ASX ANNOUNCEMENT

28th February 2019

ASX CODE: MPX

DIRECTORS

Mr Nicholas Zborowski
Executive Director

Mr Anthony Ho
Non-Executive Director

Mr Benjamin Young
Non-Executive Director

Mr Jack Spencer-Cotton
Non-Executive Director

CAPITAL STRUCTURE

Ordinary Shares: 99.6M
Options: 5.5M

ABN 13 142 375 522

15 McCabe Street
North Fremantle WA 6159

T : +61 8 9386 7069
E : info@mustera.com.au
W : www.mustera.com.au

HALF-YEAR FINANCIAL RESULTS

In accordance with Listing Rule 4.2A.3, the Interim Financial Report for the six months ended 31 December 2018 and ASX Appendix 4D – Half Year Report of Mustera Property Group Limited (ASX: MPX) follow this announcement. This information is to be read in conjunction with the annual report for the year ended 30 June 2018.

Nicholas Zborowski
Executive Director

Company Enquiries:
Nicholas Zborowski – Executive Director
T: +61 8 9386 7069
E: info@mustera.com.au

Appendix 4D
Half Year Report to the Australian Securities Exchange
Mustera Property Group Limited and Controlled Entities – ABN 13 142 375 522
Period ending 31 December 2018

The following information is provided to the ASX under listing rule 4.2A.3

1. Details of the reporting period and the previous corresponding period.

Reporting Period	**6 Months ending 31 December 2018**
Previous Corresponding Reporting Period	**6 Months ending 31 December 2017**

2. Results for announcement to the market

2.1 The amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities.

$ Revenue from Ordinary Activities - current period	**$'000**	**1,549**
$ Revenue from Ordinary Activities - previous period	**$'000**	**1,613**
$ change in Revenue from Ordinary Activities	**$'000**	**(64)**
% change from previous corresponding reporting period	**% DOWN**	**4%**

2.2 The amount and percentage change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members.

$ Profit (loss) from ordinary activities after tax - current period	**$'000**	**(868)**
$ Profit (loss) from ordinary activities after tax - previous period	**$'000**	**(356)**
$ change in profit (loss) from ordinary activities after tax	**$'000**	**(512)**
% change from previous corresponding reporting period	**% UP**	**144%**

2.3 The amount and percentage change up or down from the previous corresponding period of net profit (loss) for the period attributable to members.

$ Net profit (loss) attributable to members - current period	**$'000**	**(868)**
$ Net profit (loss) attributable to members - previous period	**$'000**	**(356)**
$ change in net profit (loss) attributable to members	**$'000**	**(512)**
% change from previous corresponding reporting period	**UP**	**144%**

2.4 The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends.

It is not proposed to pay a dividend.

2.5 The record date for determining entitlements to the dividends (if any).

Not applicable

2.6 A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.

Please refer to the Interim Financial Report lodged with this Appendix 4D.

3. Net tangible assets per security with the comparative figure for the previous corresponding period.

Net tangible assets per security	**Cents**	**13.5**
Previous corresponding period	**Cents**	**14.0**

4. Details of entities over which control has been gained or lost during the period, including the following.

4.1 Name of the entity.

Not applicable

4.2 The date of the gain or loss of control.

Not applicable

4.3 Where material to an understanding of the report - the contribution of such entities to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period.

Not applicable

5. Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable and (if known) the amount per security of foreign sourced dividend or distribution.

Not applicable

6. Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.

Not applicable

7. Details of associates and joint venture entities including the following.

None

7.1 Name of the associate or joint venture entity.

Not applicable

7.2 Details of the reporting entity's percentage holding in each of these entities.

Not applicable

7.3 Where material to an understanding of the report – aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.

Not applicable

8 For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Financial Reporting Standards).

Not applicable

9. For all entities, if the accounts contain an independent audit report or review that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph.

The accounts are subject to an emphasis of matter paragraph relating to the Group's ability to continue as a going concern.

MUSTERA PROPERTY GROUP LTD
ABN 13 142 375 522

INTERIM FINANCIAL REPORT

31 December 2018

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 2018 and the Auditor's Review Report thereon.

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 Group recorded an after-tax loss for the half-year of $878,636 (2017: $360,019).

Details of the Group's operating activities are outlined below.

10 – 14 Forbes Road and 40 A, B, C Kishorn Road, Applecross WA - The Group acquired the property in Q3 2017.

The property is located 8 km from Perth's CBD in Applecross, one of Perth's most affluent suburbs. The property is within walking distance to the Swan and Canning River foreshores, including multiple food and beverage and retail amenities. Existing public infrastructure, including road and rail networks, are also in close proximity, providing easy access to the CBD, schools, universities and shopping precincts.

The Group progressed with the schematic design works during the period and submitted a development application in November 2018.

