



# BLACKWALL PROPERTY TRUST

(ASX: BWR)

ARSN 109 684 773

## Notice of General Meeting, Explanatory Statement, Independent Expert's Report and Proxy Form

**General Meeting to be held at Level 1, 50 Yeo Street, Neutral Bay NSW  
on 10 May 2019 commencing at 11.00 am**

### Independent Expert's Report

The Independent Expert's opinion is that of the proposed Transactions on which they were required to opine, Resolutions 1, 2(a), 2(b), 3, 4, 5, 6, 7, 8, 10(a) and 10(b) are **not fair but reasonable** to non-Associated Unitholders, and Resolution 16 is **fair and reasonable** to non-Associated Unitholders.

Note that the Independent Expert's Report is not required in relation to the BQT Acquisition (Resolutions 11-15) or the FV Acquisition (Resolution 17). However, the Independent Expert's Report does include consideration of the impact of the BQT Acquisition on the value of BWR units. The Independent Expert's fairness assessment of the Transactions excludes the FV Acquisition.

The Notice of General Meeting, Explanatory Statement and Proxy Form should be read in their entirety. If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional adviser prior to voting.

# A Message From the Directors

Enclosed with this letter is a notice of meeting for BWR. The document sets out a series of transactions in contemplation of the sale of our most significant project and BWR's largest investment, that is, the Bakehouse Quarter at North Strathfield.

The Bakehouse Quarter has been held by a syndicate known as the Kirela Development Unit Trust – (**Kirela**) for over 21 years. The sale represents a significant milestone in our history. In contemplating the strategy after the Bakehouse Quarter Sale completes the directors had regard to the factors, principles and observations set out below. We feel they are useful in providing context for investors considering the resolutions to be put to the upcoming meetings.

## ***Market Conditions***

Following the GFC the Australian property market has had almost a decade of sustained and exceptional growth. This, in the main, was driven by low interest rates pushing yields down to what we feel are unsustainable levels. We do not see property and credit markets continuing on the path they have for the past 10 years. Therefore we expect conditions that are more conducive to our property investment model.

## ***Our Property Investment Model***

We look for assets that have a problem we understand and can fix. These “problems” are usually driven by unsustainable debt or vacancy. Also, we look at real estate that is suitable for adaptive reuse and urban renewal at a price which mitigates, at least in part, the risks associated with changes of use.

Throughout our 25-year history we have a strong track record of finding and executing turnaround projects. The Bakehouse Quarter, 55 Pyrmont Bridge Road and BWR itself are all examples. Our success is despite the fact that, in the past, we have not had the luxury of cash reserves. We have had to create opportunistic investment structures and raise the capital on a deal by deal basis. This is generally a slow process and opportunities are sometimes missed.

More often than not, the best opportunities present when investors and institutions are least likely to invest. Our aim is to use the Bakehouse Quarter Sale to give BWR and BWF a liquid capital base to move quickly when suitable deals present.

## ***The Bakehouse Quarter, BWR and BWF***

As previously announced BlackWall has negotiated the sale of the Bakehouse Quarter.

The proposed transactions offer Kirela investors the opportunity to continue to invest with us by rolling part or all of their investment into BWR.

For BWR the proposed transactions will grow its NTA to around \$220 million adding approximately \$100 million of cash to its balance sheet. Importantly the Transactions are priced on an NTA for NTA basis. In the short term the amount of cash on the BWR balance sheet may have a negative impact on earnings. We are comfortable with this as history shows us that the opportunity cost of not having cash in times of financial stress is far greater than low returns on cash while you wait.

Further, as part of the proposal BWR will acquire two assets from BWF generating roughly \$10 million of cash for BWF. The assets to be sold are more suited to the BWR balance sheet and the cash will be used by BWF for the rollout of WOTSO WorkSpace and for opportunities in BlackWall Asset Management.

The BlackWall Board of Directors  
4 April 2019

Notice is given that a General Meeting of BlackWall Property Trust ABN 68 450 446 692 (**BWR**) will be held at Level 1, 50 Yeo Street, Neutral Bay, NSW on 10 May 2019 commencing at 11 am.

## **AGENDA**

### **Condition Precedent**

Other than Resolution 2(b) and 10(b) as they relate to the Pelorus Restructure, each Transaction and the subject of the resolutions to be considered, are subject to the condition precedent that the Bakehouse Quarter Sale is completed and all of the Kirela Resolutions are approved (**Condition Precedent**).

### **Resolution 1 – Acquisition of Kirela Units from the Glew Group**

To consider, and if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

*That, subject to each of the other Kirela Resolutions being passed, approval is given under Listing Rule 10.1 and for all other purposes for BWR to acquire the Kirela Units held by the Glew Group as part of the Kirela Acquisition and as described in the Explanatory Statement.*

**Short explanation:** Resolution 1 seeks Unitholder approval for the acquisition of Kirela Units from the Glew Group by BWR for the purposes of Listing Rule 10.1, as this constitutes the acquisition of a “substantial asset” from a Related Party of BWR, or an Associate of the Related Party. Further information about Resolution 1 is contained in the Explanatory Statement.

### **Resolutions 2(a) and (b) – Section 611 Corporations Act – Glew Group**

To consider, and if thought fit, to pass, with or without amendment, the following Resolutions as ordinary resolutions:

*That for the purposes of Section 611 (Item 7) of the Corporations Act and for all other purposes, Unitholders approve:*

- a) the issue of approximately 38,119,759 Units to the Glew Group including in consideration for the acquisition of the Glew Group’s Kirela Units; and*
- b) the increase of the voting power of the Glew Group in BWR from 13.3% to approximately 29.0% as a result of the Transactions, including the Pelorus Restructure and the Kirela Acquisition,*

*on the terms and conditions set out in the Explanatory Statement.*

**Short explanation:** Resolutions 2(a) and (b) seek Unitholder approval, for the purpose of Item 7 of Section 611 of the Corporations Act, to allow the Glew Group to increase its deemed voting power in BWR to more than 20%. Further information about Resolutions 2(a) and (b) is contained in the Explanatory Statement.

### **Resolution 3 – Issue of Units and payment to the Glew Group in consideration for Kirela Units (Listing Rule 10.11 and Corporations Act section 208)**

To consider, and if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

*That, subject to each of the other Kirela Resolutions being passed, for the purposes of Listing Rule 10.11, Corporations Act section 208 and for all other purposes, Unitholders approve the issue of approximately 27,774,794 Units and payment of approximately \$10,314,945 to the Glew Group or its nominees in consideration for the acquisition of the Glew Group’s Kirela*

*Units, on the terms and conditions set out in the Explanatory Statement.*

**Short explanation:** Listing Rule 10.11 requires Unitholder approval for issues of Units to Related Parties of BWR and their Associates. Section 208 of the Corporations Act provides that a listed trust cannot give a “financial benefit” (including an issue of Securities) to a Related Party of the trust unless one of the exceptions set out in section 210 to 216 of the Corporations Act apply or the holders of ordinary securities have approved the giving of the financial benefit to the related party at a general meeting. Resolution 3 seeks Unitholder approval under Listing Rule 10.11 and Corporations Act section 208. Further information about Resolution 3 is contained in the Explanatory Statement.

#### **Resolution 4 – Acquisition of Kirela Units from the Tedder Group**

To consider, and if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

*That, subject to each of the other Kirela Resolutions being passed, approval is given under Listing Rule 10.1 and for all other purposes for BWR to acquire the Kirela Units held by the Tedder Group as part of the Kirela Acquisition and as described in the Explanatory Statement.*

**Short explanation:** Resolution 4 seeks Unitholder approval for the acquisition of Kirela Units from the Tedder Group by BWR for the purposes of Listing Rule 10.1, as this constitutes the acquisition of a “substantial asset” from a Related Party of BWR, or an Associate of the Related Party. Further information about Resolution 4 is contained in the Explanatory Statement.

#### **Resolution 5 – Issue of Units and payment to the Tedder Group in consideration for Kirela Units (Listing Rule 10.11 and Corporations Act section 208)**

To consider, and if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

*That, subject to each of the other Kirela Resolutions being passed, for the purposes of Listing Rule 10.11, Corporations Act section 208 and for all other purposes, Unitholders approve the issue of approximately 9,474,088 Units and payment of approximately \$20,448,450 to the Tedder Group or its nominees in consideration for the acquisition of the Tedder Group’s Kirela Units, on the terms and conditions set out in the Explanatory Statement.*

**Short explanation:** Listing Rule 10.11 requires Unitholder approval for issues of Units to Related Parties of BWR and their Associates. Section 208 of the Corporations Act provides that a listed trust cannot give a “financial benefit” (including an issue of Units) to a Related Party of the trust unless one of the exceptions set out in section 210 to 216 of the Corporations Act apply or the holders of ordinary securities have approved the giving of the financial benefit to the related party at a general meeting. Resolution 5 seeks Unitholder approval under Listing Rule 10.11 and Corporations Act section 208. Further information about Resolution 5 is contained in the Explanatory Statement.

#### **Resolution 6 – Acquisition of Kirela Units from the Hill Group**

To, *subject to each of the other Kirela Resolutions being passed*, consider, and if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

*That approval is given under Listing Rule 10.1 and for all other purposes for BWR to acquire the Kirela Units held by the Hill Group as part of the Kirela Acquisition and as described in the Explanatory Statement.*

**Short explanation:** Resolution 6 seeks Unitholder approval for the acquisition of Kirela Units from the Hill Group by BWR for the purposes of Listing Rule 10.1, as this constitutes the acquisition of a “substantial asset” from a Related Party of BWR, or an Associate of the Related Party. Further information about Resolution 6 is contained in the Explanatory Statement.

**Resolution 7 – Issue of Units to the Hill Group in consideration for Kirela Units (Listing Rule 10.11 and Corporations Act section 208)**

To consider, and if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

*That, subject to each of the other Kirela Resolutions being passed, for the purposes of Listing Rule 10.11, Corporations Act section 208 and for all other purposes, Unitholders approve the issue of approximately 5,352,088 Units to the Hill Group or its nominees in consideration for the acquisition of the Hill Group's Kirela Units, on the terms and conditions set out in the Explanatory Statement.*

**Short explanation:** Listing Rule 10.11 requires Unitholder approval for issues of Units to Related Parties of BWR and their Associates. Section 208 of the Corporations Act provides that a listed trust cannot give a “financial benefit” (including an issue of Units) to a Related Party of the trust unless one of the exceptions set out in section 210 to 216 of the Corporations Act apply or the holders of ordinary securities have approved the giving of the financial benefit to the related party at a general meeting. Resolution 7 seeks Unitholder approval under Listing Rule 10.11 and Corporations Act section 208. Further information about Resolution 7 is contained in the Explanatory Statement.

**Resolution 8 – Issue of Units to the Stuart Brown Group in consideration for Kirela Units (Listing Rule 10.11 and Corporations Act section 208)**

To consider, and if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

*That, subject to each of the other Kirela Resolutions being passed, for the purposes of Listing Rule 10.11, Corporations Act section 208 and for all other purposes, Unitholders approve the issue of approximately 485,735 Units to the Stuart Brown Group or its nominees in consideration for the acquisition of the Stuart Brown Group's Kirela Units, on the terms and conditions set out in the Explanatory Statement.*

**Short explanation:** Listing Rule 10.11 requires Unitholder approval for issues of Units to Related Parties of BWR and their Associates. Section 208 of the Corporations Act provides that a listed trust cannot give a “financial benefit” (including an issue of Units) to a Related Party of the trust unless one of the exceptions set out in section 210 to 216 of the Corporations Act apply or the holders of ordinary securities have approved the giving of the financial benefit to the related party at a general meeting. Resolution 8 seeks Unitholder approval under Listing Rule 10.11 and Corporations Act section 208. Further information about Resolution 8 is contained in the Explanatory Statement.

**Resolution 9 – Approval to issue BWR Units to the Unrelated Vendors – Kirela Acquisition (Listing Rule 7.3)**

To consider, and if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

*That, subject to each of the other Kirela Resolutions being passed, for the purposes of Listing Rule 7.1 and for all other purposes, Unitholders approve the issue of approximately 37,688,492 BWR Units to the Unrelated Kirela Vendors or their nominees, on the terms and conditions set out in the Explanatory Statement.*

**Short explanation:** Listing Rule 7.1 places a cap on the number of Units that may be issued by BWR in any 12-month period without Unitholder approval. Units issued with Unitholder approval do not count towards the cap. Resolution 9 seeks this approval. Unitholders should note that Units issued to Related Kirela Vendors do not count towards the cap if those issues are made with the approval of Unitholders under Listing Rule 10.11. Further information about Resolution 9 is contained in the Explanatory Statement.

## **Resolutions 10(a) and (b) – Section 611 Corporations Act – Tresidder Group**

To consider, and if thought fit, to pass, with or without amendment, the following Resolutions as ordinary resolutions:

*That for the purposes of Section 611 (Item 7) of the Corporations Act and for all other purposes, Unitholders approve:*

- a) the issue of approximately 33,793,305 Units to the Tresidder Group including in consideration for the acquisition of the Tresidder Group's Kirela Units; and*
- b) the increase of the voting power of the Tresidder Group in BWR from 9.0% to 24.5% as a result of the Transactions, including the Pelorus Restructure and the Kirela Acquisition,*

*on the terms and conditions set out in the Explanatory Statement.*

**Short explanation:** Resolutions 10(a) and (b) seek Unitholder approval, for the purpose of Item 7 of Section 611 of the Corporations Act, to allow the Tresidder Group to increase its deemed voting power in BWR to more than 20%. Further information about Resolutions 10(a) and (b) is contained in the Explanatory Statement.

## **Resolution 11 – Issue of Units to the Glew Group in consideration for BQT Units (Listing Rule 10.11 and Corporations Act section 208)**

To consider, and if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

*That, subject to each of the BQT Resolutions being passed, for the purposes of Listing Rule 10.11, Corporations Act section 208 and for all other purposes, Unitholders approve the issue of approximately 186,096 Units to the Glew Group or its nominees in consideration for the acquisition of the Glew Group's 26,861 BQT Units, on the terms and conditions set out in the Explanatory Statement.*

**Short explanation:** Listing Rule 10.11 requires Unitholder approval for issues of Units to Related Parties of BWR and their Associates. Section 208 of the Corporations Act provides that a listed trust cannot give a “financial benefit” (including an issue of Units) to a Related Party of the trust unless one of the exceptions set out in section 210 to 216 of the Corporations Act apply or the holders of ordinary securities have approved the giving of the financial benefit to the related party at a general meeting. Resolution 11 seeks Unitholder approval under Listing Rule 10.11 and Corporations Act section 208. Further information about Resolution 11 is contained in the Explanatory Statement.

## **Resolution 12 – Issue of Units to the Tedder Group in consideration for BQT Units (Listing Rule 10.11 and Corporations Act section 208)**

To consider, and if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

*That, subject to each of the BQT Resolutions being passed, for the purposes of Listing Rule 10.11, Corporations Act section 208 and for all other purposes, Unitholders approve the issue of approximately 313,437 Units to the Tedder Group or its nominees in consideration for the acquisition of the Tedder Group's 45,241 BQT Units, on the terms and conditions set out in the Explanatory Statement.*

**Short explanation:** Listing Rule 10.11 requires Unitholder approval for issues of Units to Related Parties of BWR and their Associates. Section 208 of the Corporations Act provides that a listed trust cannot give a “financial benefit” (including an issue of Units) to a Related Party of the trust unless one of the exceptions set out in section 210 to 216 of the Corporations Act apply or the

holders of ordinary securities have approved the giving of the financial benefit to the related party at a general meeting. Resolution 12 seeks Unitholder approval under Listing Rule 10.11 and Corporations Act section 208. Further information about Resolution 12 is contained in the Explanatory Statement.

**Resolution 13 – Issue of Units to the Stuart Brown Group in consideration for BQT Units (Listing Rule 10.11 and Corporations Act section 208)**

To consider, and if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

*That subject to each of the BQT Resolutions being passed, for the purposes of Listing Rule 10.11, Corporations Act section 208 and for all other purposes, Unitholders approve the issue of approximately 24,318 Units to the Stuart Brown Group or its nominees in consideration for the acquisition of the Stuart Brown Group's 3,510 BQT Units, on the terms and conditions set out in the Explanatory Statement.*

**Short explanation:** Listing Rule 10.11 requires Unitholder approval for issues of Units to Related Parties of BWR and their Associates. Section 208 of the Corporations Act provides that a listed trust cannot give a “financial benefit” (including an issue of Units) to a Related Party of the trust unless one of the exceptions set out in section 210 to 216 of the Corporations Act apply or the holders of ordinary securities have approved the giving of the financial benefit to the related party at a general meeting. Resolution 13 seeks Unitholder approval under Listing Rule 10.11 and Corporations Act section 208. Further information about Resolution 13 is contained in the Explanatory Statement.

**Resolution 14 – Issue of Units to the Tim Brown Group in consideration for BQT Units (Listing Rule 10.11 and Corporations Act section 208)**

To consider, and if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

*That, subject to each of the BQT Resolutions being passed, for the purposes of Listing Rule 10.11, Corporations Act section 208 and for all other purposes, Unitholders approve the issue of approximately 261,911 Units to the Tim Brown Group or its nominees in consideration for the acquisition of the Tim Brown Group's 37,804 BQT Units, on the terms and conditions set out in the Explanatory Statement.*

**Short explanation:** Listing Rule 10.11 requires Unitholder approval for issues of Units to Related Parties of BWR and their Associates. Section 208 of the Corporations Act provides that a listed trust cannot give a “financial benefit” (including an issue of Units) to a Related Party of the trust unless one of the exceptions set out in section 210 to 216 of the Corporations Act apply or the holders of ordinary securities have approved the giving of the financial benefit to the related party at a general meeting. Resolution 14 seeks Unitholder approval under Listing Rule 10.11 and Corporations Act section 208. Further information about Resolution 14 is contained in the Explanatory Statement.

**Resolution 15 – Approval to issue BWR Units to the Unrelated Vendors – BQT Acquisition (Listing Rule 7.3)**

To consider, and if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

*That, subject to each of the BQT Resolutions being passed, for the purposes of Listing Rule 7.1 and for all other purposes, Unitholders approve the issue of approximately 13,972,050 BWR Units to the Unrelated BQT Vendors or their nominees, on the terms and conditions set out in the Explanatory Statement.*

**Short explanation:** Listing Rule 7.1 places a cap on the number of Units that may be issued by BWR in any 12-month period without Unitholder approval. Units issued with Unitholder approval do not count towards the cap. Resolution 17 seeks this approval. Unitholders should note that Units issued to Related BQT Vendors do not count towards the cap if those issues are made with the approval of Unitholders under Listing Rule 10.11 Further information about Resolution 15 is contained in the Explanatory Statement.

#### **Resolution 16 – Acquisition of PBT Units from BWF**

To consider, and if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

*That approval is given under Listing Rule 10.1, Corporations Act section 208 and for all other purposes for BWR to acquire the 6,475,000 PBT Units held by BWF as part of the PBT Acquisition and as described in the Explanatory Statement.*

**Short explanation:** Resolution 16 seeks Unitholder approval for the acquisition of PBT Units from BWF by BWR for the purposes of Listing Rule 10.1, as this constitutes the acquisition of a “substantial asset” from a Related Party of BWR. Section 208 of the Corporations Act also provides that a listed trust cannot give a “financial benefit” to a Related Party of the trust unless one of the exceptions set out in section 210 to 216 of the Corporations Act apply or the holders of ordinary securities have approved the giving of the financial benefit to the related party at a general meeting. Further information about Resolution 16 is contained in the Explanatory Statement.

#### **Resolution 17 – Acquisition of FV Units from BWF**

To consider, and if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

*That approval is given under Corporations Act section 208 and for all other purposes for BWR to acquire all of the FV Units on issue for a total of \$2.68 million cash from BWF as part of the FV Acquisition and as described in the Explanatory Statement.*

**Short explanation:** Resolution 16 seeks Unitholder approval for the acquisition of FV Units from BWF by BWR for the purposes of section 208 of the Corporations Act. Section 208 of the Corporations Act provides that a listed trust cannot give a “financial benefit” to a Related Party of the trust unless one of the exceptions set out in section 210 to 216 of the Corporations Act apply or the holders of ordinary securities have approved the giving of the financial benefit to the related party at a general meeting. Further information about Resolution 17 is contained in the Explanatory Statement.



## Voting Exclusions

For the purposes of Listing Rule 14.11 and the Corporations Act, the following voting exclusion statements apply to the Resolutions. BWR will disregard any votes cast in favour of the following Resolutions by or on behalf of the following persons (or class of persons) or an Associate of that person (or those persons):

Resolution	Excluded Parties
Resolution 1	A party to the transaction, including the Glew Group.
Resolutions 2(a) and (b)	The Glew Group.
Resolution 3	The Glew Group, its nominees, and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.
Resolution 4	A party to the transaction, including the Tedder Group.
Resolution 5	The Tedder Group, its nominees, and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.
Resolution 6	A party to the transaction, including the Hill Group.
Resolution 7	The Hill Group, its nominees, and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.
Resolution 8	The Stuart Brown group, its nominees, and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.
Resolution 9	Each of the Unrelated Kirela Vendors and each of their nominees, and any person who is expected to participate in, or who will obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in BWR).
Resolutions 10 (a) and (b)	The Tresidder Group.
Resolution 11	The Glew Group, its nominees, and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.
Resolution 12	The Tedder Group, its nominees, and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.
Resolution 13	The Stuart Brown Group, its nominees, and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.
Resolution 14	The Tim Brown Group, its nominees, and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.
Resolution 15	Each of the Unrelated BQT Vendors and each of their nominees, and any person who is expected to participate in, or who will obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in BWR).
Resolution 16	A party to the transaction, including BWF.

Resolution 17	A party to the transaction, including BWF.
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However, BWR need not disregard a vote on a Resolution if it is cast by:

- the person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- the Chair of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

In addition, under section 253E of the Corporations Act, the Responsible Entity and its Associates are not entitled to vote their interest on any Resolution if they have an interest in the Resolution or matter other than as a member. BWR will disregard any vote on a Resolution cast by the Responsible Entity or an Associate of the Responsible Entity in this case.

**By order of the Board of Directors of the Responsible Entity**



**Richard Hill**  
**Director**  
 4 April 2019

## Explanatory Statement

This Explanatory Statement has been prepared to provide information to Unitholders about the business to be conducted at the Meeting.

### 1. The Proposed Transactions

#### 1.1 Rationale for Transactions

As previously announced BlackWall has negotiated the sale of the Bakehouse Quarter, BWR's largest investment position. That project is held through a wholesale investment trust known as the Kirela Development Unit Trust (**Kirela**) and BWR is Kirela's largest investor.

The Transactions put forward for approval in this document will increase BWR's NTA to approximately \$220 million adding approximately \$100 million of cash to its balance sheet. Importantly the Transactions are priced on an NTA for NTA basis.

The aim is for BWR to hold its liquid investment capital for a time when markets are conducive to BWR making long term deep value property acquisitions that will grow NTA and generate recurring revenue for distribution. Periodically BWR will make liquid investments to enhance the return on cash. However, in the short term the strategy may have a negative impact on earnings. The Directors are comfortable with this as history shows that the opportunity cost of not having liquidity in times of financial stress is far greater than low returns on cash while you wait.

Put another way, the Directors believe market conditions will be conducive to the trust's deep value and total return investment strategy. To prepare for this, BWR could consider a capital raising to boost its cash for investment. Kirela will complete the Bakehouse Quarter Sale in April 2019. At completion, Kirela will hold mostly cash. The acquisition of Kirela by BWR is in effect a capital raising. A conventional capital raising could cost the issuer in excess of 5% of the amount raised in underwriting and corporate advisory fees. The total costs of the transaction to BWR is expected to be less than 2%.

#### 1.2 The Transactions

Subject to the Condition Precedent, the board of the Responsible Entity of BWR has resolved to implement a series of transactions (**Transactions**) in order to grow the cash reserves and assets of BWR. The Proposed Transactions are the subject of the Resolutions.

The Transactions are:

- the Kirela Acquisition;
- the PBT Acquisition;
- the BQT Acquisition and
- the FV Acquisition.

As Unitholders will see, the Transactions involve the proposed purchase by BWR of assets held by Related Parties of BWR, being BWR's Directors (and their Associates) and the parent company of BWR's Responsible Entity – see paragraphs 1.3, 1.4, 1.6 and 1.7 below. This means that there are no independent directors in respect of the Transactions. As there are no independent directors in relation to the assessment of the proposed Transactions, none of the directors of BWR and BWF can independently address the actual, perceived or potential conflicts of interest that may arise under the proposed Transactions. Nor will they be able to provide BWR Unitholders and BWF Shareholders with an independent assessment of, and recommendation for, the proposed Resolutions.

Under section 601FC of the Corporations Act, BWR's Responsible Entity must, amongst

other things, act in the best interests of Unitholders and, if there is a conflict, give priority to the Unitholders' interests. The Board has carefully considered the Transactions to ensure that the interests of Unitholders are protected, and is satisfied that this is the case. The factors taken into consideration by the Board include:

- the assets being acquired are readily valued, and pricing is based on an independent valuation, so the risk of gain or loss of value is minimised;
- BWR already holds a substantial investment in Kirela and PBT – see paragraphs 1.3 and 1.6 below;
- the acquisition of Kirela Units from Related Parties is a by-product of a wider transaction; that is, the Directors have resolved to make an offer to all the members of Kirela and a number of the Directors (or their Related Parties) are holders of those Units;
- the offer price for Kirela Units is reflective of the sale price achieved for the Bakehouse Quarter, which was independently negotiated between Kirela and the third-party buyer, YUHU Group;
- the Board has obtained an Independent Expert's Report for the benefit of Unitholders which considers the Kirela Acquisition and the PBT Acquisition, which is included with this Notice and which provides a conclusion of **fair and reasonable** to non-Associated Unitholders in respect of resolution 16 and not fair but reasonable in relation to resolutions 1, 2(a), (b), 3, 4, 5, 6, 7, 8, 10(a) and 10(b) ;
- the Related Parties are receiving the same price as is offered to all Kirela and BQT Unitholders;
- the proposed acquisition of PBT Units is consistent with the approach taken by BWR when acquiring PBT Units from unrelated third parties in the past. BWR has previously acquired \$1.3 million of PBT Units and in each case the transactions were priced at the then prevailing NTA backing for PBT Units;
- the acquisition of the assets is consistent with BWR's business strategy and stated objectives;
- as disclosed above, the Kirela Acquisition, together with the BQT Acquisition, amount to a cost-effective capital raising;
- in the case of the FV Acquisition, a third-party sale of the asset would necessarily require the appointment of a selling agent and the requisite marketing campaign. Such a sale process would require the property to be sold at a premium to the independent valuation (to cover the transaction costs) for BWF to be in a better position to the proposed transaction. Further, such sales processes are uncertain, can be time consuming and in the circumstance where they are unsuccessful can stigmatise the asset in the "eyes of the market" which can have a long-term depressive effect on the value of the asset; and
- the Transactions will not proceed unless approved by Unitholders at the Meeting.

### 1.3 The Kirela Acquisition

Kirela is a special purpose unit trust formed in 1996 to acquire the property that became known as the Bakehouse Quarter. Kirela has 573,973 ordinary units on issue (**Kirela Units**) held by the Directors, BWR, a retail investment trust known as the Bakehouse Quarter Trust (**BQT**) and group of high net worth individuals.

The Kirela Acquisition is the proposed acquisition of all of the Kirela Units on issue, other than those held by BQT. BWR currently holds just over 14% of Kirela. BWR also proposes to make an offer to acquire all of the BQT units on issue (**BQT Units**), which, if successful, will give BWR direct or indirect ownership of 100% of the Kirela Units (see section 1.5 below). The BQT constitution provides that if an offer to acquire BQT units is made to unitholders and 75% or more accept then, with the trustee's consent, the offering party may compulsorily

acquire the balance of the units on issue.

The Kirela Acquisition is by way of an offer to all Kirela unitholders (excluding BQT) to acquire all of their units in Kirela for cash, BWR units or a mix of each (**Kirela Offer**).

The pricing of the Kirela Offer is on an NTA for NTA basis. That is, at completion of the Kirela Acquisition the NTA of Kirela Units will be determined as will the NTA of each BWR unit, and these values will be used to determine the exact number of BWR Units to be issued and cash to be paid for Kirela Units.

Kirela's largest asset is the Bakehouse Quarter which on completion of the Bakehouse Quarter Sale will have converted to cash. Kirela also has some investment positions (in projects or properties managed by BlackWall). All of BWR's investments have been independently valued within 4 months of the date of this document. These valuations are referred to in the Independent Expert's Report, enclosed with this Notice of Meeting.

Prior to the dispatch of this document, and subject to the approval of BWR Unitholders at this general meeting, the Kirela Offer was made to Kirela investors. They have committed to the following:

- 186,326 Kirela Units will be sold for cash; and
- 251,372 Kirela Units will swap for BWR units.

NOTE: BWR already owns 82,496 Kirela Units and 53,779 are held by BQT.

