

ASX Release

2 June 2016

BlackWall Property Trust Meeting to Consider Acquisitions

Further to the announcement of 2 May 2016, BlackWall Fund Services Limited as responsible entity for Blackwall Property Trust (ASX: BWR) gives notice that a meeting of unitholders has been called to consider a number of proposals aimed at growing the Trust's assets and preparing the Trust for future capital raisings.

The resolutions to be considered relate to the recent offer made to BlackWall Telstra House Trust unitholders to acquire their units in exchange for new BWR units. A similar offer is also proposed to be made in the new financial year to unitholders in Bakehouse Quarter Trust.

Unitholders will be asked to consider a transaction which will see BWR acquire more securities in Pelathon Pub Group, an unlisted pub investment fund, then distribute the securities in-specie to BWR unitholders. An Independent Expert's Report accompanies the Notice of Meeting included with this announcement.

The BWR meeting will be held immediately after a meeting of the shareholders of BlackWall Property Funds Limited (ASX: BWF) on Friday 24 June 2016 at WOTSO WorkSpace in Neutral Bay, NSW.



BlackWall Property Trust

ARSN 109 684 773

Notice of Annual General Meeting & Explanatory Memorandum

To be held

10:15am

Friday, 24 June 2016

Level 1, 50 Yeo Street Neutral Bay NSW 2089

Important Notice

This Notice of Meeting, Explanatory Memorandum, Independent Expert's Report and Proxy Form should be read in their entirety. If Unitholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Responsible Entity has commissioned the Independent Expert's Report enclosed with this Notice of Meeting in accordance with ASX Listing Rule 10.1. The Independent Expert has concluded that the transactions the subject of Resolutions 3 and 4 of the Meeting are **not fair but reasonable** to non-associated Unitholders. All Unitholders should carefully consider the Independent Expert's Report.

Should you wish to discuss the matters in this Notice of Meeting, please contact the Responsible Entity on 1800 789 141.

Explanatory Memorandum

1. INTRODUCTION

On 2 May 2016, BWR announced a series of transactions designed to grow the Trust's assets, increase the number of Unitholders on the register to improve trading volume and gain interest from institutional investors. These transactions are the start of a new period of growth for BlackWall Property Trust and the Board looks forward to your participation at the Meeting.

1.1. Key Dates

Lodgement of Notice of Meeting with ASX	Thursday, 2 June 2016
Last day to return Proxy Form	10:15 am, Wednesday 22 June 2016
Snapshot Date to determine entitlement to vote at the Meeting	7pm, Wednesday 22 June 2016
Date of Meeting	10:15am, Friday 24 June 2016
Issue of new Units under BlackWall Telstra House Trust Offer	Monday, 27 June 2016*
Ex-Date for BWR in-specie distribution of PPG Securities	Tuesday, 28 June 2016*
Record Date to determine entitlement to in-specie distribution of PPG Securities	Wednesday, 29 June 2016*
In-specie distribution of PPG Securities	Thursday, 30 June 2016*
Issue of Units under BQT Offer (non related parties)	By 24 September 2016*

* Estimated dates

1.2. Summary of the Proposals

(a) BlackWall Telstra House Trust Offer

On 2 May 2016, the Trust made an offer to unitholders in BlackWall Telstra House Trust ARSN 128 288 291 (BTHT) to purchase their BTHT units in exchange for new BWR Units, at a ratio of 10 BTHT units for 8 BWR Units. BTHT is an unlisted single-asset trust with an interest in a commercial property known as "Telstra House" at 490 Northbourne Avenue, Dickson ACT. More information about the BTHT Offer and BTHT is set out in Section 2.1. The resolutions relevant to the BTHT Offer are:

- Resolution 1 – Issue of Units pursuant to the BTHT Offer; and
- Resolution 2 - Issue of Units to a related party under the BTHT Offer.

(b) Transactions involving PPG Securities

Pelathon Pub Group is a small, unlisted pub investment fund that faced significant banking pressure and the likelihood of total loss to investors during the GFC. In 2009, BlackWall took over the management of the Pub Group and implemented a number of measures to work through the fund's debt and business model issues. The Pub Group recently refinanced its debt and is now in compliance with its lending covenants.

BlackWall is proposing undertake a number of transactions which will see BWR investors obtain a direct holding in PPG Securities adding over 1,000 new investors to the Pub Group register better positioning it to raise capital and take advantage of M&A opportunities.

The proposed transactions involve offers to acquire the PPG Securities held by Pelorus and BlackWall (in exchange for new BWR Units) and a series of in-specie distributions of PPG Securities to BWR Unitholders. The in-specie distributions will be 100% tax-deferred.

Information about the Pelathon Pub Group is set out in Section 2.2.

The resolutions relevant to these transactions are:

- Resolution 3 – Offer to acquire PPG Securities held by Pelorus; and
- Resolution 4 – Offer to acquire PPG Securities held by BlackWall.

Important: The Responsible Entity has commissioned an Independent Expert's Report to consider whether the proposed offers to Pelorus and BlackWall are fair and reasonable. A copy of the report is included with this Notice. The Independent Expert has opined that the transactions are **not fair but reasonable**.

(c) Bakehouse Quarter Trust Offer

The Bakehouse Quarter Trust ARSN 162 705 455 (**BQT**) is an unlisted registered fund managed by BlackWall holding a portfolio of property joint venture interests in:

- The Bakehouse Quarter at North Strathfield NSW;
- 55 Pyrmont Bridge Rd, Pyrmont NSW; and
- The Woods Action Centre in Villawood NSW.

BWR proposes to make an offer to unitholders in BQT to purchase their BQT units in exchange for new BWR Units.

More information about BQT is set out in Section 2.3(b).

The resolutions relevant to this proposal are:

- Resolution 5 - Issue of Units pursuant to the BQT Offer; and
- Resolutions 6(a) - 6(f) - Issue of Units to related parties under the BQT Offer.

(d) Ancillary Matters

Unitholders will be asked to consider some ancillary matters including:

- retrospective approval for Units issued within the 15% placement capacity (Resolution 7);
- approval for an additional 10% placement capacity under ASX Listing Rule 7.1A (in addition to the 15% placement capacity under ASX Listing Rule 7.1) to facilitate future capital raising (Resolution 8);
- approval to amend the Trust's Constitution to incorporate ASIC policy on the price at which new Units may be issued and other clarificatory amendments (Resolution 9).