A development approval is anticipated in Q1 2019 with the marketing campaign expected to commence in Q2 2019.

Grace Quarter, Lot 801 Helena Street, Midland WA – The property has a development approval for 67 apartments and two restaurants / café tenancies which was extended for a further 12 months during the period.

Due diligence is ongoing for this project including consideration of alternative development themes. It is expected that any variation to the current scheme will deliver a similar commercial outcome.

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. The property is currently leased for short-term public parking.

During the reporting period, the City of Perth Council (the City) voted in favour for the final adoption of Amendment No. 3 to City of Perth Local Planning Scheme No. 26 (Normalised Redevelopment Areas) and the City of Perth East Perth – South Cove Area 20 Design Guidelines to introduce development standards for the property.

Consistent with the Group's strategy, holding income is being generated from the leased property whilst development planning and approvals are being undertaken.

15 McCabe Street, North Fremantle WA – The property, with direct ocean and river views, comprises office and warehouse improvements of approximately 2,250m2 over two levels, on a 2,398m2 site.

The Group has continued to progress with preliminary due diligence for the development in anticipation of applying for structure plan approval in late 2019.

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

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

During the reporting period, the Group entered into a conditional contract on the sale of the property.

Settlement of the transaction is expected in March 2019 subject to the sale conditions being met.

Corporate Matters

In August 2018 the Board approved a final dividend of 0.25 cents per share and announced the introduction of a Dividend Reinvestment Plan (DRP). The dividend was paid on 15 November 2018 and 598,004 ordinary fully paid shares were issued to participants in the DRP on 15 November 2018. The Company now has 99,625,115 shares on issue.

On 21 December 2018, the Company issued a total of 2,500,000 Director Options exercisable at 46 cents each on or before 30 November 2023 following shareholder approval granted at the Annual General Meeting of the Company held on 29 November 2018. The Company regards the grant of options as part of an incentive compensation policy without incurring significant cash costs.

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 23 and forms part of the Directors' Report.

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

Nicholas Zborowski
Executive Director

Dated at Perth this 28th day of February 2019.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2018

	Note	Half-year 31 December 2018 $	31 December 2017 $
Revenue	7	1,425,197	1,612,035
Cost of sales		-	(920,371)
Gross Profit		1,425,197	691,664
Property expenses and outgoings		(787,672)	(302,403)
Property development costs		(27,235)	(14,079)
Employee benefits expenses		(302,430)	(230,897)
Administration and overhead costs		(237,451)	(230,410)
Amortisation and depreciation		(1,594)	(1,194)
Write-down of inventory to net realisable value		(636,385)	-
Other Income and Expenses		(1,992,767)	(778,983)
Finance income		123,912	1,064
Finance costs		(747,147)	(323,992)
Decrease in net assets attributable to unitholders		(16,104)	-
Net Finance Costs		(639,339)	(322,928)
Profit/(loss) before income tax		(1,206,909)	(410,247)
Income tax benefit		328,273	50,228
Net loss for the period		**(878,636)**	**(360,019)**
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		**(878,636)**	**(360,019)**
Total comprehensive loss for the period is attributable to:			
Ordinary equity holders of the parent		(868,173)	(355,721)
Non-controlling interest		(10,463)	(4,298)
		(878,636)	**(360,019)**
Earnings/(loss) per share (cents)			
Basic earnings/(loss) per share for the period (cents)		(0.88)	(0.39)
Diluted earnings per share for the period (cents)		N/A*	N/A*

*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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Note	31 December 2018 $	Restated 30 June 2018 $
CURRENT ASSETS			
Cash and cash equivalents		544,234	527,641
Trade and other receivables	9	287,698	230,936
Inventories	10	8,291,358	1,486,774
Other current assets		99,200	4,535
Total Current Assets		9,222,490	2,249,886
NON-CURRENT ASSETS			
Trade and other receivables	9	3,958,680	5,148,880
Inventories	10	16,815,840	23,395,161
Investment property		17,359,826	17,343,665
Property, plant & equipment		18,621	56,918
Deferred tax assets		362,405	20,215
Total Non-Current Assets		38,515,372	45,964,839
TOTAL ASSETS		47,737,862	48,214,725
CURRENT LIABILITIES			
Trade and other payables		1,232,185	1,379,604
Income tax payable		586,551	799,930
Employee benefits		17,832	17,831
Borrowings	11	9,080,888	5,720,000
Net assets attributable to property fund unitholders		7,574,782	7,091,864
Total Current Liabilities		18,492,238	15,009,229
NON-CURRENT LIABILITIES			
Other payables		2,500	2,500
Deferred tax liabilities		-	-
Borrowings	11	15,763,625	18,832,416
Total non-Current Liabilities		15,766,125	18,834,916
TOTAL LIABILITIES		34,258,363	33,844,145
NET ASSETS		**13,479,499**	**14,370,580**
EQUITY			
Contributed equity	12	11,980,795	11,798,408
Other reserves		308,019	255,283
Retained earnings		663,469	1,779,210
Non-controlling interest		527,216	537,679
TOTAL EQUITY		**13,479,499**	**14,370,580**