A number of Kirela Unitholders are Related Parties of BWR and Associates of those Related Parties (**Related Kirela Vendors**). These are:

- Seph Glew and his Associates (**Glew Group**) – Seph Glew is a director of the Responsible Entity;
- Robin Tedder and his Associates (**Tedder Group**) – Robin Tedder is a director of the Responsible Entity;
- Richard Hill and his Associates (**Hill Group**) – Richard Hill is a director of the Responsible Entity;
- Stuart Brown and his Associates (**Stuart Brown Group**) – Stuart Brown is a director of the Responsible Entity; and
- Bakehouse Management Pty Ltd (**Bakehouse Management**) – Bakehouse Management is a sister entity of the Responsible Entity.

Full details of the Related Kirela Vendors are set out in part B(i) of Schedule 1.

Each of the Related Kirela Vendors has indicated that they will elect to receive BWR Units as part of/all of the consideration for their Kirela Units. The breakdown of ownership of Kirela Units by the Related Kirela Unitholders, and the number of BWR Units each is proposed to receive in consideration of the transfer of those Kirela Units to BWR, is as follows:

	<b>Kirela</b>	<b>BWR Consideration (Units)</b>	<b>BWR Consideration (cash)</b>
Glew Group	130,396 Units	27,774,794 Units for 104,927 Kirela Units	For balance of 25,469 Kirela Units
Tedder Group	86,281 Units	9,474,088 Units for 35,791 Kirela Units	For balance of 50,490 Kirela Units
Hill Group	20,219 Units	5,352,088 Units	Nil
Stuart Brown Group	6,587 Units	485,735 Units	Nil
Bakehouse Management	2,087 Units	552,441 Units	Nil

NOTE: the table above shows the Relevant Interest of each party listed.

To implement the Kirela Acquisition, Unitholders will be asked at the Meeting to approve Resolutions 1, 3, 4, 5, 6, 7, 8 and 9 (**Kirela Resolutions**). Further details of the Kirela Resolutions are set out below. Please note that the Kirela Resolutions are interconditional ie none of the Kirela Resolutions will be passed unless all of them are passed.

#### 1.4 The BQT Acquisition

BQT is a managed investment scheme and the Responsible Entity also acts as the responsible entity of BQT. BQT has over 300 retail investors. BQT's only asset is just under 54,000 Kirela Units (approximately 9.3% of Kirela).

The BQT Acquisition is the proposed offer to acquire of all of the units on issue in the BQT Unit Trust (**BQT Units**). As noted in section 1.3 above, if BWR acquires all of the BQT units on issue (**BQT Units**), this will give BWR direct or indirect ownership of 100% of the Kirela Units. Although BWR expects to acquire all of the BQT Units, this may not be the case if insufficient BQT Unitholders accept the offer, which will leave BWR with a significant, but not 100%, ownership in BQT.

Given BQT's only asset is Kirela Units the rationale for the BQT Acquisition is the same as that for the Kirela Acquisition – see section 1.1 above.

A number of BQT Unitholders are Related Parties of BWR and Associates of those Related Parties (**Related BQT Vendors**). These are:

- the Glew Group and its Related Parties;
- the Tedder Group and its Related Parties;
- the Stuart Brown Group; and its Related Parties
- Tim Brown and his Associates (**Tim Brown Group**) and Related Parties - Tim Brown is a Director of the Responsible Entity.

Full details of the Related BQT Vendors are set out in Schedule 1.

The breakdown of ownership of BQT Units by the Related BQT Vendors, and the number of BWR Units each is proposed to receive in consideration of the transfer of those BQT Units to BWR, is as follows:

	BQT	BWR Consideration
Glew Group	26,861 Units	186,096
Tedder Group	45,241 Units	313,437
Stuart Brown Group	3,510 Units	24,318
Tim Brown Group	37,804 Units	261,911

To implement the BQT Acquisition, Unitholders will be asked at the Meeting to approve Resolutions 11 to 15 (**BQT Resolutions**). Further details of the BQT Resolutions are set out below.

Note that the Independent Expert's Report is not required in relation to the BQT Acquisition (Resolutions 11-15) and as such the Independent Expert's fairness assessment of the Transactions excludes the BQT Acquisition. However, the Independent Expert's reasonableness assessment inherently includes the impact of completion of the BQT Acquisition as the BQT Acquisition will only proceed if the Kirela Acquisition is approved (and the Bakehouse Quarter Sale is completed).

The BQT Acquisition will only proceed if all of the Kirela Resolutions are passed.

## 1.5 Advantages and Disadvantages of the Kirela Acquisition and BQT Acquisitions

The Directors have set out the rationale for the Transactions earlier in this document. In addition to those comments the Kirela and BQT Acquisitions are expected to present the following advantages and disadvantages for BWR unitholders.

Advantages:

- Grows gross assets from \$227 million to \$378 million.
- Increases the number of BWR unit holders by up to 350 which is expected to increase the liquidity of BWR units.
- Greater expected market capitalisation and liquidity increases the possibility that BWR is included in a market index which in turn grows the profile of the trust.
- The assets added to BWR's balance sheet (including significant cash) will increase the diversity of revenue for distribution to unitholders.
- The ratio of debt to gross assets is reduced from 43% to 34%.
- The nature of the transactions are in effect a low cost non-dilutive capital raising at NTA.

Disadvantages

- Dilution of existing unitholders' voting power and ownership of BWR.
- Potential reduction of earnings per unit.

## 1.6 The PBT Acquisition

One of BWR's largest investment positions is in a property known as 55 Pyrmont Bridge Road. The investment is held through two structures being shares in Pyrmont Bridge Property Pty Ltd (**PBP**) – a company that owns the property, and units (**PBT Units**) in the Pyrmont Bridge Trust (**PBT**) which holds a subordinated debt position secured against the property. The property has been independently valued at \$126 million. The National Australia Bank holds a first-ranking mortgage of \$50 million (giving rise to a bank debt, loan to value ratio of just under 40%). The subordinated second-ranking debt held by PBT has a value of \$55 million. Therefore, the net equity of Pyrmont Bridge Property Pty Ltd, based on the independent valuation, is \$21 million.

The Responsible Entity holds approximately 6,475,000 of the 34,375,000 million PBT Units on issue. Each PBT has an NTA of \$1.60, therefore, the PBT units held by the Responsible Entity have a value of approximately \$10.36 million. The Responsible Entity has agreed to sell its entire holding in PBT for cash at NTA.

BWR is the largest investor in 55 Pyrmont Bridge Road (currently holding just over 32% of the shares in Pyrmont Bridge Property Pty Ltd and 28% of the units in PBT). As such BWR consolidated PBP onto its balance sheet in its December 2017 interim financial report.

The Directors intend that BWR, where possible, will grow its investment in both PBP and PBT with the aim of obtaining full control of the property and holding it in perpetuity. The acquisition of the Responsible Entity's PBT investment is consistent with this strategy. Further it is anticipated that some PBT investors will sell their PBT units to BWR on the same terms as indicated above. After completion of the transactions contemplated by this document it is expected that BWR will hold 77% of PBT.

To implement the PBT Acquisition, Unitholders will be asked at the Meeting to approve Resolution 16 (**PBT Resolution**). Further details of the PBT Resolutions are set out below.

The PBT Acquisition will only proceed if all of the Kirela Resolutions are passed.

## 1.7 The FV Acquisition

In 2016 a trust wholly owned by BlackWall acquired the property (**FV**) located in Fortitude Valley in Brisbane, Queensland as a vacant office building. The property was purchased to house BlackWall's wholly owned collaborative workspace business WOTSO WorkSpace. The WOTSO business is now well established and has entered into a lease on arm's length commercial terms with the property owner. The property has been independently valued at \$4.78 million. BlackWall has agreed to sell all of the FV Units at a total price that equates to the independent valuation less senior debt of \$2.10 million.

To implement the FV Acquisition, Unitholders will be asked at the Meeting to approve Resolution 17 (**FV Resolution**) to acquire all of the units (**FV Units**) in the trust which holds FV. The acquisition is consistent with BWR's long-stated objectives of acquiring real estate that is occupied either in part or full by WOTSO. Further details of the FV Resolution are set out below.

Note that the Independent Expert's Report is not required in relation to the FV Acquisition (Resolutions 17) and as such the Independent Expert's fairness assessment of the Transactions excludes the FV Acquisition. However, the Independent Expert's reasonableness assessment inherently includes the impact of completion of the FV Acquisition as the FV Acquisition will only proceed if the Kirela Acquisition is approved (and the Bakehouse Quarter Sale is completed).

## 1.8 Scrip for Scrip Transactions Priced on an NTA for NTA basis

The conversion ratio of BWR Units for Kirela Units and BQT Units depends on the ultimate NTA of each security at completion. Despite this, to mitigate the potential for unacceptable dilution the Board of Directors has resolved that the maximum number of units to be issued under the Transactions is 105,086,300 BWR Units, that is, no more than 10% greater than the BWR issuances set out in this document.

The Kirela Acquisition is partially on a scrip-for-scrip basis and the BQT Acquisition is all scrip-for-scrip. This means that the consideration BWR pays for the units it acquires is by way of BWR Units. Any movement in the NTA per unit of BWR, Kirela and BQT will affect the ratio of new BWR units issued to the holders of Kirela and BQT units for their interests in each and the amount of any cash payment where an Unrelated Kirela Vendor elects to take cash for their Kirela Units.

In the preparation of this document, BWR has estimated the relative NTA per unit based on the current valuations and likely movements in cash and cash equivalents in the period up to completion of the Kirela Acquisition and the BQT Acquisition. Completion of these transactions is expected to occur in May 2019. The NTA per unit has been estimated for:

- Kirela at \$405 per unit;
- BQT at \$10.60 per unit; and
- BWR at \$1.53 per unit.

The Directors have resolved that at completion the actual NTA of each entity will be determined and the consideration (both cash and Units) adjusted to reflect that NTA at the time of completion of the Kirela and BQT Acquisitions. Given the nature of the assets held by each of Kirela, BQT and BWR it is not expected that the NTA movement will be material, specifically:

- Kirela's largest asset is the Bakehouse Quarter which at settlement of the Bakehouse Quarter Sale will have been converted to cash. Kirela also has some investment positions (in projects or properties managed by BlackWall). These have been



independently valued.

- BQT's only investment is Kirela Units so its NTA is a function of the value of Kirela Units it holds.
- BWR holds direct real estate and investments in real estate investment trust. All investments have been independently valued and these valuations have been used in calculating the estimated NTA.
- Any movement in NTA in Kirela, BQT and BWR at the time of settlement is most likely to be caused by changes in each entities cash or cash equivalents. This is because both Kirela and BWR hold active properties, which are and will continue to generate revenue and incur expenses up to completion.
- The NTA stated above takes into account the independent valuation of each entity's investments and an estimate of the cash on hand in each entity at completion of the transaction contemplated by this document. Of course, any unforeseen events in any of the assets held by these entities may also have an effect on the NTA of each at completion.

## 1.9 Financial Effect of Transactions

Below is a pro-forma BWR position which updates the audited balance sheet set out in the BWR Financial Statements for the year ending 31 December 2018 with adjustments to reflect the Transactions on the following assumptions

- all transactions contemplated by the Resolutions are completed with full acceptance by all parties.
- With respect to the Kirela Acquisition acceptances are as follows:
  - 186,326 Kirela Units will be sold for cash;
  - 251,372 Kirela Units will swap for BWR units.
- BWR will acquire 6,475,000 PBT units;
- the NTA of the various entities is assumed to be:
  - Kirela Units is \$405 per unit;
  - BQT Units is \$10.60 per unit; and
  - BWR Units is \$1.53 per unit.

### BWR Balance Sheet as at December 2018 and the pro-forma Balance Sheet post completion of the Transactions

	Dec-18 \$'000	Post Completion \$'000
<b>Assets</b>		
Net Current Assets	31,332	109,959
Investment Properties	242,850	270,230
<b>Total Assets</b>	<b>274,182</b>	<b>380,189</b>
<b>Liabilities</b>		
Other Liabilities	346	3,080
Borrowings	118,882	129,382
<b>Total Liabilities</b>	<b>119,228</b>	<b>132,462</b>
<b>Net Assets</b>	<b>154,954</b>	<b>247,727</b>

Less Non-Controlling Interest	53,231	26,164
<b>Net Assets Attributable to Owners</b>	<b>101,723</b>	<b>221,563</b>
<b>Number of units on issue</b>	<b>66,635,378</b>	<b>145,116,154</b>
NTA per unit	1.53	1.53

## 1.10 Effect of Transactions on Capital Structure and Voting Power

The information below shows the pro forma capital structure of BWR and the voting power of the parties assuming:

- that the Resolutions are approved by Unitholders;
- the pro-forma completion balance sheet shown above; and
- the estimated NTA of:
  - Kirela Units is \$405 per unit;
  - BQT Units is \$10.60 per unit;
  - BWR Units is \$1.53 per unit.

### *Current Unitholders*

If all Transactions are completed, the issued Units of BWR will increase by a factor of up to approximately 145%. Existing Unitholders who are not Vendors will have their Unitholding interests in BWR diluted.

At completion of the Transactions, there will be no new substantial shareholders (a person has a substantial holding if they, together with their Associates, hold a relevant interest in 5% or more of the Units on issue).

### *Related Vendors*

Immediately following Completion of the Transactions, the Related Vendors (and their nominees) will hold approximately the percentages as set out in Schedule 1.

### *Control*

The proposed Transactions will not result in a change of control of BWR other than as disclosed in this Notice of Meeting. Note that, following the implementation of the Transactions, the Glew Group and the Tresidder Group will each have sufficient voting power to prevent the passing of special resolutions requiring approval of 75% of unitholders.

## 1.11 Scenario analysis

It is possible that the Kirela Resolutions will be approved but one or more of the BQT, PBT and FV Resolutions are not approved.

If the BQT Resolutions are not approved, BWR will not acquire BQT and as a result will not acquire the balance of the Kirela Units held by BQT representing approximately (14%) of the total Kirela Units on issue. This would mean that no BWR units will be issued in respect of the BQT Transaction and approximately 14,758,000 fewer BWR units will be on issue as at completion of the Transactions.

If the PBT Resolution is not approved, BWR will not acquire the PBT units from BWF. As a result, BWR will retain approximately \$10.36 million of cash.

If the FV Resolution is not approved, BWR will not acquire the FV units from BWF. As a result, BWR will retain approximately \$2.68 million of cash.

#### **1.12 Effect on board composition**

BWR does not expect that the Transactions will have any effect on Board composition.

#### **1.13 Trading in Units**

As at the date of this Notice, a total of 66,635,378 Units are quoted on ASX. Set out below is a table showing relevant trading prices of Units on ASX.

<b>Comparative trading period price of Units</b>	<b>Price of Units</b>
Highest trading price in the 4 months prior to the date this Notice was lodged with ASX	\$1.52
Lowest trading price in the 4 months prior to the date this Notice was lodged with ASX	\$1.40
Last available closing price of Units on ASX prior to the date of the Notice – 4 April 2019	\$1.43

#### **1.14 Interests of the Directors in the Vendors**

The Directors declare that they hold the interests in the Vendors set out in Schedule 1.

#### **1.15 Directors' interests**

Details of Directors' relevant interest in Units pre and post completion of the Transactions (based on the estimated NTAs as discussed above) are set out in Schedule 1.

#### **1.16 Costs of the Transactions**

BWR estimates it will incur fees for services provided in connection with the Transaction, including for legal, taxation and corporate advisers, in the amount of not more than \$2 million (not including GST). Under BWR's constitution, the Responsible Entity is entitled to a fee of up to 5% for its services in connection with the capital raising. The Responsible Entity has resolved that total costs including fees to which it is entitled will not exceed \$2 million.

The total amount of cash that BWR may become obliged to pay to satisfy all expenses incurred by it and relating to the Transactions will be provided from BWR's existing cash balance.

## **2. Resolution 1 – Acquisition of Kirela Units from the Glew Group**

### **2.1 Background**

Unitholder approval for the purpose of Listing Rule 10.1 is required for BWR to complete the acquisition of 130,396 Kirela Units from the Glew Group for the total consideration set out in section 1.3 above as part of the Kirela Acquisition. Units are being issued in consideration for the acquisition of Kirela Units. Resolution 1 seeks this Unitholder approval.

### **2.2 Listing Rules information requirements**

Listing Rule 10.1 provides that the approval of holders of an entity's ordinary securities is required where an entity or its subsidiaries proposes to, or agrees to, dispose of or acquire, a "substantial asset" from among others, a Related Party of the entity, and any person whose relationship to the entity is such that, in ASX's opinion, the transaction should be approved by the holders of the entity's ordinary securities.

#### ***Substantial asset***

An asset is a "substantial asset" if its value, or the value of the consideration for it, is 5% or more of the equity interests of the entity as set out in the latest accounts of the relevant company given to ASX under the Listing Rules

BWR's annual report for the period ending 31 December 2018 (as lodged with ASX on 26 February 2019) shows that its total equity position was approximately \$154,954,000. Five percent of this amount is \$7,747,700, being 5,063,857 Units, based on an issue price of \$1.53 per Unit, being equal to the pro-forma BWR NTA at completion of the Transactions as set out above.

The value of the Units and cash to be issued and paid to the Glew Group exceeds 5% of the equity interests of BWR as set out in the latest accounts given to ASX under the Listing Rules. Consequently, the Transactions will result in the acquisition of a substantial asset from the Glew Group.

#### ***Related Parties***

As set out in section 1.3, Seph Glew is a Related Party of BWR for the purpose of Listing Rule 10.1 as he is a Director of the Responsible Entity. Seph Glew controls the Glew Group.

#### ***Requirement for Unitholder approval***

On the basis of the above conclusions, the completion of the Transactions will result in the acquisition of a substantial asset from Related Parties of BWR. Consequently, Resolution 1 seeks Unitholder approval of the acquisition for the purpose of Listing Rule 10.1.

#### ***When the allotment of Units and payment is to be made***

The allotment of Units and cash payment will occur within one month of the date of the meeting.

#### ***Independent Expert's Report***

In accordance with the requirements of Listing Rule 10.10.2, BWR has commissioned Shine

Wing to provide the Independent Expert's Report on the Transactions.

The Independent Expert's Report sets out a detailed examination of the Transactions to enable Unitholders to assess the merits of, and decide whether or not to approve, Resolution 1.

To the extent that it is appropriate, the Independent Expert's Report sets out further information in respect of the Transactions and concludes that **the Transactions are not fair but reasonable to the Unitholders who are not associated with the Glew Group**.

Unitholders are encouraged to read carefully the Independent Expert's Report so as to understand its scope, the methodology of the assessment, the sources of information and the assumptions made.

The Independent Expert's Report is set out in **Annexure A** to this Explanatory Statement.

The Independent Expert's Report is also available on BWR's website ([www.blackwall.com.au](http://www.blackwall.com.au)), and if requested by a Unitholder, BWR will send to the Unitholder a hard copy of the Independent Expert's Report at no cost.

## **2.3 Directors' recommendation**

Seph Glew has a material personal interest in Resolution 1, and so does not make any recommendation to Unitholders with respect to Resolution 1.

The Directors other than Seph Glew recommend that Unitholders vote in favour of Resolution 1.

The Chair intends to exercise all available proxies in favour of Resolution 1.

## **3. Resolutions 2(a) and 2(b) – Section 611 Corporations Act – the Glew Group**

### **3.1 Background**

#### **(a) Pelorus Restructure**

Pelorus Private Equity Limited (**Pelorus**) is an unlisted public company with approximately 250 shareholders. As at the date of this document Pelorus holds approximately 10.3 million BWR units. Pelorus has resolved to undertake a restructure of its share capital (**Pelorus Restructure**) by way of share buyback. The effect of the Pelorus Restructure is that the voting power in Pelorus of both the Glew Group and Paul Tresidder and his Associates (**Tresidder Group**) will likely increase from 19.5% and 17.6%, respectively, to more than 20%. As a result, under section 608(3) of the Corporations Act, each of the Glew Group and the Tresidder Group will be deemed to have to have a Relevant Interest in all the securities that Pelorus holds, including Pelorus' BWR Units. This will, in turn, result in an increase in their voting power in BWR to more than 20%.

The Pelorus Restructure is not conditional on any other Transactions proceeding or the Bakehouse Quarter Sale completing.

The Pelorus Restructure will occur before the Kirela Acquisition and the BQT Acquisition complete. This is anticipated to be on or about Friday 31 May 2019. Further details of the interests in BWR of the Glew Group and the Tresidder Group are set out in Schedule 1.

#### **(b) Kirela Acquisition and BQT Acquisition**

The Glew Group is a Related Kirela Vendor and a Related BQT Vendor. The

Tresidder Group is Kirela Vendor. Each has elected to receive BWR Units as consideration for the sale of their respective units to BWR. As such their respective voting power in BWR will further increase once those Transactions complete.

Resolutions 2(a) and (b) deal with the increases in voting power in BWR of the Glew Group. Resolutions 10(a) and (b) deal with the increase in voting power in BWR of the Tresidder Group – see section 11 below.

All statements relating to the voting power of the Glew Group and the Tresidder Group Relevant Interest following completion of the Transactions contemplated by this Notice assume the Pelorus Transaction has occurred.

### **3.2 Effect of the issue of BWR Units under the Kirela Acquisition and BQT Acquisition on BWR**

#### **(a) Capital Structure**

Details of the BWR capital structure following completion of the Kirela Acquisition and the BQT Acquisition (following the acquisition of the Glew Group's Kirela Units and BQT Units) are set out in section 1.

#### **(b) Voting Power of the Glew Group**

Following the Pelorus Restructure (and not including the effect of the other Transactions), the Glew Group will have a Relevant Interest in approximately 19,105,000 Units, representing 29% of the Units in BWR on issue and of the voting power in BWR.

If:

- the Pelorus Restructure is completed, the voting power of the Glew Group in BWR will increase to approximately 29%;
- the Kirela Acquisition (as well as the Pelorus Restructure) is completed, the voting power of the Glew Group in BWR will increase to approximately 32%; and
- the BQT Acquisition is completed (in addition to the Pelorus Restructure and the Kirela Acquisition), the voting power of the Glew Group in BWR will increase to approximately 29% (the decrease from the point above results from the dilutionary effect of the additional BWR units issued as a consequence of the BQT Transaction).

### **3.3 Effect of the Pelorus Restructure on BWR**

#### **(a) Capital Structure**

As the Pelorus Restructure affects only the capital structure of Pelorus, it will have no effect on the capital structure of BWR.

#### **(b) Voting Power of the Glew Group**

Currently, the Glew Group holds 8,851,000 Units, representing 13.3% of the Units in BWR on issue and of the voting power in BWR.

If the Pelorus Restructure is completed, the Glew Group will exercise more than 20% of the voting power in BWR, with its voting power increasing to 29%. This arises because of the effect of section 608(3) of the Corporations Act, which deems that the

Glew Group has a Relevant Interest in the BWR Units held by Pelorus once the holding on the Glew Group in Pelorus exceeds 20%.

### **3.4 Item 7 of Section 611 of the Corporations Act**

Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in the issued voting Units of BWR if, because of the transaction, that person's or another person's voting power in BWR increases from:

- (a) 20% or below to more than 20%; or
- (b) a starting point that is above 20% and below 90%.

The voting power of a person in BWR is determined by reference to section 610 of the Corporations Act. A person's voting power in BWR is the total of the votes attaching to the Units in BWR in which that person and that person's associates (within the meaning of the Corporations Act) have a relevant interest.

Under section 608 of the Corporations Act, a person will have a relevant interest in Units if:

- (a) the person is the registered holder of the Units;
- (b) the person has the power to exercise or control the exercise of votes or disposal of the Units; or
- (c) the person has over 20% of the voting power in a company that has a relevant interest in Units, then the person has a relevant interest in said Units.

For the purpose of determining who is an associate you need to consider section 12 of the Corporations Act. Any reference in chapters 6 to 6C of the Corporations Act to an associate is as that term is defined in section 12. The definition of 'associate' in section 12 is exclusive. If a person is an associate under section 11, 13 or 15 of the Corporations Act then it does not apply to chapters 6 to 6C. A person is only an associate for the purpose of chapters 6 to 6C if that person is an associate under section 12.

A person (second person) will be an associate of the other person (first person) if:

- (a) the first person is a body corporate and the second person is:
  - a body corporate the first person controls;
  - a body corporate that controls the first person; or
  - a body corporate that is controlled by an entity that controls the first person;
- (b) the second person has entered, or proposes to enter, into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the board of a body corporate or the conduct of the affairs of a body corporate; or
- (c) the second person is a person with whom the first person is acting, or proposes to act, in concert in relation to the affairs of a body corporate.

The Corporations Act defines 'control' and 'relevant agreement' very broadly as follows:

- (a) Under section 50AA of the Corporations Act control means the capacity to determine the outcome of decisions about the financial and operating policies of BWR. In determining the capacity you need to take into account the practical influence a person can exert and any practice or pattern of behaviour affecting the financial or operating

policies of BWR.

- (b) Under section 9 of the Corporations Act relevant agreement means an agreement, arrangement or understanding:
- whether formal or informal or partly formal and partly informal;
  - whether written or oral or partly written and partly oral; and
  - whether or not having legal or equitable force and whether or not based on legal or equitable rights.

Associates are determined as a matter of fact. For example, where a person controls or influences the Board or the conduct BWR's business affairs, or acts in concert with a person in relation to the entity's business affairs.

Section 611 of the Corporations Act has exceptions to the prohibition in section 606 of the Corporations Act (**Prohibition**). Item 7 of section 611 of the Corporations Act provides a mechanism by which Unitholders may approve an issue of Units to a person which results in that person's or another person's voting power in BWR increasing from:

- (a) 20% or below to more than 20%; or
- (b) a starting point that is above 20% and below 90%.

### **3.5 Reason Section 611 Approval is required**

Resolutions 2(a) and (b) seek Unitholder approval, for the purpose of Item 7 of Section 611 of the Corporations Act, to allow:

- (a) the Pelorus restructure to proceed, which will result in the deemed voting power of the Glew Group in BWR increasing to more than 20%; and
- (b) BWR to issue Units to the Glew Group for the acquisition of the Glew Group's Kirela Units under the Kirela Acquisition, which will result in the deemed voting power of the Glew Group in BWR increasing from a starting point that is above 20% and below 90%.

### **3.6 Specific Information required by Section 611 Item 7 of the Corporations Act and ASIC Regulatory Guide 74**

The following information is required to be provided to Unitholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for Item 7 of Section 611 of the Corporations Act. Unitholders are also referred to the Independent Expert's Report prepared by Shine Wing annexed to this Explanatory Statement.

#### **The identity of the Glew Group, its Associates and any person who will have a relevant interest in the Units to be allotted to the Glew Group or its Associates**

Details of the Glew Group are set out in section 1.3 above and in Schedule 1.

#### **Full particulars (including the number and percentage) of the Units in BWR to which the Glew Group will be entitled immediately before and after the transaction**

The Glew Group holds 8,851,000 Units in BWR prior to the Pelorus Restructure and issue of the Units in consideration for the acquisition of the Glew Group's Kirela Units and BQT Units.

Refer to Part C of Schedule 1 for full particulars (including the number and percentage) of



Units in which the Glew Group has, or will have, a relevant interest in immediately before and after the Pelorus Restructure and the issue of the Units in consideration for the acquisition of the Glew Group's Kirela Units and BQT Units.

**The identity, associations (with BWR, the Glew Group or any of their associates) and qualifications of any person who is intended to become a director if Unitholders agree to the Transactions**

Not applicable.

**The Glew Group's intentions regarding the future of BWR if Unitholders agree to the transaction and the allotment of Units to the Glew Group and/or its Associates**

Other than set out in this Notice, the Glew Group's intentions are as follows:

- (a) there is no intention to change the business of BWR;
- (b) there is no intention to inject further capital into BWR (other than as disclosed in this Notice);
- (c) there is no intention to change the future employment of the present employees of BWR;
- (d) there is no proposal whereby any property will be transferred between BWR and the Glew Group or any of its Associates; and
- (e) there is no intention to otherwise redeploy any of the fixed assets of BWR.

These intentions are based on information concerning BWR, its business, and the business environment which is known to the Glew group at the date of this document.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

**Particulars of the terms of the proposed allotment of Units and any contract or proposed contract between the Glew Group and BWR or any of their Associates which is conditional upon, or directly or indirectly dependent on, Unitholders agreement to the allotment of Units to the Glew Group and its Associates pursuant to the Transactions**

The terms of the proposed acquisition of Kirela Units and BQT Units from the Glew Group and the Kirela Acquisition and BQT Acquisition generally are set out in section 1.3.

Otherwise, there are no contracts or proposed contracts between the Glew Group and BWR or any of their Associates which are conditional upon, or directly or indirectly dependent on, Unitholder agreement to the issue of the Units to the Glew Group pursuant to the Transaction.

**When the allotment of Units is to be made**

The allotment of Units will occur within one month of the date of the meeting.

**An explanation of the reasons for the proposed allotment of Units to Seph Glew and its Associates**

The reasons for the proposed allotment of Units to the Glew Group and the Kirela Acquisition generally are set out in section 1.3.

## **The interests of the Directors in Resolution 2**

Other than Seph Glew, none of the Directors have an interest in Resolution 2.

### **Identity of the Directors who approved or voted against the proposal to put Resolutions 2(a) and (b) to Unitholders and the Explanatory Memorandum**

Seph Glew has a material personal interest in Resolutions 2(a) and (b) and abstained from voting on the proposal to put Resolutions 2(a) and (b) to Unitholders.

All of the Directors other than Seph Glew voted in favour of the proposal to put Resolutions 2(a) and (b) to Unitholders.

