MUSTERA
PROPERTY GROUP LTD

ABN 13 142 375 522

INTERIM FINANCIAL REPORT

31 December 2016

CONTENTS

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Mustera Property Group Ltd (the **Company** or **Mustera**) and its subsidiaries (the **Group** or **Consolidated Entity**) for the half-year ended 31 December 2016 and the Auditor's Review Report thereon.

DIRECTORS

Directors

The Directors of the Company at any time during or since the end of the interim period and until the date of this report are noted below.

Mr Nicholas Zborowski
Executive Director – appointed 10 June 2014

Mr Anthony Ho
Non-Executive Director - appointed 3 April 2014

Mr Benjamin Young
Non-Executive Director – appointed 23 November 2011

Mr Jack Spencer-Cotton
Non-Executive Director - appointed 3 April 2014

REVIEW OF OPERATIONS

The reporting period saw a number of significant developments, including:

- completion of the Victoria Quarter project. At 31 December 2016 there were 51 sales under contract, reflecting a gross committed sales value of $21.5 million. Settlement commenced in January 2017;
- the acquisition of the development property at 15 McCabe Street, North Fremantle WA (McCabe Street property);
- the sale of the investment property at 239-251 Woodpark Road, Smithfield NSW (Smithfield property)

The Group incurred a net loss of $280,490 for the half year. Importantly, no sales revenue from the Victoria Quarter project was recorded in the period. Sales settled subsequent to 31 December 2016 (see Subsequent Events below) will be reflected as revenue in the second half of the financial year ended 30 June 2017. The loss is attributed to the reduction in rental income from the sale of the Smithfield property from September 2016.

Further details of the Group's projects and operations are shown below.

Completed Projects

Victoria Quarter – Lot 803 Foundry Road, Midland WA – Completion of the Victoria Quarter project occurred during the reporting period. At 31 December 2016, there were 51 sales under contract, two being for the commercial units, reflecting a gross committed sales value of $21.5 million. 21 apartments remain for sale in the 70 apartment development.

Settlement of all sales under contract at 31 December 2016 is expected in the first quarter of 2017.

Future Projects

Grace Quarter - Lot 801 Helena Street, Midland WA – Development approval has been received for the development of 67 apartments and 197m^2 of commercial space. Subject to a number of considerations, marketing of the Grace Quarter project is anticipated to commence in the second quarter of 2017.

75 Haig Park Circle, East Perth WA - The property comprises a 2,233m^2 site and is situated near the corner of Plain Street and Royal Street, 1.5 Km from the Perth Central Business District. Improvements include an open air at-grade car park with fifty car bays and is leased to Wilson Parking Australia 1992 Pty Ltd for short term public parking.

During the reporting period the Group progressed with its planning for the property with the City of Perth Council (the City) undergoing community consultation, seeking feedback on alternative design options. The community consultation period closed on 24 October 2016 and a formal response from the City is expected in the first half of 2017.

The Group continues to benefit from the income generated from the leased property whilst it works through the planning and approvals process with the City.

The vicinity of the property to the new stadium under construction at Burswood is expected to generate strong interest in the apartments once the design is finalised.

82 Belmont Avenue, Rivervale WA – The property comprises office and warehouse improvements of approximately 2,309m² on a site area of 4,031m², located at the intersection of Belmont Avenue and Campbell Street, Rivervale.

The Group continues to benefit from the income generated from the leased property whilst undertaking due diligence to determine its development options for the site's highest and best use.

15 McCabe Street, North Fremantle WA –The property was purchased during the period for $5.4 million. The property, with direct ocean and river views, comprises office and warehouse improvements of approximately 2,250m^2 over two levels, on a site area of 2,398m^2.

During the reporting period the Group progressed with preliminary design development works for the site. The Group anticipates a planning application for a structure plan approval will be submitted in the first half of 2017.

Consistent with the Group's strategy, income will be generated from the leased property whilst development planning is being undertaken.

Investment Property

239-251 Woodpark Road, Smithfield NSW – During the reporting period, the Smithfield investment property at 239-251 Woodpark Road, Smithfield was sold for $7.3 million. Settlement occurred in September 2016.

Corporate

As part of an incentive compensation policy, the Company, following shareholder approval, granted 3 million options exercisable at 37 cents each before 30 September 2021 to Directors. In addition to the incentive element to these options, the Company also regarded this to be an effective way to compensate Directors without incurring significant cash costs.

