

Sunland Group Limited

ACN 063 429 532

**Notice of Extraordinary General Meeting
to be held**

Date: 23 December 2021

Time: 10:00am (Brisbane time)

Place: Cypress Room 2, RACV Royal Pines Resort Hotel

Ross Street Benowa QLD 4217

Important:

This Notice of Extraordinary General Meeting should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their professional adviser prior to voting.

The Proposed Transaction (proposed sale of The Lakes Property on the terms and conditions set out in this Notice) requires Shareholder approval under the Listing Rules and the *Corporations Act*. The Proposed Transaction will not proceed if the Proposed Lakes Sale Resolution is not passed.

Shareholders should refer to the Independent Expert's Report accompanying this Notice. The Independent Expert's Report opines on the fairness and reasonableness of the Proposed Transaction to Shareholders entitled to vote on the Proposed Transaction.

The Independent Expert has determined that the Proposed Transaction is **fair and reasonable to the non-associated Shareholders**.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that the extraordinary general meeting of Sunland Group Limited (the **Company** or **Sunland**) will be held at Cypress Room 2, RACV Royal Pines Resort Hotel, Ross Street Benowa, QLD at **10:00am (Brisbane time) on 23 December 2021**.

Important: The Proposed Transaction requires Shareholder approval under the Listing Rules and the *Corporations Act*. The Proposed Transaction will not proceed if the Proposed Lakes Sale Resolution is not passed.

Capitalised words in this Notice have the meaning given to them in the Glossary and Interpretation section 20 of the Explanatory Statement that accompanies and forms part of this Notice.

The Explanatory Statement describes in more detail the matters to be considered.

1. Agenda

Proposed Lakes Sale Resolution - Approval of the sale of The Lakes Property

To consider and, if thought fit, pass the following ordinary resolution:

“That, for the purposes of ASX Listing Rule 10.1 and section 208 of the Corporations Act, and for all other purposes, the sale of The Lakes Property by Sunland Developments No 22 Pty Ltd (a wholly owned subsidiary of the Company) to:

- *The Lakes Lot 909 Pty Ltd ACN 653 499 702, in respect of Lot 909; and*
- *The Lakes Lot 916 Pty Ltd ACN 653 499 711, in respect of Lot 916,*

*for an aggregate amount of \$32,750,000 and otherwise on the terms and conditions of the respective put and call option agreements, and as set out in the Explanatory Statement accompanying this Notice (**Proposed Transaction**), be approved.”*

2. Independent Expert's Report

Shareholders should carefully consider the Independent Expert's Report contained in Annexure A which opines on whether the Proposed Transaction is fair and reasonable to Shareholders entitled to vote on the Proposed Lakes Sale Resolution.

The Independent Expert has determined that the Proposed Transaction is fair and reasonable to the non-associated Shareholders.

3. Voting Restrictions

The Corporations Act and the ASX Listing Rules require that certain persons must not vote in particular ways, and the Company must disregard particular votes cast by or on behalf of certain persons, on certain resolutions to be considered at the EGM. These voting restrictions are described below.

(a) ASX voting exclusion

In accordance with Listing Rules 10.1 and 14.11, the Company will disregard any votes cast in favour of the Proposed Lakes Sale Resolution by or on behalf of:

- (i) the Buyers and any other person who will obtain a material benefit as a result of the Proposed Transaction (except a benefit solely by reason of being a holder of ordinary securities in the Company) (**Prescribed Persons**); or
- (ii) an Associate of the Prescribed Persons.

However, this does not apply to a vote cast in favour of the Proposed Lakes Sale Resolution by:

- (iii) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way;
- (iv) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- (v) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (A) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (B) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

(b) Voting Prohibition statement

In accordance with section 224 of the Corporations Act, a vote on the Proposed Lakes Sale Resolution must not be cast (in any capacity) by, or on behalf of:

- (i) a Related Party of Sunland to whom the Proposed Lakes Sale Resolution would permit a Financial Benefit to be given; or
 - (ii) any of their associates,
- unless
- (iii) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the Proposed Lakes Sale Resolution; and
 - (iv) It is not cast on any behalf of a Related Party or associate of the kind referred to in (i) – (iii) above.

4. Chair of the meeting

Soheil Abedian, or his appointee, will act as Chairman of the meeting.

5. Voting intentions of the Chairman

The Chairman intends to vote all Undirected Proxies in favour of the Proposed Lakes Sale Resolution.

By order of the Board

A handwritten signature in black ink, appearing to read 'Grant Harrison', followed by a period.

Grant Harrison

Company Secretary

Dated 18 November 2021

Notes

1. A copy of the Company's Constitution is available for inspection at the registered office of the Company or on the Company's website at www.sunlandgroup.com.au.
2. Under regulation 7.11.37 and 7.11.38 of the *Corporations Regulations 2001* (Cth) and in accordance with rule 5.6.1 of the ASX Settlement Operating Rules, the Board have determined that the shareholding of each Shareholder for the purposes of ascertaining their Voting Power at the EGM will be as it appears in the Share register at 7.00pm (Sydney time) 21 December 2021. Accordingly, and subject to any Voting Restriction, those persons are entitled to attend and vote at the meeting.
3. A Shareholder entitled to attend and vote at this EGM of the Company may appoint a proxy or attorney to vote on their behalf. A Shareholder who is a body corporate may appoint a representative to attend and vote on its behalf.
4. A Shareholder who is entitled to cast two or more votes at the EGM may appoint two proxies or attorneys and must specify the proportion each proxy or attorney is entitled to exercise. If two proxies or attorneys are appointed and the appointment does not specify the proportion or number of the Shareholder's votes, then the appointment is of no effect and neither of them may vote. A proxy or attorney need not be a Shareholder.
5. The proxy form must be signed by the Shareholder or the Shareholder's attorney. Proxies given by a corporation must be executed in accordance with the *Corporations Act* and the constitution of that corporation.
6. To be effective, the instrument appointing a proxy (and the original power of attorney, if any, under which it is signed or a certified copy) must be received no later than 10.00am (Brisbane time) on 21 December 2021 (48 hours before the time of the meeting). Documents may be lodged electronically, in person, by mail or by fax as follows:
 - (a) electronically: www.linkmarketservices.com.au
 Login to the Link's website using the holding details as shown on the proxy form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, Shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).
 - (b) in person: Share Registry — Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138, Australia (during business hours Monday to Friday, 9:00am – 5:00pm).
 - (c) by mail: Share Registry — Sunland Group Limited C/- Link Market Services Limited, Locked Bag A 14, Sydney South NSW 1235, Australia.
 - (d) by fax: +61 2 9287 0309.
7. Any proxy form received after this deadline including at the meeting will be treated as invalid.
8. If you appoint a proxy, you may still attend at the meeting. However, your proxy's rights to speak and vote at the meeting are suspended while you are present and, therefore, you will be asked to revoke your proxy upon registering your presence at the meeting.

Important information

1. This Notice is dated 18 November 2021.
2. A copy of this Notice has been lodged with ASX in accordance with Listing Rule 15.1 and ASIC in accordance with section 218 of the Corporations Act. Neither ASX nor ASIC take any responsibility for the contents of this Notice.
3. This Notice does not take into account the individual investment objectives, financial situation or particular needs of any person. Shareholders should seek professional advice from a licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser before deciding whether or not to approve the Proposed Lakes Sale Resolution set out in this Notice.
4. Financial amounts in this Notice are expressed in Australian dollars unless otherwise stated.
5. This Notice is governed by the law in force in Queensland, Australia.

Enquiries

If you have any queries about the matters set out in this Notice, please contact Grant Harrison, Company Secretary, on +61 7 3456 5700 during business hours (Brisbane time) or by email gharrison@sunlandgroup.com.au.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to assist the Company's Shareholders with their consideration of the Proposed Lakes Sale Resolution to be put to the extraordinary general meeting to be held on 23 December 2021. It describes in more detail the matters to be considered and should be read in its entirety.

6. Background of the Proposed Transaction

Important: The Proposed Transaction referred to in this Notice requires Shareholder approval under the Listing Rules and the *Corporations Act*. The Proposed Transaction will not proceed if the Proposed Lakes Sale Resolution is not passed.

The Proposed Transaction is part of the Group's continuous strategic plan where Sunland (including via its controlled entities) is continuing to:

- (a) sell certain inventory which is not currently under development; and
- (b) complete development of certain other projects,
over a period likely to be approximately three years (or more), with the intention to convert assets to cash, repay all liabilities and returning net asset value to its shareholders, subject to sale of the inventory, financiers' satisfaction and, regulatory and legislative requirements (**the Strategy**).

In accordance with the Strategy, Sunland has announced the following:

- (a) On 18 December 2020, the sale of the property located 154-156 Marine Parade, Coolangatta (QLD) for a purchase price of 12.8M;
- (b) On 18 December 2020, the sale of a property located on Pagett Road, Carrum Downs, Melbourne (VIC) for a purchase price of 17M;
- (c) On 19 March 2021, the sale of a property known as "Grace on Coronation" located 600 Coronation Drive, Toowong (QLD) for a purchase price totalling \$43.5M; and
- (d) On 28 July 2021, a resolution was passed for the sale of the Greenmount Hotel site and business known as the "Greenmount Beach Hotel" located at 3 Hill Street in Coolangatta (QLD), for a purchase price totalling \$42.3M.

Consistent with this Strategy, on 25 August 2021, the Company announced to the ASX that it had negotiated commercial terms for two development sites located at Lakeview Boulevard, Mermaid Waters, (QLD) to be known as Lots 909 (**Lot 909**) and 916 (**Lot 916**)¹ of its property development (collectively, **The Lakes Property**). This follows a public expression of interest campaign resulting in agreement by the parties to proceed with formal documentation on terms detailed in section 13.

Lot 909 and Lot 916 are owned by the Company's wholly owned subsidiary Sunland Developments No 22 Pty Ltd (**the Seller**) and will be sold for the Purchase Price to the Buyers, namely:

- Lot 909: The Lakes Lot 909 Pty Ltd ACN 653 499 702; and

¹ Note: the 25 August 2021 ASX announcement referred to Lot 915, however it will instead be known as Lot 916 due to lot sequencing associated with the subdivision of the broader development site into specific lots for sale. The announcement also referred to the Lots as "The Lanes". This Notice refers to the Lots as "The Lakes" to segregate the Lots from the Lanes Retail Precinct that forms part of the overall broader development of the combined site.

- Lot 916: The Lakes Lot 916 Pty Ltd ACN 653 499 711.

The Buyers are wholly owned subsidiaries of Mermaid Lakes Pty Ltd ACN 653 499 597 (**Buyer HoldCo**) and further described in section 10.

On 3 November 2021, the Seller and the Buyers entered into a put and call option agreement for each of Lot 909 and Lot 916 (each an **Agreement**, together the **Agreements**) conditional on the Company obtaining Shareholder approval. See section 13 below for a summary of the Agreements and further details about the parties to the Proposed Transaction.

Each Buyer entity (and Buyer HoldCo) directly or indirectly involves Related Parties of Sunland, namely Sunland director Rebecca Jane Frizelle and her spouse Brett Frizelle.

Given those relationships, described more fully in this Notice, the purpose of the Proposed Lakes Sale Resolution referred to in this Notice is to seek and obtain the necessary Shareholder approval for the Proposed Transaction under Listing Rule 10.1 and Chapter 2E of the Corporations Act. Those provisions require Shareholder approval for certain transactions involving Related Parties and other persons of influence of Sunland.

7. Independent Board Committee

The Board established a range of governance protocols to consider the Proposed Transaction in light of the Related Party matters identified. These protocols included the establishment of an Independent Board Committee (**IBC**) comprising all Directors of the Company excluding Rebecca Frizelle and chaired by Mr Soheil Abedian. The IBC oversaw all aspects of evaluating and deciding at Board level on the Proposed Transaction.

8. Relevant Legislation

8.1 Chapter 2E of the Corporations Act

The Proposed Transaction will, or may, involve a Financial Benefit being given to a Related Party or Related Parties of the Company as the Buyers (which includes and involves persons and entities who are Related Parties) will acquire The Lakes Property for the Purchase Price.

Chapter 2E of the Corporations Act prohibits a public company (or an entity it controls) from giving a Financial Benefit to a Related Party of the public company unless providing the benefit falls within a prescribed exception to the general prohibition. Certain exceptions apply, such as where a transaction occurs on “arm’s length terms” (**Arm’s Length Exception**).

There is also an exception if the company first obtains the approval of its shareholders in a general meeting in circumstances where certain requirements specified in Chapter 2E in relation to the convening of that meeting have been met (**Shareholder Approval Exception**).

Whilst the Company considers the Proposed Transaction falls within a prescribed Arm’s Length Exception, as a matter of corporate governance best practice, the Company has decided to seek Shareholder approval under Chapter 2E. A “Related Party” is defined widely in section 228 of the Corporations Act and includes, relevantly, a director (or proposed director) of a public company and spouses of directors of a public company.

A “Financial Benefit” for the purposes of the Corporations Act has a very wide meaning. It includes the public company selling an asset to a Related Party. It includes giving a Financial Benefit indirectly, for example, through 1 or more interposed entities. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the

public company is doing (rather than just the legal form). Any consideration which is given for the Financial Benefit is to be disregarded, even if it is full or adequate, such is the case for the Proposed Transaction.

8.2 Listing Rule 10.1

(a) Overview

Chapter 10 of the Listing Rules deals with transactions between an entity (or any of its subsidiaries) and persons in a position to influence the entity.

Listing Rule 10.1 prohibits the Company from disposing of a Substantial Asset to certain persons in a position to influence the entity unless shareholder approval is obtained. These persons are specified in Listing Rules 10.1.1 to 10.1.5 (inclusive) (**Prescribed Persons of Influence**).

Relevantly, Listing Rule 10.1.1 prohibits the Company (or its subsidiary) from disposing of a Substantial Asset to a Related Party, such as Directors of Sunland, their spouses or entities controlled by them.

(b) Substantial Asset

An asset is treated as a substantial asset if its value, or the value of the consideration for it, is 5% or more of the listed company's equity interest as set out in the latest financial statements given to the ASX. A listed company's equity interests are the sum of paid-up capital, reserves, and accumulated profits or losses, disregarding redeemable preference share capital and outside equity interests.

The equity interests of the Company as set out in its latest financial accounts as at 31 June 2021 is approximately \$312M².

Therefore, any asset of the Company is substantial if its value or the value of the consideration for it is, or in ASX's opinion is, at least \$15.6M (5% of the Company's equity interests).

The Independent Expert has ascribed a value of \$30.15M (excluding GST) to The Lakes Property and the Purchase Price for The Lakes Property is \$31.07M (excluding GST). Refer to the IER in Annexure A.

As the value of the asset and/or consideration to be paid under the Proposed Transaction is more than 5% of the equity interests of the Company, the Proposed Transaction will involve a disposal of a substantial asset for the purposes of the Listing Rules.

(c) Person of Influence

The Buyers and the Buyer HoldCo include Related Parties and therefore a Prescribed Persons of Influence, for the reasons set out in section 10. The Company is therefore seeking Shareholder approval for the Proposed Transaction in accordance with Listing Rule 10.1.

(d) Independent Expert's Report

As required by Listing Rule 10.5.10, the Company has obtained the Independent Expert's Report (**IER**) in relation to the Proposed Transaction. The IER is annexed in Annexure A. The conclusions of the Independent Expert are summarised in section 17.

² Page 19 of Sunland's annual results for 2021.

9. Shareholder Approval Requirement

The Proposed Lakes Sale Resolution, if passed, will or may confer Financial Benefits on and involve the disposal of a Substantial Asset to one or more Related Parties.

Therefore the Company is seeking to obtain Shareholder approval in accordance with the requirements of Chapter 2E of the Corporations Act and Listing Rule 10.1.

