



ASX ANNOUNCEMENT

29 December 2015

QUARTERLY ACTIVITY REPORT

ABN: 14 074 009 091

ASX Code:

LCG

Phone:

+61 8 9277 2600

Facsimile:

+61 8 9277 5303

Email:

info@lcg.properties

Web:

www.lcg.properties

Postal Address:

Living Cities
Development Group Limited
PO Box 383
BELMONT WA 6984

Head Office:

Living Cities
Development Group Limited
3 Camden St BELMONT
WA 6104

During the December 2015 Quarter, Living Cities Development Group Limited ("the Company") undertook the following activities:

Most activity was centred on advancing matters related to the proposed restructure of the Company's business into property and infrastructure development.

The Proposed Acquisition of a 51% Interest in Fuchuang Property Co. Ltd.

During the preceding Quarter, the Company had announced the terms of the transaction to secure a 51% interest in Sichuan Fuchuang Property Co., Ltd. ("the Transaction") that would be the initial business of the Company if shareholders support the reconstruction. On 8 October 2015, the ASX ruled that the Transaction breached Listing Rule 10.1. It was the action of giving the proponent to the reconstruction (a related party) security over the Transaction (for which in this case the proponent had paid cash) that ASX had determined invoked Listing Rule 10.1. While the Company believed it was not in breach of Listing Rule 10.1, it was still necessary to rectify the breach determined by ASX.

The Company opted to cancel the Transaction in its entirety. The Company entered into Deeds of Cancellation with the two vendors of the interest and the proponent that financed the Transaction, in order to undo it completely.

The Company then negotiated option agreements with the two vendors for the right to purchase the 51% interest in the future upon the successful completion of the Proposal ("the New Transaction"). To secure these option agreements the Company had to agree to option fees payable upon exercise of the option based upon 7.2% interest per annum on the sale value around A\$2.05M. Depending on the time it takes to complete the reconstruction, this may cost the Company around A\$60,000. While this is a less beneficial outcome for the Company than the proponent's offer to accept the financing risk free of charge, the cancellation of the Transaction and its replacement with the New Transaction rectified the breach of Listing Rule 10.1.

General Meeting to Consider the Reconstruction Proposal

On 26 October 2015, the Company dispatched a Notice of General Meeting to shareholders to consider the proposal for the reconstruction of the Company ("the Proposal"). The Proposal was offered in May 2015 by the Company's largest shareholder, TFA International Pty Ltd ("TFA") and TFA have brought in a further investor Yaopeng International Trade Pty Ltd ("Yaopeng"). Collectively TFA and Yaopeng are referred to here as the Proponents.

The Proposal had undergone some changes since originally announced. The Proposal, as put to shareholders had the following components:

- (a) A proposed change of the main business activities of the Company from '*mineral exploration*' to '*property and infrastructure development*';
- (b) A proposed change the Company's name to "Living Cities Development Group Limited";
- (c) A proposed consolidation of capital on a 1 for 40 basis;



- (d) A public capital raising pursuant to a Prospectus to raise up to A\$3M at 20 cents per share with a priority entitlement to existing shareholders contained within the public raising for up to A\$1.5M;
- (e) A share placement for cash to the Proponents at 20 cents per share to raise up to A\$2.5M;
- (f) A share placement at 20 cents per share to the Proponents of the restructure to retire A\$1.95M of debt owed by the Company; and
- (g) A partial underwriting of a further A\$0.5M of the public capital raising by the proponents.

Another key component of the Proposal would be the acquisition of a 51% controlling interest in the Zigong Guofeng Farmers Market development project in Zigong in the Sichuan Province of China as the Company's first property development. This proposed shopping centre complex would be developed by the Company and then the retail space would be sold. Under the proposed business model, the proceeds of the sale would then be applied to acquisition of the next development project.

The Proposal, if successfully implemented, would aim to clear all material previous debt of the Company, recapitalise the Company, have its shares quoted on the ASX and provide the resources to commence development activities on the first project.