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

Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2018

	Attributable to owners of Mustera Property Group Limited					
	Contributed Equity $	**Other Reserves $**	**Retained Earnings $**	**Total $**	**Non-controlling interests $**	**Total Equity $**
Balance at 1 July 2018 (as reported)	11,798,408	275,241	1,759,252	13,832,901	7,629,543	21,462,444
Correction of error (see Note 2)	-	(19,958)	19,958	-	(7,091,864)	(7,091,864)
Balance at 1 July 2018 (restated)	11,798,408	255,283	1,779,210	13,832,901	537,679	14,370,580
Loss for the half-year	-	-	(868,173)	(868,173)	(10,463)	(878,636)
Total comprehensive loss for the half-year	-	-	(868,173)	(868,173)	(10,463)	(878,636)
Transactions with equity holders in their capacity as equity holders:						
Shares issued pursuant to Dividend Reinvestment Plan	182,387	-	-	182,387	-	182,387
Dividends paid	-	-	(247,568)	(247,568)	-	(247,568)
Grant of options to Directors	-	52,736	-	52,736	-	52,736
Balance at 31 December 2018	**11,980,795**	**308,019**	**663,469**	**12,952,283**	**527,216**	**13,479,499**
Balance at 1 July 2017	10,601,073	54,738	1,092,757	11,748,568	-	11,748,568
Loss for the half-year	-	-	(355,721)	(355,721)	(4,298)	(360,019)
Total comprehensive loss for the half-year	-	-	(355,721)	(355,721)	(4,298)	(360,019)
Transactions with equity holders in their capacity as equity holders:						
Exercise of options	1,200,000	-	-	1,200,000	-	1,200,000
Costs of share issue	(15,950)	-	-	(15,950)	-	(15,950)
Transactions with non-controlling interests	-	311,533	-	311,533	748,467	1,060,000
Balance at 31 December 2017	**11,785,123**	**366,271**	**737,346**	**12,888,430**	**744,169**	**13,632,599**

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

MUSTERA PROPERTY GROUP LTD

Consolidated Statement of Cash Flows

for the half-year ended 31 December 2018

	Note	Half-year 2018 $	Half-year 2017 $
Cash flows from operating activities			
Receipts in the course of operations		2,562,217	1,592,177
Payments in the course of operations		(1,647,810)	(1,621,489)
Payments for property held for development		(775,071)	(6,116,137)
Interest received		103,714	1,063
Finance costs paid		(553,254)	(267,661)
Income tax paid		(202,703)	-
Net cash outflow from operating activities		(512,907)	(6,412,047)
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		-	(1,712)
Payments for leasehold improvements capitalised		(16,162)	-
Net cash outflow from investing activities		(16,162)	(1,712)
Cash flows from financing activities			
Proceeds from the issue of share capital		-	1,200,000
Payment for share issue costs		-	(22,000)
Proceeds from borrowings		492,031	4,790,000
Repayment of borrowings		(199,933)	(2,440,000)
Transactions with non-controlling interests		-	(500,000)
Distributions paid to unitholders of property fund		(181,255)	-
Dividend payment on ordinary shares, net of Dividend Reinvestment Plan		(65,181)	-
Proceeds from sale of units in property fund		500,000	-
Net cash inflow from financing activities		545,662	3,028,000
Net increase/ (decrease) in cash and cash equivalents		16,593	(3,385,759)
Cash and cash equivalents at the beginning of the half-year		527,641	3,516,123
Cash and cash equivalents at the end of the half-year		**544,234**	**130,364**

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 28 February 2019.

The annual financial report of the Group as at and for the financial period ended 30 June 2018 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 2018 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 2018 and considered together with any public announcements made by Mustera during the half-year ended 31 December 2018 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 and the adoption of a policy regarding the accounting for Net Assets attributable to property fund unit holders. The Group did not have to make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 30 June 2019 annual report as a consequence of these amendments.

Going concern

For the half-year ended 31 December 2018 the Group recorded a loss of $878,636 and had net cash outflows from operating activities of $512,907. The Group had cash and cash equivalent of $544,234 and net working capital deficiency of $9,269,748 as at 31 December 2018. The working capital deficiency includes a liability of $7,574,782 relating to net assets attributable to unitholders of the Mustera Property Fund, and is restricted to the assets of that entity.

The ability of the Group to continue as a going concern is dependent on securing additional funding for future development works to continue to fund its operational and marketing activities.