10. The Buyers

The proposed buyers of The Lakes Property are The Lakes Lot 909 Pty Ltd ACN 653 499 702 (in respect of Lot 909) (**Lot 909 Buyer**) and The Lakes Lot 916 Pty Ltd ACN 653 499 711 (in respect of Lot 916) (**Lot 916 Buyer**). The Lot 909 Buyer and Lot 916 Buyer are wholly owned subsidiaries of Mermaid Lakes Pty Ltd ACN 653 499 597 (**Buyer HoldCo**) and the directors of each entity are Brett James Frizelle and Darryl Kelly.

The Buyer HoldCo is constituted as follows:

- 50% shareholding interest: Bruttund Investments Pty Ltd ACN 001 731 826 as the trustee for the Darryl Kelly Family Discretionary Trust³; and
- 50% shareholding interest: Frizelle Family Company Pty Ltd ACN 619 680 849 (**Frizelle Family Company**).

The Frizelle Family Company is a Related Party⁴ of the Company because it is controlled by Brett Frizelle⁵ or Rebecca Frizelle⁶ (or both)⁷, who are each Related Parties of the Company.

The sole shareholder of the Frizelle Family Company is BF Car Sales Pty Ltd ACN 610 348 886 (**BF Car Sales**). BF Car Sales holds those shares non-beneficially as trustee for the Frizelle Futures Trust⁸. The directors and equal shareholders of BF Car Sales are Brett James Frizelle and Rebecca Jane Frizelle.

Consequently, Brett Frizelle and/or Rebecca Frizelle, and/or their family members, and their associated/related entities (who are or may be Related Parties of Sunland) will or may receive a Financial Benefit to the extent of the Financial Benefit that the Frizelle Family Company receives under the Proposed Transaction.

11. Information for Shareholders – Chapter 2E of the Corporations Act

For the purposes of Chapter 2E of the Corporations Act, and for all other purposes, the following information is provided to Shareholders:

³ Bruttund Investments Pty Ltd is not, and does not involve, any Related Party of the Company.

⁴ Under section 228(4) Corporations Act.

⁵ Spouse of Rebecca Jane Frizelle, Director, and therefore a Related Party under section 228(2)(d) Corporations Act.

⁶ Director, and therefore a Related Party under section 228(2)(a) Corporations Act.

⁷ The directors of the Frizelle Family Company are Rebecca Jane Frizelle and Brett James Frizelle.

⁸ The Frizelle Futures Trust is a discretionary trust of which the primary beneficiaries are Rebecca Jane Frizelle and Brett James Frizelle; and the secondary and tertiary beneficiaries include (among others) their relatives and certain entities, which may include Related Parties of Sunland.

(a) **The Related Parties to whom the Proposed Lakes Sale Resolution would permit the Financial Benefit to be given (section 219(1)(a) of the Corporations Act); and the nature of the Financial Benefit (section 219(1)(b) of the Corporations Act)**

As described in section 10, the Proposed Lakes Sale Resolution will or may permit a Financial Benefit to be given to the following Related Parties:

- Frizelle Family Company;
 - Rebecca Frizelle;
 - Brett Frizelle; and/or
 - Rebecca and Brett Frizelle's relatives (as secondary beneficiaries of the Frizelle Future Trust); and/or
 - Rebecca and Brett Frizelle's associated/related entities,
- to the extent of the Frizelle Family Company's 50% interest in the Buyer HoldCo which will indirectly acquire The Lakes Property via the Buyers for consideration of the Purchase Price (namely, \$32.75M).

The Independent Expert has ascribed a value of \$11.6million (exclusive of GST) to Lot 909 and \$18.55 million (exclusive of GST) to Lot 916, totalling \$30.15million (exclusive of GST) for The Lakes Property. The Frizelle Family Company's 50% interest equates to 50% of the total valuation assessed by the Independent Expert.

Refer to the IER in Annexure A for valuation details.

(b) **Directors' Recommendation (section 219(1)(c) of the Corporations Act)**

For the reasons set out in section 18, the Independent Directors recommend that Shareholders vote in favour of the Proposed Lakes Sale Resolution.

Rebecca Frizelle has abstained from providing a recommendation about the Proposed Lakes Sale Resolution because she does not consider herself justified in making a recommendation given she has an interest in the outcome of the resolution. She is a Related Party of the Company and may receive a Financial Benefit (indirectly) from the Company (via the Buyers and the Buyer HoldCo) if the Proposed Transaction proceeds.

(c) **Directors' Interest in the outcome of the Proposed Lakes Sale Resolution (section 219(1)(d) of the Corporations Act)**

Director	Interest
Soheil Abedian	Nil
Ronald John Eames	Nil
Christopher Robin Freeman	Nil
Rebecca Jane Frizelle	Refer to section 10 and 11(a).
Vahid Saberi	Nil
Sahba Abedian	Nil

- (d) **Any other information that is reasonably required by Shareholders to make a decision and that is known to the Company or any of its Directors (section 219(1) and 219(2) of the Corporations Act)**

(i) **Opportunity Costs**

The opportunity costs, and benefits foregone by the Company, in disposing of The Lakes Property to the Buyers are that the Company will no longer have the potential to derive profits by developing The Lakes Property itself or from further value appreciation. Those are no different to the opportunity costs if the Seller were to dispose of The Lakes Property to any other third party purchaser for the same Purchase Price and on the same terms and conditions. To the extent that the impact of the disposal of The Lakes Property may be detrimental to the Company, this is considered to be more than offset by the advantages of the Proposed Transaction described in section 18.2, noting that the Seller is receiving the Purchase Price as consideration for The Lakes Property.

(ii) **Taxation Consequences**

The Lakes Property is being sold inclusive of GST so the Company will remit \$1.1M of GST under the margin regime. Usual income tax liability will accrue to the Company on the profit generated by the sale.

No stamp duty will be payable by the Company or the Seller in respect of the Proposed Transaction. Except as set out in this Explanatory Statement, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to the benefits contemplated by the Proposed Lakes Sale Resolution.

12. Information for Shareholders – Listing Rule 10.1

For the purposes of Listing Rule 10.5 and for all other purposes the following information is provided:

(a) **Person to whom the Company (or its subsidiary) is disposing of the substantial asset**

The Company is disposing of the Substantial Asset to the Buyers. Further details about the Buyers are set out in section 10.

(b) **Influence – which category in Listing Rules 10.1.1 – 10.1.5 the person falls within and why**

The Frizelle Family Company (which has a 50% shareholding interest in the Buyer HoldCo) is a Related Party of the Company. See section 10 for further details.

(c) **Details of the asset being disposed of**

The asset being disposed of is The Lakes Property. Further details about The Lakes Property are set out in section 13 and in the IER.

(d) **Consideration for the disposal**

The consideration being provided for the disposal is the Purchase Price.

(e) **The intended use of funds received for the disposal**

The Purchase Price will be used by the Sunland Group to continue with its Strategy as detailed in section 6 and ASX announcement 20 October 2020. Subject to the discretion of the directors and the business needs of the Company at the time of settlement, the

directors will consider allocating settlement monies toward working capital requirements, repayment of liabilities, and returning asset value to shareholders through dividend or capital distributions, or a combination of these alternatives.

(f) **Timetable for completing the disposal**

The indicative timetable for the Proposed Transaction is set out in section 15 below.

(g) **A summary of any other material terms of the agreements**

A summary of the material terms of the Proposed Transaction are set out in section 13 below.

(h) **A voting exclusion statement**

The voting exclusion statement for the purpose of Listing Rule 10.1 is set out in section 2 of this Notice.

(i) **Independent Expert's Report**

The Company has obtained the Independent Expert's Report in relation to the Proposed Transaction. The IER is contained in Annexure A.

13. Proposed Transaction Details

13.1 Agreement summary

There is a separate put and call option agreement for each of Lot 909 and Lot 916, constituting The Lakes Property.

Therefore the put and call option under each Agreement may be exercised and completed separately. However the Agreements are inter-conditional in respect of certain conditions precedent including, relevantly, the requirement for Shareholder approval (as contemplated by the Proposed Lakes Sale Resolution being considered at this EGM). This means that Shareholders must approve the sale of both Lot 909 and Lot 919 (pursuant to the Proposed Lakes Sale Resolution) otherwise both Agreements will terminate.

The Agreements are on substantively the same terms and the key terms are as follows:

(a) **Seller:** Sunland Developments No. 22 Pty Ltd ACN 164 903 011.

(b) **Buyers:**

(i) Lot 909: The Lakes Lot 909 Pty Ltd ACN 653 499 702; and

(ii) Lot 919: The Lakes Lot 916 Pty Ltd ACN 653 499 711.

Refer to section 10 for further details.

(c) **Sale:** the Seller will sell The Lakes Property to the Buyers.

(d) **Completion:** completion is subject to the satisfaction of certain conditions, including:

(i) the Company obtaining necessary third party, regulatory and Shareholder approvals or consents;

(ii) the Company receiving an acceptable independent expert's report for the purpose of ASX Listing Rule 10.5.10 within 75 days of the Agreements;

- (iii) “exercise” of the put or call options - duly completed (put or call) exercise notices given for the lots and execution of the sale contract between each Buyer and the Seller;
 - (iv) the Seller subdividing the precinct and delivering Lot 909 and Lot 916; and
 - (v) the Seller registering a survey plan to create Lot 909 and Lot 916 that is substantially in accordance with the area and dimensions of the proposed Lots shown on the draft plan. The Buyers will accept a variation in area and dimensions of up to 5% from the draft plan.
- (e) **Option periods:** For each of the lots, the time periods for exercise of the put and call option are:
- (i) call options: the period starting on the date the Seller gives notification of satisfaction or waiver (if it can be waived) of the last to occur of the conditions set out in clause 13.1(d)(i), 13.1(d)(ii) and 13.1(d)(v), and ending 5.00pm on the date that is the later of:
 - (A) 14 days after satisfaction of the condition set out in clause 13.1(d)(v);
 - (B) 20 February 2022; and
 - (C) 14 days after the date the call option period starts;
 - (ii) put options: the period starting the day after the call option period ends and ending 5.00pm on the 30th day after the put option period starts.
- (f) **Purchase price:** total amount of \$32,750,000 (including GST) comprising:
- (i) \$13,750,000 for Lot 909 (**Lot 909 Purchase Price**); and
 - (ii) \$19,000,000 for Lot 916 (**Lot 915 Purchase Price**).
- (g) **Security Deposit:** the Buyers will pay to the Seller a total deposit of \$3.275M (representing 10% of the total Purchase Price) (**Deposit**), which will:
- (i) be comprised of:
 - (A) \$1,375,000 (being 10% of the Lot 909 Purchase Price); and
 - (B) \$1,900,000 (being 10% of the Lot 916 Purchase Price);
 - (ii) be refundable by the Seller in certain circumstances, including if an Agreement is terminated without default of the Buyer or the options expires; and
 - (iii) be credited to the Deposit payable under the contract upon exercise of the options.
- (h) **No finance or due diligence condition:** the Proposed Transaction is not subject to the Buyers obtaining finance or undertaking due diligence inquiries.
- (i) **Settlement:**
- (i) Settlement is subject to satisfaction of the conditions set out in 13.1(d).
 - (ii) For Lot 909, settlement will be effected on the later of 30 days after the exercise of the option or 15 February 2022, at which time the balance of the Lot 909 Purchase Allocation (being approximately 42% of the Purchase Price) will be paid.

- (iii) For Lot 916, settlement will be effected on the later of 30 days after the exercise of the option or 15 August 2022, at which time the balance of the Lot 916 Purchase Allocation (being approximately 58% of the Purchase Price) will be paid.
- (j) **Property easements:** the terms of the Agreements include certain requirements for the registration of easements that may benefit or burden the land.

13.2 The Lakes Property

- (a) The Lakes Property, the subject of the Proposed Transaction, is the land located at “The Lakes”, Mermaid Waters (QLD) and described as proposed Lot 915.
- (b) The Lakes Property is intended to be subdivided from a master lot into proposed Lot 915 and then as follows:
 - (i) Lot 909 which will be approximately 1.106 hectares in size; and
 - (ii) Lot 916 which will be approximately 2.199 hectares in size.

13.3 Seller – Sunland Developments No. 22 Pty Ltd

- (a) Sunland Developments No. 22 Pty Ltd ACN 164 903 011⁹ is the Seller of The Lakes Property. The Seller is a wholly owned subsidiary of Sunland.
- (b) The directors of Sunland are Soheil Abedian, Ronald John Eames, Christopher Robin Freeman, **Rebecca Jane Frizelle**, Vahid Saberi and Sahba Abedian.

14. Tender process

A tender process was conducted to determine a buyer and seek to maximise the purchase price for The Lakes Property.

The Kollosche real estate agency (**the Agent**) located in Broadbeach (QLD) was initially appointed to conduct a campaign for the sale of Lot 917 at the Lakes (**Lot 917**) and during that campaign, there was interest in Lot 916 and Lot 909, which are in close proximity to Lot 917. Sunland’s Directors requested a separate sales campaign be conducted for the sale of Lots 909 and Lot 916 rather than relying on the enquiries from the sale of Lot 917 in order to attract the best possible outcome for the sale of the lots.

- (a) Initial bids

The Agent was engaged to conduct an expression of interest campaign for the sale of the lots individually and together, in the event a buyer wished to purchase both properties. The Agent targeted real estate parties both inside and outside of Queensland. Marketing of the Lakes Property was done through local newspaper publications (Gold Coast Bulletin) and various major internet platforms, social media platforms and direct target marketing through the Agent’s client database.

The initial stage of the expression of interest process commenced in early August 2021 and concluded on 18 August 2021 during which time the Agent received 72 enquiries and five offers for a combination of lots both individually and collectively. The offers for the lots on an individual basis ranged:

- for Lot 909, from \$11.5 million to \$11.75 million with varying conditions and due diligence requirements;

⁹ The directors of the Seller are Grant Harrison and Sahba Abedian (Sunland managing director). The company secretary is Grant Harrison.

- for Lot 916, from \$18.4 million to \$18.6 million with varying conditions and due diligence requirements; and
- for the combined lots, an offer of \$32.75 million was received which largely accepted the Seller's commercial terms and included certain due diligence requirements attached to the offer.

One of the five offers included an offer from the directors of the Buyers and accordingly once the offer was received the Sunland Board established a range of governance protocols to consider the Proposed Transaction given it represented an offer from a related party. The protocols put in place included the establishment of the IBC comprising all Directors of Sunland, except for Rebecca Frizelle, and chaired by Mr Soheil Abedian.

Following evaluation of the preliminary offers, the Company considered that a bid for the combined lots from the one buyer was preferred prevailing strong market conditions and sufficient interest from interested parties for both sites for competitive tension. A shortlist of potential buyers with the desire and capacity to purchase both lots was determined by the Company and the Agent. The shortlisted potential buyers were instructed to submit their revised unconditional offers for both lots by 23 August 2021.

(b) Final bids

The Company received the final offers by 23 August 2021, with two of the original five offers being revised and another being clarified that the original offer was for both lots. One bid was for an amount lower than the preferred bid and also included certain conditions, including a due diligence period of 60 days.

The offer made on behalf of the Buyers was the highest valued offer, accepted Sunland's commercial terms and the due diligence time frame was shortened to 30 days and then to nil. This offer was assessed as providing certainty of proceeding with no due diligence requirements and generating an additional \$250,000 profit before tax than the other offers.

Details of the tender process and bids evaluation can be found from page 12 onward of the IER.

On 3 November 2021, the Seller and each Buyer entered into a final binding agreement for the sale of the respective Lots via the Agreements conditional on, among other things, the Company obtaining approval of Sunland Shareholders.