The Proponents would hold a controlling interest in the Company of between 54.8% and 61.6% if the Proposal is successfully implemented.

Reconstruction Proposal Put to Shareholders

The General Meeting to consider the Proposal and the Annual General Meeting of the Company for 2015 were both held on 30 November 2015 and all resolutions put to both meetings were passed on a show of hands.

ASX Waiver for Listing Rule 10.13.3

ASX has granted the Company a waiver from Listing Rule 10.13.3 in regard to the Proposal.

Listing Rule 10.13.3 relevantly provides that securities issued to 'persons in a position of influence' (such as a related party) pursuant to a shareholder approval must be issued no later than 1 month after the date of the meeting at which that approval is granted.

Under the Proposal, Shares will be issued to Yaopeng, a related party of the Company, under Resolutions 5 to 7 inclusive.

The Company has applied for and been granted a waiver from Listing Rule 10.13.3 to the extent necessary to allow the Shares issued under Resolutions 5 to 7 inclusive to be issued at the same time as the other Shares pursuant to the Prospectus for the capital raising.

ASX Decision

1. Subject to resolution 2 below, and based solely on the information provided, ASX Limited ("ASX") grants the Company a waiver from listing rule 10.13.3 to the extent necessary to permit the Company's notice of meeting to seek approval for the issue of the following securities:

1.1. Up to 9,750,000 post-consolidation shares to Yaopeng International Trade Pty Ltd or its nominee ("Yaopeng"), at a deemed issue price of \$0.20 per Share in satisfaction of up to \$1,950,000 in moneys owed by the Company to Yaopeng;

1.2. Up to 12,500,000 post-consolidation shares to Yaopeng at an issue price of \$0.20 per Share to raise up to \$2,500,000;



1.3. Up to 2,500,000 post-consolidation shares to Yaopeng at an issue price of \$0.20 per Share pursuant to an underwriting agreement with respect to a capital raising of up to \$3,000,000 under a prospectus through the issue of up to 15,000,000 post-consolidation shares at an issue price of \$0.20 per share ("Capital Raising"),

(together, the "Related Party Securities") not to state that the Related Party Securities will be issued within 1 month after the date of shareholder approval.

2. Resolution 1 above is conditional on the following:

2.1. The notice of meeting states that the Related Party Securities will be issued no later than the other securities to be issued under the Capital Raising and otherwise on the same terms as approved by shareholders.

2.2. The terms of the waiver are released to the market immediately.

Other Reconstruction Related Matters

On 17 December 2015, the Company announced that the processes to change the name and ASX Code of the Company, which commenced on 30 November 2015 after approval at the General Meeting, had been completed.

The Company's name changed from Ferrowest Limited to Living Cities Development Group Limited and the ASX Code also changed from FWL to LCG.

The Company's shares remain in suspension because of the change of business to property and infrastructure development approved by shareholders at the Company's General Meeting on 30 November 2015. Re-quotation of the Company's shares under the new code LCG is expected to occur following the successful completion of a capital raising by way of a Prospectus. This process is also subject to ASX approval of the Company's application for re-quotation.

Also in December, the Company announced the completion of the 1:40 share consolidation process approved by shareholder at the 30 November 2015 General Meeting.

The capital structure of the Company after the consolidation is:

5,620,647 ordinary fully paid shares

There are no options or other securities currently on issue.

Mineral Tenements

The Company began divesting its remaining mineral tenements in accordance with the shareholder resolution at the General Meeting held on 30 December 2015. The Company has surrendered certain lower priority tenements at Yogi near Yalgoo in the Midwest and will incur a write down of A\$150,000 as a result. The Company intends to sell the balance of the tenement package at Yogi and also a remaining tenement near Marvel Loch for the best attainable value.

Board Appointment

On 18 December 2015 the Company announced the appointment of Mr John Pettigrew to the office of Director.

As part of the Company's transition to its new business in Property and Infrastructure Development, the Company has also reviewed the Board composition and mutually agreed to restructure the Board with an emphasis on building the appropriate skill set required by the Board members to take the Company on its new business journey.