1.3. Advantages and Disadvantages of the Proposals

	Advantages	Disadvantages
BlackWall Telstra House Trust Offer	<ul style="list-style-type: none">• The BlackWall Telstra House Trust units will grow BWR's assets by approximately \$5.6m.• BWR is expected to benefit long-term from the development potential of the Telstra House building.• Exposure to the Telstra House building will further diversify the Trust's assets.	<ul style="list-style-type: none">• BTHT will require further capital expenditure to fund lease incentives and capital improvements to the building.• Distributions for BTHT units have been suspended.• Unitholders' holdings will be diluted through the issue of additional BWR Units to those accepting the BTHT Offer, however this should be balanced by the increase in the Trust's assets.
Pub Group Transactions	<ul style="list-style-type: none">• The acquisition of PPG Securities from BlackWall and Pelorus ensure BWR Unitholders receive a larger parcel of PPG Securities.• BWR Unitholders will have a direct holding of PPG Securities.• The in-specie distributions of PPG Securities are 100% tax-deferred.• The transactions will add over 1,000 new members to the register of PPG better positioning it to grow through capital raising and mergers and acquisitions.	<ul style="list-style-type: none">• Holders of PPG Securities are not currently receiving distributions.• Issuing new BWR Units to BlackWall and Pelorus will dilute existing Unitholders' holdings.

BQT Offer	<ul style="list-style-type: none"> Assuming 50% take up, the BQT Offer will grow BWR's assets by approximately \$8 million. Through a larger stake in BQT, BWR will have more exposure to the Bakehouse Quarter at North Strathfield, 55 Pyrmont Bridge Road and The Woods Action Centre in South-West Sydney.
10% Placement Capacity	<ul style="list-style-type: none"> Gives BWR the flexibility to raise additional capital without being required to hold another Unitholders' meeting at the Trust's expense. Additional capital may help expand the Trust's portfolio and position it to readily take advantage of acquisition opportunities. Could attract institutional interest. Limits the price at which new Units can be issued.
Amendments to the Constitution	<ul style="list-style-type: none"> Brings the Trust's Constitution up to date with current ASIC policy. Will allow the Trust to issue Units at a price based on trading price rather than being restricted to issuing Units at a price based on NTA value. Clarifies the Trust's ability to distribute its assets by way of in-specie distribution.

1.4. Summary of the Resolutions

Resolutions	Explanation	Type
Resolution 1 Issue of Units under the BTHT Offer	The issue of Units under the BTHT Offer could exceed the 15% placement capacity under ASX Listing Rule 7.1.	Ordinary resolution
Resolution 2 Issue of Units to related parties under the BTHT Offer	Any issue of Units to related parties requires member approval under ASX Listing Rule 10.11.	Ordinary resolution
Resolution 3 Offer to acquire PPG Securities from Pelorus	The acquisition of a substantial asset from a Unitholder that has voting power of at least 10% in BWR requires member approval under ASX Listing Rule 10.1. An Independent Expert's Report is included in this Notice for the purposes of ASX Listing Rule 10.1. Approval is also being sought for the issue of BWR units to Pelorus being the consideration under the offer.	Ordinary resolution
Resolution 4 Offer to acquire PPG Securities from BlackWall	The acquisition of a substantial asset from a related party requires member approval under ASX Listing Rule 10.1. An Independent Expert's Report is included in this Notice for the purposes of ASX Listing Rule 10.1. Approval is also being sought for the issue of BWR units to BlackWall being the consideration under the offer.	Ordinary resolution
Resolution 5 Issue of Units under the BQT Offer	The issue of Units under the BQT Offer could exceed the 15% placement capacity under ASX Listing Rule 7.1.	Ordinary resolution
Resolutions 6(a) - 6(f) Issue of Units to related parties under the BQT Offer	Any issue of Units to related parties requires member approval under ASX Listing Rule 10.11.	Ordinary resolution
Resolution 7 Ratification of prior issue of Units	BWR is seeking retrospective approval under ASX Listing Rule 7.4 for the issue of 190,106 Units on 11 December 2015 within the 15% placement capacity. Approval of this resolution will "refresh" BWR's 15% placement capacity.	Ordinary resolution
Resolution 8 Additional 10% Placement Capacity	BWR is seeking approval for an additional 10% placement capacity under ASX Listing Rule 7.1A (in addition to the 15% placement capacity under ASX Listing Rule 7.1) to facilitate capital raising over the ensuing 12 months.	Special resolution
Resolution 9 Amendments to the Constitution	BWR is seeking amendments to the Constitution to broadly incorporate ASIC policy relevant to the Trust. In particular, BWR wishes to rely on ASIC Class Order 13/655 so that the Responsible Entity may issue new Units at a price based on the trading price of BWR Units. Other clarificatory amendments are also being sought.	Special resolution

2. DETAILED EXPLANATION OF THE RESOLUTIONS

2.1. Resolutions relating to the BlackWall Telstra House Trust Offer

(a) Introduction

The Trust made an offer to unitholders in BTHT to acquire all of their BTHT units in exchange for BWR Units on the basis of 8 new BWR Units for every 10 BTHT units held. The Trust will be required to issue 3,583,050 Units under the BTHT Offer.

(b) Overview of BlackWall Telstra House Trust

BlackWall Telstra House Trust is a single asset syndicate controlling a commercial office building known as “Telstra House” located at 490 Northbourne Ave in Canberra. On commencement of BTHT in 2010, the building was fully leased to Telstra until November 2018. In early 2013 Telstra announced that it intended to relocate its operations to a new purpose built facility for its Canberra operations. BlackWall is discussing a proposal for Telstra to pay out its outstanding lease commitment in a lump sum which will be used to amortise debt.

Telstra House is a well-located office block that BlackWall intends to reposition as a multi-tenant office complex. The building is located in an area that should benefit from the proposed Canberra light rail and the Dickson Centre master plan over time. The repositioning of the building will require capital expenditure.

Additional Information

As a registered scheme, BTHT prepares audited financial accounts, which can be found at www.blackwallfunds.com.au/telstra-house-trust.

Effect of the BTHT Offer on the Trust

The effect of the BTHT Offer on BlackWall Property Trust is set out in Section 3.