SUBSEQUENT EVENTS

Subsequent to 31 December 2016, the Group has completed settlement on 34 of the sales under contract at its Victoria Quarter project in Midland, being a gross completed settlement value of $14.2 million. Following settlement, the Group has repaid approximately $12.4 million of the project's debt facility. The remaining sales under contract are expected to reach settlement in the first quarter of 2017 with the remaining debt facility to be cleared in this period.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 19 and forms part of the Directors' Report.

This Report is made in accordance with a resolution of the Directors:

Nicholas Zborowski
Director
Dated at Perth this 24th day of February 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 31 December 2016

	Half-year 2016 $	Half-year 2015 $
Revenue and other income		
Rental income and recoverable outgoings	436,317	750,651
Interest	14,477	2,109
Total revenue and other income	450,794	752,760
Expenses		
Property expenses and outgoings	(295,852)	(214,018)
Property development costs	(52,761)	(25,724)
Finance costs	(133,334)	(224,178)
Employee benefits expenses	(272,715)	(192,363)
Administration and overhead costs	(188,961)	(191,209)
Amortisation and depreciation	(1,018)	(1,595)
Total expenses	(944,641)	(849,087)
Loss before income tax	(493,847)	(96,327)
Income tax benefit	213,357	12,847
Net loss for the period	**(280,490)**	**(83,480)**
Other comprehensive income		
Items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income/(loss) for the period, net of tax	-	-
Total comprehensive loss for the period attributable to the ordinary equity holders of the Company	**(280,490)**	**(83,480)**
Basic loss per share (cents)	**(0.31)**	**(0.09)**

*Diluted loss per share is not shown as all potential ordinary shares on issue would decrease the loss per share and are thus not considered dilutive.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

MUSTERA
PROPERTY GROUP LTD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

	Note	31 December 2016 $	30 June 2016 $
CURRENT ASSETS			
Cash and cash equivalents		114,410	264,851
Trade and other receivables		118,556	172,225
Inventories	5	22,535,783	17,991,054
Assets classified as held for sale		-	7,300,000
Other current assets		84,583	5,699
Total Current Assets		22,853,332	25,733,829
NON-CURRENT ASSETS			
Inventories	5	15,052,035	9,175,186
Property, plant & equipment		8,456	9,474
Deferred tax assets		25,812	-
Total Non-Current Assets		15,086,303	9,184,660
TOTAL ASSETS		37,939,635	34,918,489
CURRENT LIABILITIES			
Trade and other payables		367,669	2,437,953
Income tax payable		-	56,270
Employee benefits		30,609	13,363
Borrowings	6	19,362,151	12,015,442
Borrowings directly associated with assets classified as held for sale		-	4,340,000
Total Current Liabilities		19,760,429	18,863,028
NON-CURRENT LIABILITIES			
Deferred tax liabilities		-	131,275
Borrowings	6	7,520,000	5,010,000
Total non-Current Liabilities		7,520,000	5,141,275
TOTAL LIABILITIES		27,280,429	24,004,303
NET ASSETS		**10,659,206**	**10,914,186**
EQUITY			
Contributed equity		10,601,073	10,601,073
Other reserves		54,738	29,228
Retained earnings		3,395	283,885
TOTAL EQUITY		**10,659,206**	**10,914,186**

The Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

MUSTERA PROPERTY GROUP LTD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2016

	Contributed Equity $	Other Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2016	10,601,073	29,228	283,885	10,914,186
Loss for the half-year	-	-	(280,490)	(280,490)
Total comprehensive loss for the half-year	-	-	(280,490)	(280,490)
Transactions with equity holders in their capacity as equity holders:				
Grant of options to Directors	-	25,510	-	25,510
Balance at 31 December 2016	**10,601,073**	**54,738**	**3,395**	**10,659,206**
Balance at 1 July 2015	9,351,073	29,228	319,015	9,699,316
Loss for the half-year	-	-	(83,480)	(83,480)
Total comprehensive loss for the half-year	-	-	(83,480)	(83,480)
Transactions with equity holders in their capacity as equity holders:				
Issue of ordinary shares, net of transaction costs	1,000,000	-	-	1,000,000
Balance at 31 December 2015	**10,351,073**	**29,228**	**235,535**	**10,615,836**

The Consolidated Statement of Changes in Equity is to be read in conjunction with accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the half-year ended 31 December 2016