15. Indicative timetable

The Company anticipates completion of the Proposed Transaction will be in accordance with the following timetable:

Key Dates

Announcement of the Proposed Transaction	25 August 2021
Execution of the Agreements	3 November 2021
EGM materials lodged with ASX*	23 November 2021
Dispatch of the EGM materials to shareholders*	23 November 2021
Record Date for determining voting entitlements at EGM	21 December 2021
EGM to approve the Proposed Transaction	23 December 2021
ASX informed of Shareholders' decision	23 December 2021

** Note: These dates are indicative only and may change without notice.*

16. Impact of the Proposed Transaction on the Company

16.1 Effect if the Proposed Transaction proceeds

If the Proposed Lakes Sale Resolution is approved, the Company will be able to proceed with the Proposed Transaction in accordance with the terms of the Agreements and continue with the Strategy detailed at section 6 and the Company's ASX announcement 20 October 2020.

The Sunland Board composition will not change as a result of the Proposed Transaction.

16.2 Effect if the Proposed Transaction does not proceed

If the Shareholders do not approve the Proposed Lakes Sale Resolution:

- (a) The Company will not be able to proceed with the Proposed Transaction in accordance with the terms of the Agreements and will not receive the \$32.75M Purchase Price.
- (b) The Seller will still retain the ability to sell The Lakes Property, either in individual lots or as one property, to buyers who are not Related Parties or otherwise require Shareholder approval but the Seller and the Company will need to continue to seek buyers of The Lakes Property and the Seller and the Company may have significant difficulty in finding a new buyer for The Lakes Property.
- (c) The Company will continue to execute its operational Strategy to sell certain inventory which is not currently under development and complete the development of certain other projects.
- (d) A failure to complete the Proposed Transaction may result in a delay in reducing the Company's various debt facilities and thereby requiring the Company to continue to service debt that may otherwise be repaid. This may result in deferring the ability of the Company to distribute a future dividend.

16.3 Likely financial impact on the Company

The likely impact on the Company's financial position upon completion of settlement for the Proposed Transaction is set out in the following table:

Particulars	Value (\$M)
Net cash generated from settlement:	
• Sale price (excluding usual settlement adjustments)	\$32.75
• GST payment obligation under the margin scheme	\$1.68
• Tax at the company rate on Proposed Transaction	\$2.19
• Cash flow after tax	\$28.88
Profit generated from settlement after tax	\$5.1

The likely financial impact on the Company will be the conversion of The Lakes Property to cash or cash equivalents (a current asset), which will increase the liquidity of assets for the Company and enable such assets to be used in connection with its existing Strategy.

17. Independent Expert's Report – Proposed Transaction

17.1 Role of the Independent Expert

The Company was required by Listing Rule 10.5 to obtain an Independent Expert's Report in respect of the Proposed Transaction for the purposes of seeking Shareholder approval. The Independent Expert's Report assesses whether the Proposed Transaction is fair and reasonable to non-associated Shareholders.

The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the Proposed Transaction.

A copy of the Independent's Expert Report is enclosed with this Notice in Annexure A.

You are encouraged to read the Independent Expert's Report in detail and consult your professional adviser (including tax and financial advisers) if you have any questions.

17.2 Assessment of fairness

The Independent Expert commissioned Herron Todd White to undertake an independent valuation of The Lakes Property to be relied upon for the purpose of the Independent Expert's Report. An abstract of Herron Todd White's report is included in the Independent Expert's Report.¹⁰

In doing so, the Independent Expert has assessed, among other things, the market value of The Lakes Property.

The Independent Expert has concluded the market value of the Lot 909 is \$11.6million (exclusive of GST) and Lot 916 is \$18.55million (exclusive of GST), totalling \$30.15million (exclusive of GST) for The Lakes

¹⁰ Appendix B of the IER.

Property¹¹. As mentioned above, HTW has assessed this value on the basis of the site's highest and best use being an unencumbered estate in fee simple on an assumed vacant possession basis.

Details of the fair valuation of The Lakes Property can be found from page 3 onward of the IER.

As the consideration of \$31.066 million is above the Independent Expert's assessed fair market value, the Independent Expert has concluded the Proposed Transaction is fair.

17.3 Assessment of reasonableness

The Independent Expert has concluded that the Proposed Transaction is reasonable.

The Independent Expert's Report relies on ASIC Regulatory Guide 111 which establishes that the transaction is reasonable if it is fair. Accordingly, the Independent Expert has concluded that the Proposed Transaction is reasonable.

The Independent Expert has taken into account the advantages, disadvantages and various factors to assess whether the Proposed Transaction is reasonable.

Details of each of these advantages, disadvantages and factors can be found from page 5 onwards of the IER.

These factors include:

- (a) Comprehensive sale campaign process;
- (b) Premium to The Lakes Property's current market value;
- (c) Certainty of cash consideration including an expectation to generate an after-tax profit of approximately \$5.1 million;
- (d) The Proposed Transaction is consistent with the Company's strategies; and
- (e) In absence of a superior bid, the IBC has recommended to the non-associated Shareholders to vote in favour of the Proposed Transaction.

For the full list of matters considered by the Independent Expert in this respect, Shareholders should read the IER.

On balance, in the Independent Expert's opinion, the Proposed Transaction is reasonable.

The Independent Expert concluded that:

"The advantages outweigh the disadvantages as set out above and on this basis, it is our opinion that the Proposed Transaction is REASONABLE to the Non-Associated Shareholders of the Company."

17.4 Conclusion of the Independent Expert

The Independent Expert has determined the Proposed Transaction is fair and reasonable to non-associated Shareholders.

The Independent Expert's Report is dated 3 November 2021. There have not been any material changes to the facts on which the Independent Expert's opinion in the Independent Expert's Report was based between that date and the date of this Notice.

¹¹ IER, page 28.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made. A full copy of the Independent Expert's Report accompanies this Explanatory Statement.

The Independent Expert's Report is also available on the Company's website (www.sunlandgroup.com.au).

17.5 Independent Expert Consent to be Named

The Independent Expert has given, and not before the date of the Notice withdrawn, its consent to the inclusion of the Independent Expert's Report in this Notice and to the references to the Independent Expert's Report in this Notice being made in the form and context in which each such reference is included.

18. Independent Directors' Recommendation – Proposed Transaction

18.1 Recommendation

The Independent Directors have carefully considered the Proposed Transaction and the conclusions of the Independent Expert. In their opinion the key benefits that will be delivered to Shareholders by the Proposed Transaction outweigh its potential disadvantages and risk and the Proposed Transaction is in the best interests of Shareholders. Further advantages and disadvantages are set out below.

The Independent Directors recommend that Shareholders vote in favour of the Proposed Lakes Sale Resolution.

Rebecca Frizelle has abstained from providing a recommendation about the Proposed Lakes Sale Resolution because she does not consider herself justified in making a recommendation given she has an interest in the outcome of the Proposed Lakes Sale Resolution. She is a Related Party of the Company and will or may receive a Financial Benefit (indirectly) from the Company if the Proposed Transaction proceeds.

18.2 Advantages of the Proposed Transaction

In addition to the advantages of the Proposed Transaction identified in the IER, the Independent Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Proposed Lakes Sale Resolution:

- (a) The disposal of The Lakes Property is consistent with the Company's current Strategy announced to Shareholders on 20 October 2020.
- (b) The funds raised (generating free cash flow) by the Proposed Transaction may be used by the Company for working capital, to repay liabilities, and for returning asset value to Shareholders (or any of them).
- (c) If the Proposed Transaction proceeds, Sunland Group will realise approximately \$32.75 million gross proceeds (plus and minus settlement adjustments), generating an after tax profit of approximately \$5.1 million.
- (d) There was no superior proposal or higher bid to the Buyers' offer received by the tender process deadline (see tender process section 14).
- (e) The proceeds will assist Sunland with additional funding for working capital, settlement of outstanding liabilities or distribution to Sunland Shareholders.

18.3 Disadvantages of the Proposed Transaction

In addition to the advantages of the Proposed Transaction identified in the Independent Expert's Report, the Independent Directors have identified the Company will no longer be the direct legal or beneficial owner of The Lakes Property.

19. Other matters

19.1 Forward-looking statements

This Explanatory Statement contains forward-looking statements that are not only based solely on historical facts but are based on current expectations about future events and results. These forward-looking statements are subject to inherent risks and uncertainties. Such risks and uncertainties include factors and risks specific to the operations of the Company, as well as general economic conditions, prevailing interest rates, conditions in the financial markets, government policies and regulations and competitive pressures. As a consequence, actual events or results may differ materially from the expectations expressed or implied in such forward-looking statements. The assumptions on which prospective financial information is based may prove to be correct or may be affected by matters not currently known to, or considered material by, Sunland.

None of the Company or its Directors (including its Independent Directors), officers, employees and advisers makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law. Accordingly, Shareholders are cautioned about placing undue reliance on forward-looking statements contained in this Explanatory Statement.

20. Glossary and Interpretation

20.1 Definitions

In this Notice, unless the context requires otherwise, the terms listed below have the adjacent meanings ascribed to them:

Term	Definition
Agent	Kollosche real estate of Ground Floor/12-14 Albert Avenue, Broadbeach QLD 4218.
Agreements	has the meaning given in section 6 of the Explanatory Statement.
Associate	has the meaning given in the Listing Rules.
ASX	the securities exchange operated by ASX Limited ACN 008 624 691 or the financial market which it operates, as applicable.
Board	the board of Directors of Sunland.
Buyer	means: <ul style="list-style-type: none"> • in respect of Lot 909: The Lakes Lot 909 Pty Ltd ACN 653 499 702; and • in respect of Lot 916: The Lakes Lot 916 Pty Ltd ACN 653 499 711, (each a Buyer and, collectively, the Buyers).
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Deposit	\$3,275,000.
Directors	the directors of Sunland as at the date of this Notice.
EGM	extraordinary general meeting of Shareholder to be held on 23 December 2021 as described in the Notice.
Explanatory Statement	this document accompanying the Notice.
Financial Benefit	has the meaning given to that term in section 229 of the Corporations Act.
Frizelle Family Company	has the meaning given in section 10.
GST	means any form of goods and services tax payable under the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
Independent Board Committee or IBC	a committee of the Board comprising the Independent Directors.
Independent Directors	the Directors other than Rebecca Jane Frizelle.
Independent Expert	Grant Thornton.

Independent Expert's Report or IER	the report of the Independent Expert in relation to the Proposed Transaction accompanying this Notice.
Listing Rules	the listing rules of ASX.
Lot 909	has the meaning given in section 6 of the Explanatory Statement.
Lot 916	has the meaning given in section 6 of the Explanatory Statement.
Non-associated Shareholder	Shareholders whose votes on the Proposed Transaction are not disregarded.
Notice	this notice of EGM dated 18 November 2021 and including the Explanatory Statement.
Proposed Lakes Sale Resolution	the proposed resolution set out in item 1 of the Notice.
Proposed Transaction	has the meaning given in the Proposed Lakes Sale Resolution.
Purchase Price	purchase price as described in section 13.1(f).
Record Date	7:00pm (Sydney time), 21 December 2021 or such other date as Sunland determines in accordance with the Corporations Act and Listing Rules for determination of entitlement to participate in relation to the EGM.
Registry	Link Market Services Limited ACN 083 214 537, in its capacity as Sunland's share registrar.
Related Party	has the meaning given in the Corporations Act or the Listing Rules, as the context requires.
Seller	Sunland Developments No. 22 Pty Ltd ACN 164 903 011.
Share	an issued fully paid ordinary share of the capital of Sunland.
Shareholder	a person registered as a holder of a Share at the Record Date.
Substantial Asset	has the meaning given in the Listing Rules.
Sunland or Company	Sunland Group Limited ACN 063 429 532.
Sunland Group	the Company and its controlled entities for the year ended 30 June 2021.
The Lakes Property	has the meaning given in section 6 of the Explanatory Statement.
Voting Restrictions	means the exclusions and prohibitions referred to in section 3 of the Notice.

Voting Power	voting entitlements of the Shareholders to attend and to vote at the EGM, subject to the Voting Restrictions.
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20.2 Interpretation

In this Notice, unless the context requires otherwise:

- (a) the singular includes the plural and vice versa;
- (b) words importing one gender include other genders;
- (c) other parts of speech and grammatical forms of a word or phrase defined in this Notice have a corresponding meaning;
- (d) terms used in this Notice and defined in the Corporations Act or Listing Rules have the meanings assigned to them in the Corporations Act or Listing Rules (unless expressly provided to the contrary in this Notice);
- (e) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (f) a reference to a section, attachment and schedule is a reference to a section of and an attachment and schedule to this Notice, as relevant;
- (g) a reference to legislation or a legislative provision includes any statutory modification or substitution of that legislation or legislative provision and any subordinate legislation issued under that legislation or legislative provision;
- (h) a reference to a body or authority which ceases to exist is a reference to either a body or authority that the parties agree to substitute for the named body or authority or, failing agreement, to a body or authority having substantially the same objects as the named body or authority;
- (i) headings and bold type are for convenience only and do not affect the interpretation of this Notice;
- (j) monetary amounts are expressed in Australian dollars;
- (k) a reference to time is to Sydney time, unless otherwise noted; and
- (l) a reference to writing includes all modes of representing or reproducing words in a legible, permanent and visible form.

The Proposed Transaction and this Notice are governed by the laws of Queensland.

Annexure A Independent Expert's Report



Grant Thornton

An instinct for growth™

Sunland Group Limited

Independent Expert's Report and Financial Services Guide

3 November 2021

The Independent Directors¹
Sunland Group Limited
140A Alice Street
Brisbane, Queensland 4000

3 November 2021

**Grant Thornton Corporate
Finance Pty Ltd**
Level 17
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Sydney NSW 2000
Locked Bag Q800
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1230
T +61 2 8297 2400

Dear Directors

Independent Expert's Report and Financial Services Guide

Introduction

Sunland Group Limited ("SDG", "Sunland" or the "Company") is an ASX-listed residential property developer with a market capitalisation of approximately A\$330.9 million² as at 7 October 2021.

On 25 August 2021, Sunland announced that following an expressions of interest campaign ("EOI") it had entered into a non-binding agreement for the proposed sale of Lot 909 and Lot 916 within its property development "The Lakes" (the "Properties" or the "Lots") located in Mermaid Waters, at the Gold Coast in Queensland. The Properties are being purchased by two wholly-owned subsidiaries (one subsidiary for each Lot) of Mermaid Lakes Pty Ltd ("Mermaid Lakes" or "Buyer Holdco"), and the directors of each entity are Mr Brett Frizelle and Mr Darryl Kelly. Under the sale contracts, the subsidiary purchasing Lot 909 is The Lakes Lot 909 Pty Ltd ("Lot 909 Buyer") and the subsidiary purchasing Lot 916 is The Lakes Lot 909 Pty Ltd ("Lot 916 Buyer"). For simplicity, herein we refer to the Lot 909 Buyer and Lot 916 Buyer collectively as the "Buyers".

We note that Mr Brett Frizelle is the spouse of Sunland Non-Executive Director Mrs Rebecca Frizelle and The Frizelle Family Company, which has a 50% shareholding interest in the Buyer Holdco, is controlled by them. Accordingly Mr Brett Frizelle, Mrs Rebecca Frizelle and The Frizelle Family Company are considered related parties to the transaction ("Related Parties"). Once it was established that one of the offers during the EOI process involved the Related Parties, the Sunland Board established a range of governance protocols to evaluate the offers, included the establishment of an Independent Board Committee ("IBC") comprising all Directors of Sunland, except for Mrs Rebecca Frizelle, and chaired by Mr Soheil Abedian, the Chairman of Sunland.

The Buyers have agreed to pay A\$13.75 million and A\$19.0 million for Lots 909 and 916 respectively, aggregating to a total cash consideration of A\$32.75 million³ including GST (the "Consideration") (the "Proposed Transaction"). The Properties were originally purchased in 2014 by Sunland as part of a much larger 41.9 hectare development site, referred to as The Lakes, which was acquired for A\$61 million.

¹ Includes Soheil Abedian, Sahba Abedian, Ron Eames, Chris Freeman, and Vahid Saberi who are all directors and referred simply as Directors throughout the Report.

² Based on a closing price of A\$2.48 and 133,409,515 ordinary shares outstanding.