### **Any intention of the Glew Group to change significantly the financial or dividend policies of BWR**

The Glew Group does not intend to change significantly the financial or dividend policies of BWR at this time.

### **Recommendation or otherwise of each Director as to whether Unitholders should agree to the proposed allotment and the reasons for the recommendation or otherwise**

See section 3.13 of this Explanatory Memorandum.

### **An analysis of whether the proposed allotment of Units pursuant to the Transaction is fair and reasonable when considered in the context of the interests of the Unitholders other than the Glew Group**

See section 3.11 of this Explanatory Memorandum.

## **3.7 Use of funds**

The Units are being issued in consideration for the acquisition of Kirela Units and BQT Units. Consequently, no funds are being raised by the issue of the Units.

## **3.8 Terms of issue**

The Units are fully paid ordinary units with the same terms and conditions as the other Units currently on issue and quoted on the ASX.

## **3.9 Advantages of the Transaction**

Refer to section 1 for the Directors' view of the non-exhaustive list of advantages relevant to a Unitholder's decision on how to vote in relation to the acquisition of the Kirela Units from the Glew Group in consideration for the issue of BWR Units.

## **3.10 Disadvantages of the Transaction**

Refer to section 1 for the Directors' view of the non-exhaustive list of disadvantages relevant to a Unitholder's decision on how to vote in relation to the acquisition of the Kirela Units from the Glew Group in consideration for the issue of BWR Units.

## **3.11 Independent Expert's Report**

The Independent Expert's Report assesses whether approving the increase in voting power under the Pelorus Restructure and the issue of the Units outlined in Resolutions 2(a) and 2(b) is fair and reasonable to the Unitholders who are not associated with the Glew Group.

The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the proposed transactions the subject of Resolutions 2(a) and (b). This assessment is designed to assist all Unitholders in reaching their voting decision.

The Independent Expert has provided the Independent Expert's Report and has provided an opinion that it believes the proposal as outlined in Resolutions 2(a) and (b) **IS NOT FAIR BUT REASONABLE** to the Unitholders of BWR not associated with the Glew Group. It is recommended that all Unitholders read the Independent Expert's Report in full.

The Independent Expert's Report is enclosed with this Notice of Meeting at Annexure A.

### **3.12 Pro forma balance sheet**

A pro forma balance sheet of BWR post the completion of the Kirela Acquisition and the BQT Acquisition is set out in section 1.8.

### **3.13 Interests and recommendations of Directors**

Seph Glew have a material personal interest in Resolutions 2(a) and (b) and so does not make any recommendation to Unitholders with respect to Resolutions 2(a) and (b).

None of the other current Board members have a material personal interest in the outcome of Resolutions 2(a) and (b) other than their interests arising solely in their capacity as Unitholders of BWR. Each of the Directors who holds Units in BWR (or whose associated entities hold Units) and is entitled to vote will vote their Units in favour of the Transaction.

Other than Seph Glew (who makes no recommendation), all of the Directors are of the opinion that the transactions the subject of Resolution 2(a) and (b) are in the best interests of Unitholders and, accordingly, the Directors unanimously recommend that Unitholders vote in favour of Resolutions 2(a) and (b).

The Director's recommendations are based on the reasons outlined in section 3.9 above.

The Chair intends to exercise all available proxies in favour of Resolutions 2(a) and (b).

The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Unitholders to allow them to make a decision whether it is in the best interests of BWR to pass Resolutions 2(a) and (b).

## **4. Resolution 3 – Approval to issue Units and pay cash to the Glew Group in consideration for Kirela Units (Listing Rule 10.11 and section 208 of Corporations Act)**

### **4.1 Listing Rules information requirements**

Listing Rule 10.11 provides that an entity must not issue or agree to issue, without equityholder approval, any equity securities, or other securities with rights to conversion to equity, to either a Related Party, or to any other person whose relationship to the entity is such that in ASX's opinion, equityholder approval should be obtained.

As set out in section 1.3, the Glew Group are Related Parties for the purpose of Listing Rule 10.11.

In addition, the effect of passing Resolution 3 will be to allow BWR to issue approximately 27,774,794 Units to the Glew Group (or their nominees) without using up BWR's 15% placement capacity under Listing Rule 7.1 and provide BWR with flexibility during the next 12

month period to issue further equity securities in order to raise capital if required.

If Resolution 3 is approved for the purposes of Listing Rule 10.11, then approval is not required under Listing Rule 7.1.

#### **4.2 Information required by Listing Rule 10.13**

The following information is provided in accordance with Listing Rule 10.13 to enable Unitholders to assess the merits of Resolution 3 for the purposes of Listing Rule 10.11:

(a) Name of the persons who will receive securities

The Units will be issued to the Glew Group (or its nominees).

(b) Maximum number of securities to be issued

The maximum number of securities to be issued to the Glew Group (or its nominees) is approximately 30,552,273 Units.

(c) Date by which securities will be issued

Listing Rule 10.13.3 requires that any securities issued pursuant to Unitholder approval under Listing Rule 10.11 must be issued within 1 month of the meeting at which approval was obtained.

(d) Relationship requiring Unitholder approval

Seph Glew is a Related Party of BWR for the purpose of Listing Rules 10.11 as he is a Director of the Responsible Entity. The other members of the Glew Group are either family members or controlled by Seph Glew as listed in Schedule 1.

(e) Issue price of the securities

The Units will be issued at an issue price of approximately \$1.53 each. The final price will be determined by the NTA at completion of the Kirela and BQT Transactions (see section 1.7 above).

(f) Terms of the issue of the securities

The Units will be fully paid ordinary Units in BWR issued on the same terms and conditions as the existing Units on issue.

(g) Use of (or intended use of) the funds raised

The Units are being issued in consideration for the acquisition of 130,396 Kirela Units. Consequently, no funds are being raised by the issue of the Units.

#### **4.3 Corporation Act requirements**

Section 208 of the Corporations Act provides that a listed trust cannot give a “financial benefit” (including an issue of Units) to a “related party” of the trust unless one of the exceptions set out in section 210 to 216 of the Corporations Act apply or the holders of ordinary securities have approved the giving of the financial benefit to the related party at a general meeting.

The Glew Group is a Related Party of BWR. Consequently, the consideration proposed to be provided to the Glew Group constitutes the giving of a financial benefit to a Related Party of BWR for the purposes of section 208 of the Corporations Act.

Completion of the acquisition of the Glew Group's Kirela Units will occur within 1 month of the meeting at which approval was obtained. The Corporations Act requires that BWR give the financial benefit within 15 months following the approval of Resolution 3.

#### **4.4 Directors' recommendation**

Seph Glew has a material personal interest in Resolution 3 and so does not make any recommendation to Unitholders with respect to any of that Resolution.

The Directors other than Seph Glew recommend that Unitholders vote in favour of Resolution 3.

The Chair intends to exercise all available proxies in favour of Resolution 3.

### **5. Resolution 4 – Acquisition of Kirela Units from the Tedder Group**

#### **5.1 Background**

Unitholder approval for the purpose of Listing Rule 10.1 is required for BWR to complete the acquisition of 86,281 Kirela Units from the Tedder Group for the consideration set out in section 1.3 as part of the Kirela Acquisition. Units are being issued in consideration for the acquisition of Kirela Units. Resolution 4 seeks this Unitholder approval.

#### **5.2 Listing Rules information requirements**

Listing Rule 10.1 provides that the approval of holders of an entity's ordinary securities is required where an entity or its subsidiaries proposes to, or agrees to, dispose of or acquire, a "substantial asset" from among others, a Related Party of the entity, and any person whose relationship to the entity is such that, in ASX's opinion, the transaction should be approved by the holders of the entity's ordinary securities.

##### ***Substantial asset***

An asset is a "substantial asset" if its value, or the value of the consideration for it, is 5% or more of the equity interests of the entity as set out in the latest accounts of the relevant company given to ASX under the Listing Rules.

BWR's annual report for the period ending 31 December 2018 (as lodged with ASX on 26 February 2019) shows that its total equity position was approximately \$154,954,000. Five percent of this amount is \$7,747,700, being 5,063,857 Units, based on an issue price of \$1.53 per Unit, being equal to the pro-forma BWR NTA at completion of the Transactions as set out above.

The value of the Units to be issued and the amount to be paid to the Tedder Group exceeds 5% of the equity interests of BWR as set out in the latest accounts given to ASX under the Listing Rules. Consequently, the Transactions will result in the acquisition of a substantial asset from the Glew Group.

##### ***Related Parties***

As set out in section 1.3, Robin Tedder is a Related Party of BWR for the purpose of Listing Rule 10.1 as he is a Director of the Responsible Entity. Robin Tedder controls the Tedder Group.

##### ***Requirement for Unitholder approval***

On the basis of the above conclusions, the completion of the Transactions will result in the acquisition of a substantial asset from Related Parties of BWR. Consequently, Resolution 4 seeks Unitholder approval of the acquisition for the purpose of Listing Rule 10.1.

### **When the allotment of Units and payment is to be made**

The allotment of Units and payment will occur within one month of the date of the meeting.

### ***Independent Expert's Report***

In accordance with the requirements of Listing Rule 10.10.2, BWR has commissioned Shine Wing to provide the Independent Expert's Report on the Transactions.

The Independent Expert's Report sets out a detailed examination of the Transactions to enable Unitholders to assess the merits of, and decide whether or not to approve, Resolution 4.

To the extent that it is appropriate, the Independent Expert's Report sets out further information in respect of the Transactions and concludes that **the Transactions are not fair but reasonable to the Unitholders who are not associated with the Tedder Group**.

Unitholders are encouraged to read carefully the Independent Expert's Report so as to understand its scope, the methodology of the assessment, the sources of information and the assumptions made.

The Independent Expert's Report is set out in **Annexure A** to this Explanatory Statement.

The Independent Expert's Report is also available on BWR's website ([www.blackwall.com.au](http://www.blackwall.com.au)), and if requested by a Unitholder, BWR will send to the Unitholder a hard copy of the Independent Expert's Report at no cost.

### **5.3 Directors' recommendation**

Robin Tedder has a material personal interest in Resolution 4, and so does not make any recommendation to Unitholders with respect to Resolution 4.

The Directors other than Robin Tedder recommend that Unitholders vote in favour of Resolution 4.

The Chair intends to exercise all available proxies in favour of Resolution 4.

## **6. Resolution 5 – Issue of Units and payment to the Tedder Group in consideration for Kirela Units (listing Rule 10.11 and section 208 Corporations Act)**

### **6.1 Listing Rules information requirements**

Listing Rule 10.11 provides that an entity must not issue or agree to issue, without equityholder approval, any equity securities, or other securities with rights to conversion to equity, to either a Related Party, or to any other person whose relationship to the entity is such that in ASX's opinion, equityholder approval should be obtained.

As set out in section 1.3, the Tedder Group are Related Parties for the purpose of Listing Rule 10.11.

In addition, the effect of passing Resolution 5 will be to allow BWR to issue approximately 9,474,088 Units to the Tedder Group (or their nominees) without using up BWR's 15%

placement capacity under Listing Rule 7.1 and provide BWR with flexibility during the next 12 month period to issue further equity securities in order to raise capital if required.

If Resolution 5 is approved for the purposes of Listing Rule 10.11, then approval is not required under Listing Rule 7.1.

## **6.2 Information required by Listing Rule 10.13**

The following information is provided in accordance with Listing Rule 10.13 to enable Unitholders to assess the merits of Resolution 5 for the purposes of Listing Rule 10.11:

(a) Name of the persons who will receive securities

The Units will be issued to the Tedder Group (or its nominees).

(b) Maximum number of securities to be issued

The maximum number of securities to be issued to the Tedder Group (or its nominees) is approximately 10,421,497 Units.

(c) Date by which securities will be issued

Listing Rule 10.13.3 requires that any securities issued pursuant to Unitholder approval under Listing Rule 10.11 must be issued within 1 month of the meeting at which approval was obtained.

(d) Relationship requiring Unitholder approval

Robin Tedder is a Related Party of BWR for the purpose of Listing Rules 10.11 as he is a Director of the Responsible Entity. The other members of the Tedder Group are either family members or controlled by Robin Tedder as listed in Schedule 1.

(e) Issue price of the securities

The Units will be issued at an issue price of approximately \$1.53 each. The final price will be determined by the NTA at completion of the Kirela and BQT Transactions (see section 1.7 above).

(f) Terms of the issue of the securities

The Units will be fully paid ordinary Units in BWR issued on the same terms and conditions as the existing Units on issue.

(g) Use of (or intended use of) the funds raised

The Units are being issued in consideration for the acquisition of 35,791 Kirela Units. Consequently, no funds are being raised by the issue of the Units.

## **6.3 Corporation Act requirements**

Section 208 of the Corporations Act provides that a listed trust cannot give a “financial benefit” (including an issue of Units) to a “related party” of the trust unless one of the exceptions set out in section 210 to 216 of the Corporations Act apply or the holders of ordinary securities have approved the giving of the financial benefit to the related party at a general meeting.

The Tedder Group is a Related Party of BWR. Consequently, the consideration proposed to be provided to the Tedder Group constitutes the giving of a financial benefit to a Related Party of BWR for the purposes of section 208 of the Corporations Act.

Completion of the acquisition of the Tedder Group's Kirela Units will occur within 1 month of the meeting at which approval was obtained. The Corporations Act requires that BWR give the financial benefit within 15 months following the approval of Resolution 5.

#### **6.4 Directors' recommendation**

Robin Tedder has a material personal interest in Resolution 5 and so does not make any recommendation to Unitholders with respect to any of that Resolution.

The Directors other than Robin Tedder recommend that Unitholders vote in favour of Resolution 5.

The Chair intends to exercise all available proxies in favour of Resolution 5.

### **7. Resolution 6 – Acquisition of Kirela Units from the Hill Group**

#### **7.1 Background**

Unitholder approval for the purpose of Listing Rule 10.1 is required for BWR to complete the acquisition of 20,219 Kirela Units for a total of 5,352,088 BWR units from the Hill Group as part of the Kirela Acquisition. Units are being issued in consideration for the acquisition of Kirela Units. Resolution 6 seeks this Unitholder approval.

#### **7.2 Listing Rules information requirements**

Listing Rule 10.1 provides that the approval of holders of an entity's ordinary securities is required where an entity or its subsidiaries proposes to, or agrees to, dispose of or acquire, a "substantial asset" from among others, a Related Party of the entity, and any person whose relationship to the entity is such that, in ASX's opinion, the transaction should be approved by the holders of the entity's ordinary securities.

##### ***Substantial asset***

An asset is a "substantial asset" if its value, or the value of the consideration for it, is 5% or more of the equity interests of the entity as set out in the latest accounts of the relevant company given to ASX under the Listing Rules

BWR's annual report for the period ending 31 December 2018 (as lodged with ASX on 26 February 2019) shows that its total equity position was approximately \$154,954,000. Five percent of this amount is \$7,747,700, being 5,063,857 Units, based on an issue price of \$1.53 per Unit, being equal to the pro-forma BWR NTA at completion of the Transactions as set out above.

The value of the Units to be issued to the Hill Group exceeds 5% of the equity interests of BWR as set out in the latest accounts given to ASX under the Listing Rules. Consequently, the Transactions will result in the acquisition of a substantial asset from the Hill Group.

##### ***Related Parties***

As set out in section 1.3, Richard Hill is a Related Party of BWR for the purpose of Listing Rule 10.1 as he is a Director of the Responsible Entity. Richard Hill controls the Hill Group.

##### ***Requirement for Unitholder approval***



On the basis of the above conclusions, the completion of the Transactions will result in the acquisition of a substantial asset from Related Parties of BWR. Consequently, Resolution 6 seeks Unitholder approval of the acquisition for the purpose of Listing Rule 10.1.

### **When the allotment of Units is to be made**

The allotment of Units will occur within one month of the date of the meeting.

### ***Independent Expert's Report***

In accordance with the requirements of Listing Rule 10.10.2, BWR has commissioned Shine Wing to provide the Independent Expert's Report on the Transactions.

The Independent Expert's Report sets out a detailed examination of the Transactions to enable Unitholders to assess the merits of, and decide whether or not to approve, Resolution 6.

To the extent that it is appropriate, the Independent Expert's Report sets out further information in respect of the Transactions and concludes that **the Transactions are not fair but reasonable to the Unitholders who are not associated with the Glew Group**.

Unitholders are encouraged to read carefully the Independent Expert's Report so as to understand its scope, the methodology of the assessment, the sources of information and the assumptions made.

The Independent Expert's Report is set out in **Annexure A** to this Explanatory Statement.

The Independent Expert's Report is also available on BWR's website ([www.blackwall.com.au](http://www.blackwall.com.au)), and if requested by a Unitholder, BWR will send to the Unitholder a hard copy of the Independent Expert's Report at no cost.

## **7.3 Directors' recommendation**

Richard Hill has a material personal interest in Resolution 6, and so does not make any recommendation to Unitholders with respect to Resolution 6.

The Directors other than Richard Hill recommend that Unitholders vote in favour of Resolution 6.

The Chair intends to exercise all available proxies in favour of Resolution 6.

## **8. Resolution 7 – Issue of Units to the Hill Group in consideration for Kirela Units (listing Rule 10.11 and section 208 Corporations Act)**

### **8.1 Listing Rules information requirements**

Listing Rule 10.11 provides that an entity must not issue or agree to issue, without equityholder approval, any equity securities, or other securities with rights to conversion to equity, to either a Related Party, or to any other person whose relationship to the entity is such that in ASX's opinion, equityholder approval should be obtained.

As set out in section 1.3, the Hill Group are Related Parties for the purpose of Listing Rule 10.11.

In addition, the effect of passing Resolution 7 will be to allow BWR to issue approximately 5,352,088 Units to the Hill Group (or their nominees) without using up BWR's 15% placement capacity under Listing Rule 7.1 and provide BWR with flexibility during the next 12 month period to issue further equity securities in order to raise capital if required.

If Resolution 7 is approved for the purposes of Listing Rule 10.11, then approval is not required

under Listing Rule 7.1.

## **8.2 Information required by Listing Rule 10.13**

The following information is provided in accordance with Listing Rule 10.13 to enable Unitholders to assess the merits of Resolution 7 for the purposes of Listing Rule 10.11:

- (a) Name of the persons who will receive securities

The Units will be issued to the Hill Group (or its nominees).

- (b) Maximum number of securities to be issued

The maximum number of securities to be issued to the Hill Group (or its nominees) is approximately 5,888,000 Units.

- (c) Date by which securities will be issued

Listing Rule 10.13.3 requires that any securities issued pursuant to Unitholder approval under Listing Rule 10.11 must be issued within 1 month of the meeting at which approval was obtained.

- (d) Relationship requiring Unitholder approval

Richard Hill is a Related Party of BWR for the purpose of Listing Rules 10.11 as he is a Director of the Responsible Entity. The other members of the Hill Group are either family members or controlled by Richard Hill as listed in Schedule 1.

- (e) Issue price of the securities

The Units will be issued at an issue price of approximately \$1.53 each. The final price will be determined by the NTA at completion of the Kirela and BQT Transactions (see section 1.7 above).

- (f) Terms of the issue of the securities

The Units will be fully paid ordinary Units in BWR issued on the same terms and conditions as the existing Units on issue.

- (g) Use of (or intended use of) the funds raised

The Units are being issued in consideration for the acquisition of 20,219 Kirela Units. Consequently, no funds are being raised by the issue of the Units.

## **8.3 Corporation Act requirements**

Section 208 of the Corporations Act provides that a listed trust cannot give a “financial benefit” (including an issue of Units) to a “related party” of the trust unless one of the exceptions set out in section 210 to 216 of the Corporations Act apply or the holders of ordinary securities have approved the giving of the financial benefit to the related party at a general meeting.

The Hill Group is a Related Party of BWR. Consequently, the consideration proposed to be provided to the Hill Group constitutes the giving of a financial benefit to a Related Party of BWR for the purposes of section 208 of the Corporations Act.

Completion of the acquisition of the Hill Group’s Kirela Units will occur within 1 month of the meeting at which approval was obtained. The Corporations Act requires that BWR give the financial benefit within 15 months following the approval of Resolution 7.

#### **8.4 Directors' recommendation**

Richard Hill has a material personal interest in Resolution 7 and so does not make any recommendation to Unitholders with respect to any of that Resolution.

The Directors other than Richard Hill recommend that Unitholders vote in favour of Resolution 7.

The Chair intends to exercise all available proxies in favour of Resolution 7.

### **9. Resolution 8 – Issue of Units to the Stuart Brown Group in consideration for Kirela Units (listing Rule 10.11 and section 208 Corporations Act)**

#### **9.1 Listing Rules information requirements**

Listing Rule 10.11 provides that an entity must not issue or agree to issue, without equityholder approval, any equity securities, or other securities with rights to conversion to equity, to either a Related Party, or to any other person whose relationship to the entity is such that in ASX's opinion, equityholder approval should be obtained.

As set out in section 1.3, the Stuart Brown Group are Related Parties for the purpose of Listing Rule 10.11.

In addition, the effect of passing Resolution 8 will be to allow BWR to issue approximately 485,735 Units to the Stuart Brown Group (or their nominees) without using up BWR's 15% placement capacity under Listing Rule 7.1 and provide BWR with flexibility during the next 12 month period to issue further equity securities in order to raise capital if required.

If Resolution 8 is approved for the purposes of Listing Rule 10.11, then approval is not required under Listing Rule 7.1.

#### **9.2 Information required by Listing Rule 10.13**

The following information is provided in accordance with Listing Rule 10.13 to enable Unitholders to assess the merits of Resolution 8 for the purposes of Listing Rule 10.11:

(a) Name of the persons who will receive securities

The Units will be issued to the Stuart Brown Group (or its nominees).

(b) Maximum number of securities to be issued

The maximum number of securities to be issued to the Stuart Brown Group (or its nominees) is approximately 534,000 Units.

(c) Date by which securities will be issued

Listing Rule 10.13.3 requires that any securities issued pursuant to Unitholder approval under Listing Rule 10.11 must be issued within 1 month of the meeting at which approval was obtained.

(d) Relationship requiring Unitholder approval

Stuart Brown is a Related Party of BWR for the purpose of Listing Rules 10.11 as he is a Director of the Responsible Entity. The other members of the Stuart Brown Group

are either family members or controlled by Stuart Brown as listed in Schedule 1.

(e) Issue price of the securities

The Units will be issued at an issue price of approximately \$1.53 each. The final price will be determined by the NTA at completion of the Kirela and BQT Transactions (see section 1.7 above).

(f) Terms of the issue of the securities

The Units will be fully paid ordinary Units in BWR issued on the same terms and conditions as the existing Units on issue.

(g) Use of (or intended use of) the funds raised

The Units are being issued in consideration for the acquisition of 1,835 Kirela Units. Consequently, no funds are being raised by the issue of the Units.

### **9.3 Corporation Act requirements**

Section 208 of the Corporations Act provides that a listed trust cannot give a “financial benefit” (including an issue of Units) to a “related party” of the trust unless one of the exceptions set out in section 210 to 216 of the Corporations Act apply or the holders of ordinary securities have approved the giving of the financial benefit to the related party at a general meeting.

The Stuart Brown Group is a Related Party of BWR. Consequently, the consideration proposed to be provided to the Stuart Brown Group constitutes the giving of a financial benefit to a Related Party of BWR for the purposes of section 208 of the Corporations Act.

Completion of the acquisition of the Stuart Brown Group’s Kirela Units will occur within 1 month of the meeting at which approval was obtained. The Corporations Act requires that BWR give the financial benefit within 15 months following the approval of Resolution 8.

### **9.4 Directors’ recommendation**

Stuart Brown has a material personal interest in Resolution 8 and so does not make any recommendation to Unitholders with respect to any of that Resolution.

The Directors other than Stuart Brown recommend that Unitholders vote in favour of Resolution 8.

The Chair intends to exercise all available proxies in favour of Resolution 8.

## **10. Resolution 9 – Approval to issue BWR Units to the Unrelated Vendors – Kirela Acquisition**

### **10.1 Background**

Under the Kirela Acquisition, BWR has undertaken to pay the Unrelated Vendors for their Kirela Units by a combination of cash and Units, in the proportions elected by the Unrelated Vendors (see section 1.3 above).

The Unrelated Vendors have nominated the amounts of cash and Units that they will each receive in consideration of their Kirela Units. Accordingly, the Company has undertaken to issue to the Unrelated Vendors approximately 37,688,492 BWR Units.

Resolution 9 seeks Unitholder approval for the purpose of Listing Rule 7.1, of the issue of those Units to the Unrelated Vendors.

## **10.2 Listing Rules information requirements**

Listing Rule 7.1 provides, in summary, that a listed entity may not issue equity securities in any 12 month period which exceeds 15% of the number of issued securities of the entity held at the beginning of the 12 month period, except with the prior approval of equityholders of the entity in general meeting of the precise terms and conditions of the proposed issue.

The effect of Resolution 9 if passed, will be that the issue of approximately 37,688,492 Units to the Unrelated Vendors (or their nominees) will be exempt from the 15% limit under Listing Rule 7.1 and provide the Company with flexibility during the next 12 month period to issue further equity securities in order to raise capital if required.

In accordance with Listing Rule 7.3, the following details are provided in relation to Resolution 9:

(a) Maximum number of securities to be issued

The maximum number of securities to be issued pursuant to Resolution 9 is approximately 41,458,000 Units.

(b) Date by which securities will be issued

Listing Rule 7.3.2 requires that any securities issued pursuant to Unitholder approval under Listing Rule 7.1 must be issued within 3 months of the meeting at which approval was obtained.

The Units will be issued on a single date (within 3 months of the date of the Meeting or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).

(c) Issue price of the securities

The Units will be issued at a deemed issue price of approximately \$1.53 each. The final price will be determined by the NTA at completion of the Kirela and BQT Transactions – however, the units will be issued at a price that is at least 80% of the volume weighted average market price for the Units, calculated over the 5 days on which sales in the Units were recorded before the day on which the issue was made (see section 1.7 above).

(d) Name of the recipients of the securities

The recipients of the Units will be the Unrelated Vendors who elect to receive Units as part or full consideration for their Kirela Units. The Unrelated Vendors are all the Vendors other than the Related Kirela Vendors. There are approximately 13 Unrelated Vendors.

(e) Terms of the securities

Each of the Units will be fully paid ordinary Units in BWR issued on the same terms and conditions as the existing Units on issue.

(f) Use of (or intended use of) the funds raised

The Units are being issued in consideration for the acquisition of 36,513 Kirela Units. Consequently, no funds are being raised by the issue of the Units.

### **10.3 Directors' recommendation**

The Directors unanimously recommend Unitholders vote in favour of Resolution 9.

Resolution 9 is subject to the approval of the other Kirela Resolutions.

The Chair intends to exercise all available proxies in favour of Resolution 9.

## **11. Resolution 10(a) and (b) – Section 611 Corporations Act – Tresidder Group**

### **11.1 Background**

#### **(a) Pelorus Restructure**

Pelorus Private Equity Limited (**Pelorus**) is an unlisted public company with approximately 250 shareholders. As at the date of this document Pelorus holds approximately 10.3 million BWR units. Pelorus has resolved to undertake a restructure of its share capital (**Pelorus Restructure**) by way of share buyback. The effect of the Pelorus Restructure is that the voting power in Pelorus of both the Glew Group and Paul Tresidder and his Associates (**Tresidder Group**) will likely increase from 19.5% and 17.6%, respectively, to more than 20%. As a result, under section 608(3) of the Corporations Act, each of the Glew Group and the Tresidder Group will be deemed to have to have a Relevant Interest in all the securities that Pelorus holds, including Pelorus' BWR Units. This will, in turn, result in an increase in their voting power in BWR to more than 20%.

The Pelorus Restructure is not conditional on any other Transactions proceeding or the Bakehouse Quarter Sale completing.

The Pelorus Restructure will occur before the Kirela Acquisition and the BQT Acquisition complete. This is anticipated to be on or about Friday 31 May 2019. Further details of the interests in BWR of the Glew Group and the Tresidder Group are set out in Schedule 1.

#### **(b) Kirela Acquisition**

The Glew Group is a Related Kirela Vendor and a Related BQT Vendor. The Tresidder Group is Kirela Vendor. Each has elected to receive BWR Units as consideration for the sale of their respective units to BWR. As such their respective voting power in BWR will further increase once those Transactions complete.

Resolutions 2(a) and (b) deal with the increases in voting power in BWR of the Glew Group. Resolutions 10(a) and (b) are similar Resolutions which deal with the increase in voting power in BWR of the Tresidder Group.

All statements relating to the voting power of the Glew Group and the Tresidder Group Relevant Interest following completion of the Transactions contemplated by this Notice assume the Pelorus Transaction has occurred.

#### **(c) Current holdings**

As at the date of this Notice, the Tresidder Group holds:

- 30,973,697 shares in Pelorus; and

- 5,982,509 Kirela Units.

## **11.2 Effect of the issue of BWR Units under the Kirela Acquisition on BWR**

### **(c) Capital Structure**

Details of the BWR capital structure following completion of the Kirela Acquisition (following the acquisition of the Tresidder Group's Kirela Units) are set out in section 1.

### **(d) Voting Power of the Tresidder Group**

Following the Pelorus Restructure, the Tresidder Group will have a Relevant Interest in approximately 39,775,800 Units, representing 24.5% of the Units in BWR on issue and of the voting power in BWR.