(c) Resolution 1 – Issue of Units under the BlackWall Telstra House Trust Offer

ASX Listing Rule 7.1 provides that BlackWall Property Trust must not, subject to specified exceptions, issue or agree to issue Units during any 12 month period which exceed 15% of the number of Units on issue at the commencement of that 12 month period, without the approval of Unitholders. Accordingly, the Trust is seeking approval to issue 3,583,050 Units under the BTHT Offer so the issue of these Units does not count towards the Trust’s 15% annual placement capacity.

In accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 1:

- (a) The maximum number of securities to be issued is 3,583,050 Units.
- (b) The Units will be issued no later than 3 months after the date of this Meeting.
- (c) The Units will be issued at a price of \$1.43 per Unit, which is based on the NTA value per Unit in April 2016.
- (d) The Units will be issued to unitholders of BTHT.
- (e) The Units are fully paid ordinary units in BlackWall Property Trust and will rank equally with all existing Units on issue.
- (f) No funds will be raised from this issue of Units as the BTHT Offer is a scrip-for-scrip transaction.
- (g) The issues will occur on or about 27 June 2016.
- (h) A voting exclusion statement applies to this Resolution and is set out in the Notice of Meeting.

(d) Resolution 2 – Issue of Units to a Related Party under the BTHT Offer

An entity controlled by a director of the Responsible Entity is a unitholder in BlackWall Telstra House Trust and intends to accept the BTHT Offer. As this entity is a related party of the Trust, ASX Listing Rule 10.11 requires Unitholder approval for the issue of Units to this entity.

As Unitholder approval is being sought for the purposes of ASX Listing Rule 10.11, approval under ASX Listing Rule 7.1 is not required, and accordingly, if this Resolution 2 is approved, the issue of Units to Alerik Pty Ltd under the BTHT Offer will not count towards the Trust’s 15% annual placement capacity.

In accordance with ASX Listing Rule 10.13, the information below is provided:

- (a) 808,117 Units will be issued to Alerik Pty Ltd, an entity controlled by Joseph (Seph) Glew, a director of the Responsible Entity.
- (b) The Units will be issued within 1 month of the date of this Meeting.
- (c) The Units will be issued at price of \$1.43 per Unit, which is based on the NTA value per Unit in April 2016 and consistent with the price offered under the BTHT Offer.
- (d) The Units are fully paid ordinary units in BlackWall Property Trust and will rank equally with all existing Units on issue.
- (e) No funds will be raised from this issue of Units as the BTHT Offer is a scrip-for-scrip transaction.

A voting exclusion statement applies to Resolution 2 and is set out in the Notice of Meeting.

2.2. Resolutions relating to the transactions involving PPG Securities

(a) Introduction

In 2009 when BlackWall took control of the management of the hotel investment group, previously known as the Tankstream Pub and Leisure Group, the entity was in breach of its debt covenants and had little prospect of renewing those facilities or raising equity. BlackWall and a pub management group, Pelathon Management Group, instituted a number of measures including:

- completing a merger of the group with a similar sized pub fund;
- selling the smaller assets and injecting the capital raised into much needed capital improvement; and
- underwriting a rights issue.

The fund, now known as the Pelathon Pub Group, has recently refinanced its debt. Pelathon Funds Management has been granted an Australian Financial Services Licence and, with BlackWall's assistance, the fund's investors recently voted to appoint Pelathon Funds Management as the new responsible entity. With the fund in a better position, BWR proposes to distribute the PPG Securities it currently holds, and additional PPG Securities it intends to acquire, to BWR Unitholders. These transactions, once complete, will add over 1,000 new members to the Pub Group register putting it in a better position to raise capital and grow through mergers and acquisitions.

In-specie Distributions of PPG Securities

A total of 95,583,901 PPG Securities will be distributed in-specie to BWR Unitholders excluding BlackWall and Pelorus. On completion of the transactions, BWR Unitholders (other than BlackWall and Pelorus) should receive approximately 2.69 PPG Securities for every 1 BWR Unit held.

Completion of these transactions should result in the following holdings in PPG Securities:

	Before		After	
	No. PPG Securities	%	No. PPG Securities	%
BlackWall Property Trust	36,973,973	30.39%	0	0.00%
BlackWall	18,811,439	15.46%	116,701	0.09%
Pelorus	40,037,934	32.91%	122,744	0.10%
BWR Unitholders	0	0.00%	95,583,901	78.58%
Existing holders of PPG Securities	25,823,751	21.23%	25,823,751	21.23%
Total	121,647,097	100.00%	121,647,097	100.00%

The in-specie distribution of PPG Securities will be 100% tax-deferred.

Changes in voting power in BWR

If Resolutions 3 and 4 are approved, 5,085,963 new Units will be issued to Pelorus and BlackWall. Completion of the transactions is expected to result in the following changes in voting power in BlackWall Property Trust:

	Changes in Voting Power in BWR	
	Before*	After**
Pelorus	13.91%	18.17%
BlackWall***	14.98%	17.28%

* Assumes completion of the BTHT Offer

** Depends on a number of factors including, whether the Resolutions are approved, how many Units are issued, whether any Units are bought back under BWR's on-market buy-back facility

*** Includes combined voting power of BWF and BFS

Effect of the transactions on the Trust

The effect of these transactions on BWR is set out in Section 3.

(b) Overview of Pelathon Pub Group

Pelathon Pub Group is an integrated hospitality management business. It has approximately 12 staff and its management team specialises in providing pub and hotel management and consultancy services. Pelathon Funds Management Limited, the responsible entity of the Pelathon Pub Fund, has an AFSL (No. 477840) authorising it to operate the fund.

The Pelathon Pub Group owns three pubs in regional NSW:

- Victoria Hotel, Wagga Wagga, NSW
- Mary G's, Lismore, NSW
- Amaroo Tavern, Moree, NSW

A summary of the historical financial performance of the fund is set out below:

	9 months to 31 March 2016	30 June 2015
Assets	\$25,398,579	\$25,284,721
Liabilities	\$(15,357,218)	\$ (16,565,227)
Net Assets	\$10,041,361	\$8,719,494
Net Tangible Assets	\$10,041,361	\$8,719,494
Loan to Valuation Ratio	54.80%	61.80%
EBITDA¹ from Trading Operations	\$1,492,004	\$1,623,439
Interest Cost	\$520,715	\$957,758
Net Profit	\$1,321,867	\$379,938
Interest Cover²	2.87	1.70

The fees as determined in Pelathon Pub Fund's constitution broadly include:

- A management fee of 1.5% p.a. of assets under management;
- An acquisition and finance fee of 5% of the purchase price of each and every pub property acquired by the Pub Group;
- A capital performance fee and income performance fee payable only on the outperformance of specified benchmarks; and
- A sale fee of 2% based on the net uplift in the property value.