³ Deposit of 10% is payable on the Option Agreements date and the balance payable at the Settlement Date. The Settlement Date is defined in the sale contracts as the latest of 30 days after the contract date or: for Lot 909 15 February 2022; and for Lot 916 15 August 2022.

The final option agreements (“Option Agreements”) relate to proposed put and call options for the sale of each of Lot 909 (“Lot 909 Option Agreement”) and Lot 916 (“Lot 916 Option Agreement”), which are vacant and cleared lots covering an aggregate area of c. 3.305 hectares. As part of the Proposed Transaction, the terms of the Option Agreements require Sunland Developments No. 22 Pty Ltd⁴ (the “Seller” or “Sunland Developments No. 22”) to procure registration of the survey plan (“Survey Plan”) with the Queensland Land Registry that creates a separate title for each of Lot 909 and Lot 916. Once Lot 909 is registered and until the later of 20 February 2022 and 14 days after the Lot 909 Call Option starts, the Lot 909 Buyer or its nominee may exercise the call option to purchase Lot 909. Similarly, for Lot 916, once Lot 916 is registered and until the later of 20 August 2022 and 14 days after the Lot 916 Call Option starts, the Lot 916 Buyer or its nominee may exercise the call option to purchase Lot 916. After that time, Sunland may exercise the put options and require the Buyers to purchase the Properties. We note that under the Option Agreements, each Lot has separate call and put options.

The Proposed Transaction is subject to the Seller registering the Survey Plan to create a separate title for each of Lot 909 and Lot 916 that is substantially in accordance with the area and dimensions of the proposed lots shown on the draft survey plan, approval by the IBC, regulatory and other approvals⁵ and an Independent Expert’s Report (the “IER” or the “Report”) which is acceptable to Sunland and the IBC for the purpose of the ASX Listing Rule 10.5.10.

The Proposed Transaction is not conditional upon the Buyers being able to obtain a loan or other finance approval or undertaking due diligence inquiries.

Purpose of the Report

The IBC has engaged Grant Thornton Corporate Finance Pty Limited (“Grant Thornton Corporate Finance” or “GTCF”) to prepare an IER to state whether the Proposed Transaction is fair and reasonable to Sunland Shareholders not associated with the Related Parties and Sunland Shareholders whose votes on the Proposed Transaction are not disregarded (“Non-Associated Shareholders”) for the purposes of Chapter 2E of the Corporations Act 2001 (the “Corporations Act”) and Chapter 10 of the ASX Listing Rules.

Grant Thornton Corporate Finance has commissioned Herron Todd White (“HTW”) to undertake an independent valuation of the Properties to be relied upon for the purpose of this IER. HTW undertook a site visit of the Properties on 20 September 2021 for the purpose of undertaking the independent valuation and an abstract of the HTW Report is included in Appendix B.

When preparing this IER, Grant Thornton Corporate Finance has had regard to the Australian Securities Investment Commission (“ASIC”) Regulatory Guide 111 *Contents of expert reports* (“RG 111”) and Regulatory Guide 112 *Independence of experts* (“RG 112”). The IER also includes other information and disclosures as required by ASIC.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Proposed Transaction is FAIR AND REASONABLE to the Non-Associated Shareholders of the Company.

⁴ A wholly-owned subsidiary of the Company.

⁵ Including Shareholder approval

Fairness Assessment

In forming our opinion in relation to the fairness of the Proposed Transaction to the Non-Associated Shareholders of the Company, Grant Thornton Corporate Finance has considered the valuation of the Properties undertaken by HTW together with the Proposed Transaction's Consideration.

Below is a summary of the fairness assessment:

Fairness assessment	Section Reference	A\$'000
Market value of the Properties ¹	4.3	30,150
Total Consideration ¹	1.1	31,066
Premium		916
Premium (%)		3.0%
FAIRNESS ASSESSMENT		FAIR

Source: The Valuation Report, GTCF analysis

Note (1): Properties market value and Consideration exclusive of GST.

The Consideration is higher than the recent valuation of the Properties as determined by HTW. Accordingly, we conclude that the Proposed Transaction is FAIR to the Non-Associated Shareholders of the Company.

HTW has adopted the Direct Comparison Method, whereby sales of similar sites are directly compared to the subject properties (with allowances made for variations) to establish its market value. The other method typically adopted for similar high-density residential apartment developments is the Hypothetical Development Model, which uses forecast cash flows. However, in this instance, forecast cash flow information of sufficient detail and robustness was not available and the timeline on the development of either Lots is unknown. Accordingly, HTW has relied on the Direct Comparison Method.

The Lots form part of a larger parent site which includes Lots 909 and 916, a few other development sites, future road reserves (minor), part of a canal and the large central lake. The large parcel will be subdivided to create a number of lots, including Lot 915, and subdivided again to create subject Lots 909 and 916 in accordance with the Survey Plan.

In the valuation assessment of the Properties, HTW has assumed that the draft survey plans are obtained for the issuance of individual unencumbered legal title to Lots 909 and 916 and that all subdivision works have been satisfactorily completed. The Lots are governed by The Lakeview at Mermaid Plan ("LMP"), an approved planning framework which guides development of The Lakes which was issued by Gold Coast City Council ("Council" or "GCCC") on 27 June 2007. The Lakes is a master planned, commercial, retail, low/medium/high density residential and integrated open space estate which has been, and continues to be, progressively developed on a major infill site at Mermaid Waters on the Central Gold Coast.

The properties are located within a precinct of the Lakes that promotes medium-rise residential apartment developments, and this is considered the Highest and Best Use for the Properties. We note that the LMP allows a maximum building height of 8 storeys. However, in January 2018, Lot 909 received Development Approval from Council for the development of two adjacent 12-storey buildings with an approved yield of 190 apartments and 385 bedrooms (or 1 bedroom per 17.2 square metres ("sqm") of net unencumbered site area). While no development approval has been lodged for Lot 916, Sunland has advised that based on their preliminary review of Lot 916, a Code Compliant Development Scheme would achieve a bedroom yield of 756 bedrooms reflecting approximately one bedroom per 28.4 sqm of net unencumbered site area. This is based on a scheme of four

12-storey apartment buildings, consistent with the height approved on Lot 909. Due to the absence of an approval or specific town planning advice, HTW has adopted this bedroom yield for valuation purposes.

Market conditions for high-rise residential apartments on the Gold Coast have stabilised and improved over the last 12 months, following the period immediately after the onset of COVID-19. Specialised agents are reporting a strong improvement in demand for sites throughout the second half of 2020 and throughout 2021 so far, driven by renewed confidence from developers and the recovery of the new apartment market. High quality sites are attracting strong demand with prices of recent transactions typically above pre-COVID levels.

The parent site of the Lakes was purchased by Sunland in October 2014 and at that time the sale reportedly included significant infrastructure charge credits. However, since then, the benefit of the infrastructure charge credits is now in dispute with Council. We note that the Properties have been marketed by Sunland on the basis that infrastructure charge credits are not available and HTW has had no regard to the infrastructure charge credits in its valuation.

Refer to Section 4.3 and Appendix B for further details on the Property Valuation.

Reasonableness Assessment

RG 111 establishes that transaction is reasonable if it is fair. Accordingly, we have concluded that the Proposed Transaction is reasonable. However, we have also considered the following advantages, disadvantages and other factors.

Advantages

Comprehensive sale campaign process

Sunland commissioned the Agent to undertake an EOI campaign process over a three week period closing 23 August 2021, where five final bids were received. While the timeframe appears relatively short, it follows similar sales campaigns which were undertaken for two other development sites in The Lakes in early/mid 2021 and hence a large number of interested parties were already familiar with the site and zoning restrictions. The EOI campaign period was divided into two phases in order to provide interested bidders ample time to re-consider their bids. Interested parties were invited to submit bids for one or both of the Lots. Information memorandum, draft term sheet and other relevant information was provided to the interested bidders following their execution of confidentiality agreement. The initial stage of the EOI campaign ended on 18 August 2021 where the Agent received a total of 72 enquiries and five⁶ indicative, non-binding offers. The five offers included four for individual lots and one for both lots and ranged in value from A\$11.5 million to A\$32.75 million with varying settlement periods ranging from 6 to 12 months and due diligence periods between 14 and 60 days. The whole process was managed by the Agent in coordination with executive management of Sunland, which in turn reported progress to the Board.

Following receipt of the Mermaid Lakes offer, Sunland took the necessary steps to protect the integrity of the EOI campaign process. At this point, the IBC was established to ensure only the independent directors dealt with the EOI campaign outcomes and any decisions related to it. Since then, the IBC has taken responsibility documenting, evaluating the final offers received and selecting the winning bid based on criteria set by Sunland before the whole process commenced.

⁶ Including the offer from Mermaid Lakes.

After evaluation of the preliminary offers received was completed, the Company considered that a bid for the combined lots from one buyer was preferred given prevailing strong market conditions and that there was likely sufficient interest from interested parties for both sites. A shortlist was agreed between Sunland and the Agent for those buyers considered to have the desire and capacity to purchase both Lots and the Agent was instructed to have the preferred buyers submit their revised unconditional offers for both Lots on or before 5pm on 23 August 2021. In the end, two of the five initial offers were revised and another was clarified that the initial offer was for both Lots, resulting in three offers for the two Lots. The three offers for both Lots from lowest to highest were A\$18.6 million, A\$32.5 million and A\$32.75 million. The lowest offer of A\$18.6 million was rejected by the IBC on account of it being materially lower than the other competing offers. The higher offer, from Mermaid Lakes, was accepted due to it being favourable on account of there being no due diligence period, a slightly higher price, and the bidders had accepted the conditions in the Term Sheet. Whereas the other competing offer for A\$32.5 million had a due diligence period of 60 days and the bidder had not submitted acceptance of the required Term Sheet.

Premium to the Properties' current market value

Based on the current market value of the Properties as determined by HTW, the Consideration offered by the Buyers results in an approximately 3% premium for the Properties. We have not compared the value of each Lot as assessed by the Valuer against the value ascribed to each Lot in the Option Agreements given that the Valuer noted that the apportionment under the Option Agreements appeared somewhat skewed and not reflecting of each Lot's relative value to one another. In the absence of a superior bid, Mermaid Lakes' offer of A\$32.75 million (inclusive of GST), or c. A\$31.07 million (exclusive of GST) presents an attractive proposition to the Non-Associated Shareholders of the Company.

Certainty of cash consideration

Upon completion of the Proposed Transaction, the Company will receive significant cash proceeds and it is expecting to generate an after-tax profit of approximately A\$5.1 million⁷. The proceeds will assist Sunland with additional funding for working capital, settlement of outstanding liabilities, distribution to Sunland Shareholders and progress other developments.

The Proposed Transaction is consistent with the Company's strategies

The Proposed Transaction is consistent with Sunland's strategy of selling certain inventory which is not currently under development in favour of completing the development of certain other projects.

As the Properties are currently undeveloped and in the planning phase, their sale will allow Sunland to focus on completed and other on-going development projects.

⁷ ASX announcement dated 25 August 2021

Disadvantages

Shareholders will not be able to participate in the potential development upside of the Properties

If Sunland Shareholders approve the Proposed Transaction, they will forgo an opportunity to participate in the future upside potential of developing the Properties. The Gold Coast property market is currently experiencing rapid price growth driven by strong interstate demand for new apartments and limited stock availability. The Properties are in a highly sought after location within 3 kilometres of Broadbeach and in close proximity to major infrastructure and amenities including the Pacific Fair super-regional shopping centre, Broadbeach, and the Gold Coast Light Rail. Accordingly, the Non-Associated Shareholders will not be exposed to the potential upside from redeveloping the sites into a medium density, residential apartment complex. However, we note that Sunland already has significant residential development exposure to The Lakes development through the Lanes Apartments Stage 2. In addition, the Company is currently completing its high rise development, 272 Hedges Avenue, within close proximity to The Lakes and therefore Sunland shareholders already have significant exposure to The Lakes development and the broader Gold Coast market.

The Option Agreements may cause delay in receiving the proceeds from the Proposed Transaction

Whilst there is certainty of the cash consideration, there is a potential delay in the receipt of the Proposed Transaction's proceeds in view of the Option Agreements.

As provided for in the Option Agreements, the Buyers cannot exercise the Call Options until the date that is the later of the date of notification by Sunland of satisfaction or waiver of the Report Condition, Approval Condition and the Title Condition for the respective Call options. The Lot 909 Call Option expires on the later of 14 days after satisfaction of the Title Condition for Lot 909, 20 February 2022, and 14 days after the Lot 909 Call Option Starts. The Lot 916 Call Option expires on the later of 14 days after satisfaction of the Title Condition for Lot 916, 20 August 2022, and 14 days after the Lot 916 Call Option Starts. After these dates, the Seller has the right to exercise the associated Lot 909 and Lot 916 Put Options. The Put Options commence when the Call Option ends, and do not expire for 30 days. The settlement dates are the latest of 30 days after the contract date or: for Lot 909 15 February 2022; and for Lot 916 15 August 2022.

Other factors

The IBC has recommended the Non-Associated Shareholders to vote in favour of the offer

In the absence of a superior offer, the IBC has unanimously recommended the Non-Associated Shareholders approve the Proposed Transaction. Not only that it provides consideration of A\$32.75 million (or A\$31.07 million excluding GST), the Mermaid Lakes offer also accepted all the criteria as set out in the proposed Term Sheet prepared by Sunland. Furthermore, the Mermaid Lakes offer was the only offer with no due diligence period thereby reducing potential execution and settlement risks attached to the bid.

Other offers received by Sunland during the EOI campaign had not formally accepted the criteria in the Term Sheet and therefore these may have been up for negotiation, which Sunland considered as possibly affecting the execution and settlement of an alternative transaction.

Tax consequences

The Properties are being sold inclusive of GST, so Sunland will remit A\$1.68 million of GST under the margin regime. Usual income tax liability will accrue to the Company on profits generated by the Proposed Transaction. No stamp duty will be payable by the Seller in respect of the Proposed Transaction.

Reasonableness Conclusion

The advantages outweigh the disadvantages as set out above and on this basis, it is our opinion that the Proposed Transaction is **REASONABLE** to the Non-Associated Shareholders of the Company.

Overall Conclusion

After consideration of the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Proposed Transaction is **FAIR AND REASONABLE** to the Non-Associated Shareholders of the Company.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section. The decision of whether or not to vote in favour of the Proposed Transaction is a matter for each Sunland Shareholder to decide based on their own views of the value of the Properties and expectations about future market conditions, the Properties' performance, risk profile and investment strategy. If the Company Shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD

[Draft]

ANDREA DE CIAN
Director

JANNAYA JAMES
Director

3 November 2021

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by Sunland to provide general financial product advice in the form of the IER in relation to the Proposed Transaction. This Report is included in the Company's Notice of Meeting and Explanatory Memorandum.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our Report we provide general financial product advice. The advice in our Report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the IER, Grant Thornton Corporate Finance's client is Sunland. Grant Thornton Corporate Finance receives its remuneration from Sunland. In respect of the IER, Grant Thornton Corporate Finance will receive from Sunland a fee of A\$40,000 (plus GST), which is based on commercial rates plus reimbursement of out-of-pocket expenses for the preparation of the IER. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this Report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of Sunland and associated entities in order to provide this Report. The guidelines for independence in the preparation of independent expert's reports are set out in Regulatory Guide ("RG") 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton 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 Sunland (and associated

entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transaction, other than the preparation of this Report.

Grant Thornton 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 Proposed Transaction. Grant Thornton Corporate Finance's out-of-pocket expenses in relation to the preparation of the Report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this Report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

Financial Ombudsman Service Limited
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 367 287

Grant Thornton Corporate Finance is only responsible for this Report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of Section 912B of the Corporations Act, 2001.