If:

- the Pelorus Restructure is completed, the voting power of the Tresidder Group in BWR will increase to approximately 23.4%; and
- the Kirela Acquisition is completed (in addition to the Pelorus transaction), the voting power of the Tresidder Group in BWR will increase to approximately 24.5%.

## **11.3 Effect of the Pelorus Restructure on BWR**

### **(c) Capital Structure**

As the Pelorus Restructure affects only the capital structure of Pelorus, it will have no effect on the capital structure of BWR.

### **(d) Voting Power of the Tresidder Group**

Currently, the Tresidder Group holds approximately 5,983,000 Units, representing 9% of the Units in BWR on issue and of the voting power in BWR.

If the Pelorus Restructure is completed, the Tresidder Group will exercise more than 20% of the voting power in BWR, with its voting power increasing to 24.5%. This arises because of the effect of section 608(3) of the Corporations Act, which deems that the Tresidder Group has a Relevant Interest in the BWR Units held by Pelorus once the holding on the Tresidder Group in Pelorus exceeds 20%.

## **11.4 Item 7 of Section 611 of the Corporations Act**

Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in the issued voting Units of BWR if, because of the transaction, that person's or another person's voting power in BWR increases from:

- (c) 20% or below to more than 20%; or
- (d) a starting point that is above 20% and below 90%.

The voting power of a person in BWR is determined by reference to section 610 of the Corporations Act. A person's voting power in BWR is the total of the votes attaching to the Units in BWR in which that person and that person's associates (within the meaning of the Corporations Act) have a relevant interest.

Under section 608 of the Corporations Act, a person will have a relevant interest in Units if:

- (d) the person is the registered holder of the Units;
- (e) the person has the power to exercise or control the exercise of votes or disposal of the Units; or
- (f) the person has over 20% of the voting power in a company that has a relevant interest in Units, then the person has a relevant interest in said Units.

For the purpose of determining who is an associate you need to consider section 12 of the Corporations Act. Any reference in chapters 6 to 6C of the Corporations Act to an associate is as that term is defined in section 12. The definition of 'associate' in section 12 is exclusive. If a person is an associate under section 11, 13 or 15 of the Corporations Act then it does not apply to chapters 6 to 6C. A person is only an associate for the purpose of chapters 6 to 6C if that person is an associate under section 12.

A person (second person) will be an associate of the other person (first person) if:

- (d) the first person is a body corporate and the second person is:
  - a body corporate the first person controls;
  - a body corporate that controls the first person: or
  - a body corporate that is controlled by an entity that controls the first person;
- (e) the second person has entered, or proposes to enter, into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the board of a body corporate or the conduct of the affairs of a body corporate; or
- (f) the second person is a person with whom the first person is acting, or proposes to act, in concert in relation to the affairs of a body corporate.

The Corporations Act defines 'control' and 'relevant agreement' very broadly as follows:

- (c) Under section 50AA of the Corporations Act control means the capacity to determine the outcome of decisions about the financial and operating policies of BWR. In determining the capacity you need to take into account the practical influence a person can exert and any practice or pattern of behaviour affecting the financial or operating policies of BWR.
- (d) Under section 9 of the Corporations Act relevant agreement means an agreement, arrangement or understanding:
  - whether formal or informal or partly formal and partly informal;
  - whether written or oral or partly written and partly oral; and
  - whether or not having legal or equitable force and whether or not based on legal or equitable rights.

Associates are determined as a matter of fact. For example where a person controls or influences the Board or the conduct BWR's business affairs, or acts in concert with a person in relation to the entity's business affairs.

Section 611 of the Corporations Act has exceptions to the prohibition in section 606 of the Corporations Act (**Prohibition**). Item 7 of section 611 of the Corporations Act provides a mechanism by which Unitholders may approve an issue of Units to a person which results in



that person's or another person's voting power in BWR increasing from:

- (c) 20% or below to more than 20%; or
- (d) a starting point that is above 20% and below 90%.

#### **11.5 Reason Section 611 Approval is required**

Resolutions 10(a) and (b) seek Unitholder approval, for the purpose of Item 7 of Section 611 of the Corporations Act, to allow:

- (c) the Pelorus restructure to proceed, which will result in the deemed voting power of the Tresidder Group in BWR increasing to more than 20%; and
- (d) BWR to issue Units to the Tresidder Group for the acquisition of the Tresidder Group's Kirela Units under the Kirela Acquisition, which will result in the deemed voting power of the Tresidder Group in BWR increasing from a starting point that is above 20% and below 90%.

#### **11.6 Specific Information required by Section 611 Item 7 of the Corporations Act and ASIC Regulatory Guide 74**

The following information is required to be provided to Unitholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for Item 7 of Section 611 of the Corporations Act. Unitholders are also referred to the Independent Expert's Report prepared by Shine Wing annexed to this Explanatory Statement.

##### **The identity of the Tresidder Group, its Associates and any person who will have a relevant interest in the Units to be allotted to the Tresidder Group or its Associates**

Details of the Tresidder Group are set out in Schedule 1.

##### **Full particulars (including the number and percentage) of the Units in BWR to which the Tresidder Group will be entitled immediately before and after the transaction**

The Tresidder Group holds approximately 5,983,000 Units in BWR prior to the Pelorus Restructure and issue of the Units in consideration for the acquisition of the Tresidder Group's Kirela Units.

Refer to Schedule 1 (Part C) for full particulars (including the number and percentage) of Units in which the Tresidder Group has, or will have, a relevant interest in immediately before and after the issue of the Units arising from the Pelorus Restructure and in consideration for the acquisition of the Tresidder Group's Kirela Units.

##### **The identity, associations (with BWR, the Tresidder Group or any of their associates) and qualifications of any person who is intended to become a director if Unitholders agree to the Transactions**

Not applicable.

##### **The Tresidder Group's intentions regarding the future of BWR if Unitholders agree to the transaction and the allotment of Units to the Tresidder Group and/or its Associates**

Other than set out in this Notice, the Tresidder Group's intentions are as follows:

- (f) there is no intention to change the business of BWR;
- (g) there is no intention to inject further capital into BWR (other than as disclosed in this

Notice);

- (h) there is no intention to change the future employment of the present employees of BWR;
- (i) there is no proposal whereby any property will be transferred between BWR and the Tresidder Group or any of its Associates; and
- (j) there is no intention to otherwise redeploy any of the fixed assets of BWR.

These intentions are based on information concerning BWR, its business, and the business environment which is known to the Tresidder group at the date of this document.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

**Particulars of the terms of the proposed allotment of Units and any contract or proposed contract between the Tresidder Group and BWR or any of their Associates which is conditional upon, or directly or indirectly dependent on, Unitholders agreement to the allotment of Units to the Tresidder Group and its Associates pursuant to the Transactions**

The terms of the proposed acquisition of Kirela Units from the Tresidder Group and the Kirela Acquisition generally are set out in Section 1.3.

Otherwise, there are no contracts or proposed contracts between the Tresidder Group and BWR or any of their Associates which are conditional upon, or directly or indirectly dependent on, Unitholder agreement to the issue of the Units to the Tresidder Group pursuant to the Transaction.

#### **When the allotment of Units is to be made**

The allotment of Units will occur within one month of the date of the meeting.

#### **An explanation of the reasons for the proposed allotment of Units to the Paul Tresidder Group**

The reasons for the proposed allotment of Units to the Tresidder Group and the Kirela Acquisition generally are set out in section 1.3.

#### **The interests of the Directors in Resolution 2**

None of the Directors have an interest in Resolution 10.

#### **Identity of the Directors who approved or voted against the proposal to put Resolutions 10(a) and (b) to Unitholders and the Explanatory Memorandum**

All of the Directors voted in favour of the proposal to put Resolutions 10(a) and (b) to Unitholders.

#### **Any intention of the Tresidder Group to change significantly the financial or dividend policies of BWR**

The Tresidder Group does not intend to change significantly the financial or dividend policies of BWR at this time.

**Recommendation or otherwise of each Director as to whether Unitholders should agree to the proposed allotment and the reasons for the recommendation or otherwise**

See Section 3(13) of this Explanatory Memorandum.

**An analysis of whether the proposed allotment of Units pursuant to the Transaction is fair and reasonable when considered in the context of the interests of the Unitholders other than the Tresidder Group**

See Section 3(11) of this Explanatory Memorandum.

#### **11.7 Use of funds**

The Units are being issued in consideration for the acquisition of Kirela Units. Consequently, no funds are being raised by the issue of the Units.

#### **11.8 Terms of issue**

The Units are fully paid ordinary units with the same terms and conditions as the other Units currently on issue and quoted on the ASX.

#### **11.9 Advantages of the Transaction**

Refer to Section 1 for the Directors' view of the non-exhaustive list of advantages relevant to a Unitholder's decision on how to vote in relation to the acquisition of the Kirela Units from the Tresidder Group in consideration for the issue of BWR Units.

#### **11.10 Disadvantages of the Transaction**

Refer to Section 1 for the Directors' view of the non-exhaustive list of disadvantages relevant to a Unitholder's decision on how to vote in relation to the acquisition of the Kirela Units from the Tresidder Group in consideration for the issue of BWR Units.

#### **11.11 Independent Expert's Report**

The Independent Expert's Report assesses whether approving the increase in voting power under the Pelorus Restructure and the issue of the Units outlined in Resolutions 10(a) and 10(b) and is fair and reasonable to the Unitholders who are not associated with the Tresidder Group.

The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the proposed transactions the subject of Resolutions 10(a) and (b). This assessment is designed to assist all Unitholders in reaching their voting decision.

The Independent Expert has provided the Independent Expert's Report and has provided an opinion that it believes the proposal as outlined in Resolutions 10(a) and (b) **IS NOT FAIR BUT REASONABLE** to the Unitholders of BWR not associated with the Tresidder Group. It is recommended that all Unitholders read the Independent Expert's Report in full.

The Independent Expert's Report is enclosed with this Notice of Meeting at Annexure A.

#### **11.12 Pro forma balance sheet**

A pro forma balance sheet of BWR post the completion of the Kirela Acquisition is set out in Section 1.8.

### **11.13 Interests and recommendations of Directors**

None of the other current Board members have a material personal interest in the outcome of Resolutions 10(a) and (b) other than their interests arising solely in their capacity as Unitholders of BWR. Each of the Directors who holds Units in BWR (or whose associated entities hold Units) and is entitled to vote will vote their Units in favour of the Transaction.

All of the Directors are of the opinion that the transactions the subject of Resolution 10(a) and (b) are in the best interests of Unitholders and, accordingly, the Directors unanimously recommend that Unitholders vote in favour of Resolutions 10(a) and (b).

The Director's recommendations are based on the reasons outlined in Section 3.9 above.

The Chair intends to exercise all available proxies in favour of Resolutions 10(a) and (b).

The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Unitholders to allow them to make a decision whether it is in the best interests of BWR to pass Resolutions 10(a) and (b).

## **12. Resolution 11 – Issue of Units to the Glew Group in consideration for BQT Units (Listing Rule 10.11 and section 208 Corporations Act)**

### **12.1 Listing Rules information requirements**

Listing Rule 10.11 provides that an entity must not issue or agree to issue, without equityholder approval, any equity securities, or other securities with rights to conversion to equity, to either a Related Party, or to any other person whose relationship to the entity is such that in ASX's opinion, equityholder approval should be obtained.

As set out in Section 1.3, the Glew Group are Related Parties for the purpose of Listing Rule 10.11.

In addition, the effect of passing Resolution 11 will be to allow BWR to issue approximately 186,096 Units to the Glew Group (or their nominees) without using up BWR's 15% placement capacity under Listing Rule 7.1 and provide BWR with flexibility during the next 12 month period to issue further equity securities in order to raise capital if required.

If Resolution 11 is approved for the purposes of Listing Rule 10.11, then approval is not required under Listing Rule 7.1.

### **12.2 Information required by Listing Rule 10.13**

The following information is provided in accordance with Listing Rule 10.13 to enable Unitholders to assess the merits of Resolution 11 for the purposes of Listing Rule 10.11:

- (a) Name of the persons who will receive securities

The Units will be issued to the Glew Group (or its nominees).

- (b) Maximum number of securities to be issued

The maximum number of securities to be issued to the Glew Group (or its nominees) is approximately 205,000 Units.

- (c) Date by which securities will be issued

Listing Rule 10.13.3 requires that any securities issued pursuant to Unitholder approval under Listing Rule 10.11 must be issued within 1 month of the meeting at which approval was obtained.

(d) Relationship requiring Unitholder approval

Seph Glew is a Related Party of BWR for the purpose of Listing Rules 10.11 as he is a Director of the Responsible Entity. The other members of the Glew Group are either family members or controlled by Seph Glew as listed in Schedule 1.

(e) Issue price of the securities

The Units will be issued at an issue price of approximately \$1.53 each. The final price will be determined by the NTA at completion of the Kirela and BQT Transactions (see section 1.7 above).

(f) Terms of the issue of the securities

The Units will be fully paid ordinary Units in BWR issued on the same terms and conditions as the existing Units on issue.

(g) Use of (or intended use of) the funds raised

The Units are being issued in consideration for the acquisition of 26,861 BQT Units. Consequently, no funds are being raised by the issue of the Units.

### **12.3 Corporation Act requirements**

Section 208 of the Corporations Act provides that a listed trust cannot give a “financial benefit” (including an issue of Units) to a “related party” of the trust unless one of the exceptions set out in section 210 to 216 of the Corporations Act apply or the holders of ordinary securities have approved the giving of the financial benefit to the related party at a general meeting.

The Glew Group is a Related Party of BWR. Consequently, the consideration proposed to be provided to the Glew Group constitutes the giving of a financial benefit to a Related Party of BWR for the purposes of section 208 of the Corporations Act.

Completion of the acquisition of the Glew Group’s BQT Units will occur within 1 month of the meeting at which approval was obtained. The Corporations Act requires that BWR give the financial benefit within 15 months following the approval of Resolution 11.

### **12.4 Directors’ recommendation**

Seph Glew has a material personal interest in Resolution 11 and so does not make any recommendation to Unitholders with respect to any of that Resolution.

The Directors other than Seph Glew recommend that Unitholders vote in favour of Resolution 11.

The Chair intends to exercise all available proxies in favour of Resolution 11.

## **13. Resolution 12 – Issue of Units to the Tedder Group in consideration for BQT Units (Listing Rule 10.11 and section 208 Corporations Act)**

### **13.1 Listing Rules information requirements**

Listing Rule 10.11 provides that an entity must not issue or agree to issue, without equityholder approval, any equity securities, or other securities with rights to conversion to equity, to either a Related Party, or to any other person whose relationship to the entity is such that in ASX's opinion, equityholder approval should be obtained.

As set out in Section 1.3, the Tedder Group is a Related Party for the purpose of Listing Rule 10.11.

In addition, the effect of passing Resolution 12 will be to allow BWR to issue approximately 313,437 Units to the Tedder Group (or their nominees) without using up BWR's 15% placement capacity under Listing Rule 7.1 and provide BWR with flexibility during the next 12 month period to issue further equity securities in order to raise capital if required.

If Resolution 12 is approved for the purposes of Listing Rule 10.11, then approval is not required under Listing Rule 7.1.

### **13.2 Information required by Listing Rule 10.13**

The following information is provided in accordance with Listing Rule 10.13 to enable Unitholders to assess the merits of Resolution 12 for the purposes of Listing Rule 10.11:

(a) Name of the persons who will receive securities

The Units will be issued to the Tedder Group (or its nominees).

(b) Maximum number of securities to be issued

The maximum number of securities to be issued to the Tedder Group (or its nominees) is approximately 344,800 Units.

(c) Date by which securities will be issued

Listing Rule 10.13.3 requires that any securities issued pursuant to Unitholder approval under Listing Rule 10.11 must be issued within 1 month of the meeting at which approval was obtained.

(d) Relationship requiring Unitholder approval

Robin Tedder is a Related Party of BWR for the purpose of Listing Rules 10.11 as he is a Director of the Responsible Entity. The other members of the Tedder Group are either family members or controlled by Robin Tedder as listed in Schedule 1.

(e) Issue price of the securities

The Units will be issued at an issue price of approximately \$1.53 each. The final price will be determined by the NTA at completion of the Kirela and BQT Transactions (see section 1.7 above).

(f) Terms of the issue of the securities

The Units will be fully paid ordinary Units in BWR issued on the same terms and conditions as the existing Units on issue.

(g) Use of (or intended use of) the funds raised

The Units are being issued in consideration for the acquisition of 45,241 BQT Units.

Consequently, no funds are being raised by the issue of the Units.

### **13.3 Corporation Act requirements**

Section 208 of the Corporations Act provides that a listed trust cannot give a “financial benefit” (including an issue of Units) to a “related party” of the trust unless one of the exceptions set out in section 210 to 216 of the Corporations Act apply or the holders of ordinary securities have approved the giving of the financial benefit to the related party at a general meeting.

The Tedder Group is a Related Party of BWR. Consequently, the consideration proposed to be provided to the Tedder Group constitutes the giving of a financial benefit to a Related Party of BWR for the purposes of section 208 of the Corporations Act.

Completion of the acquisition of the Glew Group’s BQT Units will occur within 1 month of the meeting at which approval was obtained. The Corporations Act requires that BWR give the financial benefit within 15 months following the approval of Resolution 12.

### **13.4 Directors’ recommendation**

Robin Tedder has a material personal interest in Resolution 12 and so does not make any recommendation to Unitholders with respect to any of that Resolution.

The Directors other than Robin Tedder recommend that Unitholders vote in favour of Resolution 12.

The Chair intends to exercise all available proxies in favour of Resolution 12.

## **14. Resolution 13 – Issue of Units to the Stuart Brown Group in consideration for BQT Units (Listing Rule 10.11 and section 208 Corporations Act)**

### **14.1 Listing Rules information requirements**

Listing Rule 10.11 provides that an entity must not issue or agree to issue, without equityholder approval, any equity securities, or other securities with rights to conversion to equity, to either a Related Party, or to any other person whose relationship to the entity is such that in ASX’s opinion, equityholder approval should be obtained.

As set out in Section 1.3, the Stuart Brown Group are Related Parties for the purpose of Listing Rule 10.11.

In addition, the effect of passing Resolution 13 will be to allow BWR to issue approximately 24,318 Units to the Stuart Brown Group (or their nominees) without using up BWR’s 15% placement capacity under Listing Rule 7.1 and provide BWR with flexibility during the next 12 month period to issue further equity securities in order to raise capital if required.

If Resolution 13 is approved for the purposes of Listing Rule 10.11, then approval is not required under Listing Rule 7.1.

### **14.2 Information required by Listing Rule 10.13**

The following information is provided in accordance with Listing Rule 10.13 to enable Unitholders to assess the merits of Resolution 13 for the purposes of Listing Rule 10.11:

- (a) Name of the persons who will receive securities

The Units will be issued to the Stuart Brown Group (or its nominees).

(b) Maximum number of securities to be issued

The maximum number of securities to be issued to the Stuart Brown Group (or its nominees) is approximately 26,800 Units.

(c) Date by which securities will be issued

Listing Rule 10.13.3 requires that any securities issued pursuant to Unitholder approval under Listing Rule 10.11 must be issued within 1 month of the meeting at which approval was obtained.

(d) Relationship requiring Unitholder approval

Stuart Brown is a Related Party of BWR for the purpose of Listing Rules 10.11 as he is a Director of the Responsible Entity. The other members of the Stuart Brown Group are either family members or controlled by Stuart Brown as listed in Schedule 1.

(e) Issue price of the securities

The Units will be issued at an issue price of approximately \$1.53 each. The final price will be determined by the NTA at completion of the Kirela and BQT Transactions (see section 1.7 above).

(f) Terms of the issue of the securities

The Units will be fully paid ordinary Units in BWR issued on the same terms and conditions as the existing Units on issue.

(g) Use of (or intended use of) the funds raised

The Units are being issued in consideration for the acquisition of 3,510 BQT Units. Consequently, no funds are being raised by the issue of the Units.

### **14.3 Corporation Act requirements**

Section 208 of the Corporations Act provides that a listed trust cannot give a “financial benefit” (including an issue of Units) to a “related party” of the trust unless one of the exceptions set out in section 210 to 216 of the Corporations Act apply or the holders of ordinary securities have approved the giving of the financial benefit to the related party at a general meeting.

The Stuart Brown Group is a Related Party of BWR. Consequently, the consideration proposed to be provided to the Stuart Brown Group constitutes the giving of a financial benefit to a Related Party of BWR for the purposes of section 208 of the Corporations Act.

Completion of the acquisition of the Stuart Brown Group’s BQT Units will occur within 1 month of the meeting at which approval was obtained. The Corporations Act requires that BWR give the financial benefit within 15 months following the approval of Resolution 13.

### **14.4 Directors’ recommendation**

Stuart Brown has a material personal interest in Resolution 13 and so does not make any recommendation to Unitholders with respect to any of that Resolution.

The Directors other than Stuart Brown recommend that Unitholders vote in favour of Resolution 13.



The Chair intends to exercise all available proxies in favour of Resolution 13.

## **15. Resolution 14 – Issue of Units to the Tim Brown Group in consideration for BQT Units (Listing Rule 10.11 and section 208 Corporations Act)**

### **15.1 Listing Rules information requirements**

Listing Rule 10.11 provides that an entity must not issue or agree to issue, without equityholder approval, any equity securities, or other securities with rights to conversion to equity, to either a Related Party, or to any other person whose relationship to the entity is such that in ASX's opinion, equityholder approval should be obtained.

As set out in Section 1.3, the Tim Brown Group are Related Parties for the purpose of Listing Rule 10.11.

In addition, the effect of passing Resolution 14 will be to allow BWR to issue approximately 261,911 Units to the Tim Brown Group (or their nominees) without using up BWR's 15% placement capacity under Listing Rule 7.1 and provide BWR with flexibility during the next 12 month period to issue further equity securities in order to raise capital if required.

If Resolution 14 is approved for the purposes of Listing Rule 10.11, then approval is not required under Listing Rule 7.1.

### **15.2 Information required by Listing Rule 10.13**

The following information is provided in accordance with Listing Rule 10.13 to enable Unitholders to assess the merits of Resolution 14 for the purposes of Listing Rule 10.11:

(a) Name of the persons who will receive securities

The Units will be issued to the Tim Brown Group (or its nominees).

(b) Maximum number of securities to be issued

The maximum number of securities to be issued to the Tim Brown Group (or its nominees) is approximately 288,102 Units.

(c) Date by which securities will be issued

Listing Rule 10.13.3 requires that any securities issued pursuant to Unitholder approval under Listing Rule 10.11 must be issued within 1 month of the meeting at which approval was obtained.

(d) Relationship requiring Unitholder approval

Tim Brown is a Related Party of BWR for the purpose of Listing Rules 10.11 as he is a Director of the Responsible Entity. The other members of the Tim Brown Group are either family members or controlled by Tim Brown as listed in Schedule 1.

(e) Issue price of the securities

The Units will be issued at an issue price of approximately \$1.53 each. The final price will be determined by the NTA at completion of the Kirela and BQT Transactions (see section 1.7 above).

- (f) Terms of the issue of the securities

The Units will be fully paid ordinary Units in BWR issued on the same terms and conditions as the existing Units on issue.

- (g) Use of (or intended use of) the funds raised

The Units are being issued in consideration for the acquisition of 37,804 BQT Units. Consequently, no funds are being raised by the issue of the Units.

### **15.3 Corporation Act requirements**

Section 208 of the Corporations Act provides that a listed trust cannot give a “financial benefit” (including an issue of Units) to a “related party” of the trust unless one of the exceptions set out in section 210 to 216 of the Corporations Act apply or the holders of ordinary securities have approved the giving of the financial benefit to the related party at a general meeting.

The Tim Brown Group is a Related Party of BWR. Consequently, the consideration proposed to be provided to the Tim Brown Group constitutes the giving of a financial benefit to a Related Party of BWR for the purposes of section 208 of the Corporations Act.

Completion of the acquisition of the Tim Brown Group’s BQT Units will occur within 1 month of the meeting at which approval was obtained. The Corporations Act requires that BWR give the financial benefit within 15 months following the approval of Resolution 14.

### **15.4 Directors’ recommendation**

Tim Brown has a material personal interest in Resolution 14 and so does not make any recommendation to Unitholders with respect to any of that Resolution.

The Directors other than Tim Brown recommend that Unitholders vote in favour of Resolution 14.

The Chair intends to exercise all available proxies in favour of Resolution 14.

## **16. Resolution 15 – Issue of Units to the Unrelated Vendors – BQT Acquisition**

### **16.1 Background**

Under the BQT Acquisition, BWR has undertaken to pay the Unrelated Vendors for their BQT Units by Units (see Section 1.4 above) based on an NTA valuation of BQT of \$10.60 per unit. Accordingly, the Company has undertaken to issue to the Unrelated Vendors 13,972,050 BWR Units.

Resolution 15 seeks Unitholder approval for the purpose of Listing Rule 7.1, of the issue of those Units to the Unrelated Vendors.

### **16.2 Listing Rules information requirements**

Listing Rule 7.1 provides, in summary, that a listed entity may not issue equity securities in any 12 month period which exceeds 15% of the number of issued securities of the entity held at the beginning of the 12 month period, except with the prior approval of equityholders of the entity in general meeting of the precise terms and conditions of the proposed issue.

The effect of Resolution 15 if passed, will be that the issue of approximately 13,972,050 Units to the Unrelated Vendors (or their nominees) will be exempt from the 15% limit under Listing Rule 7.1 and provide the Company with flexibility during the next 12 month period to issue further equity securities in order to raise capital if required.

In accordance with Listing Rule 7.3, the following details are provided in relation to Resolution 15:

(a) Maximum number of securities to be issued

The maximum number of securities to be issued pursuant to Resolution 15 is 15,370,000 Units.

(b) Date by which securities will be issued

Listing Rule 7.3.2 requires that any securities issued pursuant to Unitholder approval under Listing Rule 7.1 must be issued within 3 months of the meeting at which approval was obtained.

The Units will be issued on a single date within 3 months of the date of the Meeting, (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).

(c) Issue price of the securities

The Units will be issued at a deemed issue price of approximately \$1.53 each. The final price will be determined by the NTA at completion of BWR and BQT – however, the Units will be issued at a price that is at least 80% of the volume weighted average market price for the Units, calculated over the 5 days on which sales in the Units were recorded before the day on which the issue was made (see section 1.7 above).

(d) Name of the recipients of the securities

The recipients of the securities will be the approximately 370 Unrelated Vendors who receive Units as consideration for their BQT Units. The Unrelated Vendors are all the Vendors other than the Related BQT Vendors. There are approximately 370 Unrelated Vendors.

(e) Terms of the securities

Each of the Units will be fully paid ordinary Units in BWR issued on the same terms and conditions as the existing Units on issue.

(f) Use of (or intended use of) the funds raised

The Units are being issued in consideration for the acquisition of approximately 1,302,000 BQT Units. Consequently, no funds are being raised by the issue of the Units.

### **16.3 Directors' recommendation**

The Directors unanimously recommend Unitholders vote in favour of Resolution 15.

The Chair intends to exercise all available proxies in favour of Resolution 15.

## **17. Resolution 16 – Acquisition of PBT Units from BWF**

### **17.1 Background**

Unitholder approval for the purpose of Listing Rule 10.1 and section 208 of the Corporations Act is required for BWR to complete the acquisition of approximately 6.47 million PBT Units for a total of \$10.36 million cash from BWF as part of the PBT Acquisition. Resolution 16 seeks this Unitholder approval. The funds will be provided from cash reserves following the Kirela Acquisition.

The PBT Acquisition is subject to approval by BlackWall shareholders at the meeting of shareholders which will immediately follow this general meeting.

### **17.2 Listing Rules information requirements**

Listing Rule 10.1 provides that the approval of holders of an entity's ordinary securities is required where an entity or its subsidiaries proposes to, or agrees to, dispose of or acquire, a "substantial asset" from among others, a Related Party of the entity, and any person whose relationship to the entity is such that, in ASX's opinion, the transaction should be approved by the holders of the entity's ordinary securities.

Chapter 2E of the Corporations Act covers 'related party benefits', designed to protect the interests of members as a whole, by requiring member approval before giving financial benefits (section 207 of the Corporations Act). Section 208 requires that member approval must be obtained before giving a financial benefit to a director or related party, or the benefit must fall within an exception set out in sections 210 - 216. The exception in section 210 provides that where any benefit would be reasonable in the circumstances if the entity and the director/related party were dealing at arm's length, or the terms are less favourable to the director/ related party than those terms, then member approval is not required.

The Directors have formed the view that the financial benefit proposed to be given under this Resolution would be reasonable in the circumstances if BWR and the director/related party were dealing at arm's length and that no additional approval is required under section 207 of the Corporations Act.

#### ***Substantial asset***

An asset is a "substantial asset" if its value, or the value of the consideration for it, is 5% or more of the equity interests of the entity as set out in the latest accounts of the relevant company given to ASX under the Listing Rules

BWR's annual report for the period ending 31 December 2018 (as lodged with ASX on 26 February 2019) shows that its total equity position was approximately \$154,954,000. Five percent of this amount is \$7,747,700, being 5,063,857 Units, based on an issue price of \$1.53 per Unit, being equal to the pro-forma BWR NTA at completion of the Transactions as set out above.