	Note	Half-year 2016 $	Half-year 2015 $
Cash flows from operating activities			
Receipts in the course of operations		390,697	616,274
Payments in the course of operations		(6,513,443)	(5,305,057)
Payments for property held for development		(5,577,492)	-
Interest received		14,477	2,109
Finance costs paid		(181,836)	(224,178)
Income tax paid		(7,721)	(29,044)
Net cash outflow from operating activities		(11,875,318)	(4,939,896)
Cash flows from investing activities			
Proceeds from sale of investment property (held for sale)		7,153,750	-
Net cash inflow from investing activities		7,153,750	-
Cash flows from financing activities			
Proceeds from the issue of share capital		-	1,000,000
Proceeds from borrowings		9,101,127	9,310,000
Repayment of borrowings		(4,530,000)	(5,825,000)
Net cash inflow from financing activities		4,571,127	4,485,000
Net decrease in cash and cash equivalents		(150,441)	(454,896)
Cash and cash equivalents at the beginning of the half-year		264,851	871,375
Cash and cash equivalents at the end of the half-year		**114,410**	**416,479**

The Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

1. BASIS OF PREPARATION OF INTERIM FINANCIAL REPORT

Mustera Property Group Ltd (**Mustera** or **Parent Entity**) is a public company limited by shares incorporated in Australia whose shares are traded on the Australian Securities Exchange.

These consolidated financial statements comprise the Company and its subsidiaries (collectively the "**Group**" and individually "**Group companies**"). They were authorised for issue by the Board of Directors on 24 February 2017.

The annual financial report of the Group as at and for the financial period ended 30 June 2016 is available upon request from the Company's registered office or may be viewed on the Company's website, www.mustera.com.au.

This interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with accounting standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

This interim financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this interim financial report be read in conjunction with the annual financial report for the financial period ended 30 June 2016 and considered together with any public announcements made by Mustera during the half-year ended 31 December 2016 in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the impact of the new or amended standards became applicable for the current reporting period. However, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 30 June 2017 annual report as a consequence of these amendments.

2. CRITICAL ACCOUNTING ESTIMATES

The preparation of the interim financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2016. Critical accounting judgements, estimates and assumptions adopted by management are discussed below.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

2. CRITICAL ACCOUNTING ESTIMATES (continued)

Classification of properties

The group makes judgements with respect to the classification of properties as investment property or inventory depending on the Group's intended use of the property. Properties held either to earn income or for capital appreciation or both are classified as investment property. Properties held with the intention of redevelopment and sales of developed products are classified as inventory. The accounting treatments of investment property and inventory are different. Subsequent re-classification of properties may affect the carrying value of a property.

Valuation of investment properties held at fair value

The Group makes judgements with respect to the fair value of investment properties. The fair value of these properties are reviewed regularly by management with reference to external independent property valuations and market conditions existing at reporting date, using generally accepted market practices. The assumptions underlying estimated fair values are those relating to the receipt of contractual rents, expected future market rentals, maintenance requirements, capitalisation rates and discount rates that reflect current market conditions and current or recent property investment prices. If there is any material change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may differ and may need to be re-estimated.

Inventories

Note 5 sets out the category of value of inventory carried. The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell which approximates fair value less costs to sell. The key assumptions require the use of management judgement and are reviewed annually. They key assumptions are the variables affecting the estimated costs to develop and sell and the expected selling price. Any reassessment of cost to develop and sell or selling price in a particular year will affect the cost of goods sold.

3. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the financial period ended 30 June 2016.

4. SEGMENT INFORMATION

Identification of reportable operating segments

The consolidated entity has identified two reportable segments, being property investment and property development. The identification of reportable segments is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Segment information

	Property Investment $	Property Development $	Other* $	Group $
Half-year ended 31 December 2016				
Segment revenue and other income	90,716	328,299	31,778	450,793
Segment result	(127,941)	(146,538)	(6,011)	(280,490)
As at 31 December 2016				
Segment assets	3,424	37,762,752	173,459	37,939,635
Segment liabilities	-	(27,161,336)	(119,093)	(27,280,429)

4. SEGMENT INFORMATION (continued)

	Property Investment $	Property Development $	Other* $	Group $
Half-year ended 31 December 2015				
Segment revenue and other income	343,442	407,209	2,109	752,760
Segment result	41,111	(77,259)	(47,332)	(83,480)
As at 30 June 2016				
Segment assets	7,400,000	27,200,227	318,262	34,918,489
Segment liabilities	(4,508,806)	(19,398,850)	(96,647)	(24,004,303)