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1 Outline of the Proposed Transaction

1.1 Background

Since acquiring the parent parcel for the Lakes in 2014, Sunland has progressively developed the site. A number of stages have been completed and/or sold including existing commercial businesses and a service station; a number of commercial, childcare and residential development sites; residential subdivision lots; medium density villa units; and a medium rise twin building apartment project. Sunland is also currently developing a second twin building medium rise apartment project (“The Lanes Stage 2”).

On 20 October 2020, the Company announced that following a strategic review of its operations⁸, it is proposing to sell certain inventory which is not currently under development and focus on the development of certain other projects⁹ (the “Strategic Initiatives”). These Strategic Initiatives are likely to be completed over a period of three years (or more), with the intention to convert assets to cash, repay all liabilities and return net asset value to Sunland shareholders¹⁰. As a result, Sunland has progressively been selling down the balance of development sites in The Lakes precinct apart from The Lanes Stage 2 apartment project, which is under construction.

Since the announcement of its Strategic Review, Sunland has completed the sale of a number of assets generating total proceeds of A\$131.6 million as detailed below:

- On 18 December 2020, the sale of the property located at 154-156 Marine Parade, Coolangatta (QLD), for a purchase price of A\$12.8 million;
- On 18 December 2020, the sale of a property located on Pagett Road, Carrum Downs, Melbourne (VIC) for a purchase price of A\$17 million;
- On 19 March 2021, the sale of a property known as “Grace on Coronation” located 600 Coronation Drive, Toowong (QLD) for a purchase price totalling A\$43.5 million; and
- On 28 July 2021, a resolution was passed for the sale of the Greenmount Hotel site and business known as the “Greenmount Beach Hotel” located at 3 Hill Street in Coolangatta (QLD), for a purchase price totalling \$42.3 million; and
- On 31 August 2021, the sale of Lot 917 located at The Lakes, Gold Coast (QLD) for a purchase price of A\$16 million.

On 25 August 2021, Sunland announced the Proposed Transaction. The Kollosche real estate agency (“the Agent”) located in Broadbeach was initially appointed to conduct a campaign for the sale of Lot 917 at The Lakes and during that campaign there was interest in Lots 916 and 909, which are in close proximity to Lot 917. Sunland Directors requested a separate sales campaign be conducted for the sale of Lots 909 and 916 rather than relying on enquiries from the sale of Lot 917 in order to attract the best possible outcome for the sale of the Lots.

⁸ In consultation with external advisors

⁹ These include a number of active projects in Queensland and New South Wales such as Magnoli, 272 Hedges Avenue, Lanes Residences, The Heights, The Hills Residences, Kirkdale Residences, Montaine Residences and The Sunland Collection.

¹⁰ Subject to sale of the inventory, financiers satisfaction and regulatory and legislative requirements compliance

The Agent was engaged to conduct an EOI campaign for the sale of the Lots individually and together, in the event a buyer wished to purchase both properties. The Agent targeted real estate parties both inside and outside of Queensland. Marketing of the Properties was done through local newspaper publications (Gold Coast Bulletin) and various major internet platforms, social media platforms and direct target marketing through the Agent's client database. The Initial Stage of the EOI process commenced in early August 2021 and concluded on 18 August 2021 during which time the Agent received 72 enquiries and five offers for a combination of lots both individually and collectively.

One of the five offers included an offer from the directors of the Buyers and accordingly once the offer was received the Sunland Board established a range of governance protocols to consider the Proposed Transaction given it represented an offer from a related party. The protocols put in place included the establishment of the IBC comprising all Directors of Sunland, except for Rebecca Frizelle, and chaired by Mr Soheil Abedian.

Following evaluation of the preliminary offers, the Company considered that a bid for the combined lots from the one buyer was preferred given prevailing strong market conditions and sufficient interest from interested parties for both sites for competitive tension. A shortlist of potential buyers with the desire and capacity to purchase both lots was determined by the Company and the Agent. The shortlisted potential buyers were instructed to submit their revised unconditional offers for both lots by 23 August 2021.

The Company received the final offers by 23 August and on 26 October 2021, the Seller and Mermaid Lakes entered into a final binding agreement for the sale of the Properties via the Option Agreements conditional on the Company obtaining approval of Sunland Shareholders.

1.2 Key conditions on the Proposed Transaction

The Proposed Transaction is subject to the execution of a final binding agreement between Sunland Developments No. 22, a wholly-owned subsidiary of the Company, and Mermaid Lakes. This final agreement relates to two proposed put and call options for the sale of the Properties, one put and call option for each of Lot 909 and Lot 916. Refer to section 1.3 below for details of the Option Agreements and related agreements. Once Lot 909 is registered and until the later of 20 February 2022 and 14 days after the Lot 909 Call Option starts, the Lot 909 Buyer or its nominee may exercise the call option to purchase Lot 909 ("Lot 909 Call Option"). Similarly, for Lot 916, Once Lot 916 is registered and until the later of 20 August 2022 and 14 days after the Lot 916 Call Option starts, the Lot 916 Buyer or its nominee may exercise the call option to purchase Lot 916 ("Lot 916 Call Option"). The Lot 909 Call Option and the Lot 916 Call Option are herein collectively referred to as the "Call Options". In the event the Call Options are not exercised for a period of 30 days after, Sunland Developments No. 22 may exercise the Lot 909 put option ("Lot 909 Put Option") and/or the Lot 916 put option ("Lot 916 Put Option") (collectively the "Put Options") requiring the Lot 909 Buyer to purchase Lot 909 and/or the Lot 916 Buyer to purchase Lot 916.

The Proposed Transaction is also subject and conditional upon:

- The Seller registering a survey plan to create Lots 909 and 916 that is substantially in accordance with the area and dimensions of the proposed lot shown on the draft plan ("Title Condition")
- Sunland's Board approval through the IBC created exclusively to evaluate the Proposed Transaction

- Sunland obtaining all and necessary third party, regulatory and/or shareholder approvals or consents (as required) to give effect to the Proposed Transaction, including approval by the shareholders of Sunland for the purpose of the ASX Listing Rule 10.1 and Chapter 2E of the Corporations Act (“Approval Condition”)
- Sunland receipt of the IER which is acceptable for the purpose of the ASX Listing Rule 10.5.10 (“Report Condition”)

The conditions above are formalised in the Option Agreements.

1.3 Option Agreements and related deeds

The Option Agreements consist of put and call options in relation to Lot 909 and put and call options in relation to Lot 916. Below is a summary of the key terms of the Option Agreements:

- *Call Options period* – For each of the Call Options, this starts upon the Seller’s notification of the satisfaction, or waiver of the title condition¹¹, approval condition¹² and report condition¹³. For Lot 909 the call option period ends on the later of the 14th day after satisfaction of the Title Condition and 20 February 2022. For Lot 916 it ends on the 14th day after satisfaction of the Title Condition and 20 August 2022.
- *Put Options period* – This starts when the Call Options periods end and up to 30 days after the Put Options periods commence.
- *Option Fee* – Peppercorn amount of A\$1 (including GST) for each of the Call Options and Put Options.
- *Security deposit* – This is equivalent to A\$3.275 million (A\$1.375 million for Lot 909 and A\$1.9 million for Lot 916) or 10% of the Consideration to be paid on the Option Agreements dates. The Security deposit is refundable if the Buyers terminate the Option Agreements due to the Seller not meeting any of the Title Condition, Approval Condition or Report Condition.
- *Appointment of a nominee* – The Lakes Lot 909 Pty Ltd and The Lakes Lot 916 Pty Ltd may nominate a nominee upon exercise of the Call Options providing the nominee is a wholly-owned subsidiary or a company with substantially and materially the same ultimate controller(s) and legal and beneficial owners as The Lakes Lot 909 Pty Ltd and The Lakes Lot 916 Pty Ltd (including for the purposes of Listing Rule 10.1 and Chapter 2E of the Corporations Act).
- *Encumbrances* – the terms of the Option Agreements include certain requirements for the registration of building management statements and easements that may benefit or burden the land. The Buyers must not object to the terms of the title encumbrances being amended from those disclosed in the

¹¹ Title condition relates to the Seller procuring registration of the Survey Plan that creates a separate title for each of Lot 909 and Lot 916 no later than 12 months after the Option Agreements dates or as extended pursuant to clause 5.4 of the Option Agreements.

¹² Approval condition relates to the Seller obtaining all necessary third party, regulatory and/or shareholder approvals or consents (as required) to give effect to the Proposed Transaction 105 days after the Option Agreements dates or as extended pursuant to clause 4.6 of the Option Agreements.

¹³ Report condition relates to the Seller and/or Sunland receiving an independent expert’s report which is acceptable to Sunland (in its absolute discretion) for the purpose of ASX Listing Rule 10.5.10 on or before 75 days after the Option Agreements dates or as extended pursuant to clause 3.6 of the Option Agreements.

Option Agreements provided they give the owner of the Properties substantially the same rights and obligations as set out in the Option Agreements.

- *Southwest Footbridge* – At some stage in the development of the precinct within which Lot 909 and 916 are located, the Local Government may require or impose a condition of a development approval that a pedestrian footbridge be constructed to link the south west of the precinct to property located on the southern side of the canal. If the Local Government requires the footbridge to be constructed as part of a survey plan or development approval, Sunland will be responsible for construction of the footbridge and the Buyers will not be required to contribute to the costs of constructing the footbridge.

The Option Agreements are supported by the following related deeds:

- *Special conditions* – Included as Annexure A to the Option Agreements, it deals with conditions enumerated in the template sale contract circulated by the Agent (on behalf of Sunland) to the interested parties during the EOI campaign period. These special conditions deal with settlement dates, infrastructure credits, resale deed, warranties, and intellectual property, amongst others.
- *Nominations Deed* – if Lakes Lot 909 Pty Ltd and/or Lakes Lot 916 Pty Ltd appoint a nominee to be bound as the buyer under the Option Agreements.

1.4 Expression of interest campaign

Initial bids

The initial stage of the EOI process commenced in August 2021 for a 3 week period with the Agent offering the Lots individually and together in the event a buyer wished to buy both Properties. Whilst the marketing period is short, it follows similar sales campaigns undertaken for two other development sites in The Lakes in early/mid 2021. The Agent approached real estate parties within and outside of Queensland. Marketing of the Properties was done through local newspaper publications (Gold Coast Bulletin) and various major internet platforms, social media platforms and direct target marketing through the Agent's client database. As part of the EOI campaign, the Agent provided interested parties with a copy of the Properties' information memorandum and a template of the Proposed Transaction's sale contract and Terms Sheet. After execution of a confidentiality agreement, they were also given access to further relevant information on the Properties through the data room and various requests for information.

The initial stage of the EOI campaign ended on 18 August 2021 where the Agent received a total of 72 enquiries and five¹⁴ indicative, non-binding offers. The offers included for individual lots and for both lots and ranged in value from A\$11.5 million to A\$32.75 million with varying settlement periods ranging from 6 to 12 months and due diligence periods ranging from 14 to 60 days.

Following evaluation of the preliminary offers received, all five bidders who submitted expressions of interest progressed to the final offer stage, as agreed between Sunland and the Agent. These bidders were considered to have an acceptable level of settlement risk and were further instructed to submit their revised unconditional offers on or before 5pm on 18 August 2021.

Final bids

¹⁴ Including the offer from Mermaid Lakes.

On 18 August 2021, Sunland executives called the Agent to discuss the offers. They instructed the Agent to enquire if the parties submitting bids for one lot would consider buying both lots, provide a revised price, as well as shortening the time frames for due diligence and settlement. The new deadline of 5pm on 23 August 2021 was agreed.

On 19 August, Rebecca Frizelle disclosed in an email to Sunland's Directors that one of the bids was from a consortium that included her husband. On the basis of the offer received from the Related Parties, it was recommended that the IBC was formed. The IBC, which consists of Sunland's independent directors (i.e. excluding Rebecca Frizelle) and to be headed by Mr Soheil Abedian, would be responsible in assessing the final bids for the sale of Lots 909 and 916.

Sunland received the final offers on 23 August with two of the original five offers being revised and another bid being clarified it was for both lots, as opposed to just one lot. The two highest bids were for both lots. Mermaid Lakes offer was the highest value offer by A\$250k and accepted Sunland's commercial terms in the Term Sheet, whereas the other bid had not formally accepted the Terms Sheet. In addition, the due diligence period for the Mermaid Lakes offer was revised down to 30 days, and then zero days whereas the other competing offer requested a 60 day due diligence period. The two highest offers requested 6 months and 12 months settlement periods for Lot 909 and Lot 916 respectively.

Presented below is a summary of the final offers received for the Properties.

Summary of final bids			Price (A\$ millions) ⁴	Deposit (A\$ millions)	Settlement Date	Comments
No.	Bidder	Property				
1	Mermaid Lakes	Lot 909 & 916	32.75 ¹	3.275	Lot 909 - Feb 2022 (6 months) Lot 916 - Aug 2022 (12 months)	No due diligence period; Term Sheet accepted
2	Bidder 2	Lot 909 & 916	32.5	3.25	Lot 909 - Feb 2022 (6 months) Lot 916 - Aug 2022 (12 months)	60 days due diligence, Term Sheet not completed
3	Bidder 3	Lot 909 & 916 ³	18.6	0.93	May 2022	45 days due diligence; Term Sheet not completed
4	Bidder 4	Lot 909 only	11.5	1.15	June 2022	14 days due diligence, Term Sheet not completed
5	Bidder 5	Lot 916 only	19.0	1.9	August 2022	28 days due diligence; Term Sheet accepted

Source: Management information

Note (1): Due to confidentiality of information, we have not disclosed the name of the bidders other than Mermaid Lakes.

Note (2): The Valuation Report prepared by HTW, on page 43, did not include bid 4 above in the absence of a formal offer received at the conclusion of the final bid stage.

Note (3): Sunland originally understood bid 3 was for lot 916 only, however upon clarification with the Bidder it was understood to be for both Lots 909 and 916.

Note (4): Inclusive of GST

Evaluation of the offers

In evaluating the offers received, Sunland had considered the following:

- Sunland's preference was to sell both lots together, if possible, and subject to the IBC being sufficiently comfortable of the Buyers' capacity to settle. Three of the final bids were for both sites and the rest for one site only.

- Given the prevailing strong market conditions, Sunland had a preference for unconditional offers and certainty of sale above the highest price. The Mermaid Lakes offer was both the highest price and represented the least settlement risk due to the unconditional nature of the offer and no due diligence period. In addition, the Buyers accepted the contract under Sunland's preferred Put and Call options Agreement. Bidder 2's offer was a slightly lower price, was subject to 60 days due diligence, and the Terms Sheet had not been accepted, therefore represented an inferior bid.

Evaluation of Mermaid Lakes offer

The Independent Directors unanimously approved for Sunland to proceed with Mermaid Lakes offer as this was the only offer that contained the most favourable price and terms to the Company. Specifically, the evaluation was based on the following:

- It was the highest bid at A\$32.75 million (including GST).
- It was for both Lots 909 and 916.
- The offer accepted all the commercial criteria as set out in the proposed term sheet.
- The offer included no due diligence period.
- It was the only conforming bid from the sale process that accepted the Term Sheet and was unconditional. Other final bids requested due diligence periods and none of the other bidders had formally accepted the terms of the Term Sheet, which could have resulted in additional ongoing negotiations.

On 25 August 2021 Sunland confirmed by email to Mermaid Lakes that the IBC had approved to proceed with Mermaid Lakes final offer.

2 Purpose and scope of the Report

2.1 Purpose

Chapter 10 of the ASX Listing Rules

Chapter 10 of the ASX Listing Rules requires the approval from non-associated shareholders of a company if the company proposes to acquire or dispose a substantial asset from a related party or a substantial holder.

The ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is 5% or more of the equity interest of the entity as set out in the latest financial statements provided to the ASX. Based on the ASX Listing Rule 10.1.3, a substantial holder is a person who has a relevant interest, or had a relevant interest at any time in the six months before a transaction, in at least 10% of the voting power of the company.