The consideration to be paid to BWF for its approximately 6,475,000 PBT Units, being approximately \$10.36 million, exceeds 5% of the equity interests of the BWR as set out in the latest accounts given to ASX under the Listing Rules. Consequently, the PBT Acquisition will result in the acquisition of a substantial asset from BWF.

#### ***Related Parties***

BWF is a Related Party of BWR for the purpose of Listing Rule 10.1 as it is the parent company of BWR's Responsible Entity.

#### ***Requirement for Unitholder approval***

On the basis of the above conclusions, the completion of the PBT Transaction will result in the acquisition of a substantial asset from a Related Party of BWR. Consequently, Resolution 16 seeks Unitholder approval of the acquisition for the purpose of Listing Rule 10.1.

In the event that Unitholders do not approve Resolution 16, the purchase of the PBT Units will not proceed.

### **When will the completion of the transaction/acquisition occur**

Completion of the PBT Sale is expected to occur not less than 28 days after Resolution 16 is approved.

### ***Independent Expert's Report***

In accordance with the requirements of Listing Rule 10.10.2, BWR has commissioned Shine Wing to provide the Independent Expert's Report on the Transactions.

The Independent Expert's Report sets out a detailed examination of the Transactions to enable Unitholders to assess the merits of, and decide whether or not to approve, Resolution 16.

To the extent that it is appropriate, the Independent Expert's Report sets out further information in respect of the Transactions and concludes that **the Transactions are fair and reasonable to the Unitholders who are not associated with BWF.**

Unitholders are encouraged to read carefully the Independent Expert's Report so as to understand its scope, the methodology of the assessment, the sources of information and the assumptions made.

The Independent Expert's Report is set out in **Annexure A** to this Explanatory Statement.

The Independent Expert's Report is also available on BWR's website ([www.blackwall.com.au](http://www.blackwall.com.au)), and if requested by a Unitholder, BWR will send to the Unitholder a hard copy of the Independent Expert's Report at no cost.

## **17.3 Corporation Act requirements**

Section 208 of the Corporations Act provides that a listed trust cannot give a "financial benefit" to a "related party" of the trust unless one of the exceptions set out in section 210 to 216 of the Corporations Act apply or the holders of ordinary securities have approved the giving of the financial benefit to the related party at a general meeting.

BWF is a Related Party of BWR for the purpose of section 208 of the Corporations Act as it is the parent company of BWR's Responsible Entity. Consequently, the payment of \$10.36m cash constitutes the giving of a financial benefit to a Related Party of BWR for the purposes of section 208 of the Corporations Act.

The Corporations Act requires that BWR give the financial benefit within 15 months following the approval of Resolution 16.

## **17.4 Directors' recommendation**

Each of the Directors of BWR is also a director of BWF. Other than as Directors or as ordinary security holders in BWR and BWF, the Directors do not hold any interest in the outcome of the proposed Resolution 16.

The Directors recommend that Unitholders vote in favour of Resolution 16.

The Chair intends to exercise all available proxies in favour of Resolution 16.

## **18. Resolution 17 – Acquisition of FV Units from BWF**

### **18.1 Background**

Unitholder approval for the purpose of section 208 of the Corporations Act is required for BWR to complete the acquisition of all of the FV Units on issue for a total of \$2.68 million cash from BWF as part of the FV Acquisition. Resolution 17 seeks this Unitholder approval. The funds will be provided from cash reserves following the Kirela Acquisition.

The FV Acquisition is subject to approval by BlackWall shareholders at the meeting of shareholders which will immediately follow this general meeting.

### **18.2 Corporation Act requirements**

Section 208 of the Corporations Act provides that a listed trust cannot give a “financial benefit” to a “related party” of the trust unless one of the exceptions set out in section 210 to 216 of the Corporations Act apply or the holders of ordinary securities have approved the giving of the financial benefit to the related party at a general meeting.

BWF is a Related Party of BWR for the purpose of section 208 of the Corporations Act as it is the parent company of BWR’s Responsible Entity. Consequently, the payment of \$2.68m cash constitutes the giving of a financial benefit to a Related Party of BWR for the purposes of section 208 of the Corporations Act.

In the event that Unitholders do not approve Resolution 17, the purchase of the FV Units will not proceed.

Completion of the FV Acquisition is expected to occur not less than 28 days after Resolution 17 is approved. The Corporations Act requires that BWR give the financial benefit within 15 months following the approval of Resolution 17.

### **18.3 Directors’ recommendation**

Each of the Directors of BWR is also a director of BWF. Other than as Directors or as ordinary security holders in BWR and BWF, the Directors do not hold any interest in the outcome of the proposed Resolution.

The Directors recommend that Unitholders vote in favour of Resolution 17.

The Chair intends to exercise all available proxies in favour of Resolution 17.

## Glossary

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In this Notice and Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

<b>Announcement Date</b>	Means the date that this Notice of Meeting is uploaded to the ASX market announcement platform.
<b>Associate</b>	Has the meaning set out in the Listing Rules and, in Sections 3 and 11, has the meaning described in Section 3.4 and 11.4 and as otherwise defined in the Corporations Act.
<b>ASX</b>	ASX Limited ACN 008 624 691.
<b>ASX Business Day</b>	Has the meaning given to the term “business day” in the Listing Rules.
<b>Bakehouse Management</b>	Has the meaning given in section 1.3.
<b>Bakehouse Quarter</b>	The property owned by Kirela in North Strathfield referred to in a Contract for the sale and purchase of land between Kirela and Austrump North Strathfield One Pty Ltd dated 28 September 2018.
<b>Bakehouse Quarter Sale</b>	Means the sale of the Bakehouse Quarter, as announced by BWR on the ASX.
<b>BQT Acquisition</b>	The acquisition of BQT Units described in section 1.4.
<b>BQT Resolutions</b>	Resolutions 11 - 15.
<b>BQT Units</b>	Ordinary units in the Bakehouse Quarter Trust.
<b>BWF or BlackWall</b>	BlackWall Limited ACN 146 935 131.
<b>BWR</b>	BlackWall Property Trust ARSN 109 684 773, the responsible entity of which is the Company.
<b>BWR Unit or Unit</b>	Ordinary unit in BWR.
<b>Board</b>	Board of Directors of the Company.
<b>Business Day</b>	A day that is not a Saturday, Sunday or any other day which is a public holiday or a bank holiday in Western Australia.
<b>Chair</b>	The chair of the Meeting.
<b>Company</b>	BlackWall Fund Services Limited ABN 68 450 446 692.
<b>Condition Precedent</b>	The completion of the Bakehouse Quarter Sale, and more fully described in the Agenda of this document.

<b>Constitution</b>	The Company's constitution.
<b>Corporations Act</b>	Corporations Act 2001 (Cth).
<b>Director</b>	A director of the Company.
<b>Explanatory Statement</b>	This explanatory statement which accompanies and forms part of the Notice of General Meeting.
<b>FV Acquisition</b>	The acquisition of all the FV Units on issue described in section 1.7.
<b>FV Resolution</b>	Resolution 17.
<b>FV Unit</b>	A unit in the trust which owns the real property located at 84a Brunswick Street, Fortitude Valley, Brisbane, Queensland.
<b>General Meeting or Meeting</b>	The General Meeting of Unitholders of BWR or any adjournment thereof, convened by the Notice.
<b>GFC</b>	2007 - 2008 global financial crisis.
<b>Glew Group</b>	<p>Seph Glew and:</p> <ul style="list-style-type: none"> <li>• in relation to the Kirela Resolutions, those persons listed as Seph Glew's Related Kirela Vendors in part B(i) of schedule 1;</li> <li>• in relation to the BQT Resolutions, those persons listed as Seph Glew's Related BQT Vendors in part B(ii) of schedule 1; and</li> <li>• in relation to Resolution 2, those persons listed as Seph Glew's Section 611 Associates in part B(iii) of schedule 1.</li> </ul>
<b>Hill Group</b>	Richard Hill and those persons listed as Richard Hill's Related Kirela Vendors in part B of schedule 1.
<b>Kirela</b>	Kirela Pty Limited ACN 079 721 127 as trustee for the Kirela Development Unit Trust.
<b>Kirela Acquisition</b>	The acquisition of Kirela Units described in section 1.3.
<b>Kirela Resolutions</b>	Resolutions 1, 3, 4, 5, 6, 7, 8 and 9.
<b>Kirela Unit</b>	Ordinary unit in Kirela.
<b>Listing Rules</b>	The listing rules of ASX, as amended from time to time.
<b>NTA</b>	Net tangible assets.
<b>Notice or Notice of General Meeting</b>	The notice of General Meeting which accompanies the Explanatory Statement.



<b>Option</b>	An option to acquire a Unit.
<b>PBT</b>	Pymont Bridge Trust.
<b>PBT Acquisition</b>	The acquisition of PBT Units described in section 1.6.
<b>PBT Resolution</b>	Resolution 16.
<b>PBT Units</b>	Ordinary units in PBT.
<b>Pelorus</b>	Pelorus Private Equity Limited ACN 091 209 639.
<b>Pelorus Restructure</b>	Has the meaning given in section 11.1(a).
<b>Proxy Form</b>	The proxy form accompanying the Notice.
<b>Related Body Corporate</b>	Has the meaning given to that term in the Corporations Act.
<b>Related Party</b>	Has the meaning given to it in the Listing Rules.
<b>Related BQT Vendors</b>	As described in Part B(ii) of Schedule 1.
<b>Related Kirela Vendors</b>	As described in Part B(i) of Schedule 1.
<b>Relevant Interest</b>	As defined in the Corporations Act 2001 (Cth).
<b>Resolution</b>	A resolution set out in the Notice.
<b>Responsible Entity</b>	The Company.
<b>Security</b>	A Unit or an Option.
<b>Seph Glew</b>	Joseph Raymond Glew.
<b>Stuart Brown Group</b>	<p>Stuart Brown and:</p> <ul style="list-style-type: none"> <li>• in relation to the Kirela Resolutions, those persons listed as Stuart Brown's Related Kirela Vendors in part 2 of schedule 1; and</li> <li>• in relation to the BQT Resolutions, those persons listed as Stuart Brown's Related BQT Vendors in part 2 of schedule 1.</li> </ul>

<b>Tedder Group</b>	<p>Robin Tedder and:</p> <ul style="list-style-type: none"> <li>• in relation to the Kirela Resolutions, those persons listed as Robin Tedder's Related Kirela Vendors in part B(i) of schedule 1; and</li> <li>• in relation to the BQT Resolutions, those persons listed as Robin Tedder's Related BQT Vendors in part B(ii) of schedule 1.</li> </ul>
<b>Tim Brown Group</b>	<p>Tim Brown and:</p> <ul style="list-style-type: none"> <li>• in relation to the Kirela Resolutions, those persons listed as Tim Brown's Related Kirela Vendors in part 2 of schedule 1; and</li> <li>• in relation to the BQT Resolutions, those persons listed as Tim Brown's Related BQT Vendors in part 2 of schedule 1.</li> </ul>
<b>Tresidder Group</b>	Has the meaning given in part B(iv) of Schedule 1.
<b>Unitholder</b>	A registered holder of a Unit.
<b>Transaction</b>	A transaction described in section 1.2 and 'Transactions' means all of them.
<b>Unrelated Vendor</b>	<p>In relation to:</p> <ul style="list-style-type: none"> <li>• the Kirela Acquisition, a Vendor other than the Related Kirela Vendors</li> <li>• the PBT Acquisition, a Vendor other than the Related PBT Vendors</li> <li>• in relation to the BQT Acquisition, a Vendor other than the Related BQT Vendors.</li> </ul>
<b>Vendor</b>	A Vendor of Kirela Units, BQT Units or PBT Units as set out in Schedule 1.
<b>Voting Power</b>	Has the meaning given in the Corporations Act.

**Part A**

The directorships of the individuals listed in this schedule are set out in the table below.

Name	BWF	Responsible Entity	Kirela
Richard Hill	✓	✓	
Seph Glew	✓	✓	✓
Robin Tedder	✓	✓	✓
Stuart Brown	✓	✓	✓
Tim Brown	✓	✓	
Paul Tresidder			✓

*Note: The Responsible Entity is the trustee of both BWR and BQT and is a wholly owned subsidiary of BWF.*

**Part B: Related Vendors**

Director (Related Party)	Associate controlled by Director	Number of units to be sold to BWR
<b>(i) Related Kirela Vendors</b>		
<b>Richard Hill</b>	Mr Richard Hill & Mrs Evelyn Hill <Richard Hill Super Fund A/c>	9,367
	Tampopo Pty Ltd <The Hill Family Trust A/c>	10,852
<b>Seph Glew</b>	Sao Investments Pty Ltd	33,927
	Seno Management Pty Ltd <Tapia>A/c>	20,469
	PRSC Pty Ltd	10,000
	Jagar Holdings Pty Ltd	66,000
<b>Robin Tedder</b>	Koonta Pty Ltd <Koonta Superannuation Fund A/c>	20,490
	Rayblake Pty Ltd	1,615
	Vintage Capital Pty Ltd	64,176
<b>Stuart Brown</b>	Frogstorm Pty Ltd <Rockahula A/c>	6,587
<b>(ii) Related BQT Vendors</b>		
<b>Seph Glew</b>	Mrs Nona Ann Glew	13,158
	Ms Sophie May Glew	13,158
	Estate of Ms Elizabeth Glew	545
<b>Robin Tedder</b>	Koonta Pty Ltd <Tedder Family Trust A/c>	1,052
	Mr Benjamin Tedder	19,185
	Mr Benjamin and Mrs Danielle Tedder	2,947
	Mr Christopher Tedder	11,531
	Ms Jacqueline Christine Tedder	10,526
<b>Stuart Brown</b>	Frogstorm Pty Ltd <Bossanova Super Fund A/c>	3,510
<b>Tim Brown</b>	Frolic Events Pty Limited <The Revelry Super Fund A/C>	14,808
	Mrs Laura Brown	22,996
<b>(iii) Section 611 Associates</b>		
<b>Seph Glew*</b>	Alerik Pty Ltd <The Alerik Unit A/C>	
	SAO Investments Pty Ltd	
	Seno Management Pty Ltd <Taipa A/C>	
	Seno Management Pty Ltd <Seno S/F A/C>	
	Mrs Nona Glew	
	PRSC Pty Ltd	
	Jagar Holdings Pty Ltd	
	Pelorus Private Equity Limited	

**(iv) \* Tresidder Group** means Paul Tresidder and the following entities:

- Hollia Pty Ltd;

- SAO Investments Pty Ltd;
- Lymkeesh Pty Limited <Employees Super Fund A/C>;
- Lymkeesh Pty Limited;
- Alerik Pty Ltd <The Alerik Unit A/C>; and
- PRSC Pty Ltd.

**NOTE: \* None of the entities listed in Schedule 1 Part B are Associates of an individual except those parties listed in parts (iii) and (iv).**

**Part C: Directors' relevant interests in BWR pre and post Transactions**

As at 28 February 2019			Post Transactions based on pre-existing holding at 28 February 2019		
Entity	Holding (units)	Holding (%)	Entity	Holding (units)	Holding (%)
<b>Richard Hill</b>					
Richard Hill & Evelyn Hill <Richard Hill Super Fund A/C>	354,901	0.5%	Richard Hill & Evelyn Hill <Richard Hill Super Fund A/C>	3,227,489	2.0%
Tampopo Pty Ltd <The Hill Family A/C>	308,138	0.5%	Tampopo Pty Ltd <The Hill Family A/C>	2,787,638	1.7%
	663,039	1.0%		6,015,127	3.7%
<b>Seph Glew</b>					
Alerik Pty Ltd <The Alerik Unit A/C>	1,925,000	2.9%	Alerik Pty Ltd <The Alerik Unit A/C>	1,925,000	1.2%
SAO Investments Pty Ltd	2,000,000	3.0%	SAO Investments Pty Ltd	9,657,147	6.0%
Seno Management Pty Ltd <Taipa A/C>	4,900,000	7.4%	Seno Management Pty Ltd <Taipa A/C>	4,900,000	3.0%
Seno Management Pty Ltd <Seno S/F A/C>	9,100	0.0%	Seno Management Pty Ltd <Seno S/F A/C>	9,100	0.0%
Mrs Nona Glew	16,971	0.0%	Mrs Nona Glew	108,131	0.1%
			PRSC Pty Ltd	2,647,059	1.6%
			Jagar Holdings Pty Ltd	17,470,588	10.8%
			Pelorus Private Equity Limited	10,253,805	6.3%
	8,851,071	13.3%		46,970,830	29.0%
<b>Robin Tedder</b>					
Vintage Capital Pty Limited	3,510,000	5.3%	Vintage Capital Pty Limited	12,556,588	7.7%
Koonta Pty Ltd <Koonta Super Fund Account>	1,041,621	1.6%	Koonta Pty Ltd <Koonta Super Fund Account>	1,041,621	0.6%
Koonta Pty Ltd <The Tedder Family A/C>	800,227	1.2%	Koonta Pty Ltd <The Tedder Family A/C>	807,516	0.5%
Rayblake Pty Ltd	51,275	0.1%	Rayblake Pty Ltd	478,775	0.3%
Robin John Tedder <Alexander William Tedder A/C>	2,000	0.0%	Robin John Tedder <Alexander William Tedder A/C>	2,000	0.0%
	5,405,123	8.1%		14,886,500	9.2%
<b>Stuart Brown</b>					
Frogstorm Pty Ltd <Rockahula A/C>	725,526	1.1%	Frogstorm Pty Ltd <Rockahula A/C>	1,211,261	0.7%
Frogstorm Pty Ltd <Bossanova Superfund A/C>	249,778	0.4%	Frogstorm Pty Ltd <Bossanova Superfund A/C>	274,096	0.2%
Stuart Ernest Nicholas Brown <Milla Brown A/C>	900	0.0%	Stuart Ernest Nicholas Brown <Milla Brown A/C>	900	0.0%
Stuart Ernest Nicholas Brown <Otto Brown A/C>	900	0.0%	Stuart Ernest Nicholas Brown <Otto Brown A/C>	900	0.0%
	977,104	1.5%		1,487,157	0.9%
<b>Tim Brown</b>					
Frolic Events Pty Ltd <The Revelry Superfund A/C>	70,099	0.1%	Frolic Events Pty Ltd <The Revelry Superfund A/C>	172,691	0.1%
Frolic Events Pty Ltd <Brown-Brown Family A/C>	250,000	0.4%	Frolic Events Pty Ltd <Brown-Brown Family A/C>	250,000	0.2%
Laura Lucinda Brown	29,659	0.0%	Laura Lucinda Brown	188,978	0.1%
	349,758	0.5%		611,669	0.4%

**Part D: Other substantial holders' relevant interests in BWR pre and post Transactions**

As at 28 February 2019			Post Transactions based on pre-existing holding at 28 February 2019		
Entity	Holding (units)	Holding (%)	Entity	Holding (units)	Holding (%)
<b>Paul Tresidder</b>					
Hollia Pty Ltd	200,000	0.3%	Hollia Pty Ltd	13,435,294	8.3%
SAO Investments Pty Ltd	2,000,000	3.0%	SAO Investments Pty Ltd	9,657,147	6.0%
Lymkeesh Pty Limited <Employees Super Fund A/C>	1,459,914	2.2%	Lymkeesh Pty Limited <Employees Super Fund A/C>	1,459,914	0.9%
Lymkeesh Pty Limited	397,595	0.6%	Lymkeesh Pty Limited	397,595	0.2%
Alerik Pty Ltd <The Alerik Unit A/C>	1,925,000	2.9%	Alerik Pty Ltd <The Alerik Unit A/C>	1,925,000	1.2%
			PRSC Pty Ltd	2,647,059	1.6%
			Pelorus Private Equity Limited	10,253,805	6.3%
	5,982,509	9.0%		39,775,814	24.5%
<b>BlackWall Limited</b>					
BlackWall Fund Services Limited	10,801,138	16.2%	BlackWall Fund Services Limited	10,801,138	6.7%
			Bakehouse Management Pty Limited	552,441	0.3%
	10,801,138	16.2%		11,353,579	7.0%
<b>Pelorus Private Equity Limited</b>					
Pelorus Private Equity Limited	10,253,805	15.4%	Pelorus Private Equity Limited	10,253,805	6.3%
	10,253,805	15.4%		10,253,805	6.3%

## Annexure A

# Independent Experts Report

The Independent Expert's opinion is that of the proposed Transactions on which they were required to opine, Resolutions 1, 2(a), 2(b), 3, 4, 5, 6, 7, 8, 10(a) and 10(b) are not fair but reasonable to non-Associated Unitholders, and Resolution 16 is fair and reasonable to non-Associated Unitholders.

Note that the Independent Expert's Report is not required in relation to the BQT Acquisition (Resolutions 11-15) or the FV Acquisition (Resolution 17). However, the Independent Expert's Report does include consideration of the impact of the BQT Acquisition on the value of BWR units. The Independent Expert's fairness assessment of the Transactions excludes the FV Acquisition.



29 March 2019

The Independent Board Committee  
BlackWall Funds Services Limited as responsible entity for  
BlackWall Property Trust  
Level 1, 50 Yeo Street  
NEUTRAL BAY NSW 2089

Dear Sirs

## Independent Expert's Report

### Introduction

This Independent Expert's Report (the "**IER**" or the "**Report**") has been prepared to accompany the Notice of General Meeting and Explanatory Memorandum ("**NOM**") to unitholders for the General Meeting of BlackWall Property Trust ("**BWR**" or the "**Trust**") to be held on or around 10 May 2019. At that meeting unitholder approval will be sought for a series of transactions announced on 13 November 2018, as set out below and in the NOM:

1. Acquisition of units in the "Kirela Development Trust ("**Kirela Acquisition**")"
2. Acquisition of units in the Pyrmont Bridge Trust ("**PBT Acquisition**") from BlackWall Funds Limited ("**BWF**") and
3. Acquisition of units in the Bakehouse Quarter Trust ("**BQT Acquisition**").

The Directors of BlackWall Fund Services Limited ("**Responsible Entity**" or "**RE**"), as responsible entity for BWR has engaged ShineWing Australia Corporate Finance Pty Ltd ("**SWA**") to prepare an IER to express an opinion as to whether the Kirela Acquisition and PBT Acquisition (hereafter collectively referred to as the "**Proposed Transactions**") are fair and reasonable to BWR unitholders not associated with the Proposed Transactions ("**the Non-Associated Unitholders**" or "**Unitholders**"). We have had regard to Regulatory Guide 111 Content of Expert Reports ("**RG111**"), in our assessment of the fairness and reasonableness of the Proposed Transactions.

Certain investors in Kirela are also Directors of the RE and are therefore considered related parties to the Kirela Acquisition. In addition, BWF is the parent entity of the RE and therefore considered a related party for the purpose of the PBT Acquisition.

As set out in Section 2 of the Report, our IER is required for the purpose of both ASX Listing Rule 10.1 and section 611 ("**s611**") of the Corporations Act.

We note that a separate independent expert's report is not required in relation to the BQT Acquisition, however, our fairness assessment for the Proposed Transactions under the Corporations Act requirements includes consideration of the impact of the BQT Acquisition on the value of BWR units. (Refer section 9).

The Proposed Transactions are all conditional upon the completion of the Bakehouse Quarter Sale to YUHU Group ("**YUHU**") as previously announced to BWR unitholders. We have therefore assumed that the Bakehouse Quarter Sale will be settled on 18 April 2019 ("**Transaction Date**") when

evaluating whether the Proposed Transactions are, as a whole, fair and reasonable to Non-Associated Unitholders.

# 1. Summary and conclusion – Kirela Acquisition s611 Corporations Act and ASX Listing Rule 10.1

**We have considered the terms of the Kirela Acquisition, as outlined in Section 1 of this Report and in the NOM, and have concluded that the Kirela Acquisition, is NOT FAIR but REASONABLE to the Non-Associated Unitholders of BWR.**

Our assessment applies to the following resolutions:

- Resolution 1
- Resolution 2(a) and 2(b)
- Resolution 3
- Resolution 4
- Resolution 5
- Resolution 6
- Resolution 7
- Resolution 8
- Resolution 10(a) and 10(b)

## **Fairness Assessment**

Details of the basis of our assessment of the Kirela Acquisition are set out in Section 2.4 of the Report. We have formed our opinion in relation to the fairness of the Kirela Acquisition by a comparison of:

- The fair market value of BWR units prior to the Kirela Acquisition on a controlled basis; and
- The fair market value of BWR units post the Kirela Acquisition (and considering the impact of all the Proposed Transactions) on a non-controlling basis.

The result of our fairness analysis is summarised below.

**Table 1 – Fairness assessment**

	Ref	\$
BWR NTA value per unit Pre Proposed Transactions on a controlled basis	8.1.3	1.53
BWR NTA value per unit Post Proposed Transactions (minority holding)	9.3	1.45

Source: SWA analysis

Following our assessment above, we have concluded that as a whole, the Kirela Acquisition is not fair to BWR Unitholders. Our opinion is based solely on information available at the date of this Report as detailed in Appendix B.

The principal factors that we have taken into account in forming our opinion are set out in our Report.

## **Reasonableness Assessment**

Pursuant to Regulatory Guide 111 (“**RG 111**”), an offer may be reasonable if, despite not being fair, after considering other significant factors, the expert is of the view that there are sufficient reasons for shareholders to approve the Kirela Acquisition. In assessing the reasonableness of the Kirela Acquisition we have also considered the potential impact of all the Proposed Transactions contemplated in the NOM and the following advantages, disadvantages and other factors.

Advantages	
No impact on NTA per unit	The Proposed Transactions do not dilute BWR's NTA per unit value.
Cost effective capital raise	The structure of the Proposed Transactions is such that it results in a cost-effective way to raise capital in BWR in the current market.
Increase in units on issue	As a result of the Proposed Transactions there will be an increase in the number of units on issue in BWR. This may increase the market liquidity of BWR units for Unitholders.
Increase in market capitalisation	The market capitalisation of BWR will increase from \$103 million to approximately \$223 million if the Proposed Transactions are approved. An increase in market capitalisation may raise the profile of BWR and in turn increase liquidity in BWR units.
Decrease in debt ratio	If the Proposed Transactions are approved the debt to total gross asset value of BWR will decrease from 43% to 34%. This is advantageous as lower debt levels may be seen to lower the risk profile of BWR.
Disadvantages	
It is not fair	A disadvantage of the Kirela Acquisition is that the consideration paid for BWR units on a control basis is not fair.
Increase in Director's interest in BWR	If the Proposed Transactions are approved the level of Director's interest in BWR will increase. This may be viewed as a disadvantage to Non-Associated Unitholders. We note that prior to the Proposed Transactions Directors and Director related entities already hold a significant interest in BWR units.
Increase in control of Glew Group and Tressider Group	If the Proposed Transactions are approved the voting power of the Glew Group and Tressider Group will be 28.7% and 24.3% respectively. This represents a significant controlling voting block which will decrease BWR Unitholders ability to influence the future direction of BWR.
Decrease in earnings per unit	If the Proposed Transactions are approved BWR will hold significant cash. Until this is reinvested into higher yielding assets it may decrease earnings per BWR unit for Unitholders.

Following our assessment above, we have concluded that as a whole, the Kirela Acquisition is reasonable.

**Accordingly, we have concluded that the Kirela Acquisition as a whole is NOT FAIR BUT REASONABLE to the Non-Associated Unitholders.**

## 2. Summary and conclusion – PBT Acquisition ASX Listing Rule 10.1

**We have considered the terms of the PBT Acquisition, as outlined in Section 1 of this Report and in the NOM, and have concluded that the PBT Acquisition, is FAIR and REASONABLE to the Non-Associated Unitholders of BWR.**

Our assessment of the PBT Acquisition applies to the following resolution:

- **Resolution 16**

### Fairness Assessment

Details of the basis of our assessment of the Proposed Transactions are set out in Section 2.4 of the Report. We have formed our opinion in relation to the fairness of the PBT Acquisition for ASX Listing Rule 10.1 by a comparison of:

- the fair market value of PBT units acquired, and
- the cash consideration offered by BWR.

The PBT Acquisition will be fair if the consideration offered by BWR is equal to or less than the assets acquired by BWR.

The result of our fairness analysis is summarised below.

**Table 2 – Fairness assessment**

	Ref	Valuation per unit	No. of ordinary units	\$
Fair market value of equity interest of PBT owned by BWF	7	1.60	6,475,000	10,360,000
<b>Total equity interest of PBT to be acquired by BWR</b>				<b>10,360,000</b>
<b>Cash consideration paid by BWR</b>				<b>10,360,000</b>

Source: SWA analysis

Following our assessment above, we have concluded that as a whole, the PBT Acquisition is fair to BWR Unitholders for the purpose of ASX Listing Rule 10.1. Our opinion is based solely on information available at the date of this Report as detailed in Appendix B.

The principal factors that we have taken into account in forming our opinion are set out in our Report.

#### **Reasonableness Assessment**

Pursuant to Regulatory Guide 111 (“**RG 111**”), an offer may be reasonable if, despite not being fair, after considering other significant factors, the expert is of the view that there are sufficient reasons for shareholders to approve the PBT Acquisition. In assessing the reasonableness of the PBT Acquisition we have also considered the potential impact of all the Proposed Transactions contemplated in the NOM and the following advantages, disadvantages and other factors.