As a consequence, John Pettigrew was asked to join the Board following a national search and thorough evaluation process involving more than 40 candidates. John is a property development professional with both an executive career and Board experience in the property development industry.

John Lester Pettigrew

Independent Non-Executive Director

John Pettigrew has been appointed as an independent non-executive director of the Company.

With over 35 years of property development experience, John has had a distinguished executive career in property development including 24 years with the Stockland Group (ASX code: SGP) as CFO and executive director. He has also been a director for 10 years at Astro Japan Property Group Ltd (ASX code: AJA) and 10 years as a director at recruitment agency Rubicor Group Ltd (ASX code: RUB) including 8 years as Chairman.

Being a key player in the team that transformed Stocks & Holdings into the Stockland Group in 1980 and the growth into one of Australia's largest property groups with a market capitalisation which reached \$9 billion at the time of his departure in 2004, gave John a vast range of development experience in the Australian property market. His work with Astro Japan since 2005 has continued this theme.

John has a Bachelor of Commerce and is a CPA. He is a Fellow of the following associations: the Australian Society of Certified Practising Accounts; the Governance Institute of Australia; Chartered Institute of Secretaries; Australian Institute of Management; and the Australian Institute of Company Directors.

John is currently an executive director of ASX listed Company Astro Japan Property Group Ltd and has held one other previous ASX listed directorship, Rubicor Group Ltd in the last three years. He has also been and is currently a director of several private companies.



Board Resignations

Also as part of the Company's transition to its new business, Mr Bryan Hughes, Mr Barry Wyatt and Mr Graeme Johnston stood down from the Board on 17 December 2015 to allow it to develop with the appropriate new skill set over time.

Mr Hughes, as Chairman, was appointed to the Board in April 2012 and has helped steer the Company through some very trying times, most recently with the complete collapse of the junior iron ore sector following the sustained fall in iron ore prices. Under his leadership, the Board has negotiated and implemented the restructure that provides the Company with a fresh chance for an exciting future.

Mr Barry Wyatt was a founding director of Ferrowest Limited and its Project Director since 2006. The Company's progress in planning an extremely complex and unique value adding concept in iron was due in a large part to Barry's efforts. His ability to work with the Government, community and other land users toward shared development goals was to the great benefit of the Company.

Mr Graeme Johnston was also a founding director of Ferrowest Limited since 2006 and it's Chief Geologist. Graeme managed the development of a significant iron Resource inventory at Yogi and pioneered some advanced geological interpretation at Yalyirambi on unique iron formations. Always championing local employment in remote areas and company participation in the local communities, Graeme also played a big role in the good reputation that the company held at a local, grass roots level at its exploration sites.

All three directors also consistently put their duties to shareholders ahead of their personal positions, as evidenced by not having received any remuneration for their services in the last two years, to assist the Company in challenging times.



New Board Roles

The initial Board to take Living Cities Development Group forward will consist of Mr. Brett Manning, Mr. Robert Sun and Mr. John Pettigrew. Mr. Daniel Bredenkamp will continue in the role of Company Secretary and Chief Financial Officer.

On 21 December 2015, the Company announced that the previous Managing Director, Mr Brett Manning was appointed Executive Chairman of the Company. Mr Robert Sun was appointed to the position of Managing Director.

The Board of the Company also confirmed the independence of Mr John Pettigrew, who was appointed to the Company as a Non-Executive Director on 17 December 2015.

The Company advised shareholders that it would maintain a small Board of three members until the Company's operations justify an expansion, in order to effectively manage costs. The Board will seek to enhance its skill base further at the appropriate time as the new business of the Company expands.

The Company also released a new Corporate Governance Policy to reflect changes to the Board and the resulting Committee structures. The Corporate Governance Policy is available at the Company's website at www.lcg.properties

Prospectus Lodged with ASIC

On 22 December 2015, the Company lodged a Prospectus with ASIC to implement the recapitalisation of the Company and, once successfully completed, the re-quotation of the Company's shares on the ASX.