* *This column includes head office and group services which are not allocated to any reportable segment.*

5. INVENTORIES

	31 Dec 2016 $	30 Jun 16 $
Current		
Land and property held for development and resale (at cost)	22,535,783	17,991,054
Non-current		
Land and property held for development and resale (at cost)	15,052,035	9,175,186
Total	**37,587,818**	**27,166,240**

Movement in inventories for the half-year	2016 $	2015 $
Balance at 1 July	27,166,240	9,999,447
Additions at cost	5,677,492	1,569,008
Capitalised development costs	4,744,086	4,336,775
Balance at 31 December 2016	37,587,818	15,905,230

6. BORROWINGS

	31 Dec 2016 $	30 Jun 16 $
Current		
Loans and commercial overdraft from financial institutions - secured	18,785,582	12,015,442
Loans directly associated with assets held for sale - secured	-	4,340,000
Interest payable on loans	576,569	-
	19,362,151	**16,355,442**
Non-current		
Loans – financial institutions - secured	**7,520,000**	**5,010,000**

Loans from financial institutions

Facility	Secured	Maturity Date	Facility limit Dec 2016 $	Utilised Dec 2016 $	Facility limit June 2016 $	Utilised June 2016 $
Haig Park Cir Facility[1]	Yes	April 2018	2,280,000	2,280,000	2,320,000	2,320,000
Belmont Facility[2]	Yes	June 2020	1,950,000	1,950,000	2,100,000	2,100,000
Smithfield Facility[7]	Yes	June 2019	-	-	4,340,000	4,340,000
Helena St Facility[3]	Yes	June 2018	670,000	670,000	670,000	670,000
Foundry Rd Facility[4]	Yes	September 2017	16,050,000	15,030,582	16,050,000	8,935,442
Sterlink Facility[5]	Yes	May 2017	3,000,000	3,000,000	3,000,000	3,000,000
McCabe St Facility[6]	Yes	December 2019	3,375,000	3,375,000	-	-
				26,305,582		21,365,442

1) This facility is secured by first registered mortgage over the East Perth property held by the Company's 100% owned subsidiary, Claisebrook Holdings Pty Ltd (**Claisebrook**), and first ranking charge over all present and after acquired property of Claisebrook. Interest is payable monthly in arrears at variable rates based on a fixed commitment fee plus a variable yield. Principal repayment of $20,000 is required on quarterly basis until the maturity date.
2) This facility is secured by first registered mortgage over the Belmont property held by the Company and a first ranking charge over all present and acquired property of the Company. Interest is payable monthly in arrears at variable rates based on a fixed commitment fee plus a variable yield.
3) This facility is secured by first registered mortgage over the Helena St Midland property held by the Company's 100% owned subsidiary, Grace Property Holdings Pty Ltd (**Grace**), and first ranking charge over all present and after acquired property of Grace. Mustera has also provided unlimited guarantee for this facility. Interest is payable monthly in arrears at variable rates based on a fixed commitment fee plus a variable yield.
4) This facility is secured by first registered mortgage over the Foundry Rd Midland property held by the Company's 100% owned subsidiary, Sterlink Development Pty Ltd (**Sterlink**), first registered security agreement over the assets and undertaking of Sterlink and tripartite agreement given by Sterlink and the contracted builder of the Foundry Rd Midland property. Mustera has also provided guarantee and indemnity for this facility limited to the amount of $16,050,000. Interest is calculated monthly in arrears at variable rates based on a commercial base rate and capitalised to the loan principal. Included in this facility is a commercial overdraft to the limit of $200,000 which is repayable on demand.
5) This facility is secured by a specific security deed over Mustera's shares in its 100% owned subsidiary, Sterlink Development Pty Ltd (**Sterlink**). Interest is calculated on the daily loan balance at a fixed rate and is payable on the earlier of full repayment of the loan and the maturity date of the facility.
6) This facility is secured by first registered mortgage over the McCabe St property held by the Company's 100% owned subsidiary, Riversea Property Holdings Pty Ltd (**Riversea**), and first ranking charge over all present and after acquired property of Riversea. Interest is payable monthly in arrears at variable rates based on a fixed commitment fee plus a variable yield. Principal repayment of $675,000 is required by 31 December 2017.
7) This facility was repaid during the half year following the sale of the Smithfield property.