<b>Advantages</b>	
Fairness	As set out in Section 10 of our Report, the PBT Acquisition is fair to Unitholders. The consideration paid for the acquisitions is equal to the value of assets acquired.
No impact on NTA per unit	The Proposed Transactions do not dilute BWR's NTA per unit value.
Cost effective capital raise	The structure of the Proposed Transactions is such that it results in a cost-effective way to raise capital in BWR in the current market.
Increase in units on issue	As a result of the Proposed Transactions there will be an increase in the number of units on issue in BWR. This may increase the market liquidity of BWR units for Unitholders.
Increase in market capitalisation	The market capitalisation of BWR will increase from \$103 million to approximately \$223 million if the Proposed Transactions are approved. An increase in market capitalisation may raise the profile of BWR and in turn increase liquidity in BWR units.
Decrease in debt ratio	If the Proposed Transactions are approved the debt to total gross asset value of BWR will decrease from 43% to 34%. This is advantageous as lower debt levels may be seen to lower the risk profile of BWR.

Disadvantages	
Increase in Director's interest in BWR	If the Proposed Transactions are approved the level of Director's interest in BWR will increase. This may be viewed as a disadvantage to Non-Associated Unitholders. We note that prior to the Proposed Transactions Directors and Director related entities already hold a significant interest in BWR units.
Increase in control of Glew Group and Tressider Group	If the Proposed Transactions are approved the voting power of the Glew Group and Tressider Group will be 28.7% and 24.3% respectively. This represents a significant controlling voting block which will decrease BWR Unitholders ability to influence the future direction of BWR.
Decrease in earnings per unit	If the Proposed Transactions are approved BWR will hold significant cash. Until this is reinvested into higher yielding assets it may decrease earnings per BWR unit for Unitholders.

Following our assessment above, we have concluded that as a whole, the PBT Acquisition is reasonable.

**Accordingly, we have concluded that the PBT Acquisition as a whole is FAIR AND REASONABLE to the Non-Associated Unitholders.**

#### Other matters

ShineWing Australia Corporate Finance has prepared a Financial Services Guide ("FSG") in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

This Report has been prepared solely for the purpose of assisting the Non-Associated Unitholders in considering the merits of the Proposed Transactions. We do not assume any responsibility or liability to any party as a result of reliance on this Report for any other purpose.

The ultimate decision whether to approve the Proposed Transactions should be based on each Unitholder's assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If Unitholders are in doubt about the action they should take in relation the Proposed Transactions, or matters dealt with in this Report, Unitholders should seek their own independent professional advice.

This letter should be read in conjunction with the full text of our Report as attached including the appendices.

Yours faithfully

ShineWing Australia Corporate Finance Pty Ltd



Phillip Rundle  
Director

John Blight  
Director

## Financial Services Guide

We are required to issue to you, as a retail client, a Financial Service Guide (FSG). The FSG, dated 29 March 2019, is designed to assist retail clients in their use of the general financial product advice provided by ShineWing Australia Corporate Finance Pty Ltd ABN 13 068 744 114 ("**ShineWing Australia Corporate Finance**") as a corporate authorised representative (389399) of ShineWing Australia Wealth Pty Ltd ABN 34 006 341 386, Australian Financial Services License (AFSL) number 236556 ("**ShineWing Australia Wealth**"). This FSG contains information about:

1. Who we are, what our engagement is and who engaged our services;
2. The services we are authorised to provide under the AFSL held by ShineWing Australia Wealth;
3. Remuneration that we may receive in connection with the preparation of the general financial product advice;
4. Any relevant associations, relationships and or referrals arrangements;
5. Our internal and external complaints handling procedures and how you may access them;
6. The compensation arrangements that ShineWing Australia Wealth has in place;
7. Our privacy policy; and
8. Our contact details.

This FSG forms part of an Independent Expert's Report ("**Report**") which has been prepared for inclusion in a Notice of Meeting to Unitholders dated on or around 29 March 2019 prepared by BlackWall Funds Services Limited as responsible entity of BWR ("**Notice of Meeting**"). The purpose of the Notice of Meeting is to help you make an informed decision in relation to a financial product.

### 1) About us

ShineWing Australia Corporate Finance is a related entity of ShineWing Australia and independent member of ShineWing International Limited – members in principal cities throughout the world.

The general financial product advice in our Report is provided by ShineWing Australia Corporate Finance and not by ShineWing Australia which provide services primarily in the areas of audit, tax and business consulting.

ShineWing Australia Corporate Finance has been engaged by the Responsible Entity to issue a Report for inclusion in the Notice of Meeting

### 2) Financial services we are authorised to provide and our responsibility to you

We are authorised by ShineWing Australia Wealth to provide general financial product advice for securities only to retail and wholesale clients.

ShineWing Australia Wealth is responsible for the financial services we provide.

The Report contains only general financial product advice as it was prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice in the Report having regard to your circumstances and consider obtaining personal financial advice from an appropriately licensed person before you act on the general advice in the Report.

You should also consider all other parts of the Notice of Meeting before making any decision in relation to the financial product.

The Report has been prepared for the Independent Board Committee of BlackWall Fund Services Limited. You have not engaged us directly but have received a copy of the Report because you have been provided with a copy of the Notice of Meeting.

Neither ShineWing Australia Corporate Finance nor ShineWing Australia Wealth are acting for any person other than The BlackWall Fund Services Limited.

ShineWing Australia Corporate Finance and ShineWing Australia Wealth are responsible and accountable to you for ensuring there is a reasonable basis for the conclusions in the Report.

### 3) Fees, commission and other benefits we may receive

ShineWing Australia Corporate Finance charges fees for providing reports, which are agreed to upfront, and paid by, the entity who engages us to provide the report.

Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In this case, RE has agreed to pay us approximately \$60,000 for preparing the Report.

Except for the fees referred to above, neither ShineWing Australia, nor any of its directors, authorised representatives, employees, associates or related entities, received any pecuniary benefit, directly or indirectly, for or in connection with the provision of the Report. All employees receive a salary and bonus based on overall productivity and not linked to our opinions expressed in this Report.

Further details may be provided on request.

### 4) Associations, relationships and referrals

*The ShineWing Australia group, including ShineWing Australia, ShineWing Australia Corporate Finance and ShineWing Australia Wealth are members of ShineWing International Limited, consisting of independent member firms and correspondents.*

ShineWing Australia and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products in the ordinary course of its business. Partners of ShineWing Australia through their shareholdings will receive a direct benefit from the fees received.

No individual involved in the preparation of the Report holds an interest in, or is a substantial creditor of the Responsible Entity or has other material financial interests in the transactions proposed under the Notice of Meeting.

ShineWing Australia group does not pay commissions or provide any benefits to any person for referring customers to them in connection with the Report.

## 5) Complaints

### Internal complaints resolution

If you have concerns with the general advice provided in the Report, please contact us at the details provided in section 8 below. If your concerns are not addressed in a timely manner, please send your complaint in writing to the General Manager, ShineWing Australia Wealth Pty Ltd, Level 10, 530 Collins St, Melbourne, VIC 3000.

### External dispute resolution

If your concern is not resolved, or if you are not satisfied with the decision, you may contact the Financial Ombudsman Service (FOS). FOS independently and impartially resolves disputes between consumers, including some small businesses, and participating financial services providers. The FOS provides an independent dispute resolution process covering complaints about financial services. You may contact the FOS by:

Financial Ombudsman Service  
GPO Box 3, Melbourne VIC 3001  
Toll free: 1300 780 808,  
Email: [info@fos.org.au](mailto:info@fos.org.au)  
Website: [www.fos.org.au](http://www.fos.org.au)

The Australian Securities & Investments Commission (ASIC) is Australia's corporate, markets and financial services regulator. ASIC contributes to maintaining Australia's economic reputation by ensuring that Australia's financial markets are fair and transparent, and is supported by informed investors and consumers alike. ASIC seeks to protect consumers against misleading or deceptive and unconscionable conduct affecting all financial products and services. You may contact ASIC by:

Australian Securities & Investments Commission  
GPO Box 9827, Your Capital City  
Phone: 1300 300 630  
Website: [www.asic.gov.au](http://www.asic.gov.au);

Before you send your concern to any of these respective bodies, please contact them first to understand the process of lodging your concern with them.

## 6) Compensation arrangements

The law requires ShineWing Australia Wealth to have arrangements in place to compensate certain persons for the loss or damage they suffer from certain breaches of the Corporations Act by its representatives. ShineWing Australia Wealth has internal compensation arrangements, as well as

professional indemnity insurance that satisfy these requirements.

## 7) Privacy Statement

We are required or authorised to collect personal information from you by certain laws. Details of these laws are in our privacy policy.

Our full privacy policy is available at <http://www.shinewing.com.au/privacy-policy>. It covers:

- how you can access the personal information we hold about you and ask for it to be corrected;
- how you may complain about a breach of the Privacy Act 1988 (Cth), or a registered privacy code and how we will deal with your complaint; and;
- how we collect, hold, use and disclose your personal information in more detail.

We will update our privacy policy from time to time.

Where you have provided information about another individual, you must make them aware of that fact and the contents of this privacy statement.

## 8) Contact Details—ShineWing Australia Corporate Finance and ShineWing Australia Wealth

Level 10, 530 Collins Street  
Melbourne, VIC 3000  
Australia

T: +61 3 8635 1800  
F: +61 3 8102 3400

[www.shinewing.com.au](http://www.shinewing.com.au)

*This Financial Services Guide has been authorised for distribution by the authorising licensee.*

*References to 'we' or 'us' or 'ours' should be read as ShineWing Australia Corporate Finance Pty Ltd (ABN 13 068 744 114), in its capacity as a corporate authorised representative (389399) of ShineWing Australia Wealth Pty Ltd (ABN 34 006 341 386), AFSL 236556.*

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## 1. Overview of the Proposed Transactions

### 1.1. Kirela Acquisition

The Kirela Acquisition is the proposed acquisition of all of the Kirela Units on issue, other than those held by Bakehouse Quarter Trust (“**BQT**”). BWR currently holds just over 14% of Kirela. BWR also proposes to make an offer to acquire all of the BQT units on issue (“**BQT Units**”), which, if successful, will give BWR direct or indirect ownership of 100% of the Kirela Units (set out in the NOM as the BQT Acquisition).

The Kirela Acquisition is by way of an offer to all Kirela unitholders (excluding BQT) to acquire all of their units in Kirela for cash, BWR units or a mix of each (“**Kirela Offer**”).

The pricing of the Kirela Offer is on a Net Tangible Asset (“**NTA**”) for NTA basis. That is, at completion of the Kirela Acquisition the NTA of a Kirela Unit will be determined as will the NTA of each BWR unit, and these values will be used to determine the exact number of BWR Units to be issued and cash to be paid for Kirela Units at Transaction Date.

Prior to the dispatch of this document, and subject to the approval of BWR Unitholders, the Kirela Offer was made to Kirela investors. They have committed to the following:

- just over 186,000 Kirela Units will be sold for cash; and
- just over 251,000 Kirela Units will swap for BWR units.

A number of Kirela Unitholders are Related Parties of BWR and Associates of those Related Parties (Related Kirela Vendors). The details of Kirela Units held and BWR units to be received by each of these Related Kirela Vendors is set out in Section 1.3 of the NOM).

### 1.2. PBT Acquisition

One of BWR’s largest investment positions is in a property known as 55 Pyrmont Bridge Road. The investment is held through two structures being shares in Pyrmont Bridge Property Pty Ltd (“**PBP**”) – a company that owns the property, and units (“**PBT Units**”) in the Pyrmont Bridge Trust (PBT) which holds a subordinated debt position secured against the property.

The Responsible Entity (BWF), holds 6,475,000 of the 34,375,000 million PBT Units on issue. Each PBT Unit has an NTA of \$1.60, therefore, the PBT units held by the Responsible Entity have value of \$10.36 million. The Responsible Entity has agreed to sell its entire holding in PBT to BWR for cash at NTA. (Refer Section 1.6 of NOM).

The PBT Acquisition will only proceed if all of the Kirela Acquisition resolutions are passed.

### 1.3. Adjustment of consideration at Transaction Date

The Directors have resolved that at completion the actual NTA of each entity will be determined and the consideration (both cash and Units) adjusted to reflect that NTA at the time of completion of the Kirela Acquisition and BQT Acquisition.

The Directors have also resolved that the BWR units issued as consideration in the Kirela Acquisition and the BQT Acquisition will be issued “ex-distribution”. This means that the recipients of the BWR units will not receive any BWR interim distribution if one is declared for the period ended 31 December 2018. It follows also that if such a distribution is paid the BWR NTA per unit will drop at Transaction Date.

Further, as set out in Section 1.7 of the NOM, the Directors have resolved that the maximum number of units to be issued under all of the transactions to be voted on will be 103,731,000 BWR units. This equates to no more than 10% greater than the BWR units issued as consideration as set out in the NOM and in Section 9 of our Report.

### 1.4. Other related party transactions

As set out in the NOM (Section 1.4) BWR is also contemplating the acquisition of a property related asset from BWF. Although this transaction does not legally require approval from BWR Unitholders it is subject to approval by BWF shareholders. We have also considered this transaction as part of the Proposed

Transactions in assessing the value of BWR post Proposed Transaction (refer Section 9.1). A brief outline of the transaction is provided below.

In 2016 a trust wholly owned by BWF acquired the Fortitude Valley property as a vacant office building. The property was leased to house BWF's wholly owned collaborative workspace business WOTSO WorkSpace ("**WOTSO**"). The WOTSO business is now well established and has entered into a lease on arm's length commercial terms. The property has been independently valued at \$4.78 million. BWF has agreed to sell all of the units in the trust that owns the Fortitude Valley property at a total price that equates to the independent valuation less senior debt of \$2.10 million ("**FV Acquisition**"), subject to BWR unitholders passing the BWR Kirela Resolutions and BWF Shareholder approvals.

We note that we have provided an independent expert's report to the shareholders of BWF in considering whether or not to approve the Fortitude Valley Acquisition by BWR.

BQT is a managed investment scheme and the Responsible Entity also acts as the responsible entity of BQT. BQT has over 300 retail investors. BQT's only asset is just under 54,000 Kirela Units (approximately 9.3% of Kirela).

The BQT Acquisition is the proposed offer to acquire of all of the units on issue in the BQT Unit Trust (BQT Units). As noted in section 1.3 above, if BWR acquires all of the BQT units on issue (BQT Units), this will give BWR direct or indirect ownership of 100% of the Kirela Units. Although BWR expects to acquire all of the BQT Units, this may not be the case if insufficient BQT Unitholders accept the offer, which will leave BWR with a significant, but not 100%, ownership in BQT.

Both the Fortitude Valley Acquisition and BQT Acquisition do not require separate independent expert's reports for BWR unitholders. However, as these transactions form part of the overall proposed related party transactions, we have considered these transactions in our assessment of the value of BWR units post the Proposed Transactions (refer Section 9.1).

## **2. Purpose and scope of the report**

### **2.1. Purpose**

SWA has been appointed by the Directors of the Responsible Entity to prepare an IER expressing our opinion as to whether or not the Proposed Transactions are fair and reasonable to the Non-Associated Unitholders of BWR. In making this assessment we have considered the collective effects of each element of the Proposed Transactions.

This Report is to accompany the NOM being provided to Unitholders and has been prepared to assist the Directors in fulfilling their obligation to provide Unitholders of BWR with full and proper disclosure to enable them to assess the merits of the Proposed Transactions and to assist them in their consideration of whether or not to approve the Resolutions related to the Proposed Transactions.

This Report should not be used for any other purpose and we do not accept any responsibility for use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our report, in whole or in part, should be reproduced without the written consent of SWA, as to the form and context in which it may appear.

### **2.2. Scope**

The scope of the procedures we undertook in forming our opinion on whether the Proposed Transactions are fair and reasonable to Unitholders has been limited to those procedures we believe are required in order to form our opinion. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards.

Our assessment involved determining the fair market value of various securities, assets and liabilities. For the purposes of our opinion, the term fair market value is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser and a knowledgeable, willing, but not anxious vendor, acting at arm's length.

## 2.3. Summary of regulatory requirements

### *Chapter 10 of the ASX Listing Rules*

Listing Rule 10.1 provides that any transaction involving a substantial asset between a listed entity and a related party of the entity requires unitholder approval. Certain investors in Kirela are also Directors of the RE of BWR and are therefore considered related parties for the purposes of Listing Rule 10.1. In addition BWF is the parent entity of the RE and is considered a related party. Accordingly, an IER is required to be commissioned under Listing Rule 10.10.2.

Listing Rule 10.1 applies to the substantial assets acquired from:

- (a) Director related entities as part of the acquisition of Kirela units (Kirela Acquisition) (Resolutions 1,3,4,5,6,7 and 8); and
- (b) BWF in relation to PBT units acquired (PBT Acquisition) (Resolution 16)

### *Section 611 Corporations Act*

Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in voting shares if, because of the transaction, a person's voting power in the company;

- Increases from under 20% to over 20%; or
- Increases from a starting point that is above 20% and below 90%.

Section 611, item 7 provides an exception to Section 606 if the acquisition is approved by a resolution of the company in which the acquisition is made.

If the Kirela Transaction (and associated resolutions under Listing Rule 10.1 above) is approved certain Directors (through their associated entities) will increase their relevant interests in BWR as follows:

- Glew Group – increase in voting power from 13.3% to 28.7% (Resolutions 2a and 2b)
- Tressider Group - increase in voting power from 9.0% to 24.3% (Resolutions 10a and 10b)

## 2.4. Basis of assessment

The Corporations Act does not define the meaning of “fair and reasonable”. In preparing this Independent Expert's Report, SWA has had regard to RG 111 which establishes certain guidelines for independent expert's reports prepared for the purposes of the Corporations Act. We have retained the references to “company” in our extracts from the Corporations Act and RG 111 although BWR is a trust.

### *Basis of assessment for Kirela Acquisition*

RG111 sets out guidance for control transactions approved under s611 of the Corporations Act. For these transactions the expert must analyse the transaction as if it was a takeover bid.

RG 111 establishes two distinct criteria for an expert analysing a control transaction. The tests are:

- Is the offer ‘fair’?; and
- Is it ‘reasonable’?

RG 111 provides the following guidance on the meaning of “fair and reasonable” in the context of a takeover offer:

- 1) an offer is “fair” if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The comparison is made assuming 100% ownership of the target and irrespective of whether the consideration is scrip or cash; and
- 2) RG 111 states that an offer is “reasonable” if it is fair. It might also be reasonable if despite being “not fair” the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer. These might include:
  - a. The offeror's pre-existing entitlement, if any, in the shares of the target company;

- b. Other significant shareholdings in the target company;
- c. The liquidity of the market in the target company's shares;
- d. The likely market price if the offer is unsuccessful; and
- e. The probability of an alternative offer

In relation to the interpretation of RG111, the appropriate assessment for the Kirela Acquisition for those resolutions requiring approval under s611 of the Corporations Act is to compare:

- The fair market value of BWR units pre the Proposed Transactions on a control basis; and
- The fair market value of BWR units post the Proposed Transactions on a non-controlling basis.

#### *Basis of Assessment for PBT Acquisition*

In determining whether the PBT Acquisition is "fair and reasonable", we have given regard to the views expressed by ASIC in RG 111.

RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically, it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.

RG 111 states that the expert report should focus on:

- the issues facing the security holders for whom the report is being prepared; and
- the substance of the transaction rather than the legal mechanism used to achieve it.

When analysing related party transactions, RG 111 states it is important that an expert focus on the substance of the related party transaction, rather than the legal mechanism. For example, where a related party transaction comprises a number of separate components, the expert should consider the overall effect of the related party transaction. Where the related party transaction is one component of a broader transaction or a series of transactions involving non-related parties (such as a control transaction), the expert should carefully consider what level of analysis of the related party transaction is required. In this consideration, the expert should bear in mind whether the report has been sought to ensure the members are provided with sufficient information to decide whether to approve giving a financial benefit to the related party as well as the broader transaction.

RG 111 applies the fair and reasonable test as two distinct criteria, stating that a proposed related party transaction is fair if the value of the financial benefit to be provided by the entity to the related party is equal or less than the value of the consideration being provided to the entity.

A related party transaction is reasonable if it is fair. It might also be reasonable if, despite not being fair, the expert believes there are sufficient reasons for members to vote for the transaction.

In relation to the interpretation of RG111, the appropriate assessment for the Kirela Acquisition for those resolutions requiring approval under ASX Listing Rule 10.1 is to compare:

- The fair market value of PBT units being acquired by BWR; and
- The cash consideration being paid by BWR for PBT units.

#### **2.5. Independence**

Prior to accepting this engagement, SWA considered its independence with respect to the Proposed Transactions by reference to ASIC Regulatory Guide 112 "Independence of Experts" ("**RG 112**").

SWA has no involvement with, or interest in, the outcome of the Proposed Transactions other than that of independent expert. SWA is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this Report.

Except for that fee, SWA will not be entitled to any other financial or other benefit, whether direct or indirect, in connection with the issuing of this Report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transactions.

## **2.6. Sources of Information**

Appendix B to this Report sets out details of information referred to and relied upon by us during the course of preparing this Report and forming our opinion.

As the assets of BWR primarily comprise investment property assets, in accordance with ASIC Regulatory Guide 112 we have utilised the services of independent valuation firms for the purpose of valuing the investment property assets held by BWR. Further detail in respect of the valuation prepared by the independent property valuation experts are set out in Sections 5.4 and 6.1.2 of this Report.

The RE has agreed to indemnify SWA, and its owner practice, their partners, directors, employees, officers and agents (as applicable) against any claim arising out of misstatements or omissions in any material supplied by the Company, its subsidiaries, directors or employees, on which we have relied.

## **2.7. Reliance on Information**

This Report is based upon financial and other information provided by the RE, as detailed in Appendix B of this Report. We have considered and relied upon this information. We believe the information provided to be reliable, complete and not misleading, and have no reason to believe that any material facts have been withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether the Proposed Transactions are fair and reasonable.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or due diligence investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

Where we have relied on the views, opinions and judgement of management, the information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of direct external verification or validation.

## **2.8. Assumptions**

In forming our opinion, the following has been assumed:

- all relevant parties have complied, and will continue to comply, with all applicable laws and regulations and existing contracts and there are no alleged or actual material breaches of the same or disputes (including, but not limited to, legal proceedings), other than as publicly disclosed and that there has been no formal or informal indication that any relevant party wishes to terminate or materially renegotiate any aspect of any existing contract, agreement or material understanding, other than as publicly disclosed;
- that matters relating to title and ownership of assets (both tangible and intangible) are in good standing, and will remain so, and that there are no material legal proceedings, or disputes, other than as publicly disclosed;
- information in relation to the Proposed Transactions provided to the Unitholders or any statutory authority by the parties is complete, accurate and fairly presented in all material respects;
- if the resolutions relating to the Proposed Transactions are approved, they will be implemented in accordance with its disclosed terms; and
- the legal mechanisms to implement the Proposed Transactions are correct and effective.

### 3. Profile of BWR

#### 3.1. Overview

BWR is an ASX-listed real estate investment trust. The Trust was registered as a managed investment scheme and was admitted to the official list of the ASX on 28 October 2011 under its previous name, P-REIT. The Trust changed its name to BlackWall Property Trust on 7 July 2014.

The Trust is externally managed by BlackWall Fund Services Limited, the wholly owned subsidiary of BWF. BWR is a real estate investment trust and primarily invests in industrial, retail and commercial Australian properties, and unlisted property securities.

BWR has control of two unlisted trusts which are consolidated in BWR's audited financial statements.

#### 3.2. Ownership

As at the date of this Report, BWR had 66,635,378 ordinary units on issue. The top 10 Unitholders are as follows.

**Table 3 – Top 10 Unitholders as at 28 February 2019**

Investor	Units (no.)	Share
Blackwall Fund Services Limited	10,801,138	16.21%
Pelorus Private Equity Limited	10,235,805	15.40%
Seno Management Pty Ltd	4,800,000	7.20%
Mr Archibald Geoffrey Loudon	3,707,894	5.56%
Vintage Capital Pty Limited	3,510,000	5.27%
Sao Investments Pty Ltd	2,000,000	3.00%
Alerik Pty Ltd	1,925,000	2.89%
Lymkeesh Pty Ltd (Super Fimnd)	1,459,914	2.20%
Koonta Pty Ltd - Koonta Super Fund	1,041,621	1.60%
Mr Peter Joy	1,000,000	1.50%
<b>Top 10 largest unitholdings</b>	<b>40,481,372</b>	<b>70%</b>
Others	26,154,006	30%
<b>Total unitholdings</b>	<b>66,635,378</b>	<b>100%</b>

Source: ASIC

### 3.3. Historical Consolidated Statement of Profit or Loss

BWRs main source of income is rental income from its investment property portfolio. The historical consolidated statements of profit or loss for BWR are set out in the table below,

**Table 4 – Consolidated Profit or Loss**

<b>Consolidated Statement of Profit or Loss</b>			
<b>For the year ended 30 June 2018</b>	<b>2017</b>	<b>2018</b>	<b>6 months to 31 Dec 2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>			
Property income	10,994	19,075	12,422
Net gain / (loss) on assets	15,658	20,457	7,779
Interest income	13	19	2
Other income		4	-
<b>Total Revenue</b>	<b>26,665</b>	<b>39,555</b>	<b>20,203</b>
<b>Expenses</b>			
Property outgoings	(2,885)	(6,025)	(4,543)
Depreciation expense	(2,672)	(4,025)	(2,355)
Finance costs	(2,897)	(4,133)	(2,689)
Administration expenses	(1,365)	(1,920)	(1,251)
Amortisation of lease incentive	-	(396)	(58)
Loss on sale of assets	-	(8)	-
<b>Total Expenses</b>	<b>(9,819)</b>	<b>(16,507)</b>	<b>(10,896)</b>
Profit from continuing operations	16,846	23,048	9,307
Profit from discontinued operations	-	-	-
Profit for the year	16,846	23,048	9,307
Other comprehensive income	-	-	-
Profit and other comprehensive income	16,846	23,048	9,307
<b>Profit and other comprehensive income attributable to:</b>			
<b>Owners of the Trust</b>	<b>16,846</b>	<b>17,985</b>	<b>2,059</b>
Outside equity interests	-	5,063	7,248
	<b>16,846</b>	<b>23,048</b>	<b>9,307</b>

Source: BWR Half Year report to 31 December 2018 and audited annual accounts for FY17 and FY18

### 3.4. Historical Consolidated Balance Sheet

The consolidated balance sheets of BWR as at 30 June 2018 and 31 December 2018 are set out in the table below.

**Table 5 – Consolidated Balance Sheet BWR**

\$'000		
As at	30-Jun 2018	31-Dec 2018
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	1,083	247
Trade and other receivables	115	391
Bakehouse Quarter investment	36,133	33,411
Other Assets	131	17
<b>Total Current Assets</b>	<b>37,462</b>	<b>34,066</b>
Property investment portfolio	235,350	242,850
<b>Total Non-current assets</b>	<b>235,350</b>	<b>242,850</b>
<b>Total Assets</b>	<b>272,812</b>	<b>276,916</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Trade and other payables	1,471	2,097
Other liabilities	713	788
Borrowings	53,882	118,882
Interest rate hedges	255	189
<b>Total Current Liabilities</b>	<b>56,321</b>	<b>121,956</b>
<b>Non-current Liabilities</b>		
Borrowings	65,000	-
Interest rate hedges	57	6
<b>Total Non-current Liabilities</b>	<b>65,057</b>	<b>6</b>
<b>Total Liabilities</b>	<b>121,378</b>	<b>121,962</b>
<b>Net assets before minorities</b>	<b>151,434</b>	<b>154,954</b>
Outside equity interest - non controlling	48,438	53,231
<b>Net assets attributable to unitholders</b>	<b>102,996</b>	<b>101,723</b>
Number of units on issue	66,635,378	66,635,378
<b>NTA per unit (\$)</b>	<b>1.55</b>	<b>1.53</b>

Source: BWR Half Year report to 31 December 2018



## 4. Profile of Kirela

### 4.1. Overview

Kirela is a special purpose unit trust formed in 1996 to acquire the property that became known as the Bakehouse Quarter. Kirela has 573,973 ordinary units on issue ("**Kirela Units**"). These units are held by the Directors, BWR, a retail investment trust known as the Bakehouse Quarter Trust ("**BQT**") and group of high net worth individuals.

Kirela's largest asset is the Bakehouse Quarter which on completion of the Bakehouse Quarter Sale will have converted to cash. Kirela also has some investment positions (in projects or properties managed by BWF).

Details of the net assets of Kirela as at the proposed Transaction Date are set out in Section 7 of this Report.

## 5. Valuation methodologies

### 5.1. Introduction

SWA has assessed the value of the Proposed Transactions using the concept of fair market value. Fair market value is commonly defined as:

*"the price that would be negotiated in an open and unrestricted market between a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length."*

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. Special purchasers may be willing to pay higher prices to gain control or obtain a special value that they expect to realise from the acquisition, such as the capacity to reduce or eliminate competition, ensure a source of material supply or sales, achieve cost savings arising on business combinations following acquisitions or other synergies which could be enjoyed by the purchaser. Our valuation is not premised on the existence of a special purchaser.