Pelathon Management Group receives an asset management fee to manage the operation of the hotels. The fee is 10% of Consolidated EBITDA per annum, plus expenses of each hotel.

PFML's strategy for the Pelathon Pub Fund is to aim to continue improving the performance of the hotels with measured capital investment, grow the fund's assets under management to create diversity, improve the value of unitholders' equity and maintain debt gearing at sustainable levels.

¹ EBITDA from trading operations is earnings before interest, taxation, depreciation and amortisation excluding the impact of fair value adjustments to the value of the hotel assets and profits/losses on sale of hotels

² Interest Cover is EBITDA from trading operations divided by interest expense.

Additional Information

For more information on the Pelathon Pub Group, please refer to Pelathon's website (www.pelathon.com) which includes copies of:

- the 30 June 2015 Financial Statements;
- the 2016 Notice of Meeting relating to the recent change of responsible entity; and
- a copy of ASIC's Regulatory Guide 46 disclosures for unlisted property funds in relation to PPF.

(c) Pelathon Pub Group Board of Directors

The directors of the Pelathon Pub Group include:

Darren Baker	Mr Baker has 30 years' experience owning and operating small businesses and hotels.
James (Jaz) Mooney	Mr James (Jaz) Mooney has over 30 years' experience in the industry specialising in all aspects of the day-to-day running of hotels, pubs and restaurants with a particular focus on marketing and renovations.
David Horton	Mr David Horton is a Chartered Accountant with over 20 years of accounting, business and tax experience.

Please refer to the 2016 Notice of Meeting of the Pelathon Pub Fund for more information about the board of directors and senior management of the Pelathon Pub Group (www.pelathon.com).

(d) Information on PPG Securities

The rights and liabilities attaching to the PPG Securities are set out in the constitutions of Pelathon Pub Fund (PPF) (in respect of PPF units) and Pelathon Hotels Limited (PHL) (in respect of PHL shares). The following is a summary of the key provisions of these constitutions. The summary is not exhaustive, and full details of the rights and liabilities attaching to the PPG Securities are set out in the constitutions of PHL and PPF which are available for inspection at Pelathon Pub Group's office during business hours and on Pelathon Pub Group's website at www.pelathon.com.

- **Stapling:** Whilst stapling applies, a PPF unit may only be issued together with a PHL share as part of a PPG Security.
- **Dividends/distributions:** PPF unitholders will be entitled to participate in any distributions of income from PPF in proportion to their holdings (subject to the rights attached to a particular class of units). PHL's board may from time to time resolve to pay dividends to members and fix the amount of the dividend, the timing for determining entitlements to the dividend and the timing and method of payment. Shareholders will be entitled to participate in any dividends in proportion to their holdings (subject to the rights attached to a particular class of shares).
- **No redemption:** PPF unitholders have no right to redeem their units. The responsible entity may in its absolute discretion offer unitholders an opportunity to redeem their units.
- **15% ownership restriction:** No PPF unitholder may acquire a relevant interest in PPF units such that that the unitholder's or other person's voting power in PPF increases from 15% or below to more than 15%, except with the responsible entity's prior written consent, which may be given or refused in the responsible entity's absolute and unfettered discretion.
- **10% voting cap:** The voting power (as defined in the Corporations Act) of any member is capped at 10% of the total votes attached to all issued PPF, and PHL shares, even if that member holds or controls more than 10% of the issued ordinary PPG Securities.
- **Un-stapling:** The responsible entity of PPF and PHL reserve the right to at any time un-staple PPF units from PHL shares if they consider this is in the best interests of members.

(e) Risks relating to Pelathon Pub Group

On completion of the in-specie distributions of PPG Securities to Unitholders, Unitholders will become direct securityholders of the Pelathon Pub Group. As Pelathon Pub Group and BWR are both in the area of property investments, Unitholders are currently exposed to many of the risks associated with an investment in Pelathon Pub Group through their unitholdings in BWR. Below is a summary of the additional risks specific to the Pelathon Pub Group.

- **Liquidity:** PPG Securities are illiquid investments. Securityholders have no right to redeem their investment and there is currently no secondary market for the PPG Securities.
- **Valuations:** A valuation is by its very nature an opinion and therefore, directors' valuations or independent valuations of PPG's assets may not reflect the price at which an asset could be sold. There is a risk that an independent valuation will differ from directors' or other independent valuations. A low valuation of a material investment could have an adverse impact on PPG's NTA value or cause lending covenants to be breached.
- **Return risks:** PPG's debt facility contains provisions which prevent it from paying distributions while the gearing is above specified levels. PPG is not currently paying distributions. No guarantee is given in respect of the payment of distributions, repayment of capital, the amount of any income or capital return or the performance of the Pelathon Pub Group.
- **Earnings risk:** Pubs are businesses and are subject to business risk. Earnings derived from the existing and acquired assets of PPG may not fulfill the expectations of management and consequently affect the PPG's ability to pay distributions, interest expenses and other amounts payable by PPG.
- **Specific property risks:** All of PPG's assets are located in regional areas. Property, by its nature, is subject to general property market risks and local risk factors too. Events such as flooding can prevent patrons attending the venues which would have a direct and negative impact on the venue's income. In addition, factors affecting agriculture may also adversely affect the revenue generated at the PPG's venues.
- **Borrowings:** PPG may need to refinance its loan facilities in the future and there is no guarantee that the PPG will be able to refinance the facilities. Further, if the loans are refinanced, the interest payable may be higher than the current interest rates.
- **Open-ended:** PPF is an open-ended trust and does not have a finite term, which may affect the ability of members to withdraw their investments from PPF.
- **Gaming industry:** An increase in gaming taxes and increased local competition could negatively affect the Pelathon Pub Group.
- **15% ownership restriction and 10% voting cap:** The constitutions of PPF and PHL contain a prohibition on any PPG securityholder increasing its voting power from 15% or below to more than 15%, without the prior written consent of the responsible entity of PPF, which may be given or refused in the responsible entity's absolute discretion. Although the responsible entity has to date given its consent on each relevant occasion, the discretionary 15% restriction on ownership of PPG Stapled Securities could be a deterrent to an investor seeking to control PPG. The constitutions also contain a cap on the voting power of any holder (and their associates) of ordinary PPG Securities of 10% of the total votes attached to all issued units in PPF, and shares in PHL, even if that investor holds or controls more than 10% of the issued ordinary PPG Securities. This cap could also be a deterrent to an investor seeking to control PPG.