As part of the Offers made under the Prospectus there is a \$3,000,000 public raising of which up to 50% is available on a priority basis to existing shareholders.

EVENTS SUBSEQUENT

On 6 January 2016, the Company wrote to shareholders to explain the Priority available to them under the Prospectus.

On 14 January 2016, ASIC advised that it had placed an interim stop order on the Company's Prospectus dated 22 December 2015 ("the Prospectus"). The Company is working to resolve ASIC's concerns about the Prospectus and provide clarification or resolution of any relevant matters as soon as practicable.

ONGOING FUNDING

The operations of the Company are currently being funded in accordance with the reconstruction Proposal through debt funding provided by the Proponents. Since the end of the December Quarter, the Company has received a further A\$75,000 in loan funding to fund operations and pay reconstruction Proposal related costs.

MINERAL TENEMENT INTERESTS AS AT 31 DECEMBER 2015

In accordance with ASX Listing Rule 5.3.3, the Company advises that it surrendered M59/634, M59/635, M59636, L59/119 and M59/525 during the Quarter.

No other farm-in or farm-out agreements in respect of any mining tenement interests changed during the Quarter. No other tenement interests were acquired or disposed of during the Quarter.

The complete Tenement Schedule for the Company as at 31 December 2015 is:



Living Cities Development Group Limited - Tenement Schedule - 31 December 2015

Name	Tenement	Tenure Type	Status	Ferrowest Group Interest
YOGI MINE PROJECT - 14Km East of Yalgoo in WA				
YOGI	M59/740	Mining Lease	Granted	100%
YOGI	M59/637	Mining Lease	Granted	100%
YOGI	P59/2028	Prospecting Licence	Granted	100%
MARVEL LOCH PROJECT - South of Southern Cross in WA (Urban Minerals Pty Ltd)				
EDWARD	E77/2108	Exploration Licence	Granted	80%

For further information please contact: Brett Manning – Executive Chairman, +61 8 9277 2600

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Living Cities Development Group Limited

ABN

14 074 009 091

Quarter ended ("current quarter")

31 December 2015

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(10)	(56)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(232)	(379)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	-
1.5	Interest and other costs of finance paid	(5)	(9)
1.6	Income taxes paid	-	-
1.7	Other	-	-
	Net Operating Cash Flows	(247)	(444)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	3	15
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other	-	-
	Net investing cash flows	3	15
1.13	Total operating and investing cash flows (carried forward)	(244)	(429)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(244)	(429)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	315	461
1.17	Repayment of borrowings	(16)	(16)
1.18	Dividends paid	-	-
1.19	Other (Capital raising costs)	-	-
	Net financing cash flows	299	445
	Net increase (decrease) in cash held	55	16
1.20	Cash at beginning of quarter/year to date	9	48
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	64	64

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	60
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	50
4.2 Development	-
4.3 Production	-
4.4 Administration	150
Total	200

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	64	9
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	64	9

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	M59/525	Mining Lease	100%	0%
	M59/634	Mining Lease	100%	0%
	M59/635	Mining Lease	100%	0%
	M59/636	Mining Lease	100%	0%
	L59/119	Miscellaneous Licence	100%	0%
6.2 Interests in mining tenements acquired or increased	G59/53	GPL Application	0%	100%

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	5,620,647	5,620,647		
7.4	Changes during quarter (a) Increases through issues (b) Share consolidation	(219,199,161)	(219,199,161)		
7.5	+Convertible debt securities 2 year 10% convertible at 80% VWAP				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured	1078 matured		\$500	\$500
7.7	Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
7.8	Issued during quarter				
7.9	Exercised during quarter	-	-		
7.10	Expired during quarter	-	-		
7.11	Debentures (totals only)	-	-		
7.12	Unsecured notes (totals only)	-	-		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX \(see note 5\)](#).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 29 January 2016

Print name: Brett Manning
 Executive Chairman

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** [ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic \(if any\) must be complied with.](#)

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