### 5.2. Valuation methodologies

RG111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, capital reductions, schemes of arrangement, takeovers and prospectuses. The methodologies include:

- The discounted cash flow ("**DCF**") method including the estimated realisable value of any surplus assets.
- The application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.
- Net asset value on a going concern basis ("**NAV**");
- The quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value.
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix C to this Report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

### 5.3. Selected valuation methodologies

#### Valuation of Kirela

##### *Net assets on a going concern basis*

In valuing units in Kirela to be acquired under the Kirela Acquisition we have utilised the net assets on a going concern basis for the following reasons:

- Kirela holds mainly passive property investment assets
- Kirela entered into an agreement to sell its major asset (the Bakehouse Quarter) to YUHU which is expected to settle in April 2019 (as set out in the NOM), the realisation value of which is supported by executed sales terms.
- Kirela also holds units in Pyrmont Bridge Trust (“PBT”) and the ultimate equity owner of the property (Pyrmont Bridge Property Pty Ltd (“PBP”)), the value of which is supported by the independent property valuation undertaken (refer Section 5.4).

#### Valuation of PBT

##### *Net assets on a going concern basis*

In valuing PBT we have utilised the net assets on a going concern methodology for the following reasons:

- The main asset of PBT is a second mortgage over the property located at 55 Pyrmont Bridge Road, Pyrmont NSW.
- The recoverability of the asset held by PBT is directly connected to the valuation of the underlying property and level of first mortgage borrowings over the asset.

In assessing the recoverable value of this asset, we have engaged an independent property valuer to value the property asset that the second mortgage is attached to.

SWA has relied on the independent valuation for the purposes of this report and did not undertake its own valuation of the property (refer Section 5.4).

#### Valuation of BWR prior to the Kirela Acquisition on a controlled basis

##### *Net assets on a going concern basis*

In valuing a unit in BWR prior to the Kirela Acquisition, we have utilised the net assets on a going concern methodology as our primary methodology for the following reasons:

- BWR is a real estate investment trust (“REIT”) and holds a portfolio of industrial, commercial and retail properties in Australia. We consider that the primary value of BWR is its ownership interests in these properties;
- 100% of the property interests have been independently valued by independent property valuers (refer Section 5.4); and
- Management has advised that they have no plan to sell any of the properties in the near future. Therefore, we are of the view it is reasonable to estimate the value of net assets at fair market value and not account for realisation costs. Notwithstanding this, we note that under the mechanics of the Proposed Transactions, consideration value will be based on acquired net asset value at Transaction Date. As a result, the inclusion of realisation costs would not impact on our overall assessment of the Proposed Transactions.

##### *Quoted Price of Listed Securities*

As a secondary method of valuing a BWR unit prior to the Kirela Acquisition, we have also considered the quoted price for listed securities methodology. In accordance with RG 111, we have assessed the value of BWR’s units on the basis of a 100% controlling interest.

## Valuation of BWR post the Kirela Acquisition on a non-controlling basis

### *Net assets on a going concern basis*

In valuing a unit in BWR post to the Kirela Acquisition, we have utilised the net assets on a going concern methodology as our primary methodology for the following reasons:

- BWR is a real estate investment trust (“REIT”) and holds a portfolio of industrial, commercial and retail properties in Australia. We consider that the primary value of BWR is its ownership interests in these properties;
- 100% of the property interests have been independently valued by independent property valuers (refer Section 5.4); and
- Management has advised that they have no plan to sell any of the properties in the near future. Therefore, we are of the view it is reasonable to estimate the value of net assets at fair market value and not account for realisation costs. Notwithstanding this, we note that under the mechanics of the Proposed Transactions, consideration value will be based on acquired net asset value at Transaction Date. As a result, the inclusion of realisation costs would not impact on our overall assessment of the Proposed Transactions.

Our assessment of value of BWR units post the Kirela Acquisition takes into consideration the impact of all the Proposed Transactions contemplated following the Kirela Acquisition and the potential impact of different outcomes based on whether or not unitholder approval is obtained for all the Proposed Transactions.

In accordance with RG111 we have considered the value of BWR post the Kirela Acquisition on a non-controlling basis and therefore have considered an appropriate discount that should be applied to the NAV per unit to account for the value of a minority holding in BWR.

### **5.4. Valuation of investment properties**

Given that property valuations are not our area of expertise and require specialised knowledge of market conditions in a particular area, we have engaged property valuation experts to act as independent specialists and provide valuations of:

1. BWR's investment property assets;
2. Properties underpinning investment assets held by Kirela;
3. 55 Pyrmont Bridge Road (in connection with the value of the second mortgage over this property owned by PBT); and

SWA has relied on the independent valuations for the purposes of this report and did not undertake its own valuations of the properties. SWA does not have any reason to believe that it is not reasonable to rely on these valuations for this purpose. SWA has undertaken a review of the independent valuations. In particular, we have analysed in detail the valuations, reviewed them for outliers, and compared assumptions with BWR's FY19 budgets where appropriate.

We have concluded that:

- The property valuers were independent of BWR and BWF
- The engagement instructions were appropriate and did not limit the scope of the valuations
- The property valuations were compiled by reputable companies and by valuers who have the appropriate qualifications in accordance with the standards of the Australian Property Institute, and
- The valuation methods appear to be consistent with those generally applied in the industry (i.e. discounted cash flow, capitalisation of net income and direct comparison (i.e. value per square meter

of net lettable area), with valuation conclusions selected having regard to the results of each methodology.

## 6. Valuation of Kirela

### 6.1. Pro forma balance sheet

Kirela's pro forma balance sheet as at the proposed Transaction Date is based on the unaudited accounts as at 31 December 2018 adjusted for any forecast material movements between 31 December 2018 and the Transaction Date. We have been advised by Management that they do not expect a significant change in Kirela's pro forma net assets position between the Report Date and the Transaction Date. However, we note that any BWR units issued and cash paid as consideration will be adjusted to reflect actual net asset value at the Transaction Date. Therefore, any movement in value will be reflected in the consideration paid and would not impact on our overall assessment of the Kirela Acquisition.

**Table 6 – NAV valuation summary of the fair market value of Kirela units**

<b>\$'000</b>	<b>Note</b>	<b>Pro forma as at Transaction Date</b>
<b>Assets</b>		
Assets held for sale	1	193,500
Investments		
PBP	2	825
PBT	3	6,846
Flinders Street	4	2,180
WRV Unit Trust	5	2,719
Woods PIPES Fund	6	2,454
Bakehouse Quarter Trust	7	3,780
WOTSO Bond	1	8,000
Receivables and Cash	8	19,580
<b>Total assets</b>		<b>239,884</b>
<b>Liabilities</b>		
Accounts payables	8	610
Distribution payables	8	3,699
Provisions	9	3,115
<b>Total liabilities</b>		<b>7,424</b>
<b>Net assets</b>		<b>232,460</b>
Number of ordinary units on issue		573,973
<b>Fair market value per unit (\$)</b>		<b>405</b>

Source: Pro forma balance sheet of Kirela and SWA analysis

We have reviewed Management's adjustments to arrive at the pro forma balance sheet of Kirela prior to the Proposed Transactions to assess their reasonableness. Details of the assets and liabilities of Kirela are set out below.

1. The value of assets held for sale relate to the Bakehouse Quarter Sale and associated costs.

Property held for sale	\$'000	\$'000
BHQ Sale to Yuhu (excluding car park)	380,000	
Less: Prepayments made	(58,000)	
Net proceeds due on settlement		322,000
BHQ Car park building and surplus equipment & material sale to Alerik		12,000
Repayment of Bank Debt		(130,150)
Tenant Bonds (includes \$8.0m of WOTSO Bond)		(8,080)
Other settlement costs		(2,270)
<b>Total assets held for sale</b>		<b>193,500</b>

We have reviewed the forecast net settlement value of the Bakehouse Quarter to support documentation and Management assumptions.

2. Kirela holds 2,750,000 ordinary shares in PBP, the ultimate equity owner of 55 Pyrmont Road. The value of the property is supported by the independent property valuation undertaken for the purpose of this Report (refer Section 5.4). PBP's pro forma net asset position is approximately \$21 million as at 31 December 2018. The fair market value of PBP's ordinary shares is \$0.30 per share based on its pro forma net assets on a going concern basis. The total value of Kirela's interest in PBP is shown below.

	\$'000
NAV per unit of PBP	\$0.30
Number of units in PBP held by Kirela	2,750,000
<b>Value of Kirela investment</b>	<b>\$825</b>

- 3 Kirela holds 4,278,600 ordinary units in PBT. We have valued PBT for the purpose of the Proposed Transactions (refer Section 7). The NAV for PBT adopted for the Kirela pro forma balance sheet is \$1.60 per unit. The total value of Kirela's interest in PBT is shown below.

	\$'000
NAV per unit of PBT	\$1.60
Number of units in PBP held by Kirela	4,278,600
<b>Value of Kirela investment</b>	<b>\$6,846</b>

- 4 Kirela owns 100% of the units on issue in Flinders Street Unit Trust ("**Flinders Street Trust**"). Flinders Street Trust's unaudited net assets as at 31 December 2018 is approximately \$1.3 million. This value is supported by an independent property valuation undertaken for the purpose of this Report. The total value of the property as per the independent valuation is \$3.35M. The property is funded through a first registered mortgage of \$1.4million. As at the date of this Report, Flinders Street also owes Kirela \$0.9 million which was loaned to Flinders Street Trust. Management has advised this loan is on an arm's length basis and is recoverable as at the date of this Report. The total value of Kirela's interest in the Flinders Street Trust is shown below.

	\$'000
100% NAV of Flinders Street Trust	1,380
Loan receivable from Flinders Street Trust	900
<b>NAV value per unit</b>	<b>\$2,180</b>

- 5 Kirela owns 1.825 million ordinary units in WRV Unit Trust ("**WRV**"), the ultimate owner of 850 Woodville Rd, Villawood. As of December 2018, WRV's net asset position is approximately \$5.91 million. The fair market value of WRV's units is \$1.49 per unit

This value is supported by the independent property valuation undertaken as at 30 June 2018 which valued the property at \$19.25 million. We have reviewed this valuation report and have determined that it is reasonable to rely upon for the purposes of our Report. We have confirmed with Management that there have been no material changes to the property and lease and expense assumptions adopted in the June 2018 valuation.

The property is funded through a registered first mortgage of \$7 million and a registered second mortgage over the property at Villawood for \$5 million (funded through the Woods PIPES Trust). The valuation of the equity interest of WRV held by Kirela is calculated as the fair market value of WRV's unit multiplied by the total units held by Kirela.

The total value of Kirela's interest in WRV is shown below.

	\$'000
NAV per unit of WRV	\$1.49
Number of units in WRV held by Kirela	1,825,000
<b>Value of Kirela investment</b>	<b>\$2,719</b>

- 6 Kirela also owns an equity interest in the Woods PIPES Trust, which is the issuer of the second mortgage. Under the terms of the second mortgage Woods PIPES Trust is entitled to an additional capital return over the principal value of the second mortgage equal to 20% of the capital growth in the property above \$16 million. The Woods PIPES Trust has 5 million units on issue. The valuation of the equity interest of Wood PIPES held by Kirela is calculated as follows.

NAV pre capital bonus	\$5,000
Value of capital bonus as at date of this Report	\$650
<b>NAV value per unit</b>	<b>\$5,650</b>
NAV per unit (5,000,000 units on issue)	\$1.13
Number of units held by Kirela	2,172,000
<b>Value of Kirela investment (\$'000)</b>	<b>\$2,454</b>

- 7 BQT is a private trust and its sole investment is units in Kirela. Management has determined the value of BQT based on the net assets value of Kirela as at the Transaction Date based on the Kirela pro forma net asset value. The valuation of the equity interest of BQT held by Kirela is calculated as follow.

NAV per unit of BQT	\$10.60
Number of units in BQT held by Kirela	356,644
<b>Value of Kirela investment (\$'000)</b>	<b>\$3,780</b>

- 8 The balance primarily relates to distributions payable for the 6 months ended 31 December 2018 and trade payables to creditors.
- 9 The balance primarily relates to Management's forecast provision for contractual obligations and preparation for the settlement of the Kirela Acquisition.

## 6.2. Kirela NAV per unit

Based on our assessment, the fair market value of Kirela units is \$405 per unit on a control basis.

**Table 7 – Kirela NAV valuation**

<b>Kirela</b>	
NAV of Kirela as at Transaction Date (\$'000) (Section 6.1)	\$232,459
Number of units on issue	573,973
<b>NAV value per unit</b>	<b>\$405</b>

Source: SWA analysis

## 7. Valuation of PBT

Under the PBT Acquisition, BWR would acquire units in PBT from BWF.

PBT's sole asset is a second mortgage over the property located at 55 Pyrmont Bridge Road, Pyrmont NSW. The face value of the second mortgage is currently \$55,000,000. The terms of the mortgage entitle PBT to a coupon of 7% per annum. PBT unitholders receive an annual distribution from the trust funded out of the coupon payment net of any trust expenses.

We have determined the value of PBT by assessing the value of the second mortgage (i.e. the recoverability of its face value). This assessment is made by determining whether there is sufficient value in the property after repayment of the first mortgage to repay the second mortgagee in its entirety to PBT unitholders. This assessment is summarised in the table below.

**Table 8 – Value of the property after first mortgage**

<b>55 Pyrmont Bridge Road</b>		<b>\$'000</b>
Independent property valuation @ 1 November		126,000
Less: First Mortgage Value		50,000
<b>Value of property after first mortgage</b>		<b>76,000</b>

Source: SWA analysis

Based on the above assessment the full face value of the PBT second mortgage is recoverable for PBT unitholders.

Management has advised that there are no other material assets or liabilities in PBT nor is there expected to be at the proposed Transaction Date. Based on the nature of PBT's investment, this is considered to be a reasonable assumption. As such the value of PBT units as at Transaction Date has been assessed as follows.

**Table 9 – Valuation of PBT per unit**

<b>PBT</b>	
NAV of PBT as at Transaction Date (\$'000)	55,000
Number of units on issue	34,375,000
<b>NAV value per unit (\$)</b>	<b>1.60</b>

Source: SWA analysis

## 8. Valuation of BWR pre the Kirela Acquisition

### 8.1. Net Asset Valuation

As discussed in Section 5.3, in determining the fair market value of the ordinary units in BWR prior to the Kirela Acquisition on a 100% controlled basis, we have given primary consideration to its net asset backing on a going concern basis. The fair market value of BWR reflects the fair market value of BWR's investment property assets, its' carrying value of other assets, interest bearing liabilities and other liabilities

#### 8.1.1 Net assets of BWR pre Kirela Acquisition

The net assets position is based on the audited accounts as at 31 December 2018 shown below.

**Table 10 – BWR pro forma balance sheet prior to the Kirela Acquisition**

<b>\$'000</b>	<b>Pro forma pre</b>
<b>As at 31 December 2018</b>	<b>Proposed Transactions</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	247
Trade and other receivables	391
Bakehouse Quarter investment	33,411
Other Assets	17
<b>Total Current Assets</b>	<b>34,066</b>
Property investment portfolio	242,850
<b>Total Non-current assets</b>	<b>242,850</b>
<b>Total Assets</b>	<b>276,916</b>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Trade and other payables	2,097
Other liabilities	788
Borrow ings	118,882
Interest rate hedges	189
<b>Total Current Liabilities</b>	<b>121,956</b>
<b>Non-current Liabilities</b>	
Borrow ings	-
Interest rate hedges	6
<b>Total Non-current Liabilities</b>	<b>6</b>
<b>Total Liabilities</b>	<b>121,962</b>
<b>Net assets before minorites</b>	<b>154,954</b>
Outside equity interest - non controlling	53,231
<b>Net assets attributable to unitholders</b>	<b>101,723</b>

Source: BWR audited accounts as at 31 December 2018



### 8.1.2 Premium for Control to NAV

Our primary valuation methodology for BWR is NAV which inherently represents a 100% control value, as it is based on estimates of the full underlying value of each property in the portfolio (i.e. it assumes 100% ownership of the assets). There is no higher value for these assets as each independent valuation is for 100% of the underlying property.

It is commonly accepted that acquirers of 100% of a business should pay a premium over the value implied by the quoted trading share price to reflect their ability to control, among others, the strategy and operating policies of the business, as well as realise synergistic benefits. In the case of BWR, it is a passive, externally managed property trust, with no operating business.

Therefore, potential synergies available to an acquirer are limited to savings in responsible entity fees, listing fees and other trust expenses. This suggests that the value attributed by a controlling party to a passive, externally managed property trust, may not be substantially different to that of a minority unitholder.

We acknowledge that in certain cases a premium to NAV may be appropriate and may have been observed in other A-REIT transactions where:

- Property valuations are not current in a rising market
- The trust has substantial operating businesses
- The trust has a significant development pipeline supporting growth opportunities
- Where a portfolio is unique and has strategic value
- Economies of scale can be achieved

Equally a discount to NTA may be appropriate where:

- Property valuations are not current in a rising market
- The trust is in financial distress
- The absence of substantial costs synergies

#### *Characteristics of BWR*

The factors present within BWR that we believe limit the amount of premium include:

- BWR is a passive externally managed A-REIT with no operating business or third party mandates;
- All property valuations are fairly recent (October/November 2018)
- BWR has no development pipeline

On balance, the specific characteristics of BWR indicate that it is unlikely that an additional premium over NTA is appropriate, particularly given that all property valuations are current and prepared on a controlled basis. However, we have considered appropriate a premium for control over the ASX traded price in our secondary valuation methodology as set out in Section 8.2.

### 8.1.3 BWR NAV per unit pre Kirela Acquisition on a controlled basis

Based on our assessment in the table below, we have estimated the fair market value of BWR units on a control basis to be \$1.53 per unit.

**Table 11 – NAV value of BWR units prior to the Kirela Acquisition on a controlled basis**

	Ref	
NTA value of BWR (\$'000)	8.1.1	101,723
BWR units on issue pre Proposed Transactions		66,635,378
<b>NTA value per unit (excluding premium)</b>		<b>\$1.53</b>
Premium to NTA	8.1.2	-
<b>BWR NAV per unit (including premium)</b>		<b>\$1.53</b>

Source: SWA analysis

## 8.2. Quoted Market Price (“QMP”) Valuation

### 8.2.1 Trading Price

The quoted trading share price represents the price at which security holders could realise their portfolio investment. Therefore, even though the quoted share price may not be appropriate to be applied as the primary methodology in valuing the fair market value of BWR securities due to a lack of the depth/liquidity in the market, we consider it is reasonable to consider as a cross check to the result determined under our primary methodology, the NTA under a going concern basis.

The market value of quoted securities method is based on the Efficient Market Hypothesis (“**EMH**”) which states that the share price at any point in time reflects all publicly available information and will change when new information becomes publicly available. With regard to this, we note that BWR complies with the full disclosure regime required by the ASX. As a result, the market is considered to be fully informed about the performance of BWR.

We have observed the BWR units trading activities, in particular the movement of the share price for the twelve months prior to the announcement of the Proposed Transactions. The following table summarises our assessment.

**Table 12 – BWR Trading price**

Period prior to the Announcement	Low	High	Volume traded (‘000)	VWAP	Turnover
5 day	1.345	1.345	8.000	1.345	0.01%
10 day	1.345	1.415	11.650	1.357	0.02%
1 month	1.345	1.480	126.070	1.392	0.19%
2 month	1.345	1.530	607.180	1.471	0.91%
3 month	1.345	1.540	771.670	1.475	1.16%
4 month	1.345	1.540	935.970	1.477	1.40%
5 month	1.345	1.550	1,149.670	1.475	1.73%
6 month	1.345	1.550	1,317.370	1.463	1.98%
9 month	1.300	1.550	1,811.470	1.444	2.72%
12 month	1.280	1.550	2,404.840	1.424	3.61%

Source: S&P Global, SWA Analysis

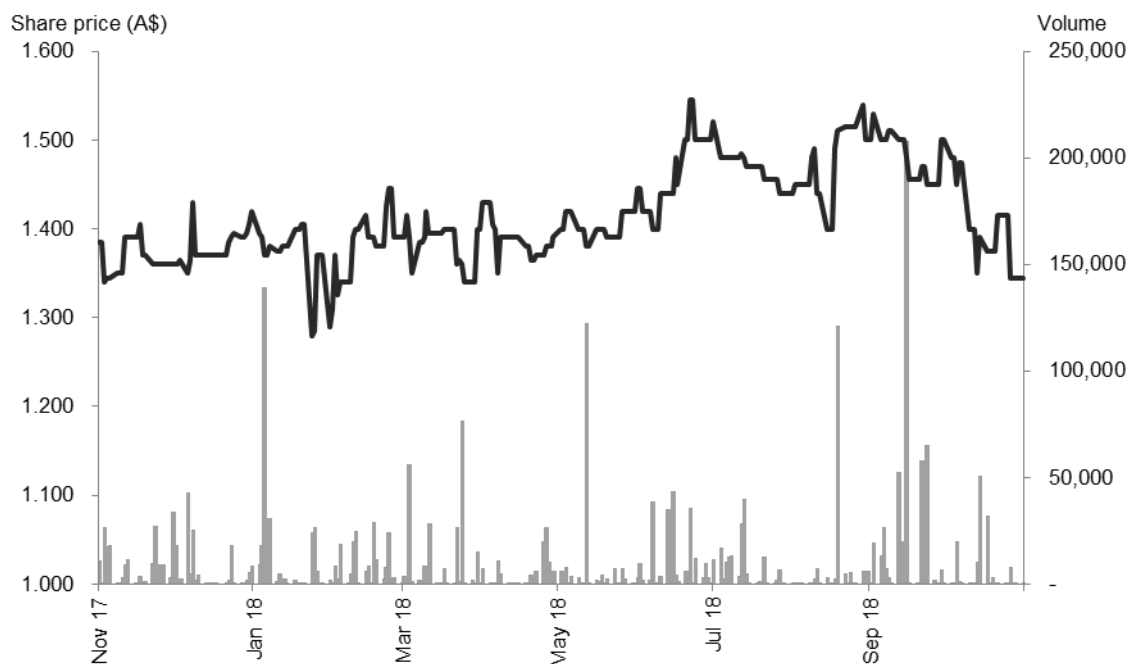
In regard to the table above, we note the following with respect to BWR units during the 12 months to 12 November 2018 (date prior to the Announcement):

- 1) BWR units traded between a low of \$1.28 per unit on 5 and 6 February 2018 and a high of \$1.55 per unit on 2 and 4 July 2018;
- 2) There is a low trading volume over the period. The traded volume of units over the 12 months to 12 November 2018 was approximately 3.61% of the total weighted average number of units on issue.
- 3) Over the year analysed, BWR actively traded for 174 trading days. This indicates the low trading activity of the BWR units.

Period post the Announcement	Low	High	Volume traded ('000)	VWAP	Turnover
From 13 Nov 2018 to 15 Mar 2019	1.350	1.545	722.630	1.473	1.08%

From 13 November 2018 until 15 March 2019, BWR's unit price has ranged between a low of \$1.35 per unit and a high of \$1.55 per unit with a VWAP of \$1.47 per unit over the period. We note that as part of the announcement of the Proposed Transactions the updated property valuation outcomes were also announced to the market.

**Figure 1 – BWR ASX security price between 13 November 2017 and 13 November 2018**



Source: S&P Capital & SWA analysis

### 8.2.2 Premium for Control

The ASX quoted trading price reflects the price paid for a minority holding or small parcel of units, and does not reflect the market value offering control to the acquirer. A controlling interest in an entity is generally considered more valuable than a minority interest.

Control over an entity accords certain benefits to the controlling shareholder(s) including the ability to:

- Control the board of directors;
- Alter the Constitution of the entity;
- Appoint and remove directors and determine remuneration policies;
- Change financial and operating policies of the entity; and
- Acquire and dispose of assets and businesses within the entity.

Accordingly, a controlling interest is generally considered more valuable than a minority interest.

The difference between the value of 100% of an entity and the total value of minority interests is referred to as a premium for control. The level of premium for control paid varies across industries and is dependent upon the specific circumstances of the entity being acquired.

To arrive at a fair market value on a controlling basis, we have applied a control premium on the observed ASX trading price for BWR units. We have reviewed recent offer prices for mergers and

acquisitions relating to A-REITs and the average premium is around 5%. We have reviewed merger and acquisition transactions involving listed A-REITs (refer Appendix E). Our analysis excludes any failed or withdrawn bids.

For the purpose of this Report, we have applied a control premium of 5% in the QMP valuation methodology.

### 8.2.3 Quoted Market Price for BWR units on a control basis

Although the ASX trading activity indicates low trading liquidity, we consider the historical trading prices provide some support as a cross check to the fair market value of BWR units on a minority basis.

When assessing the fair market value of a BWR unit, we consider that a trading price of \$1.47 per unit (VWAP post the announcement of the Proposed Transactions and updated property valuation outcomes) to best reflect the ASX pricing for a minority interest.

Our assessed value of BWR units on a control basis using recent ASX trading prices is as follows:

**Table 13 – BWR QMP valuation on a control basis**

BWR QMP	Ref	
BWR price per unit ASX trading minority interest	8.2.1	\$1.47
Control premium (%)	8.2.2	5%
<b>BWR Unit – ASX pricing (control basis)</b>		<b>\$1.54</b>

*Source: S&P Capital and SWA analysis*

The outcome of our cross check method above supports the fair market value of \$1.53 per unit of BWR assessed under our primary methodology.

## 9. Valuation of BWR Post the Proposed Transactions

As discussed in Section 5.3, in determining the fair market value of the ordinary units in BWR post the Proposed Transactions, we have given primary consideration to its net asset backing on a going concern basis on a minority basis. The fair market value of BWR reflects the fair market value of BWR's investment property assets, its carrying value of other assets, interest bearing liabilities and other liabilities

### 9.1. Pro forma Net assets of BWR post Kirela Acquisition

The pro forma net assets position post Kirela Acquisition is based on the audited accounts as at 31 December 2018 as shown in the table below. The post Kirela Acquisition value takes into account the impact of all of the Proposed Transactions.

**Table 14 – BWR pro forma balance sheet post Kirela Acquisition**

\$'000	As at 31 December 2018	Note	Proposed Transactions	Pro forma Post Proposed Transactions
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	247	1	101,304	101,552
Trade and other receivables	391			391
Bakehouse Quarter investment	33,411	2	(33,411)	-
WOTSO Bond		3	2,000	2,000
Other Assets	17			17
<b>Total Current Assets</b>	<b>34,066</b>		<b>69,893</b>	<b>103,960</b>
Property investment portfolio	242,850	4	27,380	270,230
WOTSO Bond			6,000	6,000
<b>Total Non-current assets</b>	<b>242,850</b>		<b>33,380</b>	<b>276,230</b>
<b>Total Assets</b>	<b>276,916</b>		<b>103,273</b>	<b>380,190</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Trade and other payables	2,097			2,097
Other liabilities	788			788
Borrowings	118,882	5	10,500	129,382
Interest rate hedges	189			189
<b>Total Current Liabilities</b>	<b>121,956</b>		<b>10,500</b>	<b>132,456</b>
<b>Non-current Liabilities</b>				
Borrowings	-			-
Interest rate hedges	6			6
<b>Total Non-current Liabilities</b>	<b>6</b>		<b>-</b>	<b>6</b>
<b>Total Liabilities</b>	<b>121,962</b>		<b>10,500</b>	<b>132,462</b>
<b>Net assets before minorities</b>	<b>154,954</b>		<b>92,773</b>	<b>247,728</b>
Outside equity interest - non controlling	53,231		(27,067)	26,164
<b>Net assets attributable to unitholders</b>	<b>101,723</b>			<b>221,564</b>

Source: BWR audited accounts as at 31 December 2018 and information provided by Management, SWA analysis

We have reviewed Management's adjustments to arrive at the pro forma balance sheet of BWR post the Proposed Transactions to assess their reasonableness. The basis of material adjustments made are set out below.

1. Cash and cash equivalents will move post the Proposed Transactions due to the settlement of the Bakehouse Quarter Sale in Kirela and the cash consideration payments made under the Proposed

Transactions as set out in the table below.

BWR Cash and cash equivalents - post Proposed Transactions	Ref	\$'000
Balance as at 31 December 2018	8.1	247
Net proceeds from Bakehouse Quarter settlement	6.1	193,500
Cash consideration paid to Kirela unitholders	10.1	(75,462)
Cash consideration paid for PBT Acquisition from BWF	10.3	(10,360)
Cash consideration paid for PBT units acquired from non-related entities	Refer below	(15,849)
Cash consideration paid for Fortitude Valley Acquisition	Note 5 below	(2,680)
Net cash from Kirela balance sheet	6.1	12,156
<b>Total Post Proposed Transactions</b>		<b>101,552</b>

Note: Management have estimated the cash consideration paid for acquiring PBT units from non-related entities for the purposes of the pro forma balance sheet of BWR post the Proposed Transactions. It is assumed these units are acquired at the fair market value determined in Section 7 of this report being \$1.60 per unit.

- Upon settlement of the Bakehouse Quarter, BWR's investment in the Bakehouse Quarter will be replaced by the consolidation of cash and other assets of Kirela.
- Relates to the WOTSO tenant bond as per the Kirela balance sheet (refer Section 6.1).
- The property investment portfolio of BWR will increase as follows due to completion of all Proposed Transactions.