(f) Resolution 3 - Offer to acquire PPG Securities from Pelorus

ASX Listing Rule 10.1 provides that member approval is required to acquire a "substantial asset" from a person that has voting power of at least 10% in the Trust, such as Pelorus.

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

Pelorus Offers

BWR intends to make a series of offers to Pelorus to acquire the PPG Securities it currently owns, plus most of the PPG Securities it will receive pursuant to the in-specie distributions (by virtue of Pelorus' substantial holding in BWR). BWR will make an offer to purchase 63,031,837 PPG Securities at \$0.065 each in total, with a value of \$4,097,069 thereby meeting the substantial asset test and requiring member approval.

In exchange, BWR proposes to issue new Units in BWR. Accordingly, the Responsible Entity will seek approval for the purposes of ASX Listing Rule 10.11 for the proposed issue of 3,058,981 BWR Units to Pelorus in the event Pelorus is deemed to be a related party due to common directors.

As Unitholder approval is being sought for the purposes of ASX Listing Rule 10.11, approval under ASX Listing Rule 7.1 is not required, and accordingly, if this Resolution 3 is approved, the issue of Units to Pelorus will not count towards the Trust's 15% annual placement capacity.

Independent Expert's Report

BWR has commissioned an independent expert to determine whether the Pelorus Offers are fair and reasonable to the non-associated Unitholders. The Independent Expert has opined that the transactions are **not fair but reasonable**. Unitholders are encouraged to read the full Independent Expert's Report included with this Notice.

In accordance with ASX Listing Rule 10.13, the information below is provided in respect of the proposed issue of 3,058,981 BWR Units to Pelorus:

- (a) The Units are proposed to be issued on 30 June 2016 and in any event, within 1 month of the date of this Meeting.
- (b) The Units will be issued between \$1.37 and \$1.25 per Unit.
- (c) The Units are fully paid ordinary units in BlackWall Property Trust and will rank equally with all existing Units on issue.
- (d) No funds will be raised from this issue of Units as the Pelorus Offers are scrip-for-scrip transactions.

A voting exclusion statement applies to Resolution 3, details of which are set out in the Notice of Meeting.

(g) Resolution 4 - Offer to acquire PPG Securities from BlackWall

BlackWall Offers

BlackWall Fund Services Limited (**BFS**) is the responsible entity of BWR. BFS is a wholly owned subsidiary of BlackWall Property Funds Limited (**BWF**). As a result of these relationships, each of BFS and BWF are related parties of BWR. BFS and BWF are also substantial holders of BWR Units.

BWR intends to make a series of offers to BFS and BWF to acquire the PPG Securities BFS currently owns, plus most of the PPG Securities each of BFS and BWF will receive pursuant to the in-specie distributions. BWR will acquire a total of 40,854,037 PPG Securities at \$0.065 cents each under the BlackWall Offers, with a value of \$2,655,512, which when combined with the Pelorus Offers, meets the substantial asset test and requiring member approval.

In exchange, BWR proposes to issue 2,026,982 new Units. As BFS and BWF are related parties, the proposed issue of Units requires Unitholder approval under ASX Listing Rule 10.11.

As Unitholder approval is being sought for the purposes of ASX Listing Rule 10.11, approval under ASX Listing Rule 7.1 is not required, and accordingly, if this Resolution 4 is approved, the issue of Units to BFS and BWR will not count towards the Trust's 15% annual placement capacity.

Independent Expert's Report

BWR has commissioned an independent expert to determine whether the BlackWall Offers are fair and reasonable to the non-associated Unitholders. The Independent Expert has opined that the transactions are **not fair but reasonable**. Unitholders are encouraged to read the full Independent Expert's Report included with this Notice.

In accordance with ASX Listing Rule 10.13, the information below is provided in respect of the proposed issue of 2,026,982 BWR Units to BlackWall Property Funds Limited and BlackWall Fund Services Limited:

- (a) Of the 2,026,982 Units proposed to be issued, 752,992 Units will be issued to BWF and 1,273,990 Units will be issued to BFS.
- (b) The Units are proposed to be issued on 30 June 2016 and in any event, within 1 month of the date of this Meeting.
- (c) The Units will be issued between \$1.37 and \$1.25 per Unit.

- (d) The Units are fully paid ordinary units in BlackWall Property Trust and will rank equally with all existing Units on issue.
- (e) No funds will be raised from this issue of Units as the BlackWall Offers are scrip-for-scrip transactions.

A voting exclusion statement applies to Resolution 4, details of which are set out in the Notice of Meeting.

2.3. Resolutions relating to the BQT Offer

(a) Introduction

In the same manner as the BlackWall Telstra House Trust Offer, BWR intends to make an offer to unitholders in Bakehouse Quarter Trust (**BQT**), an unlisted scheme also managed by BlackWall. BWR will offer to purchase all of the units in BQT in exchange for new BWR Units on the basis of 25 new BWR Units for every 4 BQT units held.

(b) Overview of Bakehouse Quarter Trust

BQT is an open-ended unlisted registered scheme managed by BlackWall. BQT's aim is to generate recurring distribution income and grow its NTA value per unit through investments in property opportunities originated and managed by BlackWall. A summary of BQT's key investments is set out below:

Property	Proportionate Interest	Classification	Investment Value
The Bakehouse Quarter <i>North Strathfield NSW</i>	10.95%	Mixed-use	\$16,899,000
The Woods Action Centre <i>Villawood NSW</i>	36.92%	Entertainment	\$1,846,000
55 Pyrmont Bridge Rd <i>Pyrmont NSW</i>	6.45%	Commercial	\$1,000,000

Additional Information

As a registered scheme, BQT prepares audited financial accounts, which can be found at www.blackwallfunds.com.au/bqt.