The Directors believe there are sufficient funds to meet the Group's working capital requirements as at the date of this report. Subsequent to period end, the Group expects to receive additional funds via the sale of the Group's inventory or other financing alternatives such as equity placements or joint venture funding arrangements. As this funding has not yet been secured, there may exist a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern

Notwithstanding this accounting perspective, the financial statements have been prepared on the basis that the Group is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Group continues to generate rental income from several of its properties.
- The quality of the Group's diverse development portfolio is such that it will attract appropriate equity and debt financing for its successful development.
- Proceeds from the sale of 82 Belmont Avenue are anticipated to be received in March 2019, subject to the sale conditions being met.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern.

2. CORRECTION OF ERROR IN ACCOUNTING FOR NON-CONTROLLING INTERESTS

In the Company's financial statements for the year ended 30 June 2018, the Company incorrectly classified its non-controlling interest in the Mustera Property Fund as equity. In accordance with AASB 132 Financial Instruments, the non-controlling interests in the fund (which held 92.5% of the units on issue as at reporting date) should have been classified as a liability in the consolidated financial statements of the Group as the unit holders of the trust are only entitled to the net assets of the trust on a winding up after all other creditors have been paid, they have priority of claim to the net assets of the Mustera Property Fund over the shareholders of the Company. Hence, under accounting standards the units of the Mustera Property Fund not owned by the Company represent a potential obligation to deliver cash in preference to the shareholders of the Company.

The incorrect classification had no impact on the equity attributable to the shareholders of Mustera as disclosed in the financial statements.

The error has been corrected by restating each of the affected financial statement line items for the year ended 30 June 2018 as follows:

BALANCE SHEET (extract)	As reported 30 June 2018 $	Increase/ (Decrease)	Restated 30 June 2018 $
CURRENT LIABILITIES			
Net assets attributable to property fund unitholders	-	7,091,864	7,091,864
Total Current Liabilities	7,917,365	7,091,864	15,009,229
TOTAL LIABILITIES	26,752,281	7,091,864	33,844,145
NET ASSETS	**21,462,444**	**(7,091,864)**	**14,370,580**
EQUITY			
Other reserves	275,241	(19,958)	255,283
Retained earnings	1,759,252	19,958	1,779,210
Non-controlling interest	7,629,543	(7,091,864)	537,679
TOTAL EQUITY	**21,462,444**	**(7,091,864)**	**14,370,580**

STATEMENT OF PROFIT OR LOSS (extract)*	As reported 30 June 2018 $	Profit Increase/ (Decrease)	Restated 30 June 2018 $
Finance costs	(707,239)	(160,236)	(547,003)
Profit/(loss) before income tax	816,386	160,236	976,622
Net profit/(loss) for the year	**517,727**	**160,236**	**677,963**
Total comprehensive income for the period is attributable to:			
Ordinary equity holders of the parent	666,495	19,958	686,453
Non-controlling interest	(148,768)	140,278	(8,490)
	517,727	**160,236**	**677,963**
Earnings/(loss) per share (cents)			
Basic earnings/(loss) per share for the financial year (cents)	0.69		0.71
Diluted earnings per share for the financial year (cents)	0.69		0.71

* There is no correction applicable for the comparative half-year ended 31 December 2017 as the units in the property fund were not issued until after that date.

3. CRITICAL ACCOUNTING ESTIMATES

The preparation of the interim financial report requires management to make judgements, 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 judgements 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 2018. 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-current assets

The consolidated entity assesses impairment of non-current 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. None of the consolidated entity's non-current assets indicated any impairment trigger during the year.

Classification of properties

The Group makes judgements in respect of 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. There was no re-classification of properties during the reporting period.

Valuation of investment properties held at fair value

The Group makes judgements in respect of 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

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. The key assumptions are the variables affecting the estimated costs to develop and sell and the expected selling price, including but not limited to the fluctuations in the property market. Any reassessment of cost to develop and sell or selling price in a particular year will affect the cost of goods sold when the properties are sold.

Control of subsidiaries and other entities

The Group has concluded that it controls the Mustera Property Fund at 31 December 2018 even though it does not hold any equity and voting rights in this entity. It has been assessed that as Mustera controls the relevant activities of the Fund, based on the terms of the trust deed, and is exposed to variable returns through the fee structure outlined in the trust deed, it is therefore required to consolidate the Mustera Property Fund.

4. CHANGES IN ACCOUNTING STANDARDS

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2018, except for the adoption of new and revised standards effective as of 1 July 2018 and the adoption of a new policy regarding the accounting for Net Assets attributable to property fund unit holders. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. CHANGES IN ACCOUNTING STANDARDS (CONTINUED)

Accounting policy for Net Assets attributable to property fund unit holders

In accordance with AASB 132 Financial Instruments, certain instruments which are classified as equity in the separate financial statements of a subsidiary or other entity controlled by the Group which represent non-controlling interests in the consolidated financial statements are classified as liabilities in the consolidated financial statements of the group to the extent which the non-controlling interest has a preferential claim to the net assets of the subsidiary over shareholders of the parent. Consequently, net assets attributable to unitholders of the Mustera Property Fund are recorded at amortised cost as a current liability. Changes in the net assets are recognised in profit or loss except for distributions to unitholders and new subscriptions of units.

