction and Kingsfield Transaction as defined in this Report
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital
1 x 1	One bedroom one bathroom apartment
2 x 1	Two bedroom one bathroom apartment
2 x 2	Two bedroom two bathroom apartment



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For permission requests, write to BDO Corporate Finance (WA) Pty Ltd, at the address below:

The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia

Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 Discounted future cash flows ('DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses or assets. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis, it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

Notice of Meeting

Notice is hereby given that a general meeting of Shareholders is to be held at 9.00 a.m. (WST) on Tuesday, 2 July 2019 at 15 McCabe Street, North Fremantle, WA 6159.

The business to be considered at the Meeting is set out below. Information on the Resolutions to which the business relates is contained in the Explanatory Memorandum.

The Notice of Meeting should be read in conjunction with the Explanatory Memorandum.

Terms used in this Notice of Meeting will, unless the context otherwise requires, have the same meaning given to them in the Glossary included in the Explanatory Memorandum.

Business

Resolution 1 – Approval of transactions with Spectra (WA) Pty Ltd

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval of Shareholders is given to the sale by Mustera, directly or indirectly through a wholly owned child entity, of 22 apartments in its Victoria Square development during the year ended 30 June 2018 to Spectra (WA) Pty Ltd and otherwise as outlined in the Explanatory Memorandum accompanying and forming part of the Notice of Meeting.”

On the basis of the matters discussed in its Independent Expert’s Report, the Independent Expert has formed the opinion that the Spectra Transaction is fair and reasonable to Shareholders (except those whose votes are to be disregarded).

Voting Exclusion Statement: The Company will disregard any votes cast in favour of this Resolution by or on behalf of:

- (a) a party to the Spectra Transaction; or
- (b) an associate of any party to the Spectra Transaction.

However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolution 2 – Approval of transactions with Kingsfield Pty Ltd

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval of Shareholders is given to the sale by Mustera, directly or indirectly through a wholly owned child entity, of 2 apartments in its Victoria Square development during the year ended 30 June 2018 to Kingsfield Pty Ltd and otherwise as outlined in the Explanatory Memorandum accompanying and forming part of the Notice of Meeting.”

On the basis of the matters discussed in its Independent Expert’s Report, the Independent Expert has formed the opinion that the Kingsfield Transaction is fair and reasonable to Shareholders (except those whose votes are to be disregarded).

Voting Exclusion Statement: The Company will disregard any votes cast in favour of this Resolution by or on behalf of:

- (a) a party to the Kingsfield Transaction; or
- (b) an associate of any party to the Kingsfield Transaction.

However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Explanatory Memorandum

The Explanatory Memorandum accompanying this Notice is incorporated in and comprises part of this Notice. Shareholders are referred to the Glossary in the Explanatory Memorandum which contains definitions of capitalised terms used both in this Notice and the Explanatory Memorandum.

Proxies

Please note that:

- A member entitled to attend and vote is entitled to appoint not more than two proxies to attend and vote on behalf of the member.
- A proxy need not be a member of the Company, but must be a natural person (not a corporation). A proxy may also be appointed by reference to an office held by the proxy (eg “the Company Secretary”).
- Where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion of the member’s voting rights. If no such proportion is specified, each proxy may exercise half of the member’s votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging proxy forms.

Voting Entitlements

For the purposes of section 1074E(2) of the Corporations Act and regulation 7.11.37 of the Corporations Regulations 2001, the Company has determined that members holding ordinary shares as set out in the Company’s share register at 9:00 a.m. (WST) on Sunday, 30 June 2019 will be entitled to attend and vote at the General Meeting.

Corporate Representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company’s representative. The authority may be sent to the Company in advance of the meeting or handed in at the meeting when registering as a corporate representative.

BY ORDER OF THE BOARD

Kim Hogg
Company Secretary
31 May 2019

LODGE YOUR VOTE ONLINE



ONLINE VOTE

www.advancedshare.com.au/investor-login



MOBILE DEVICE VOTE

Lodge your proxy by scanning the QR code below, and enter your registered postcode. It is a fast, convenient and a secure way to lodge your vote.

2019 EXTRAORDINARY GENERAL MEETING PROXY FORM

I/We being shareholder(s) of Mustera Property Group Limited and entitled to attend and vote hereby:

APPOINT A PROXY

The Chair of the meeting **OR**

PLEASE NOTE: If you leave the section blank, the Chair of the Meeting will be your proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held **at 9:00am (WST) on Tuesday, 2 July 2019 at 15 McCabe Street, North Fremantle WA 6159**, and at any adjournment thereof.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

VOTING DIRECTIONS

Resolutions

		For	Against	Abstain*
1	Approval of transactions with Spectra (WA) Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Approval of transactions with Kingsfield Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
<input type="text"/>	<input type="text"/>	<input type="text"/>
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, all the shareholder should sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

Email Address

Please tick here to agree to receive communications sent by the company via email. This may include meeting notifications, dividend remittance, and selected announcements.

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

CHANGE OF ADDRESS

This form shows your address as it appears on Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes.

APPOINTMENT OF A PROXY

If you wish to appoint the Chair as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chair, please write that person's name in the box in Step 1. A proxy need not be a shareholder of the Company. A proxy may be an individual or a body corporate.

DEFAULT TO THE CHAIR OF THE MEETING

If you leave Step 1 blank, or if your appointed proxy does not attend the Meeting, then the proxy appointment will automatically default to the Chair of the Meeting.

VOTING DIRECTIONS – PROXY APPOINTMENT

You may direct your proxy on how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as they choose to the extent they are permitted by law. If you mark more than one box on an item, your vote on that item will be invalid.

PLEASE NOTE: If you appoint the Chair as your proxy (or if he is appointed by default) but do not direct him how to vote on an item (that is, you do not complete any of the boxes "For", "Against" or "Abstain" opposite that item), the Chair may vote as he sees fit on that item.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning Advanced Share Registry Limited or you may copy this form and return them both together.

To appoint a second proxy you must:

- On each Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- Return both forms together.

CORPORATE REPRESENTATIVES

If a representative of a nominated corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A Corporate Representative Form may be obtained from Advanced Share Registry.

SIGNING INSTRUCTIONS ON THE PROXY FORM

Individual:

Where the holding is in one name, the security holder must sign.

Joint Holding:

Where the holding is in more than one name, all of the security holders should sign.

Power of Attorney:

If you have not already lodged the Power of Attorney with Advanced Share Registry, please attach the original or a certified photocopy of the Power of Attorney to this form when you return it.

Companies:

Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

LODGE YOUR VOTE

This Proxy Form (and any power of attorney under which it is signed) must be received at an address given below by 9:00am (WST) on Sunday, 30 June 2019, being not later than 48 hours before the commencement of the Meeting. Proxy Forms received after that time will not be valid for the scheduled meeting.



ONLINE VOTE

www.advancedshare.com.au/investor-login



BY MAIL

Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009; or
PO Box 1156, Nedlands WA 6909



BY FAX

+61 8 9262 3723



BY EMAIL

admin@advancedshare.com.au



IN PERSON

Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009



ALL ENQUIRIES TO

Telephone: +61 8 9389 8033