The ASX Listing Rule 10.5.10 requires that the Notice of Meeting to approve the related party transaction must display prominently an expert's opinion as to whether the transaction is fair and reasonable to the holders of the entity's ordinary securities whose votes are not to be disregarded.

Sunland has entered into agreements with the Buyers—subject to the conditions outlined in Section 1.2—on the proposed sale of Lot 909 and Lot 916 within its property development “The Lakes”, for \$13.75 million and A\$19.0 million respectively, aggregating to a total cash consideration of A\$32.75 million (including GST). We note that Mr Brett Frizelle is the spouse of Sunland Non-Executive Director Mrs Rebecca Frizelle and The Frizelle Family Company, which has a 50% shareholding interest in the Buyer Holdco, is controlled by them. Accordingly Mr Brett Frizelle, Mrs Rebecca Frizelle and The Frizelle Family Company are considered related parties to the Proposed Transaction. Accordingly, the Directors have requested Grant Thornton Corporate Finance to prepare the Independent Expert's Report stating whether, in its opinion, the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders of the Company.

2.2 Basis of assessment

Grant Thornton Corporate Finance has had regard to RG 111 in relation to the content of the Independent Expert's Report and RG 76 in relation to the related party transactions. RG 76 largely refers to RG 111 in relation to the approach to the related party transactions.

RG 111 establishes certain guidelines in respect of the Independent Expert's Reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of “fair and reasonable” in the context of a takeover offer. RG 111 also regulates the Independent Expert's Reports prepared for the related party transactions in clauses 52 to 63. RG 111 notes that an expert should focus on the substance of the related party transaction, rather than the legal mechanism and, in particular, where a related party transaction is one component of a broader transaction, the expert should consider what level of analysis of the related party aspect is required.

We note that RG 111 clause 56 states the following:

RG 111.56 Where an expert assesses whether a related party transaction is 'fair and reasonable' (whether for the purposes of Chapter 2E or ASX Listing Rule 10.1), this should not be applied as a composite test – that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on consideration of the advantages and disadvantages of the proposal, as we do not consider this provides members with sufficient valuation information (See Regulatory Guide 76 Related party transactions at RG 76.106–RG 76.111 for further details).

Accordingly, in the consideration of the Proposed Transaction, the expert should undertake a separate test of the fairness and then analyse the advantages and disadvantages to the Non-Associated Shareholders of the Company.

RG 111 notes that the related party transaction is:

- Fair, when the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being sold.
- Reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should vote in favour of the transaction.

In considering the fairness of the Proposed Transaction, we have analysed the key terms of the legal agreements supporting the Proposed Transaction as well as the independent valuation of the Properties to ensure they are fair to the Non-Associated Shareholders of the Company and no net financial benefits are accrued to the Buyer Holdco and / or its members, shareholders and associated entities.

In considering whether the Proposed Transaction is reasonable to the Non-Associated Shareholders of the Company, we have considered a number of factors, including:

- Whether the Consideration paid for the Properties is fair.
- The implications to Sunland and the Non-Associated Shareholders of the Company if the Proposed Transaction is not approved.
- Other likely advantages and disadvantages associated with the Proposed Transaction as required by RG111.
- Other costs and risks associated with the Proposed Transaction that could potentially affect the Non-Associated Shareholders of the Company.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance (a 100% subsidiary of Grant Thornton Australia Limited) considered its independence with respect to the Proposed Transaction with reference to the ASIC Regulatory Guide 112 "Independence of Expert's Reports".

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the Proposed Transaction other than that of an independent expert. Grant Thornton Corporate Finance 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 these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary 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 Transaction.

2.4 Consent and other matters

Our Report is to be read in conjunction with the Notice of Meeting and Explanatory Memorandum dated on or around 17 November 2021 in which this Report is included, and is prepared for the exclusive purpose of assisting the Non-Associated Shareholders of the Company in their consideration of the Proposed Transaction. This Report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this Report in its form and context and consents to its inclusion in the Notice of Meeting and Explanatory Memorandum.

This Report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction to the Non-Associated Shareholders of the Company as a whole. We have not considered the potential impact of the Proposed Transaction on individual Non-Associated Shareholders of the Company. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual shareholders.

The decision of whether or not to approve the Proposed Transaction is a matter for each Non-Associated Shareholder based on their own views of value of the Properties and expectations about future market conditions (including impact of COVID-19), the Properties' performance, and risk profile and investment strategy. If the Non-Associated Shareholders of the Company are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

2.5 Compliance with APES 225 Valuation Services

This Report has been prepared in accordance with the requirements of the professional standard APES 225 Valuation Services ("APES 225") as issued by the Accounting Professional & Ethical Standards Board. In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that Standard as follows:

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

3 Industry overview

The discussion in this section is aligned with the Properties' highest and best use¹⁵ being medium-rise, residential apartment developments as identified in the Valuation Report.

The residential housing segment has experienced some of the strongest conditions in decades fuelled by record low interest rates and significant government support and stimulus measures following the outbreak of COVID-19 in early 2020. National median house prices have risen 20.3%¹⁶ in the twelve months ending 30 September 2021, the fastest annual growth since 1989. In addition, new housing loan commitments are up 47.4% for the year ending August 2021¹⁷.

However, there are also signs that the strong housing market growth over the last 12 months has peaked and is now beginning to slow. National house price growth peaked at 2.8% for the month of March 2021 and since then has slowed, recording 1.5% growth in September 2021¹⁸. Furthermore, new loan commitments have trended down since May 2021¹⁹.

Furthermore, there are indications that the strong price and lending growth is attracting the attention of regulators. APRA has already increased the interest rate buffer that it requires ADIs to use when assessing a borrower's serviceability to 3 percentage points above the actual loan rate, from 2.5 percentage points. In addition, in its October 2021 Financial Stability Review, the RBA noted there was a risk of excessive borrowing due to low interest rates and rising house prices and that if the extent of systemic risk changes, then macro prudential policy settings may need to be adjusted accordingly.

Despite turbulent economic conditions over the last 18 months, government incentives and falling interest rates have provided growth to the market. Capital cities have seen significant increases in property prices since the beginning of 2021. Most recently, while the resurgence in the cases brought by the COVID-19 Delta variant caused a sharp fall in the number of properties for sale, housing values have continued their upward price trend since the start of the year.

3.1 Macro-economic outlook and factors

Domestic economic conditions have taken a setback due to the extended restrictions in New South Wales and Victoria in recent months as a result of the spread of the delta variant in those states. The impacts are expected to be mostly temporary as vaccination rates increase and restrictions are gradually eased. However, there is uncertainty over how case numbers may respond as restrictions are eased, and the resulting burden this could place on the health system. If case numbers rise faster than expected, overwhelming public health systems, restrictions may need to be reintroduced.

While the global economy has bounced back since 2020, uncertainty over the positive economic outlook is rising. The collapse and subsequent surge in consumer demand as a result of the onset of COVID-19 and followed by massive fiscal stimulus by governments around the world has placed significant stress on global supply chains. Delays and shortages of raw materials and key manufacturing components has resulted in order backlogs and delays, and rising prices. This has been further exacerbated by large increases in shipping rates due to shortages of shipping containers and vessels. Meanwhile, energy prices

¹⁵ The Property Valuer defines the highest and best use as the use of an asset that maximises its potential and that is physically possible, legally permissible and financially feasible.

¹⁶ CoreLogic October 2021 National Housing Market Update.

¹⁷ Australian Bureau of Statistics Lending indicators.

¹⁸ CoreLogic October 2021 National Housing Market Update.

¹⁹ Australian Bureau of Statistics Lending indicators.

are rising sharply as supply shortages emerge due to underinvestment in traditional energy sources. As a result inflation around the world has increased. In Australia, CPI for the year ended June 2021 was 3.8%. There is a risk that inflation could remain high as a result of ongoing supply chain disruptions and energy shortages, leading to higher interest rates in the future. Yields on 10-year Australian government bonds have increased to c. 1.7% in October, from c. 1.0% just two months earlier. Higher interest rates could lead to a slowdown in development activity and property price growth.

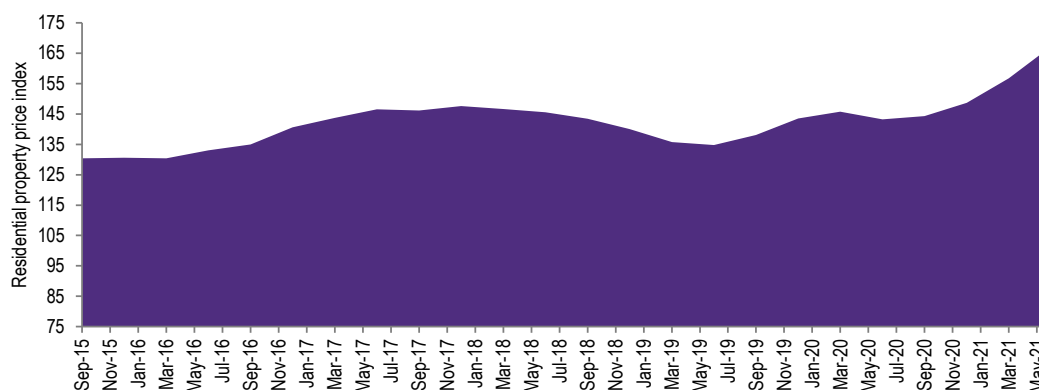
Furthermore, the risk of the Chinese property bubble bursting, and the potential flow on effects to the Australian economy have also increased in recent months.

Presented below is a brief summary of the Australian key macroeconomic factors that may impact the performance of the industry.

- **Interest rates** – To support the recovery of businesses after easing the COVID-19-related restrictions, the RBA reduced the cash rate to 0.10% in 2020 and it has remained at this level since. The low interest rate environment is expected to continue to support the real estate sector over the short- to medium-term, however the risk of higher rates has increased in recent months as inflation has picked up. The extent that the higher inflation is transitory due to short term factors associated with the rapid collapse and then resurgence in consumer demand following COVID-19 remains to be seen. Typically, low interest rates boost housing prices and property market activity, as more consumers are able to purchase property and increase their borrowing capacity. Low interest rates also indirectly affect the sector by changing the capital allocation mix among investors as some investors re-allocate their capital to investment properties to generate rental income. High interest rates would have the opposite effects.

The current low interest rate environment and the high level of liquidity in the system has benefitted the residential housing market as evidenced by the increase in the residential property price index²⁰ (the “RPP Index”) published by the Australian Bureau of Statistics. The RPP Index showed the strongest quarterly increase of 6.7% in the June 2021 quarter, since the inception of the index in 2003. This was driven by universal price increases across all the eight capital cities, with quarterly increases ranging from 4.6% in Darwin to 8.2% in Canberra.

Movements in the RPP Index

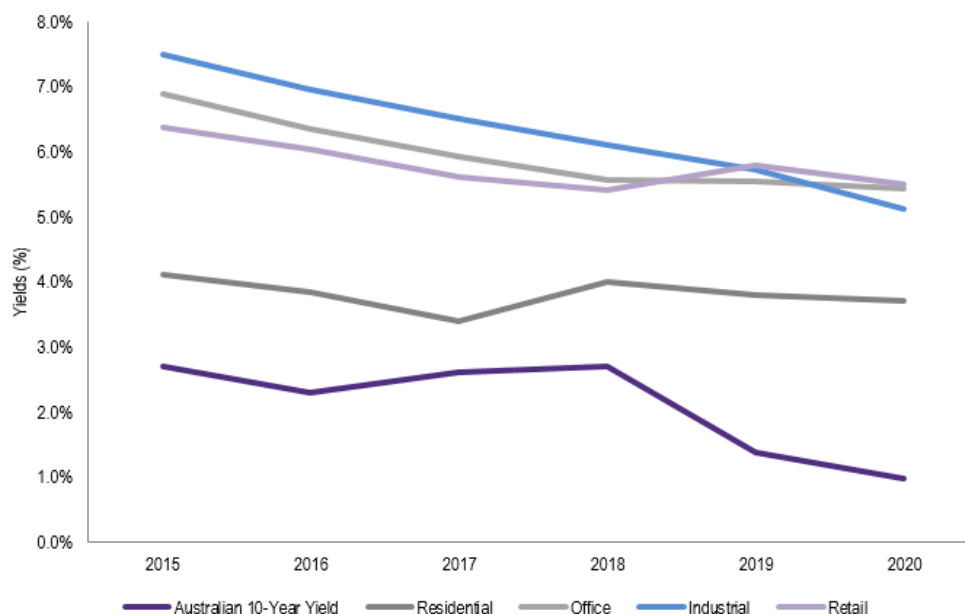


²⁰ The Residential Property Price Index provides estimates of changes in residential property prices in each of the eight Australian capital cities and related statistics. The information is presented as price indexes for attached dwellings and established houses as well as an aggregated RPP index.

Source: Australian Bureau of Statistics, GTCF analysis

- **Compressing real property yields** – As outlined in the graph below, the yield on real properties has closely followed the 10-year bond, which in turn is linked to the cash rate. Due to the increase in the level of real estate activity in the past five years, property prices have increased which has resulted in a reduction in yields²¹. However, the lower returns provided by other asset classes such as government bonds has helped maintain the demand for real estate assets.

Correlation between yield on 10-year Australian Government Bond and yield on real estate

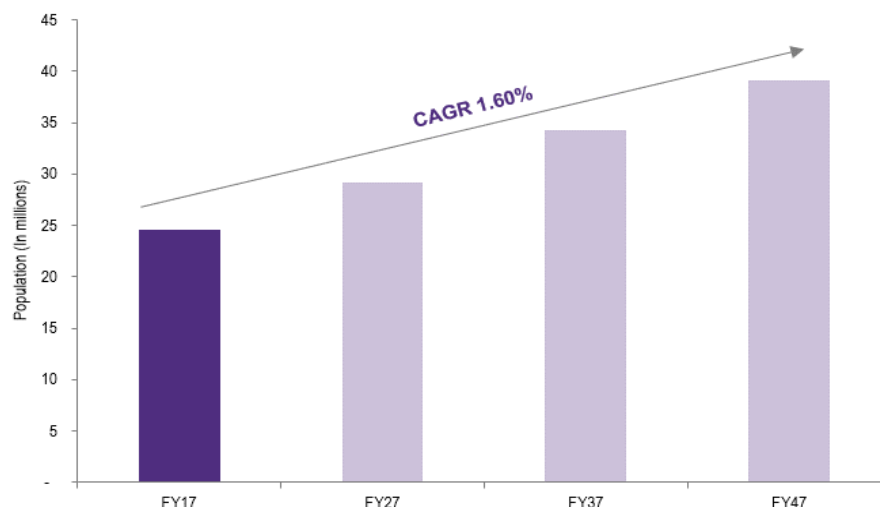


Source: Reserve Bank of Australia, MOE Investor Day presentation, CoreLogic National Media Release, CBRE reports, GTCF analysis
Note (1) Office, industrial and retail collectively refer to commercial segment

Population growth – Australian population growth is directly correlated with the long-term demand for residential properties. According to the ABS, Australia's population is expected to increase from 25 million in FY17 to 39 million by FY47 as set out in the graph below. The age distribution of the population and the resultant household formation patterns influence long-term demand for residential construction.

²¹ Yields indicate how much of an annual return an investor is likely to get on an investment. Property yields are calculated as a ratio of the rental income divided by the property value. Accordingly, when demand is high, the cost of purchasing a property increases (i.e. its value) reducing the yield as a result, provided that the rental income does not increase proportionately.

Projected Australian population



Source: ABS 3222.0 Population Projections

Based on the above graph, the population is projected to grow at a CAGR of c.1.6% until FY47, which is one of the fastest growth rates in any developed country. This is expected to contribute to the long-term demand for residential properties.