Effect of the Offer on the Trust

The effect of the Bakehouse Quarter Trust Offer on the Trust is set out in Section 3.

(c) Resolution 5 – Issue of Units under the BQT Offer

ASX Listing Rule 7.1 provides that BlackWall Property Trust must not, subject to specified exceptions, issue or agree to issue Units during any 12 month period, which exceed 15% of the number of Units on issue at the commencement of that 12 month period without the approval of Unitholders.

Although BWR does not expect 100% BQT unitholders to accept the BQT Offer, BWR will seek approval for the maximum number of BWR Units offered.

In accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 5:

- (a) The maximum number of securities to be issued is 12,850,901 Units.
- (b) The Units will be issued no later than 3 months after the date of this Meeting.
- (c) The Units will be issued at \$1.24 per Unit, based on the NTA value per Unit at the time of issue.
- (d) The Units will be issued to those unitholders of BQT who accept the BQT Offer.
- (e) The Units are fully paid ordinary units in BlackWall Property Trust and will rank equally with all existing Units on issue.
- (f) No funds will be raised from this issue of Units as the BQT Offer will be a scrip-for-scrip transaction.
- (g) The issue is likely to occur progressively.
- (h) A voting exclusion statement applies to this Resolution and is set out in the Notice of Meeting.

(d) Resolutions 6(a) to 6(f) – Issue of Units to Related Parties under the BQT Offer

There are a number of unitholders in BQT that are related parties of the Trust and will be offered new BWR Units under the BQT Offer. While the Trust is not aware of the intentions of the related parties listed below, the Trust is seeking ASX Listing Rule 10.11 approval for the issue of Units to related parties should they choose to accept the BQT Offer.

In accordance with ASX Listing Rule 10.13, the information below is provided:

Resolution	Recipient of the Units to be issued	Maximum number of Units to be issued	Relationship between recipient and Responsible Entity
6(a)	Ms Sophie May Glew	82,238	Daughter of Joseph (Seph) Glew, a Director of the Responsible Entity
6(b)	Mrs Nona Ann Glew	82,238	Spouse of Joseph (Seph) Glew, a Director of the Responsible Entity
6(c)	Mr Christopher Tedder	72,069	Son of Robin Tedder, a Director of the Responsible Entity
6(d)	Ms Jacqueline Christina Tedder	65,788	Daughter of Robin Tedder, a Director of the Responsible Entity
6(e)	Frogstorm Pty Ltd <The Bossanova Super Fund A/C>	21,938	Entity controlled by Stuart Brown, a Director of the Responsible Entity
6(f)	Mr Benjamin Tedder & Mrs Danielle Tedder	138,326	Son and daughter-in-law of Robin Tedder, a Director of the Responsible Entity

In addition, in respect of the information set out in the table above:

- (a) The Units will be issued within 1 month of the date of this Meeting.
- (b) The Units will be issued at price of \$1.24 per Unit which is based on the expected NTA value per Unit at the time of issue.
- (c) The Units are fully paid ordinary units in BlackWall Property Trust and will rank equally with all existing Units on issue.
- (d) No funds will be raised from this issue of Units as the BQT Offer will be a scrip-for-scrip transaction.

A voting exclusion statement applies to each of Resolutions 6(a) to 6(f) and is set out in the Notice of Meeting.

2.4. Resolution 7 - Ratification of Prior Issue of Units

For the purposes of ASX Listing Rule 7.4, BWR is seeking to ratify the issue of 190,106 BWR Units on 11 December 2015, which were issued within the Trust's 15% placement capacity. Approval of the resolution will have the effect of "refreshing" the 15% placement capacity.

In late 2015, BWR made an offer to unitholders in BlackWall Opportunities Fund ARSN 110 857 719 (**BOF**) to acquire their BOF units in exchange for Units in BWR.

In accordance with ASX Listing Rule 7.5, the information below is provided in respect of this BOF Offer:

- (a) BWR issued 190,106 Units.
- (b) The Units were issued at a price of \$1.40 per Unit, which was based on the NTA value per Unit as at 30 June 2015.
- (c) The Units are fully paid ordinary units in BlackWall Property Trust and rank equally with all existing Units on issue.
- (d) The Units were issued to certain members in BOF that accepted the BOF Offer.
- (e) No funds were raised from this issue of Units as the BOF Offer was a scrip-for-scrip transaction.

A voting exclusion statement applies to this Resolution 7 and is set out in the Notice of Meeting.

2.5. Resolution 8 – Additional 10% Placement Capacity

(a) Introduction

ASX Listing Rule 7.1A enables an eligible entity to seek the approval of holders of its ordinary securities by special resolution at its annual general meeting to issue ordinary securities up to 10% of its issued capital through placements over a 12 month period after the date of the annual general meeting (**10% Placement Capacity**). The 10% Placement Capacity is in addition to the entity's 15% placement capacity without member approval under ASX Listing Rule 7.1.

An "eligible entity" for the purposes of ASX Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. As at the date of this Notice of Meeting, BlackWall Property Trust is an eligible entity.

(b) Specific Information Required By ASX Listing Rule 7.3A

In accordance with ASX Listing Rule 7.3A, the information below is provided in relation to Resolution 8:

- (i) **Minimum price:** The minimum price at which the Units may be issued is 75% of the volume weighted average price of Units, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:
- the date on which the price at which the Units are to be issued is agreed; or
 - if the Units are not issued within 5 ASX trading days of that date, the date on which the Units are issued.
- (ii) **Risk of dilution:** There is a risk that any issue of Units under the 10% Placement Capacity will dilute the voting interests of Unitholders who do not receive Units under the issue and may also dilute their economic interests. There is a risk that:
- the market price for equity securities in that class may be significantly lower on the issue date than on the date of the approval under ASX Listing Rule 7.1A; and
 - the equity securities may be issued at a price that is at a discount to the market price for those equity securities on the issue date.

The table below seeks to demonstrate the potential dilution of existing Unitholders resulting from the issue of Units under the 10% Placement Capacity calculated in accordance with the formula contained in ASX Listing Rule 7.1A.2. The table does this by setting out the potential number of Units issued and funds raised on the basis of the current number of Units on issue as at the date of this Notice of Meeting. The table assumes a placement of 10% occurs and shows examples where:

- the number of Units on issue (variable 'A' in the formula) increases by 50% and 100%; and
- the issue price increases and decreases by 50% against the current market price.