AASB 9 Financial instruments

AASB 9 Financial Instruments is effective from 1 July 2018. It addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model based on expected credit losses for the impairment of financial assets. The adoption of AASB 9 Financial Instruments from 1 July 2018 did not give rise to any material transitional adjustments. The new accounting policies (applicable from 1 July 2018) are set out below.

Classification and measurement

Except for certain trade receivables the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under AASB 9 financial assets are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's financial assets are as follows:

- Debt instruments at amortised cost, for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the 'SPPI criterion'. This category includes the Group's trade and other receivables and long-term vendor finance receivables.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the SPPI criterion.

On transition to AASB 9 the assessment of the Group's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Accounting policy for impairment – trade receivables

From 1 July 2018 using a simplified approach for measuring expected credit losses relating to trade receivables using a lifetime expected loss allowance has been applied. Customers with heightened credit risk are provided for specifically based on historical default rates and forward looking information. Where there is no reasonable expectation of recovery, balances are written-off. The application of the standard did not result in any significant impact on the measurement of the allowance for doubtful debtors.

Accounting policy for Impairment - Long term vendor finance receivable

From 1 July 2018 the group assesses on a forward looking basis the expected credit losses (ECLs) associated with its debt instruments carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The ECL is based on either the 12-month or lifetime ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. When there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. In all cases, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

4. CHANGES IN ACCOUNTING STANDARDS (CONTINUED)

AASB 15 Revenue from Contracts with Customers

AASB 15 is a new Standard introduced by AASB to replace AASB 118. The Group has applied AASB 15 for the first time in the current period. AASB 15 requires an entity to recognise revenue in a manner that represents the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled. This means that revenue will be recognised when control of goods and/or services is transferred, rather than on transfer of risks and rewards.

The Directors have reviewed and assessed the Group's recognition and measurement of revenue from 1 July 2018 based on the facts and circumstances that existed from this date and concluded that the application of AASB 15 has had no material impact on the recognition or measurement of the revenue for the Group in the current reporting period.

Sale of Inventory

Revenue from property development sales is recognised when control has been transferred to the purchaser which has been determined to occur upon settlement and after contractual duties are completed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Revenue shall be measured at the fair value of the consideration received or receivable. The amount of revenue arising on a transaction is usually determined by agreement between the entity and the buyer or user of the asset. It is measured at the fair value of the consideration received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either: (a) the prevailing rate for a similar instrument of an issuer with a similar credit rating; or (b) a rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services. The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

5. 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 2018.

6. DIVIDENDS

Dividend Reinvestment Plan ("DRP")

The Company's DRP is currently active and available to all eligible shareholders.

Total Dividends Paid on Ordinary Shares during the Period

	2018		2017	
	$ per Share	**$**	**$ per Share**	**$**
Interim Dividend	$0.0000	-	$0.0000	-
Final Dividend for the year ended 30 June	$0.0025		$0.0025	
Cash		65,181		-
Dividend Reinvestment Plan		182,387		-
		247,568		-

7. REVENUE

	31 Dec 2018 $	31 Dec 2017 $
Disaggregation of revenue		
The disaggregation of revenue from customers is as follows:		
Revenue from customers		
Rental income and recovery of outgoings	1,392,012	536,113
Sale of property	-	1,075,922
Gain on disposal of investments	33,185	
	1,425,197	1,612,035
Other revenue		
Interest income	123,912	1,064
	1,549,109	**1,613,099**

8. 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[1] $	Group $
Half-year ended 31 December 2018				
Segment revenue and other income	859,014	652,898	37,197	1,549,109
Segment result	89,521	(753,736)	(214,421)	(878,636)
As at 31 December 2018				
Segment assets	17,750,096	16,623,508	13,364,258	47,737,862
Segment liabilities	17,610,643	16,461,279	209,227	34,281,149
Half-year ended 31 December 2017				
Segment revenue and other income	-	1,612,035	1,064	1,613,099
Segment result	-	(157,226)	(202,793)	(360,019)
As at 30 June 2018				
Segment assets	17,343,665	30,171,124	699,936	48,214,725
Segment liabilities[2]	-	33,604,836	239,309	33,844,145

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

2 *These numbers have been restated. Refer to Note 2.*

	31 Dec 2018 $	30 Jun 2018 $
9. TRADE AND OTHER RECEIVABLES		
Current		
Trade debtors	179,058	223,466
Vendor finance receivable (a)	100,000	-
Sundry debtors	8,640	7,470
	287,698	**230,936**
Non-current		
Security deposit – carpark lease	2,500	2,500
Vendor finance receivable (a)	3,956,180	5,146,380
	3,958,680	**5,148,880**

(a) The vendor finance was entered between Sterlink Development Pty Ltd and Spectra (WA) Pty Ltd during the year ended 30 June 2018. A loan of $5,146,380 was provided to Spectra (WA) Pty Ltd for the acquisition of the Victoria Quarter apartments. Interest and principal repayments will be made in accordance to the loan repayment schedule over a period of 15 years with the loan fully repaid by 1 June 2033. Repayments of principal totalling $1,090,200 were made during the half-year. The applicable interest rate for the loan is 4.9% per annum. The loan is secured by a first registered mortgage over the subject apartments.

A 7% rental guarantee for two years has been provided on six of the apartments sold to Spectra.

10. INVENTORIES

	31 Dec 2018 $	30 Jun 2018 $
Current		
Land and property held for development and resale (at cost)	8,291,358	1,486,774
Non-current		
Land and property held for development and resale (at cost)	16,815,840	23,395,161
Total	**25,107,198**	**24,881,935**

	2018 $	2017 $
Movement in inventories for the half-year		
Balance at 1 July	24,881,934	24,106,881
Additions at cost	-	8,026,137
Capitalised development costs	861,649	59,978
Capitalised borrowing costs	-	91,855
Sales of inventory	-	(801,037)
Write down of inventory to net realisable value	(636,385)	-
Balance at 31 December	25,107,198	31,483,814

11. BORROWINGS

	31 Dec 2018 $	30 Jun 2018 $
Current		
Loans (refer Note (a))	9,019,300	5,720,000
Insurance Premium Funding	61,589	-
	9,080,889	**5,720,000**
Non-current		
Loans (refer Note (a))	**15,763,625**	**18,832,416**

(a) Loans

Facility	Secured	Maturity Date	Facility limit 31 Dec 2018 $	Utilised 31 Dec 2018 $	Facility limit 30 Jun 2018 $	Utilised 30 Jun 2018 $
Current						
McCabe St Facility[1]	Yes	December 2019	2,825,000	2,825,000	2,950,000	2,932,416
Haig Park Cir Facility[2]	Yes	July 2021	134,300	134,300	2,160,000	2,160,000
Belmont Facility[3]	Yes	June 2020	1,950,000	1,950,000	1,950,000	1,950,000
Forbes Facility[4]	Yes	October 2019	2,640,000	2,640,000	2,640,000	2,640,000
Helena St Facility[5]	Yes	December 2018	670,000	670,000	670,000	670,000
Sterlink Facility[6]	Yes	July 2019	800,000	800,000	800,000	800,000
				9,019,300		
Non-current						
Haig Park Cir Facility[2]	Yes	July 2021	2,450,700	2,363,625	-	-
Shoalwater Facility[7]	Yes	February 2021	9,900,000	9,900,000	9,900,000	9,900,000
Anrinza private loan[8]	No	May 2020	3,500,000	3,500,000	3,500,000	3,500,000
				15,763,625		

11. BORROWINGS (CONTINUED)

1) 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. Principal repayment of $125,000 was made during the period. This loan is classified as a current liability.
2) This facility is secured by first registered mortgages 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. Principal repayments of $33,575 are required on a quarterly basis until April 2020.
3) 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.
4) This facility is secured by first registered mortgages over the property at Forbes Road and Kishorn Road held by the Company's 90% owned subsidiary, Applecross Land Holdings Pty Ltd (Applecross) and first registered general security agreement over the assets and undertaking of Applecross. There is a required cash deposit held with the bank for no less than $80,000 by Applecross. Mustera has also provided unlimited guarantee for this facility.
5) This facility is secured by first registered mortgages 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. The Group has negotiated a replacement facility with an alternative lender for this loan which matured in December 2018.
6) This facility has a term of 2 years and expires in July 2019. The facility is secured by first registered mortgages over the selected apartments at Victoria Quarter, Midland held by the Company's 100% owned subsidiary, Sterlink Development Pty Ltd.
7) This facility has a term of 3 years and expires in February 2021. The facility is secured by first registered mortgages over the investment property (Shoalwater Shopping Centre) held by the Trust and first ranking charge over all assets and undertakings of the Trust.
8) This facility is provided by a major shareholder of the Group and is unsecured and interest free.

(b) Fair Value

The fair values of the Group's borrowings are not materially different to their carrying amounts since the interest rates attributable to those borrowings are close to current market rates.

(c) Interest Rate information

Facility	Maturity Date	Amount 31 Dec 2018 $	Interest Rate p.a.	Line Fee p.a.	Other
McCabe St Facility	December 2019	2,825,000	2.0955%	2.55%	Payable monthly in arrears
Haig Park Cir Facility	July 2021	2,531,500	3.55%	1.00%	Payable monthly in arrears
Belmont Facility	June 2020	1,950,000	2.035%	4.5%	Payable monthly in arrears
Forbes Facility	October 2019	2,640,000	4.46%	1.5%	Payable monthly in arrears
Helena St Facility	December 2019	670,000	2.57%	1.9%	Payable monthly in arrears
Shoalwater Facility	February 2021	9,900,000	3.884%	-	Payable quarterly in arrears
Sterlink Facility	July 2019	800,000	1.9795%	2.7%	Payable monthly in arrears
Anrinza private loan	May 2020	3,500,000	-	-	-

12. EQUITY – ISSUED CAPITAL

	31 Dec 2018 $	30 Jun 2018 $
99,625,115 (30 June 2018: 99,027,111) fully paid ordinary shares	**11,980,794**	**11,798,408**

(a) Ordinary shares

The following movements in ordinary share capital occurred during the half-year:

	2018 Number	2017 Number	2018 $	2017 $
Balance at beginning of the half-year	99,027,111	91,416,942	11,798,408	10,601,073
Issue of shares pursuant to Dividend Reinvestment Plan	598,004		182,386	-
Exercise of options at $0.20 each on 19 October 2017	-	2,750,000	-	550,000
Exercise of options at $0.20 each on 27 October 2017	-	1,000,000	-	200,000
Exercise of options at $0.20 each on 9 November 2017	-	2,250,000	-	450,000
Share issue costs	-	-	-	(15,950)
Balance at the end of the half-year	99,625,115	97,416,942	11,980,794	11,785,123

13. 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 2018 annual report.

Operating lease commitments

The consolidated entity leases its offices under non-cancellable operating leases. In addition to those disclosed in the 2018 annual report, commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	31 Dec 2018 $	30 Jun 2018 $
Within one year	21,273	21,273
After one year but not more than five years	30,136	40,773
	51,409	**62,046**

Rental guarantees

The consolidated entity has provided rental guarantee on properties sold by the Group during the half-year. In addition to those disclosed in the 2018 annual report, maximum amount payable at reporting date under these new rental guarantees but not recognised as liabilities are payable as follows:

	31 Dec 2018 $	30 Jun 2018 $
Within one year	283,429	385,461
After one year but not more than five years	60,586	176,433
	344,015	**561,894**

Contingencies

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

14. RELATED PARTY TRANSACTIONS

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

	Transaction value for the half-year ended 31 Dec 2018 $	Balance outstanding as at 31 Dec 2018 $
Payment for secretarial services from Anthony Ho & Associates (director-related entity of Anthony Ho)	(19,800)	3,300
Payment for corporate advisory services from Townshend Capital Pty Ltd (director-related entity of Benjamin Young)	(33,000)	-
Payments made for rental guarantees provided to Kingsfield Pty Ltd (director-related entity of Benjamin Young)	(19,641)	4,549
Payments made for rental guarantees provided to Spectra (WA) Pty Ltd (director-related entity of Benjamin Young)	(120,822)	-
Payments made for referral fees on the sale of properties to Spectra (WA) Pty Ltd (director-related entity of Benjamin Young)	(49,967)	-
Payments made for strata management fees to Sentral Strata Pty Ltd (director-related entity of Benjamin Young)	(6,067)	-
Reimbursements made to Kingsfield Pty Ltd for expenses paid on behalf of Group entities	(150,148)	-
Interest revenue recorded on vendor finance facility provided to Spectra (WA) Pty Ltd (director-related entity of Benjamin Young)	120,818	20,198

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

14. RELATED PARTY TRANSACTIONS (CONTINUED)

Disclosures for the year ended 30 June 2018

The following transactions with related parties during the year ended 30 June 2018 were not included in the disclosures made by the Company under Note 24 to the Financial Statements, *Related Party Transactions*:

Sales to entities controlled by key management personnel

The Group sold an apartment to Spectra (WA) Pty Ltd ("Spectra") (an entity that was, at the time of sale, controlled by Mr Chee Onn, a member of the Group's key management personnel). The transaction was conducted on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with an unrelated individual at arm's length in the same circumstances. The net revenue recorded from the sale of this apartment was $389,000. There were no outstanding amounts at the end of the reporting period in relation to this transaction.

Sales to entities controlled by Director

During the year the Group sold a total of 22 Victoria Quarter apartments to Spectra. One of the directors of the Company, Mr Benjamin Young, is considered to have had control over Spectra at the date the transactions were entered into because of an indirect ownership interest held by him in that company. Consequently, Spectra is regarded as a related party of the Company. In addition to the sales transactions, a vendor finance facility was entered into in June 2018 between the Company's wholly-owned subsidiary, Sterlink Development Pty Ltd, and Spectra. Two loans, of $4,056,180 and $1,090,200 respectively, were provided to Spectra for the acquisition of 20 of the aforementioned apartments. The period of these vendor finance loans is 15 years at an interest rate of 4.9% per annum. These loans are secured by a first registered mortgage over the subject apartments.