- *Business confidence* – The NAB Business Confidence Index remained negative in August at -5 index points with negative or low levels of confidence across all industries.²² This was largely driven by the spread of the COVID-19 Delta variant which caused ongoing state based lockdowns and restrictions, border closures and uncertainty regarding business activity. Whilst confidence remained low, August Business Conditions and Forward orders rose to +14 and +6 index points respectively. Much of this can be attributed to the ongoing expansionary fiscal and monetary policy as well as increased certainty as vaccination rates increase and restrictions are eased.
- *Availability of capital* – Another important factor influencing the demand for real estate is the availability of capital, both debt and equity. As earlier discussed, the current low interest rate environment is expected to continue to support the real estate sector. Lower interest rates not only boost housing prices and property market activity, but they also support changes in the capital allocation mix among investors. If interest rates rise, this could reduce the level of capital flowing into the property asset class.

3.2 Gold Coast market

The Gold Coast residential property market has performed strongly in 2021 despite closed international borders and interstate travel restrictions. In the year ended July 2021, house prices increased c. 24.7%. Meanwhile, new apartment prices have also performed well, increasing by c. 17.7% over the same period. Historically, demand for property on the Gold Coast market, and in particular the new apartment sector, has been supported by international buyers, who historically made up c. 25% of new apartment purchases prior to COVID-19. Since COVID-19, and the closure of international borders, interest from international buyers has fallen markedly, accounting for only four percent of purchases for the year ended June 2021.

²² NAB Monthly Business Survey August 2021, released 14 September 2021

Despite this, prices have continued to rise driven by strong interstate demand, in particular from buyers in Sydney and Melbourne, due to the relative affordability of property on the Gold Coast.

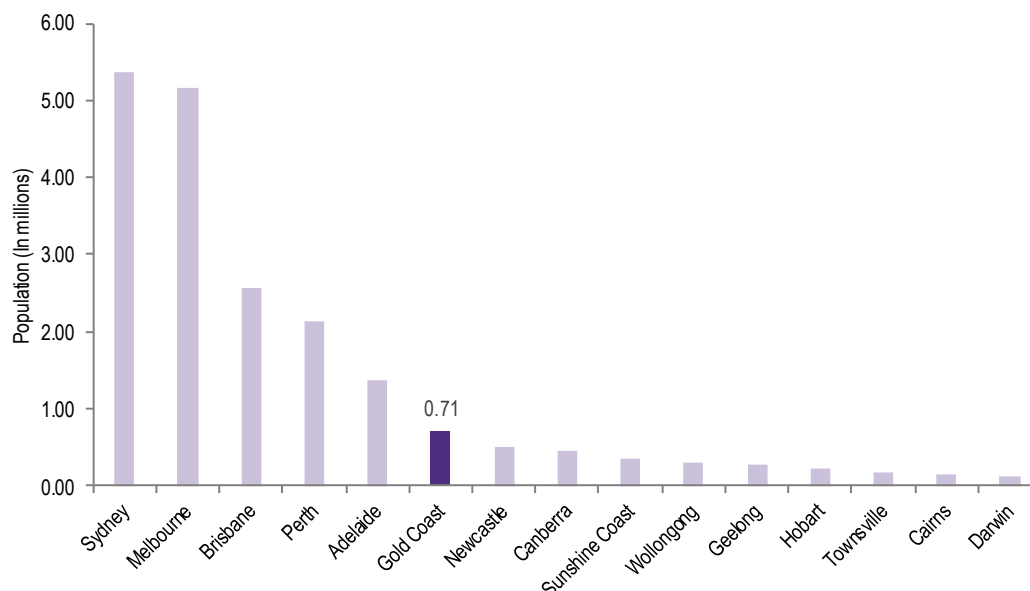
Furthermore, changing work patterns as a result of COVID-19, has led to greater population of employees working from home and being geographically independent. Buyers from major cities are increasingly regarding investment in Queensland as the number of destination, according to a report by REIQ.

The Gold Coast economy has a gross regional product ("GRP") of c. \$38.11 billion and contributes circa 10.24%²³ to Queensland's ("QLD") total Gross State Product²⁴ ("GSP"). The unemployment rate at the Gold Coast is 5.7%, which is above the national rate of 4.5% as at August 2021. While traditionally reliant to sectors like tourism and construction, the city has now diversified to industries including healthcare, ICT, manufacturing, educational and professional services. Since the onset of the pandemic, the tourism sector, typically one of the largest sectors, has suffered. However, a large multi-billion dollar infrastructure investment pipeline and approximately 50 residential projects worth in excess of A\$4.8 billion currently in various stages of construction are expected to support economic activity in the region for the foreseeable future.

Discussed below are key factors of the state of the property market in Gold Coast.

- **Population** –The Gold Coast population has grown by approximately 65,983 residents since 2015, reaching a population of 710,650 in 2021 and forecasted to reach 1 million by 2034. The actual population growth provides a positive outlook for the real estate market in Gold Coast. The graph below shows the population of Gold Coast as compared to other major cities in Australia making it the 6th largest city as of June 2021²⁵.

Population of Australian major cities (30 June 2021)



Source: Australian Bureau of Statistics, Other public information

Note (1) Relating to 2019 population data published by the Australian Bureau of Statistics.

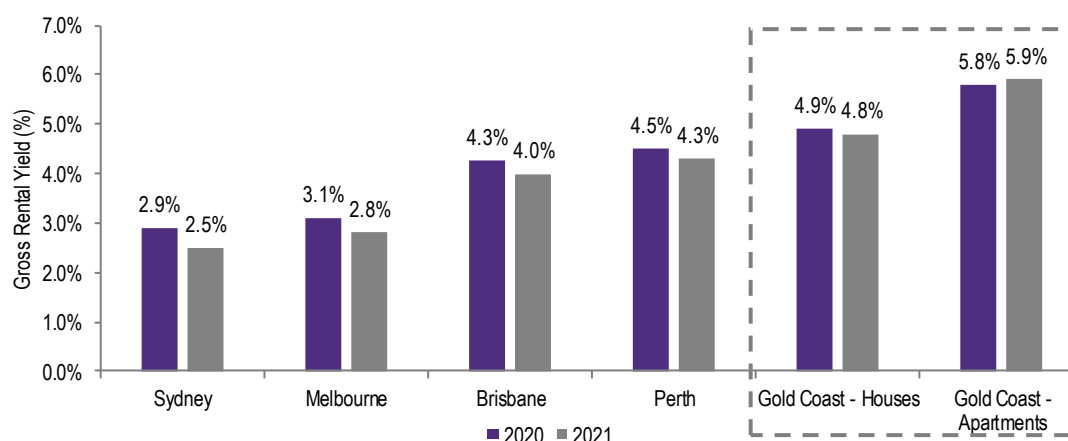
²³ For the year ending 30 June 2020

²⁴ Gross State Product is an indicator of a state's production capacity on a year-on-year basis.

²⁵ Latest available data on Australian major cities' population growth.

- Demand and supply** – Strong buyer demand and interstate migration caused a surge in demand for new apartments with 1,192 new apartments sold in the Gold Coast region during the 6 months ending June 2021. This is 22% higher than for the whole of 2020. Furthermore, the Gold Coast has very low stock availability with only 624 new apartments for sale²⁶, the lowest level since the second quarter of 2014. With no new projects launched, the supply is likely to last only circa 4 months. However, it is anticipated that there will be 1,000 additional units for sale in the next three to six months.
- Pricing** – The Gold Coast has experienced strong price growth for both houses and new apartments over the last twelve months. As at July 2021, the Gold Coast's annual house prices rose by 24.7% and new apartments rose by 17.7% for the year ended July 2021. The median house price now stands to A\$847,237. The price increase in the housing market was on the back of a drive for lifestyle over proximity to work²⁷ following the COVID-19 pandemic. Further, these prices continue to attract larger city buyers with higher median property prices. For instance Sydney's median prices is A\$1.3 million and Melbourne's is \$955,000. For the unit market, annual median prices rose by 17.7% for the year ended July 2021 to a median of A\$516,220.
- Gross rental yields** – Gross rental yields for apartments on the Gold Coast have remained broadly stable over the 12-months to June 2021. Nonetheless, as seen in the graph below, the yields remain above each of the major cities namely Sydney (2.5%), Melbourne (2.8%), Brisbane (4.0%) and Perth (4.3%). Rental yields have been under downward pressure through the COVID-19 period as shown by declining yields across all major cities. Despite the lower rental yield profile, with interest rates likely to remain low, opportunities for positive cash flow properties along with the potential for capital gains is likely to see investment activity consistently increase through the remainder of 2021 and into 2022.

Australian Gross Rental Yields¹



Source: Corelogic National Media Release, July 2021, Knight Frank Australian Residential Review Q3 2020 and Q3 2021.

Note (1): Gross rental yields shown for all dwellings except for Gold Coast where we have provided a split between apartments and houses.

- Rental prices** – The Gold Coast rental market has performed strongly in 2021 driven by low vacancy rates and strong demand. Rental prices for houses and apartments have increased by 15.9% and 6.6% over the year, outperforming most major cities. The significant jump in prices is in part being driven by low stock, with vacancy rates remaining below 1% for the year to date for 2021 (ending

²⁶ Urbis Gold Coast Apartment Essentials report.

²⁷ Queensland Market Monitor, issue 48, December 2020.

July), amongst the lowest vacancy rates over the last 15 years. The strong demand is being fuelled by interstate migration, with prospective buyers often renting before purchasing.

3.3 Outlook

The Gold Coast is expected to benefit from strong fundamentals in coming years including continued population growth and economic growth driven by interstate migration and the relative affordability of the Gold Coast compared to the Sydney and Melbourne markets.

However, caution continues to be shown by developers due to concerns around the stage of cycle for a new apartment product, economic volatility and the feasibility of undertaking a project over the medium to long-term. In addition, major financiers are also showing a cautious attitude with project funding at more conservative levels and greater caution with regards to borrowers. As a result, the availability of finance for high-rise development projects and development sites is now more restricted with developers favouring smaller or staged developments with reduced risk profiles. New large high density apartment products on the Gold Coast are subject to significant volatility and are prone to large price adjustments when market conditions correct. For instance during the global financial crisis, some high rise development sites contracted in value by 30 to 60% from previous peak levels.

Despite the risks associated with large Gold Coast apartment developments, during 2021, interstate developers have become far more active in the Gold Coast high-rise market driven by the strong fundamentals being experienced on the Gold Coast. Upwards of 50 new projects are due to come online in coming years spurred on by the \$2 billion redevelopment of the Star Gold Coast casino site, the light rail extension and \$670 million expansion of the Pacific Fair super-regional shopping centre. Over the longer term, the Olympic Games being held in Brisbane in 2032 also supports the positive outlook for the Gold Coast property market.

4 Overview of the Properties

4.1 Introduction

The Proposed Transaction relates to the sale of Lot 909 and Lot 916, situated in the 'The Lakes', Mermaid Waters, Gold Coast. Lot 909 is a north-facing vacant and cleared development site which has a land area of approximately 11,060 sqm and a net developable land area of 6,608 sqm. Lot 916 is a west-facing vacant and cleared development site which has a land area of 21,990 sqm and net developable land area of 21,452 sqm. Both properties have extended lake frontage and views over the central lake and Lot 909 will have (broken) quality coastal and city skyline views to the north while Lot 916 will have (broken) quality coastal and city skyline views to the north and east.

Mermaid Waters is home to around 13,000 residents and The Lakes precinct is approximately 3 kilometres west of the coastline at Broadbeach, approximately half an hour from the international airport and an hour from the Brisbane CBD. The Properties were purchased by Sunland in 2014 as part of the acquisition of the larger 41.9 hectare The Lakes development site. The Lakes is a master planned community close to all major venues in the Coast. The expected future population of The Lakes community will be over 3,000 people.

The Properties are in a medium-density residential and open space zone, having a height control of 29 metres and a residential density of RD5 (i.e. one bedroom per 50 sqm of net developable site area). The City Plan is a performance based scheme and whilst height controls are strictly enforced residential density classifications tend to be more flexible with approvals often permitting dwelling or bedroom densities well in excess of that which is broadly described for a site under planning scheme parameters.

Lot 909 currently has an approved development application for two 12-storey twin apartment buildings with 190 apartments and a yield of 385 bedrooms reflecting approximately 1 bedroom per 17.2 sqm of net developable site area. Lot 916 does not currently have any development approval, applications or detailed plans.

The Properties are registered to the Seller and are within the authority of the Gold Coast City Council.

4.2 Independent Property Valuation

Herron Todd White has conducted a valuation of the Properties as at 20 September 2021, concluding on a value of A\$30.15 million (exclusive of GST) for Lots 909 and 916 collectively, being the market value of the Properties as development sites, on an as if complete basis. HTW's valuations do not reflect an in-one-line basis (sale to a single party) but rather HTW has valued each site separately, attributing a market value of A\$11.6 million (exclusive of GST) to Lot 909 and a market value of A\$18.55 million (exclusive of GST) for Lot 916. HTW valued the Properties being an unencumbered estate in fee simple on an assumed vacant possession basis.

The valuation of the Properties took into account results of the valuation approach adopted by HTW as well as the Mermaid Lakes offer on the Properties that Sunland received through the EOI campaign process. The Property Valuer regarded the Mermaid Lakes offer as an indication of the Properties' current market value on a collective basis, however they noted that the apportionment provided under the Option Agreements and sale contracts as being somewhat skewed and not reflective of each Lot's relative value to one another. In particular, HTW's adopted value of Lot 916 was above its apportioned sale price in the

Option Agreements, but HTW's value of Lot 909 was below its apportioned sale price in the Option Agreements.

The critical assumptions used by the Property Valuer in the valuation of the Properties are summarised below:

- *Valuation methodologies* – The Property Valuer has relied on the Direct comparison approach (rate per square metre of land and rate per bedroom). It has not had regard to the Hypothetical Development Method (i.e. forecast cash flows from the development) given detailed plans, development costs and time frames were not available and the timeline of development for either site was unknown.
- *Rate per square metre and rate per bedroom:*
 - *Lot 909:* The Property Valuer adopted a range of A\$1,600 to A\$1,750 per square metre of site area and A\$30,000 to A\$33,000 per bedroom having regard to the comparable market evidence.
 - *Lot 916:* The Property Valuer adopted a range of A\$800 to A\$900 per square metre of site area and A\$24,000 to A\$26,000 per bedroom having regard to the comparable market evidence.
- *Selling period* – The market value of the Properties assessed by the Property Valuer assumes a selling period of up to six months and a settlement period of up to 12 months.
- *Encumbrances* – No changes to easements/encumbrances/restrictions as detailed in the draft disclosure plans for the Lots.
- *Adopted value* – The adopted value for the Properties approximates the average of the valuation outcomes of the valuation approaches used by the Property Valuer. We note that the Property Valuer considered the value apportionment within the respective contracts of sale as somewhat skewed, and not reflective of each Lot's value relative to one another. Accordingly the Valuer placed less reliance on the apportionment of values and more on the total consideration paid for both Properties.
- *Value range* – The Property Valuer did not provide a valuation range.

We have set out below a summary of the valuation approaches adopted by HTW:

Property Valuation Summary		A\$'000
<u>Lot 909:</u>		
Direct Comparison Approach - A\$/sqm of land		11,070
Direct Comparison Approach - A\$/bedroom		12,130
Mermaid Lakes offer on Lot 909 - under the Option Agreement		12,931
Adopted market value		11,600
<u>Lot 916:</u>		
Direct Comparison Approach - A\$/sqm of land		18,235
Direct Comparison Approach - A\$/bedroom		18,900
Mermaid Lakes offer on Lot 916 - under the Option Agreement		18,135
Adopted market value		18,550
Total Market Value for the Properties (both Lots)		30,150

Source: The Valuation Report

For further details on the Property valuation, refer to Appendix B.

5 Sources of information, disclaimer and consents

5.1 Sources of information

In preparing this Report Grant Thornton Corporate Finance has used various sources of information, including:

- Notice of General Meeting;
- Explanatory Statement;
- Property valuation report;
- Draft term sheet;
- Draft Call and Put Option Agreements for Lot 909 and Lot 916;
- Australian Bureau of Statistics;
- Reserve Bank of Australia;
- ASX announcements;
- Other publicly available information;
- IBISWorld Report; and
- Discussions with Management.