BWR Property Investments post Proposed Transactions	Ref	\$'000
Balance as at 31 December 2018	8.1	242,850
Fortitude Valley Acquisition from BWF	Refer below	4,780
Consolidation of Kirela controlled property through Flinders Street Unit Trust	6.1 Note 4	3,350
Consolidation of Kirela controlled property - WRV Unit Trust	6.1 Note 5	19,250
<b>Total Units on issue Post Proposed Transactions</b>		<b>270,230</b>

Under the Fortitude Valley Acquisition, BWR will acquire 100% of FV Units in the trust that owns the property located at 84 Brunswick Street, Fortitude Valley Brisbane Queensland. The trust also has senior debt over the property but no other material assets or liabilities as at the date of our Report.

We have valued the FV Units on a NAV basis. The assessed value of FV Units is set out below.

FV Units	Note	\$
Independent valuation of Fortitude Valley property	1	4,780,000
Senior Debt	2	(2,100,000)
<b>Net asset value</b>		<b>2,680,000</b>

Source: Independent property valuation and SWA analysis

- The property is a three-level commercial building providing office accommodation on three floors and retail accommodation on part of the ground floor. We have engaged an independent property valuation of the property for the purpose of this Report and have reviewed this valuation in accordance with the procedures set out in Section 5.4.
- The outstanding value of the senior debt facility at the date of our Report is \$2.1M. The current facility expired on 31 December 2018. Management advises that it is in discussions with NAB to renew the facility and expect the renewal to be in place prior to completion. Management further notes that if the transaction completes, BWR would have the financial capacity to purchase the asset unencumbered with the NAB facility.

5. BWR's borrowings post Proposed Transactions will increase due to the consolidation of controlled entities of Kirela as shown below.

BWR Borrowings post Proposed Transactions	Ref	\$'000
Balance as at 31 December 2018	8.1	118,882
Debt associated with Fortitude Valley Acquisition	Note 4 above	2,100
Consolidation of Kirela controlled property through Flinders Street Unit Trust	6.1 Note 4	1,400
Consolidation of Kirela controlled property - WRV Unit Trust	6.1 Note 5	7,000
<b>Total Post Proposed Transactions</b>		<b>129,382</b>

## 9.2. Minority Discount Analysis

As discussed in Section 8.1.2, it is commonly accepted that acquirers of 100% of a business should pay a premium over the value implied by the quoted trading share price to reflect a premium for control. Conversely it follows that a non-controlling parcel of shares would be valued at a discount to a controlling stake.

Our NAV valuation in Section 9.1 represents 100% of the NTA value of BWR. Therefore, we have applied a discount to this value to arrive at a non-controlling value per BWR units post the Proposed Transactions.

In assessing an appropriate discount to apply to our NAV valuation we have considered the following:

- The ASX trading price of an entity represents a minority shareholding parcel (i.e non-controlling) therefore we have considered the historic ASX trading of BWR units as set out in Section 8.2 of this report;
- Evidence across the A-REIT sector of trading premiums or discounts to NTA;
- Comparable transactions showing premiums paid to ASX pricing for controlling stakes (Appendix E); and
- Generally accepted valuation benchmarks applied to minority parcel valuations.

Based on the comparable transactions analysis and taking into consideration BWR's historical ASX trading we consider a discount of 5% to be appropriate in determining a non-controlling value of BWR based on our NAV valuation.

## 9.3. BWR NAV per unit post Proposed Transactions on a non-controlling basis

Based on our assessment in the table below, we have estimated the fair market value of BWR units post the Kirela Acquisition on a non-controlling basis to be \$1.45 per unit.

**Table 15 – NAV value of BWR units post the Proposed Transactions on a non-controlling basis**

	Ref	
Pro forma NTA value of BWR post Proposed Transactions (\$'000)	9.1	221,695
BWR units on issue post Proposed Transactions		145,116,154
<b>NTA value per unit (100%)</b>		<b>\$1.53</b>
Minority Discount	9.2	5.0%
<b>BWR NAV per unit (non controlling basis)</b>		<b>\$1.45</b>

Source: SWA analysis

The total number of units on issue in BWR following completion of the Proposed Transactions is shown below.

BWR Units on Issue	Total number of units
Pre Proposed Transactions	66,635,378
Units issued under Kirela Acquisition	80,933,959
Less: Kirela share of BQT BWR units issued (eliminated on consolidation)	(2,453,183)
<b>Total Units on issue Post Proposed Transactions</b>	<b>145,116,154</b>

#### 9.4. Scenario analysis of the Proposed Transactions

As set out in the Notice of Meeting there are a number of further related party transactions proposed that are conditional on the settlement of the Bakehouse Quarter Sale and the approval of the Kirela Acquisition. These transactions include:

- The PBT Acquisition;
- BQT Acquisition; and
- The purchase of a property owned by BWF at Fortitude Valley ("**Fortitude Valley Acquisition**").

Further details of these transactions are set out in the NOM.

The pro forma NTA of BWR units post the Proposed Transactions as shown in Section 9.1 assumes that all of these transactions are approved. However, there is the possibility that only some or none of these transactions are approved by BWR Unitholders.

We have set out below a table that summarises potential scenario outcomes and the impact the approval or non-approval of any of the above transactions would have on the NTA value of BWR units post the Kirela Acquisition.

**Table 16 – Proposed Transactions Scenario Analysis**

Post Kirela Acquisition Scenarios	Cash	Total net assets	Outside equity interests	Units on issue	NTA value per unit
Pro forma position assuming all Proposed Transactions approved (Section 9.1)	101,552	221,564	26,164	145,116,154	\$1.53
PBT Acquisition - not approved	111,912	221,564	26,164	145,116,154	\$1.53
Fortitude Valley Acquisition - not approved	104,232	221,564	26,164	145,116,154	\$1.53
BQT Acquisition - not approved (Note 1)	101,552	221,564	48,743	130,358,342	\$1.53
PBT Acquisition approved / Fortitude Valley Acquisition not approved/BQT not approved	104,232	221,564	48,743	130,358,342	\$1.53
PBT Acquisition not approved / Fortitude Valley Acquisition approved/BQT not approved	111,912	221,564	48,743	130,358,342	\$1.53
PBT Acquisition not approved / Fortitude Valley Acquisition not approved / BQT approved	114,592	221,564	26,164	145,116,154	\$1.53
PBT Acquisition not approved / Fortitude Valley Acquisition not approved / BQT not approved	114,592	221,564	48,743	145,116,154	\$1.53

Note 1: If the BQT Acquisition is not approved, BWR will not acquire BQT and as a result will not acquire the balance of the Kirela Units held by BQT representing approximately (14%) of the total Kirela Units on issue. This would mean that no BWR units will be issued in respect of the BQT Transaction and approximately 14,758,000 fewer BWR units will be on issue as at completion of the Transactions and outside equity interest would increase to the level of ownership in BQT. The above shows the impact of 100% of the BQT Acquisitions being approved or not approved, however we note that the overall BWR Unitholder value of BWR units would not move under any level of take up of the BQT Acquisition by non-related BQT unitholders.

As shown in the table above, there is no change in the overall NTA value per BWR units under the various scenarios considered. However, the level of cash sitting within the BWR balance sheet and outside equity interests in Kirela via BQT's investment in Kirela, will vary depending on the transactions approved following the Kirela Acquisition.

We note that any combination of the Proposed Transactions being approved, or not approved, will not impact on our overall fairness conclusion for the Kirela Acquisition as summarised in Section 10.1



## 10. Valuation Summary and Conclusion on Assessment of Fairness

### 10.1. Kirela Acquisition

In assessing whether the Kirela Acquisition is fair to the Non-Associated Unitholders of BWR, we have compared the value of BWR units pre the Proposed Transactions on a controlling basis to the minority value of BWR units post the Proposed Transactions. Our assessment is summarised in the table below.

**Table 17 – Kirela Acquisition**

	Ref	\$
BWR NTA value per unit Pre Proposed Transactions on a controlled basis	8.1.3	1.53
BWR NTA value per unit Post Proposed Transactions (minority holding)	9.3	1.45

As the value per unit post the Kirela Acquisition (on a minority basis) is less than our assessed fair value of BWR units pre the Kirela Acquisition on a controlling basis, and in the absence of any other relevant information, in our opinion, the Kirela Acquisition is not fair to the Non-Associated Unitholders of BWR.

### 10.2. PBT Acquisition – ASX Listing Rule 10.1

In assessing whether the PBT Acquisition is fair to the Non-Associated Unitholders of BWR, we have compared whether the value of the equity interest in PBT to be acquired by BWR is not less than the cash consideration to be paid by BWR. Our assessment is summarised in the table below.

**Table 18 – PBT Acquisition Fairness Assessment**

	Ref	Valuation per unit	No. of ordinary units	\$
Fair market value of equity interest of PBT owned by BWF	7	1.60	6,475,000	10,360,000
<b>Total equity interest of PBT to be acquired by BWR</b>				<b>10,360,000</b>
<b>Cash consideration paid by BWR</b>				<b>10,360,000</b>

Source: SWA analysis

As the fair value of the equity interest in PBT to be acquired by BWR is equal to the cash consideration to be paid by BWR, and in the absence of any other relevant information, in our opinion, the PBT Acquisition is fair to the Non-Associated Unitholders of BWR for the purpose of ASX Listing Rule 10.1.

## 11. Reasonableness Assessment

In accordance with RG 111 an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, the expert believes there are sufficient reasons for the Unitholders to approve the Proposed Transactions in the absence of a superior offer.

We have assessed the reasonableness of the Proposed Transactions (as a whole) by considering factors arising thereto. Set out below is a summary of factors we have considered in our reasonableness assessment.

The reasonableness considerations set out below are applicable to our analysis of the Proposed Transactions under both ASX Listing Rule 10.1 and s611 of the Corporations Act.

### 11.1. Advantages

#### 11.1.1 No impact on NTA per unit

The pro forma balance sheet of BWR post completion of the Proposed Transactions (as set out in Section 1.8 of the NOM and shown in Section 9.1 of this report) shows that the NTA per unit in BWR post completion is \$1.53. Our valuation of NTA per BWR pre the Proposed Transactions is \$1.53. Therefore, an advantage of the Proposed Transactions is that they are non-dilutive to the NTA of BWR for Unitholders.

#### 11.1.2 Cost effective capital raise

Assuming the Proposed Transactions are approved by Unitholders and completed, BWR will increase its total net assets by approximately \$119 million (including \$99 million in cash available to fund future investments and grow the BWR asset portfolio). Another way to raise such levels of cash would be through a market capital raising. Typically, the costs of raising capital range between 2%-3% of total funds raised. The costs of completing the Proposed Transactions are estimated by management to be approximately \$2 million (or approximately 1.6% of net assets acquired).

Therefore, an advantage of approving the Proposed Transactions is that it effectively provides BWR with a cost effective capital raising.

#### 11.1.3 Increase in units on issue

Under the Proposed Transactions the number of units on issue for BWR will increase. This is shown in the table below.

**Table 19 – Increase in units on issue in BWR**

	Pre Transactions	Post Transactions
Total BWR units on issue	66,635,378	145,116,154

Source: BWR pro forma balance sheet and SWA analysis

Whilst the proportion of BWR units held by Directors increases under the Proposed Transaction (refer Section 11.2.1) an increase in the total units on issue in BWR may be an advantage to Unitholders as it may increase liquidity in BWR units and increase the market for Unitholders should they wish to exit all or part of their investment in the future.

#### 11.1.4 Increase in market capitalisation

If the Proposed Transactions are approved the market capitalisation of BWR will increase from \$103 million to approximately \$223 million. This is an advantage of the Proposed Transactions as an increase in market capitalisation may increase the profile of BWR and in turn liquidity in BWR units.

### 11.1.5 Decrease in debt ratio

If the Proposed Transactions are approved the debt to total gross asset ratio of BWR will decrease as from 43% to 34%. The calculation is shown in the table below. Lower debt levels represent an advantage to Unitholders as it lowers the risk profile BWR.

**Table 20 – Debt to total gross asset ratio**

	Ref	Pre Transactions	Post Transactions
Borrowings	Table 10	118,882	129,382
Total Assets	Table 14	276,916	380,190
<b>Debt to total Gross Asset Ratio</b>		<b>43%</b>	<b>34%</b>

*Source: BWR pro forma balance sheet and SWA analysis*

## 11.2. Disadvantages

### 11.2.1 Increase in Directors' interest in BWR

If the Proposed Transactions are approved the total director held units will increase from 24% to 50% of total BWR units on issue. This may be seen as a disadvantage to BWR unitholders in that it decreases the free float proportion of units on issue and potentially the liquidity of BWR units. However, we note that the total number of free float units on issue increases if the Proposed Transactions are approved as set out in Section 10.1.3 above.

### 11.2.2 Increase in control of Glew Group and Tressider Group

If the Proposed Transactions are approved the voting power of the Glew Group in BWR will increase to 28.7% and the voting power of the Tressider Group will increase to 24.3%. As such both the Glew Group and Tressider Group will have the voting power to block the passing of any special resolutions requiring approval of 75% of unitholders (when they are not excluded from voting). This may represent a disadvantage to Unitholders as it lessens their influence on the future direction of BWR.

We note that the NOM sets out in Sections 3.6 and 11.6 the respective intentions of the Glew Group and Tressider Group with regards to BWR which includes (among other matters) no intention to change the business of BWR or otherwise redeploy any of the fixed assets of BWR).

### 11.2.3 Potential reduction in earnings per unit

If the Proposed Transactions are approved BWR will hold a significant amount of cash. Until this cash is reinvested in higher yielding assets there may be a negative impact on earnings per unit. This is a potential short term disadvantage to Unitholders.

## **Appendix A - Qualification, limitation and consent**

### ***Qualifications and independence***

ShineWing Australia Corporate Finance is an authorised representative of ShineWing Australia Wealth Pty Ltd ABN 34 006 341 386, Australian Financial Services Licence 236556.

ShineWing Australia Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, ShineWing Australia Corporate Finance considered its independence with respect to BWR and all other parties involved in the Proposed Transactions with reference to the ASIC Regulatory Guide 112 “Independence of expert” and APES 110 “Code of Ethics for Professional Accountants” issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to BWR, its shareholders and all other parties involved in the Proposed Transactions.

ShineWing Australia Corporate Finance and its related entities do not have at the date of this Report, and have not had within the previous two years, any shareholding in or other relationship with BWR or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transactions.

ShineWing Australia Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this Report.

ShineWing Australia Corporate Finance will receive a fee based on commercial rates for the preparation of this Report. This fee is not contingent on the outcome of the transaction. ShineWing Australia Corporate Finance’s out-of-pocket expenses in relation to the preparation of this Report will be reimbursed. ShineWing Australia Corporate Finance will receive no other benefit for the preparation of this Report.

ShineWing Australia Corporate Finance considers itself to be independent in terms of RG 112.

### ***Draft reports***

An advance draft of this Report was provided to the management of the Responsible Entity for their comments as to its factual accuracy. As a result, certain changes were made to factual statements in this Report. However, no alterations were made to the methodology, valuations or conclusions as a result of these factual reviews.

### ***Analysis undertaken***

In preparing this Report, we have used and relied upon the information set out in Appendix B and representations made by the management of the Responsible Entity. All material information and explanations requested to prepare this Report have been made available.

We have considered and relied upon this information. We believe that the information from which this Report was compiled was reliable, complete and appropriate for our purposes and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of preparing our Report. However, we do not warrant that our enquiries have identified or verified all the matters which an audit, extensive examination or ‘due diligence’ investigation might disclose. None of these additional tasks have been undertaken.

ShineWing Australia Corporate Finance has been provided with historical and pro forma information prepared by the Responsible Entity and whilst ShineWing Australia Corporate Finance has in part relied upon this information in preparing this Report, the Responsible Entity remains responsible for all aspects of this information.

Other than this Report, ShineWing Australia Corporate Finance has not been involved in the preparation of the Notice of Meeting or any other document prepared in respect of the Proposed Transactions. Accordingly, we take no responsibility for the content of the Notice of Meeting as a whole or any other document prepared in respect of the Notice of Meeting other than this Report.

**Market changes**

Our opinions are based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time.

Our valuation of BWR at the valuation date does not take into account events that have occurred subsequent to our valuation date, that were not expected to occur at that date.

**Indemnity**

Recognising that ShineWing Australia Corporate Finance may rely on information prepared by the Responsible Entity and its officers, the Responsible Entity has agreed to make no claim against ShineWing Australia Corporate Finance to recover any loss or damage which Responsible Entity may suffer as a result of reasonable reliance by ShineWing Australia Corporate Finance on the information provided by the Responsible Entity, and to indemnify ShineWing Australia Corporate Finance and its officers and employees, who may be involved in or in any way associated with the preparation of this Report, against any and all losses, claims, damages and liabilities arising out of or related to the performance of services by ShineWing Australia Corporate Finance in connection with our assessment and occasioned by reliance by ShineWing Australia Corporate Finance on information provided by the Responsible Entity or its representatives which is subsequently found to be false or misleading or not complete. Complete information is deemed to be have been provided, which at the time of completing our Report, should have been available to ShineWing Australia Corporate Finance and would reasonably have been expected to have been made available to ShineWing Australia Corporate Finance to enable us to form our opinion.

**Consents**

ShineWing Australia Corporate Finance consents to the inclusion of this Report in the form and context in which it accompanies the Notice of Meeting to be issued to the Unitholders of BWR including the Non-Associated Unitholders. Neither the whole nor any part of this Report or any reference thereto may be included in any other document without the prior written consent of ShineWing Australia Corporate Finance as to the form or context in which it appears.

## Appendix B - Sources of information

In preparing this Report, we have considered the following key sources of information:

- Notice of Meeting and Explanatory Memorandum to BWR Unitholders dated on or around 29 March 2019
- BWR Consolidated Pro forma Balance Sheet;
- Kirela Transaction Workbook;
- Woods PIPES unitholder register;
- BQT unitholder register as at the Report Date;
- WRV Trust register as at the Report Date;
- PBT unitholder register as at the Report Date;
- PBP unitholder register as at the Report Date;
- Contract for sale and purchase of land 2016 for Bakehouse Quarter;
- Woods PIPES financials for the year ended 30 June 2018;
- Bakehouse Quarter Trust unaudited balance sheet as at 30 June 2018;
- Bakehouse Quarter Sale Call Option Exercise Notice;
- Deed of variation of call option;
- S&P Global;
- Mergermarket;
- Independent property valuation reports;
- IBIS WORLD reports: L6712a June 2018 Office Property Operators in Australia, L6712b November 2018 Retail Property Operators in Australia, L6712c June 2018 Industrial and Other Property Operators in Australia;
- Other publicly available information; and
- Discussions and correspondences with Management.

## **Appendix C – Industry Overview<sup>1</sup>**

The property industry in Australia is characterised into various sectors being, residential, office, retail and industrial. For the purpose of this report we have only focused on the office, retail and industrial sectors representing the investment properties owned and being purchased by BWR under the Proposed Transactions.

### ***Office Property Sector***

The office property sector has experienced strong growth over the past five years supported by strong tenant demand and increasing property values. The sector has achieved an annual growth rate of 11.3% across 2013 – 2018. This trend includes a projected decline of 2.0% in 2017-8. Increased investor activity from both domestic and international has further strengthened asset values. Foreign investors have played a large role in stabilising the industry's operating environment. Pension funds, sovereign wealth funds and local superannuation funds also invest in office property due to the steady returns.

### ***Retail Property Sector***

Strong demand for retail property has supported capital values over the past five years. However, retail property operators have been impacted by the market factors impacting on the retail sector. Competition from online retailers and an oversupply of retail property are among the key challenges. Vacancy rates have improved but this is expected to be due to the increasing use of long-term leasing agreements. Industry revenue is expected to increase at an annualised 13.7% over the five years through 2018-19 including a modest 4.9% for the 2018-19 year as the impacts from strong online shopping continues to limit demand.

### ***Industrial Property Sector***

Industrial property values have risen over the period 2013 – 2018 with the low interest rate environment encouraging investment in the sector. However, this has pushed yields down, because rental incomes have remained stable while property values have risen. This trend reflects strong demand for industrial property and industrial property operation with industry revenue expected to increase 14% in the 2017-18 year.

### ***Overall industry outlook***

Overall it is expected that the property industry will continue to perform well over the next five years. Changes in economic conditions will impact separate property class performance with retail properties expected to face the most significant challenges.

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<sup>1</sup> IBIS WORLD reports: L6712a June 2018 Office Property Operators in Australia, L6712b November 2018 Retail Property Operators in Australia, L6712c June 2018 Industrial and Other Property Operators in Australia

## **Appendix D - Valuation methodologies**

### ***Capitalisation of future maintainable earnings***

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future.

Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

### ***Discounted future cash flows***

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

### ***Net Asset Value Methods***

Asset based valuations involve the determination of the fair market value of a business based on the net realisable value of the assets used in the business. Valuation of net realisable assets involves:

- separating the business or entity into components which can be readily sold, such as individual business Units or collection of individual items of plant and equipment and other net assets; and
- ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The net realisable value of the assets can be determined on the basis of:

- orderly realisation (NRV): this method estimates fair market value by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the sale of assets, taxation charges and the time value of money assuming the business is wound up in an orderly manner. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value;
- liquidation: this is a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value; or
- continuing operations (NAV): this is a valuation of the net assets on the basis that the operations of the business will continue. It estimates the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the valuation of an investment or property holding entity. Adjustments may need to be made to the book value of assets and liabilities to reflect their value based on the continuation of operations.

The net realisable value of a trading entity's assets will generally provide the lowest possible value for the business. The difference between the value of the entity's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The net realisable value of assets is relevant where an entity is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding entity, or where all its assets are liquid. It is also relevant to businesses which are being segmented and divested and to value assets that are surplus to the core operating business. The net realisable assets methodology is also used as a check for the value derived using other methods.



These approaches ignore the possibility that the entity's value could exceed the realisable value of its assets.

***Market value of quoted securities***

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

The price that an entity's security trades on an exchange can be an appropriate basis for valuation where:

- the security trades in an efficient market place where 'willing' buyers and sellers readily trade the entity's security; and
- the market for the entity's security is active and liquid.

***Comparable market transactions***

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company.

The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

## Appendix E - A-REIT premium for control analysis

We have considered the following A-REIT transactions to assess an appropriate premium for control to apply to the ASX QMP minority value of BWR units.

**Table 21– Premium for control paid by acquirers of A-REITs listed on the ASX**

Date announced	Target	Share price one day before (\$)	Note	Offer Price (\$)	Premium / (discount) to share price one day before
07/04/17	Brookfield Prime Property Fund	7.500		8.890	18.5%
12/11/2018	Propertylink Group	1.180		1.200	1.7%
15/10/2018	Investa Office Fund	5.520 <sup>(1)</sup>		5.600	1.4%
12/12/2017	Westfield Corporation	8.500		9.985	17.5%
24/04/2017	Generation Healthcare REIT	2.050		2.300	12.2%
13/11/2014	Folkestone Social Infrastructure Trust	2.720		2.470	(9.2%)
08/10/18	Asia Pacific Data Centre Group	1.850		2.000	8.1%
22/08/18	Folkstone Limited	1.110		1.390	25.2%
13/09/17	Asia Pacific Data Centre Group	1.875		1.950	4.0%
03/03/17	Centuria Urban REIT	2.260		2.280	0.9%
01/07/16	GPT Metro Office Fund	2.350		2.500	6.4%
10/11/15	Devine Limited	0.610		0.810	32.8%
03/02/15	Novion Property Group	2.320		2.570	10.8%
19/09/14	Mirvac Industrial Trust	0.175		0.214	22.3%
01/07/14	Frasers Property Australia Pty Ltd (formerly Australand)	4.440		4.480	0.9%
03/02/15	Australian Industrial REIT	2.750		2.320	(15.6%)
Average Premium					8.6%
Median					7.2%
<b>Average Premium (excluding outliers)</b>					<b>5.4%</b>
Median (excluding outliers)					5.2%

Source: MergerMarket, CapitalIQ and SWA analysis

Note (1) Based on the share price as at 25/05/18, being the day prior to the announcement of the initial proposal by Blackstone Group. The share price as at 03/09/18, being the day prior to the initial proposal by Oxford was \$5.32.

The level of premium for control for any given transaction will be influenced by a number of factors including (but not limited to);

- the level of liquidity in the trade of the target's securities;
- varying levels of control sought;
- synergistic value;
- perceived quality of management;
- nature and magnitude of discretionary expenses;
- ability to integrate the target into the acquirer's business; and
- nature and magnitude of business opportunities not currently being exploited.

We note that premiums for control can vary between 0.9% - 18.5% (based on the above transactions excluding outliers). Our review demonstrates a median premium for control of approximately 5.2% and an average of 5.4%.

Based on the above and consideration of the size and nature of BWR, we have considered a premium for control of 5% in the QMP valuation of BWR.

## Appendix F - Glossary of terms

Glossary	
\$ or AUD	Australian dollars
'000	Thousand
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BQT	Bakehouse Quarter Trust
BQT Units	BQT units on issue
BWF	BlackWall Funds Limited
BWR or the Trust	BlackWall Property Trust
Corporations Act or the Act	<i>Corporations Act 2001 (Cth)</i>
DCF	Discounted cash flow
EMH	Efficient Market Hypothesis
Flinders Street Trust	Flinders Street Unit Trust
FSG	Financial Services Guide
FYXX	Financial year ended 30 June 20XX
Kirela	Kirela Development Unit Trust
Kirela Acquisition	BWR to acquire the remaining 86% equity interest in Kirela for a combined consideration of cash and BWR units
Kirela Offer	An offer to all Kirela unitholders (excluding BQT) to acquire all of their units in Kirela for cash, BWR units or a mix of each
Kirela Units	Kirela's 573.973 ordinary units on issue
m	Million
NAV	Net asset value
Notice of Meeting or NOM	Notice of Meeting and Explanatory Memorandum to BWR Unitholders dated on or around 29 March 2019
Non-associated Unitholders or Unitholders	Unitholders of BWR who are not directly or indirectly associated with the Proposed Transactions
NRV	Net realisable value
NTA	Net Tangible Asset
PBP	Pymont Bridge Pty Limited
PBT	Pymont Bridge Trust
PBT Acquisition	Acquisition of equity interest held by BWF in PBT
Proposed Transactions	The transactions to be voted on by unitholders as set out in Resolutions 1, Resolution 2a and 2b, Resolution 3 to 8, Resolution 10a and 10b and Resolution 16 of the Notice of Meeting
QMP	Quoted Market Price
REITs	Real estate investment trust
Report or IER	This Independent Expert's Report
Responsible Entity or RE	BlackWall Funds Services Limited
RG 111	Regulatory guide 111 - <i>Content of Expert Reports</i>
RG 112	Regulatory guide 112 - <i>Independence of Experts</i>
ShineWing Australia Corporate Finance or SWA	ShineWing Australia Corporate Finance Pty Ltd
WACC	Weighted average cost of capital
WRV	WRV Unit Trust
WOTSO	WOTSO Workspace Pty Ltd
VWAP	Volume weighted average price



# BLACKWALL PROPERTY TRUST

ARSN 109 684 773

## Lodge your vote:



**Online:**

[www.investorvote.com.au](http://www.investorvote.com.au)



**By Mail:**

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

## For all enquiries call:

(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

BWR

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Proxy Form

XX



### Vote and view the Notice of Meeting online

- Go to [www.investorvote.com.au](http://www.investorvote.com.au) or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

### Your access information that you will need to vote:

Control Number: 9999999

SRN/HIN: I9999999999

PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



**For your vote to be effective it must be received by 11:00 am (Sydney time) Wednesday, 8 May 2019**

## How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

## Signing Instructions for Postal Forms

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

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

## Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form** ➔

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

☐

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

■ **Proxy Form**

Please mark ☒ to indicate your directions

**STEP 1** **Appoint a Proxy to Vote on Your Behalf**

XX

I/We being a member/s of BlackWall Limited hereby appoint

☐ the Chairman of the Meeting

OR

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of BlackWall Property Trust to be held at BlackWall Limited, 50 Yeo Street, Neutral Bay, NSW on Friday, 10 May at 11:00 am (Sydney time) and at any adjournment or postponement of that Meeting.

**STEP 2** **Items of Business**

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

		For	Against	Abstain			For	Against	Abstain
1	Acquisition of Kirela Units from the Glew Group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10(a)	Issue of approximately 33,793,305 Units to the Tresidder Group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2(a)	Issue of approximately 38,119,759 Units to the Glew Group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10(b)	Increase the voting power of the Tresidder Group in BWR from 9.0% to 24.5%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2(b)	Increase the voting power of the Glew Group in BWR from 13.3% to approximately 29.0%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11	Issue of Units to the Glew Group in consideration for BQT Units	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Issue of Units to the Glew Group in consideration for Kirela Units	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12	Issue of Units to the Tedder Group in consideration for BQT Units	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Acquisition of Kirela Units from the Tedder Group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	13	Issue of Units to the Stuart Brown Group in consideration for BQT Units	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Issue of Units and payment to the Tedder Group in consideration for Kirela Units	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	14	Issue of Units to the Tim Brown Group in consideration for BQT Units	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Acquisition of Kirela Units from the Hill Group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	15	Approval to issue BWR Units to the Unrelated Vendors – BQT Acquisition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Issue of Units to the Hill Group in consideration for Kirela Units	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	16	Acquisition of PBT Units from BWF	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	Issue of Units to the Stuart Brown Group in consideration for Kirela Units	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	17	Acquisition of FV Units from BWF	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	Approval to issue BWR Units to the Unrelated Vendors – Kirela Acquisition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

**SIGN** **Signature of Securityholder(s)** *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /