

ASX and Media release

4 August 2017

MARKET UPDATE – RMS WESTCONNEX COMPULSORY ACQUISITION OF THE ROZELLE PROPERTY

Desane Properties Pty Ltd, a controlled entity of Desane Group Holdings Limited (ASX: DGH), wishes to provide a market update on its negotiations for the compulsory acquisition of its 5,200m² property located at 68-72 Lilyfield Road, Rozelle (the Property).

Desane has received a written offer from the Roads and Maritime Services (RMS) for the purchase of the whole of the property for **\$18.4 million** (Market Value of the Property).

Subsequent to the offer, RMS issued a Proposed Acquisition Notice (PAN) to Desane, in line with the *Land Acquisition (Just Terms Compensation) Act 1991*, confirming that compulsory acquisition of the Property would occur on or about 1 September 2017. The legal effect of the PAN is to extinguish Desane's interest in the Property and convert Desane's interest in the Property into a claim for compensation.

Following advice from Desane's independent experts, on 31 July 2017, Desane lodged its Statutory Claim for Compensation with the RMS, for an amount in excess of **\$100.0 million** (including the Market Value of the Property).

In view of the significant disparity between the inadequate offer made by RMS and the amount Desane has lodged as part of its Statutory Claim for Compensation, Desane's Board has formed the view that it has no choice but to refuse to accept the inadequate offer made by RMS.

Chairman of Desane, Professor John Sheehan AM, said “I am disappointed by the conduct of RMS with regards to this transaction, particularly in light of the amendment to the SFC Act following the Russell review into compulsory acquisitions. In consideration of the significant development potential of our Company’s Property, and the high cost of a compulsory acquisition to the NSW Government, Desane formally proposed a number of viable and sensible alternatives to the acquisition of the Property. RMS has failed to consider any alternatives to compulsory acquisition.”

Professor Sheehan went on to say, “Our Board has continuously maintained the view that it wishes to avoid the need for unnecessary and unduly costly compulsory acquisition litigation with the NSW Government. It is our Board’s view and that of our expert consultants, that the compulsory acquisition of our Property is an **overreach by RMS and is contrary to the public interest. We believe the acquisition does not optimise the existing use of the vast area of publically owned and readily available land neighbouring our Property.** We continue to maintain there are a number of viable and sensible alternatives to acquisition which would benefit both the NSW Government and Desane, and avoid costly and lengthy litigation”.



68-72 Lilyfield Rd, Rozelle

Significant Development Potential of the Property

The Lilyfield Road, Rozelle Property is in a premium inner west Sydney location with strong residential demand. It has the advantage of stunning city views east and across Blackwattle Bay, direct access to the Harbour Foreshore with multiple transport options and is located just 3km from the Sydney CBD. It adjoins the newly established **The Bays Precinct** – being the area identified by the NSW Government as a “Priority Growth Area” for housing, with The Bays Precinct currently undergoing significant urban transformation.

In June 2013, Desane engaged the services of well known residential architects, MPA and planners APP and Urbis, to advise and review permissible land use opportunities and planning controls for the Property, with the objective of achieving the highest and best use for the Property. A program of discussions and engagement was undertaken with the NSW Department of Planning and Environment (NSW DPE) and other key stakeholders, in order to prepare a rezoning Masterplan.

In June 2015, Desane lodged a formal Masterplan and Rezoning plan. The proposed redevelopment of the Property included approximately 200 residential apartments and 1,800m² of retail and commercial floor space.



Artist perspective of proposed residential development – in red, 68-72 Lilyfield Rd, Rozelle - view to the south – Urbis Final Design Report 2015 (submitted to NSW DPE)

Desane has a 70% interest in the 68-72 Lilyfield Road, Rozelle property.

Desane will continue to keep the market informed as to the progress of the negotiations with RMS.

FOR FURTHER INFORMATION, PLEASE CONTACT:

Prof. John Sheehan AM
Chairman
Desane Group Holdings Limited
(02) 9555 9922
info@desane.com.au

Jack Sciara
Company Secretary
Desane Group Holdings Limited
(02) 9555 9922
jacksciara@desane.com.au

ABOUT DESANE:

*Desane Group Holdings Limited is a property investment and development business based in Sydney, with expertise in property acquisitions, investment, management, leasing, sales and development of industrial, commercial and residential properties. Desane has a disciplined “**add value**” property acquisition approach, which will deliver maximum shareholder value in the medium to long term.*