5.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this Report.

Grant Thornton 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, Grant Thornton Corporate Finance considered its independence with respect to Sunland and all other parties involved in the Proposed Transaction 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 Sunland, its shareholders and all other parties involved in the Proposed Transaction.

Grant Thornton 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 Sunland 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 Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transaction, other than the preparation of this Report.

Grant Thornton 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 Proposed Transaction. Grant Thornton Corporate Finance's out-of-pocket expenses in relation to the preparation of the Report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this Report.

5.3 Limitations and reliance on information

This Report and opinion is 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.

Grant Thornton Corporate Finance has prepared this Report on the basis of financial and other information provided by Sunland and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by Sunland and other experts through enquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our Report. Nothing in this Report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of Sunland.

Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, disclaim all responsibility for Sunland's failure to inform us of any changes to any information and/or material which impacts upon the services we have agreed to provide. The Company must take all necessary steps to immediately correct any announcement, communication or document issued which contains, refers to, or is based upon such information.

This Report has been prepared to assist the Directors in advising Sunland Shareholders in relation to the Proposed Transaction. This Report should not be used for any other purpose. In particular, it is not intended that this Report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Transaction is in the best interests of the Non-Associated Shareholders of the Company.

5.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this Report in the form and context in which it is included in the Notice of Meeting and Explanatory Memorandum to be sent to Sunland Shareholders. Neither the whole nor part of this Report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Appendix A – Glossary

A\$, or \$	Australian Dollar
Agent, the	The Kollosche real estate agency who facilitated the EOI campaign process
APES	Accounting Professional and Ethical Standards
APES225	Accounting Professional and Ethical Standard 225 "Valuation Services"
Approval Condition	Sunland obtaining all and necessary third party, regulatory and/or shareholder approvals or consents (as required) to give effect to the Proposed Transaction
Buyers, the	The Lakes Lot 909 Pty Ltd, in respect of Lot 909, and The Lakes Lot 916 Pty Ltd, in respect of Lot 916.
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Call Options, the	The Lot 909 Call Option and Lot 916 Call Option
Consideration, the	Total consideration of A\$32.75 million (including GST) allocated as A\$13.75 million for Lot 909 and A\$19.0 million for Lot 916 under the Option Agreements.
Corporations Act, the	Corporations Act 2001
COVID-19	Coronavirus pandemic
CPI	Consumer Price Index
EOI	Expressions of interest
FSG	Financial Service Guide
FYxx	12-month financial year ended 30 June 20xx
GCCC	Gold Coast City Council
GSP	Gross State Product
GST	Goods and Services Tax
GTCF, Grant Thornton, or Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd (ACN 003 265 987)
HTW or the Property Valuer	Herron Todd White
IBC, the	The Independent Board Committee
IER or the Report	Independent Expert's Report
Independent Board Committee	Committee established to evaluate the offers on the Properties comprising all Directors of Sunland, except for Rebecca Frizelle, and chaired by Mr Soheil Abedian, the Chairman of Sunland.
Independent Directors, the or the Directors	Includes Soheil Abedian, Sahba Abedian, Ron Eames, Chris Freeman, and Vahid Saberi.
Lakeview at Mermaid Plan or LMP	An approved planning framework which guides development of The Lakes which was issued by GCCC on 27 June 2007
The Lakes Lot 909 Pty Ltd	The Buyer of Lot 909 and a wholly-owned subsidiary of Mermaid Lakes Pty Ltd
The Lakes Lot 916 Pty Ltd	The Buyer of Lot 916 and a wholly-owned subsidiary of Mermaid Lakes Pty Ltd
Lanes Stage 2, the	A twin building medium rise apartment project being developed by Sunland at The Lakes
Lots, the	Lot 909 and Lot 916
Lot 909 Call Option	The call option for the Lot 909 Buyer to purchase Lot 909
Lot 909 Option Agreement	The put and call option agreement for the sale of Lot 909
Lot 909 Put Option	The put option for the Seller to require the Lot 909 Buyer to purchase Lot 909
Lot 916 Call Option	The call option for the Lot 916 Buyer to purchase Lot 916
Lot 916 Option Agreement	The put and call option agreement for the sale of Lot 916
Lot 916 Put Option	The put option for the Seller to require the Lot 916 Buyer to purchase Lot 916

Mermaid Lakes	Mermaid Lakes Pty Ltd, the holding company of The Lakes Lot 909 Pty Ltd and the Lakes Lot 916 Pty Ltd
NA	Not applicable or not relevant
Non-Associated Shareholders, the	Sunland Shareholders not associated with the Related Parties and Sunland Shareholders whose votes on the Proposed Transaction are not disregarded.
NSW	New South Wales
Option Agreements, the	The Lot 909 Option Agreement and the Lot 916 Option Agreement
Properties, the	Lot 909 and Lot 916 at The Lakes
Properties valuation	The independent valuations prepared by Herron Todd White as at 20 September 2021
Property Valuer, the or HTW	Herron Todd White
Proposed Transaction, the	The proposed sale of Lot 909 and Lot 916 at The Lakes for a total consideration of A\$32.75 million (including GST).
Put Options, the	The Lot 909 Put Option and the Lot 916 Put Option
QLD	Queensland
RBA	Reserve Bank Australia
Related Parties, the	Brett Frizelle, Rebecca Frizelle and The Frizelle Family Company.
Report Condition	Sunland receipt of the IER which is acceptable for the purpose of the ASX Listing Rule 10.5.10
RG	Regulatory Guide
RG111	ASIC Regulatory Guide 111 "Contents of expert reports"
RG112	ASIC Regulatory Guide 112 "Independence of experts"
RPP Index, the	The Residential Property Price Index
SDG, Sunland or the Company	Sunland Group Limited
Seller, the	Sunland Developments No. 22 Pty Ltd
SFD	State Final Demand
Sqm	Square metres
Survey Plan	The survey plan registered with Queensland Land Registry that creates a separate title for each of Lot 909 and Lot 916.
Title Condition	The Seller registering a survey plan to create Lots 909 and 916 that is substantially in accordance with the area and dimensions of the proposed lot shown on the draft plan
Valuation Report, the	The properties valuation report prepared by HTW

Appendix B – Abstract of the Property valuation

ABN-59 003 265 987 ACN-003 265 987 AFSL-247140

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Abstract of Valuation Report

Two Medium Rise Residential Apartment Development Sites



Proposed Lots 909 and 916 'The Lakes', Corner of Bermuda Street and Hooker Boulevard, Mermaid Waters, Gold Coast, Queensland 4218

As at	20 September 2021
Prepared for	Grant Thornton Corporate Finance Pty Ltd
On Behalf of	Sunland Group Limited
Our Ref	JB2614073

Gold Coast

Herron Todd White (Gold Coast & NSW Far North Coast) Pty Ltd
ABN 84 568 359 889

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EXECUTIVE SUMMARY

Property Details

Address	Proposed Lots 909 and 916 'The Lakes', Corner of Bermuda Street and Hooker Boulevard, Mermaid Waters, Gold Coast, Queensland 4218.
Instructing Party	Andrea De Cian of Grant Thornton Corporate Finance Pty Ltd.
Prepared For	Grant Thornton Corporate Finance Pty Ltd.
Basis of Assessment	The interest being valued is the unencumbered estate in fee simple in vacant possession, subject to the plans supplied and outlined within this report.
Purpose of Valuation	<p>Our valuation report has been prepared for the exclusive use of Grant Thornton for inclusion as an appendix to the Independent Expert's Report to be circulated with the Notice of Meeting and Explanatory Memorandum to Sunland shareholders and should not be used or relied upon for any other purpose.</p> <p>This document is Abstract of our Valuation Report. Our full report is not approved for release as it retains commercially sensitive information.</p>
Instructions	We have been instructed to assess the market value of the two development sites 'as if complete', based on individual sale (subject to title being created).
Date of Inspection and Valuation	20 September 2021.
Date of Issue	1 October 2021.
Registered Owner	Sunland Developments No. 22 Pty Ltd.
Local Authority	Gold Coast City Council.
Town Planning	<p>The subject property is governed by the Lakeview at Mermaid Plan Approval (LMP) which was issued by Council on 27 June 2007. This document provides the planning framework to guide the development of the subject land and it takes precedence over the Gold Coast City Plan.</p> <p>The LMP separates the parent parcel for The Lakes into medium and higher density residential precincts, commercial and mixed use precincts, open space and the lakes. The subject lots are located within Precinct 4 - Mid Rise Residential.</p> <p>On 2 January 2018, Council issued a Development Permit pertaining to Proposed Lot 909 for a Material Change of Use for Apartments (190 units/385 bedrooms) and Reconfiguring a Lot for one into two lot subdivision.</p>
Real Property Description	<p>Parent Parcel: Lot 2000 on Survey Plan 316588.</p> <p>Subject Lots: Proposed Lots 909 and 916 on Draft Survey Plan.</p>
Encumbrances	Various. Please refer to Section 2.1 for further comments.
Property Description	The subject lots form part of 'The Lakes' precinct which is a master planned, commercial, retail, low/medium/high density residential and integrated open space estate which is being progressively developed on a major, infill site at Mermaid Waters, on the central Gold Coast.



EXECUTIVE SUMMARY

Proposed Lot 909

Proposed Lot 909 comprises of a large, highly irregular shaped, vacant and cleared development site which has a land area of 11,060 sqm and a net developable land area of 6,608 sqm. The property has an extended lake frontage of 181.9 metres along the northern boundary. The site consists of a mostly level topography which has been filled and compacted/retained. The property falls along the northern boundary to the retained and riveted lake frontage. Proposed Easements AN and W will be situated in the western portion of the land, and this area is low lying and appears to form part of a large drainage swale.

The lot is provided with expansive views over the large central lake, along with city skyline views to the north, north-west and north-east. The future development of the site with medium rise buildings will also provide varying (broken) quality coastal and city skyline views to the north-east, east and south-east, along with views to the distant Gold Coast hinterland to the west.

Proposed Lot 916

Proposed Lot 916 comprises a large, highly irregular shaped, vacant and cleared development site which has a land area of 21,990 sqm and a net developable land area of 21,452 sqm. The property has an extended lake frontage of 460.3 metres along the north-western, western and southern boundaries.

Whilst the property has a mostly level topography which appears to have been filled and compacted, a narrow gully is located within the central portion of the site, and a sandstone retaining wall provides for two mostly level/gently sloping tiered sections in the northern portion of the land. The site falls along the north-western/western/southern boundaries to the retained and riveted lake frontage. Proposed Easement V will be situated in the southern portion of the land and this area is low lying and appears to form part of a drainage swale.

The lot is provided with expansive views over the large central lake from the north-west through to the south. The future development of the site with medium rise buildings will also provide varying (broken) quality coastal and city skyline views to the north-east, east and south-east, along with views of the distant Gold Coast hinterland to the west.

Selling Period 'As Is'

Our principal assessment of market value herein assumes an effective marketing campaign of three to six months, and a settlement period of up to 12 months.

Last Sale/Contract of Sale

The parent site was purchased by the applicant company on 3 October 2014 for \$61,000,000.

We have been provided with an undated Put and Call Option Agreement for the purchase of the subject lots in the sum of \$32,750,000 (inclusive of GST, under the Margin Scheme). The price is apportioned at \$13,750,000 (\$12,931,048 excl. GST) for the purchase of Lot 909 and \$19,000,000 (\$18,134,823 excl. GST) for the purchase of Lot 916.



EXECUTIVE SUMMARY

Market Value – Proposed Lot 909 ‘As If Complete’ (Inclusive of Development Approval) Assuming Title Creation (Excl. GST)	\$11,600,000
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Market Value – Proposed Lot 916 ‘As If Complete’ Assuming Title Creation (Excl. GST)	\$18,550,000
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Gross Realisation Value – Proposed Lot 909 and Lot 916 ‘As If Complete’ (Inclusive of Development Approval) Assuming Title Creation (Excl. GST)	\$30,150,000
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Luke Nichols
Director
AAPI / Certified Practising Valuer
API Number: 65964 - QLD 2536



Ryan Kohler
Director

Important:

This valuation is for the use only of Grant Thornton Corporate Finance Pty Ltd for the express purposes stated only and for no other purpose. No responsibility is extended to any third party who may use or rely on the whole or any part of the content of this valuation. No responsibility will be accepted for photocopied signatures.

All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in our full valuation report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation. The assessment is subject to various critical assumptions and qualifications as in our full valuation report. These assumptions and qualifications must be read and considered by our instructing party.

The Counter Signatory, Ryan Kohler, has reviewed the report and is satisfied that the opinion of value contained in the report has been reached based on reasonable grounds. For the avoidance of doubt, the Counter Signatory has not inspected the property and as such (under the API Professional Practice) cannot be an author of this report, and is confirming prima facie that the methodology used by the author of the report (the prime signatory) is sound.



EXECUTIVE SUMMARY

Assumptions, Conditions and Limitations

- Critical Assumptions**
- This valuation report is provided subject to the assumptions, disclaimers, limitations and qualifications detailed within this report. Reliance on this report and extension of our liability is conditional upon the reader's acknowledgement and understanding of these statements.
 - At the date of valuation, the subject property formed part of Lot 2000 on Survey Plan 316588. In accordance with our instructions, this assessment is subject to issuance of individual unencumbered title for Proposed Lots 909 and 916 (subject properties), in accordance with the Draft Disclosure Plans provided.
 - The 'as if complete' values assessed herein is the market value of the proposed lots as detailed in the report on the assumption that all subdivision works had been satisfactorily completed in all respects at the date of this report and individual titles are issued for the completed lots. The valuation reflects the valuer's view of the market conditions existing at the date of the report and does not purport to predict the market conditions and the value at the actual completion of the lots because of time lag.
 - We have assumed that, on a hypothetical sale of the subject property, an incoming purchaser would obtain the intellectual property rights to all materials associated with the proposed development, including professional reports, approvals, architectural plans, working drawings and building contracts (where relevant).
 - The subject properties are currently subject to an undated Put and Call Option Agreement. Whilst we have read these agreements and summarised the pertinent conditions, we are not experts in legal matters. Our valuation is subject to confirmation that our understanding of the terms and conditions of the agreements are correct, particularly with respect to the stated contract price and that there are no such terms or conditions that would materially alter the contract sum.
 - Our assessed site values are based on a professional marketing campaign (i.e. a marketing campaign undertaken by agents experienced in the sale of this type of property, with an appropriate marketing budget and selling period to target the wider Australian and international markets). Failure to undertake a professional marketing campaign may impact on the achievable rate of sale and selling prices of the sites as assessed within this valuation report.
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EXECUTIVE SUMMARY

Recommendations and Cautions

- There are currently many factors at play in the market including historically low interest rates, significant government stimulus targeting certain sectors of the economy (including the property market), along with volatile unemployment levels, increased interstate migration, cluster outbreaks of the virus, border closures and a heightened level of economic uncertainty. We are therefore faced with an unprecedented set of circumstances on which to base judgement. Our valuation is therefore reported on the basis of 'material valuation uncertainty'. Consequently a higher degree of caution should be attached to our valuation than would normally be the case.
 - This valuation is current as at the date of valuation only. The values assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer could not reasonably have been aware of as at the date of valuation). We do not accept responsibility or liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume responsibility or accept liability where the valuation is relied upon after the expiration of 90 days from the date of the valuation or such earlier date if you become aware of any factors that have an effect on the valuation. However, it should be recognised that the 90 day reliance period does not guarantee the value for that period; it always remains a valuation at the date of valuation only.
 - Development sites are inherently volatile assets and our experience in previous cycles is that these property types can be subject to significant and rapid gains, and also falls in value levels. We caution that any party authorised to rely on this report should have regard to this statement when assessing the subject properties.
 - This report has not been prepared for mortgage security lending purposes. We will not accept any responsibility or liability for reliance upon this valuation for such purposes.
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