Dilution				
Number of Units on issue (variable 'A' in formula)	Dilution Variable	\$0.75 (50% decrease in current issue price)	\$1.50 (Current issue price)	\$2.25 (50% increase in current issue price)
46,467,601 (Current)	Additional 10% Units issued	4,646,760	4,646,760	4,646,760
	Funds raised	\$3,485,070	\$6,970,140	\$10,455,210
69,701,401 (50% increase)*	Additional 10% Units issued	6,970,140	6,970,140	6,970,140
	Funds raised	\$5,227,605	\$10,455,210	\$15,682,815
92,935,202 (100% increase)*	Additional 10% Units issued	9,293,520	9,293,520	9,293,520
	Funds raised	\$6,970,140	\$13,940,280	\$20,910,420

* The number of Units on issue (variable 'A' in the formula) could increase as a result of the issue of Units that does not require Unitholder approval (such as under a pro rata entitlement issue) or an issue of Units with Unitholder approval under ASX Listing Rule 7.1.

The table above uses the following assumptions:

- The current number of Units on issue is the Units on issue as at 23 May 2016.
- The current issue price is the closing price of the Units on the ASX on 20 May 2016.
- The Responsible Entity issues the maximum possible number of Units under the 10% Placement Capacity.
- The table shows only the effect of issues of Units under ASX Listing Rule 7.1A, not under the 15% placement capacity under ASX Listing Rule 7.1 or under an exception under ASX Listing Rule 7.2.
- The calculations above do not show the dilution that any one particular Unitholder will be subject to. All Unitholders should consider the dilution caused to their own Unitholding depending on their specific circumstances.
- This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.

(iii) **Date of issue:** The Units may be issued under the 10% Placement Capacity commencing on the date of this Meeting and expiring on the first to occur of the following:

- the date that is 12 months after the date of this Meeting; and
- the date of approval by Unitholders of any transaction under ASX Listing Rule 11.1.2 (a significant change to the nature or scale of the Trust's activities) or 11.2 (disposal of the Trust's main undertaking) or such longer period if allowed by ASX.

(iv) **Purpose of issue under 10% Placement Capacity:** The Responsible Entity may issue Units under the 10% Placement Capacity for various purposes, including the following:

- to raise cash as consideration for the acquisition of or investment in additional assets (including associated expenses), continued expenditure on the Trust's current assets, general working capital and retirement of debt; and
- as non-cash consideration for the acquisition new assets and investments, and in such circumstances the Responsible Entity will provide a valuation of the non-cash consideration as required by ASX Listing Rule 7.1A.3.

(v) **Allocation under the 10% Placement Capacity:** The allottees of the Units to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of the Units could consist of current Unitholders or new investors (or both).

The Responsible Entity will determine the allottees at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- the purpose of the issue;
- alternative methods for raising funds available to the Trust at that time, including, but not limited to, an entitlement issue or other offer where existing Unitholders may participate;
- the effect of the issue of the Units on the control of the Trust;
- the circumstances of the Trust, including, but not limited to, the financial position of the Trust;
- prevailing market conditions; and
- advice from corporate, financial and broking advisers (if applicable).

(vi) **Previous approval under Listing Rule 7.1A:** BlackWall Property Trust has not previously obtained Unitholder approval under ASX Listing Rule 7.1A.

(vii) **Voting exclusion:** A voting exclusion statement applies to this Resolution 8 and is set out in the Notice of Meeting. At the date of this Notice of Meeting, the Responsible Entity has not invited any existing Unitholder to participate in the issue of Units under ASX Listing Rule 7.1A. Therefore, no existing Unitholder's vote will be excluded under the voting exclusion in the Notice of Meeting.

Board Recommendation

The Board recommends that Unitholders in vote in favour of this Resolution 8.

2.6. Resolution 9 – Amendments to the Constitution – Ninth Supplementary Constitution

BWR is proposing to amend the Trust's Constitution as set out in the Ninth Supplementary Constitution, which requires approval by at least 75% of the votes cast by Unitholders entitled to vote on the resolution. A marked up copy of the Constitution is available on request by contacting info@blackwallfunds.com.au.

A summary of the proposed amendments is set out below:

Proposed Amendment	Reason for the Change
<ul style="list-style-type: none"> • Amendments to clause 4.4 (Issue price of a Unit); • Deletion of clauses 4.5 (Application Price for a rights issue), 4.6 (Issue of Units at a price determined by the Trustee - distribution reinvestment) and 4.7 (Issue of Units at a price determined by the Trustee - issue of Units at an individually negotiated price); • Insertion of a new clause 34.12 (Compliance with ASIC Instruments); and • Corresponding amendments to the definitions in Schedule 1, including inserting a new definition for "ASIC Instrument". 	<p>To incorporate into the Constitution:</p> <ul style="list-style-type: none"> • the provisions of any ASIC exemption or declaration where they are required to be included in the Constitution; and • any relief granted by an ASIC class order where the Responsible Entity declares it to be incorporated (if required), <p>and, in particular, to incorporate provisions that meet the requirements to rely on the relief granted by ASIC Class Order [CO 13/655] which broadly gives the Responsible Entity unit pricing discretion in connection with certain issues or acquisitions of interests in the Trust, including fundraising activities such as placements and rights issues, subject to specified conditions. As required by ASIC policy, if these amendments are approved, the Trust intends to rely on [CO 13/655] by posting a notice of reliance on the BlackWall website at www.blackwallfunds.com.au on the BlackWall Property Trust page.</p>
<p>Amend clause 14.8 by inserting the following new sentence at the end of the clause:</p> <p><i>"The Trustee may at any time determine that specific assets of the Trust (including securities in another entity) be in-specie distributed to the Unitholders."</i></p>	<p>To clarify the Trust's power to distribute its assets by way of in-specie distribution</p>

3. EFFECT OF THE PROPOSALS ON BLACKWALL PROPERTY TRUST

3.1. Changes to Capital Structure

	Minimum	Expected	Maximum
Units currently on issue	46,467,601	46,467,601	46,467,601
Issue of Units under the BlackWall Telstra House Trust Offer ³	3,583,050	3,583,050	3,583,050
Issue of Units under the Pelorus Offers ⁴	3,058,981	3,058,981	3,058,981
Issue of Units under the BlackWall Offers ⁵	2,026,982	2,026,982	2,026,982
Issue of Units under the BQT Offer ⁶	3,328,375 ⁷	6,656,749 ⁸	13,313,498
Units on issue after Completion of the Proposals⁹	58,464,989	61,793,363	68,450,112

The table above does not include the impact of Resolution 8 “Additional 10% Placement Capacity”. Please refer to Section 2.5(b) (ii) for the dilution scenarios relating to this Resolution.