The terms of sale of the apartments to Spectra were at arm's length and at prevailing market values. Vendor finance was considered to be a suitable structure for the transaction as it realised sales of the apartments as well as providing a return on the debt facility.

The revenue (including GST) recorded for the sale of the apartments was $9,287,200. Referral fees of 2.5% and totalling $223,710 were paid to Spectra during the year. In relation to the two apartments not the subject of the vendor finance facility, there were no outstanding amounts at the end of the reporting period in relation to those transactions.

The amount owing to the Group under the vendor finance loans at reporting date was $5,146,380.

Other transactions with entities controlled by Director

During the year the Group paid strata management fees of $4,360 to Sentral Strata Pty Ltd ("Sentral"). One of the directors of the Company, Mr Benjamin Young, is considered to have had control over Sentral because of an indirect ownership interest held by him in Spectra, which controls Sentral. The fees paid were made on normal commercial terms and at market rates.

15. FAIR VALUE MEASUREMENT

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:

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- 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 had the following assets or liabilities measured or disclosed at fair value:

31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Investment property	-	-	17,359,827	17,359,827
Total assets	-	-	17,359,827	17,359,827

15. FAIR VALUE MEASUREMENT (CONTINUED)

Valuation techniques for fair value measurements categorised within level 3

The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Capitalisation of net income: the valuation method considers the present value of expected future rental income to be generated from the property, taking into account the market rental income, leasing downtimes and leasing incentive such as rent free periods. The expected future rental income is divided by a capitalisation rate. Among other factors, the capitalisation rate considers the nature, location and tenancy profile of the property.	• Market fully leased net rental income per annum after vacancy allowance ($1.26m) • Capitalisation rate (7%) • Leasing vacancy (5,4%; weighted lease duration by income: 8 years)	The estimated fair value would increase (decrease) if: • Expected market rental income were higher (lower); • Capitalisation rate were lower (higher); or • Leasing downtime were shorter (longer).

The fair values adopted for investment properties have been supported by independent external valuations are considered to reflect market conditions at balance date.

16. SHARE BASED PAYMENTS

The following options were granted to directors of the Company as part of an incentive compensation policy following shareholder approval obtained at the Company's Annual General Meeting held on 29 November 2018:

Class	Grant Date	Expiry Date	Exercise Price	Number of Options
Unlisted Options	29 November 2018	30 November 2023	$0.46	2,500,000

Fair value of options granted

The fair value of options granted during the period 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	2.11 cents
Grant date	29 November 2018
Number of options	2,500,000
Expiry date	30 November 2023
Exercise price	$0.46
Price of shares on grant date	$0.29
Estimated volatility	23%
Risk-free interest rate	1.90%
Dividend yield	0.80%

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 period was $52,736 (2018: Nil).

16. SHARE BASED PAYMENTS (CONTINUED)

Set out below are summaries of options granted to directors and employees of the Group:

Grant date	Exercise price	Expiry date	Balance at start of period	Granted during period	Balance at end of period	Vested and exercisable at end of period
2018						
21 October 2016	$0.37	30 September 2021	3,000,000	-	3,000,000	3,000,000
29 November 2018	$0.46	30 November 2023	-	2,500,000	2,500,000	2,500,000
			3,000,000	2,500,000	5,500,000	5,500,000
Weighted Average exercise price			$0.37	$0.46	$0.411	$0.411

Grant date	Exercise price	Expiry date	Balance at start of period	Exercised during period	Balance at end of period	Vested and exercisable at end of period
2017						
31 January 2014	$0.20	31 January 2018	11,000,000	(6,000,000)	5,000,000	5,000,000
21 October 2016	$0.37	30 September 2021	3,000,000	-	3,000,000	3,000,000
			14,000,000	(6,000,000)	8,000,000	8,000,000
Weighted Average exercise price			$0.24	($0.20)	$0.2647	$0.264

6,000,000 options were exercised during the periods covered by the above tables. No options expired or were forfeited during the periods covered by the above tables.

The options outstanding at 31 December 2018 have a weighted average remaining contractual life of 44.8 months (2018: 45 months).

17. EVENTS SUBSEQUENT TO REPORTING DATE

There are no events subsequent to reporting date that would have a material financial effect on the financial statements for the half-year ended 31 December 2018.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 5 to 20 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 2018 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
28 February 2019

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Mustera Property Group Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Mustera Property Group Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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 then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and

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

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

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 Group's financial position as at 31 December 2018 and its financial 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 the Group, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

Glyn O'Brien

Glyn O'Brien

Director

Perth, 28 February 2019

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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

As lead auditor for the review of Mustera Property Group Ltd for the half-year ended 31 December 2018, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 28 February 2019