7. SHARE BASED PAYMENTS

The following options were granted to directors of the Company during the half-year:

Class	Grant Date	Expiry Date	Exercise Price	Number of Options
Unlisted Options	21 October 2016	30 September 2021	$0.37	3,000,000

Fair value of options granted

The fair value of options granted during the half year was calculated at the date of grant using the Black-Scholes option-pricing model. The following table gives the assumptions made in determining the fair value of options on grant date:

Fair value per option	0.85 cents
Grant date	21 October 2016
Number of options	3,000,000
Expiry date	30 September 2021
Exercise price	$0.37
Price of shares on grant date	$0.245
Estimated volatility	23%
Risk-free interest rate	1.88%
Dividend yield	4%

The expected price volatility is based on the historical volatility of the Company's share price since the shares were listed on ASX in November 2014.

These options have no vesting conditions attached to them and are expensed in full on issue. Total expense recognised as share-based payments in the half-year was $25,510 (2015: nil).

8. COMMITMENTS AND CONTINGENCIES

The changes to the commitments and contingencies disclosed in the most recent annual report are specified below. Other than the changes mentioned below, all other commitments and contingencies remain consistent with those disclosed in the 2016 annual report.

The Group entered into a new lease agreement for its office in Western Australia for a term of four years. Commitments in relation to the office lease at reporting date but not recognised as a liability are payable as follows:

	31 Dec 2016 $	30 Jun 2016 $
Within one year	47,250	1,300
After one year but not more than five years	133,875	-
	181,125	**1,300**

Contingencies

The consolidated entity does not have any contingent liabilities at balance and reporting dates.

9. RELATED PARTY TRANSACTIONS

The following transactions occurred with related parties during the reporting period:

	Transactions value for the half-year ended 31 Dec 2016 $	Balance outstanding as at 31 Dec 2016 $
Payment for property development services from Quintessential Places Pty Ltd (director-related entity of Nicholas Zborowski)	78,580	86,438
Payment for secretarial services from Anthony Ho & Associates (director-related entity of Anthony Ho)	18,000	6,600
Payment for corporate advisory services from Townshend Capital Pty Ltd (director-related entity of Benjamin Young)	30,000	-

Unless otherwise stated, all transactions were made on normal commercial terms and conditions and at market rates.

10. FAIR VALUE MEASUREMENT

Fair value hierarchy

The following table details the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

As at balance date the consolidated entity did not have any assets or liabilities measured or disclosed at fair value.

31 December 2016	**Level 1** $	**Level 2** $	**Level 3** $	**Total** $
Assets				
Non-current assets held for sale	-	-	-	-
Total assets	-	-	-	-

30 June 2016	**Level 1** $	**Level 2** $	**Level 3** $	**Total** $
Assets				
Non-current assets held for sale	7,300,000	-	-	7,300,000
Total assets	7,300,000	-	-	7,300,000

Estimates of fair value take into account factors and market conditions evident at balance date. Uncertainty and changes in global market conditions in the future may impact fair values in the future.

There were no movements between different fair value measurement levels during the half-year (2015: nil).

11. INCOME TAX

The Group has been consolidated for tax purposes and the income tax for the half-year ended 31 December 2016 has been calculated on that basis (30 June 2016: the Group was not consolidated for tax purpose).

12. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 31 December 2016, the Group has completed settlement on 34 of the sales under contract at its Victoria Quarter project in Midland, being a gross completed settlement value of $14.2 million. Following settlement, the Group has repaid approximately $12.4 million of the project's debt facility. The remaining sales under contract are expected to reach settlement in the first quarter of 2017 with the remaining debt facility to be cleared in this period.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 5 to 15 are in accordance with the Corporations Act 2001, including:

   i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

   ii. giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date, and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Nicholas Zborowski
Executive Director

Perth, Western Australia
24 February 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Mustera Property Group Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mustera Property Group Ltd, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mustera Property Group Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Mustera Property Group Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mustera Property Group Ltd is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

BDO

Glyn O'Brien

Glyn O'Brien

Partner

Perth, 24 February 2017

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DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF MUSTERA PROPERTY GROUP LIMITED

As lead auditor for the review of Mustera Property Group Ltd for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Mustera Property Group Ltd and the entities it controlled during the period.

Glyn O'Brien

Partner

BDO Audit (WA) Pty Ltd

Perth, 24 February 2017