³ Resolutions 1 and 2.

⁴ Resolution 3

⁵ Resolution 4

⁶ Resolutions 5 and 6(a) to 6(f).

⁷ Assumes 25% acceptance of the BQT Offer

⁸ Assumes 50% acceptance of the BQT Offer

⁹ Assumes no additional Units are bought back under the BWR On-Market Buy-Back Facility

3.2. Pro Forma Balance Sheet

The pro forma balance sheet below shows the effect of the Proposals on the Trust. This pro forma does not take into account any capital raising under the Additional 10% Placement Capacity if approved. Please refer to section Section 2.5(b)(ii) for information about the Additional 10% Placement Capacity.

	December 2015 Historical \$'000	Pro Forma Adjustments \$'000	Notes	Pro Forma \$'000
Current Assets				
Cash and cash equivalents	3,059	-		3,059
Trade and other receivables	30	-		30
Other assets	110	-		110
Financial assets	3,238	(3,238)	(a)	-
Total Current Assets	6,437	(3,238)		3,199
Non-current Assets				
Investment properties	83,850	3,050	(b)	86,900
Financial assets	26,490	12,398	(c)	38,888
Total Non-current Assets	110,340	15,448		125,788
Total Assets	116,777	12,210		128,987
Current Liabilities				
Trade and other payables	809	-		809
Other liabilities	361	-		361
Borrowings	50,000	-		50,000
Total Current Liabilities	51,170	-		51,170
Non-current Liabilities				
Interest rate hedges	859	-		859
Total Non-current Liabilities	859	-		859
Total Liabilities (Excluding Net Assets)	52,029	-		52,029
Net Assets	64,748	12,210		76,958
Attributable to owners of the parent	63,764	12,210		75,974
Outside equity interests	984	-		984
Net Assets	64,748	12,210		76,958

(a) Resolutions 3 and 4 (PPG securities)

(b) A net revaluation uplift over the properties

(c) Resolutions 1 (BTHT Offer) and 5 (assumes 50% take up of the BQT Offer)

4. GLOSSARY

\$ or dollars means Australian dollars.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to it in the Listing Rules.

ASX means ASX Limited ACN 008 624 253 trading as the Australian Securities Exchange.

BFS or Responsible Entity means BlackWall Fund Services Limited ACN 079 608 825.

BlackWall means BlackWall Property Funds Limited ACN 146 935 131 (ASX: BWF) and its wholly owned subsidiary, BFS.

BlackWall Offers means the offers proposed to be made by BlackWall Property Trust to BlackWall to acquire their PPG Securities in exchange for Units as described in Section 2.2(g) of the Explanatory Memorandum.

BlackWall Property Trust, BWR or Trust means BlackWall Property Trust ARSN 109 684 773 (ASX: BWR).

BlackWall Telstra House Trust or BTHT means BlackWall Telstra House Trust ARSN 128 288 291.

BlackWall Telstra House Trust Offer or BTHT Offer means the offer made by BlackWall Property Trust to the unitholders of BlackWall Telstra House Trust as described in Sections 1.2(a) and 2.1 of the Explanatory Memorandum.

BOF means BlackWall Opportunities Fund ARSN 110 857 719.

BOF Offer means the offer made by BlackWall Property Trust to the unitholders of BOF to acquire their BOF units in exchange for Units as described in Section 2.4 of the Explanatory Memorandum.

BQT means Bakehouse Quarter Trust ARSN 162 705 455.

BQT Offer means the offer proposed to be made by BlackWall Property Trust to the unitholders of BQT to acquire their BQT units in exchange for Units as described in Sections 1.2(c) and 2.3 of the Explanatory Memorandum.

Board means the board of directors of the Responsible Entity.

BWF means BlackWall Property Funds Limited ACN 146 935 131 (ASX: BWF)

Constitution means the constitution of the Trust dated 23 June 2004 (as amended).

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Responsible Entity.

Explanatory Memorandum means this explanatory memorandum accompanying and forming part of the Notice of Meeting.

IER or Independent Expert's Report means the independent expert's report prepared by RSM Corporate dated 1 June 2016 enclosed with and forming part of the Notice of Meeting.

Independent Expert or RSM Corporate means RSM Corporate Australia Pty Ltd ACN 050 508 024 (AFSL 255847).

Listing Rules means the Listing Rules of the ASX and any other rules of the ASX which are applicable to the Trust.

Meeting means the meeting of Unitholders convened by the Notice of Meeting to be held at 10:15am on Friday, 24 June 2016 at Level 1, 50 Yeo Street Neutral Bay NSW 2089 and any adjournment of it.

Ninth Supplementary Constitution means the proposed Ninth Supplementary Constitution to the Constitution, a copy of which is available at www.blackwallfunds.com.au.

Notice of Meeting means this notice of meeting in relation to the Meeting and annexed to this Explanatory Memorandum.

NTA means net tangible assets.

Pelathon Funds Management or PFML means Pelathon Funds Management Limited ACN 606 091 543, the responsible entity of PPF.

Pelathon Pub Fund or PPF means Pelathon Pub Fund ARSN 123 286 304.

Pelathon Pub Group or Pub Group means the stapled entity comprising of Pelathon Pub Fund ARSN 123 286 304 and Pelathon Hotels Limited ACN 117 204 225.

Pelorus Offers means the offers proposed to be made by BlackWall Property Trust to Pelorus to acquire its PPG Securities in exchange for Units as described in Section 2.2(f) of the Explanatory Memorandum.

PHL means Pelathon Hotels Limited ACN 117 204 225.

PPG Security means a stapled ordinary security in the Pelathon Pub Group consisting of one ordinary unit in PPF and one ordinary share in PHL.

Pelorus means Pelorus Private Equity Limited ACN 091 209 639.

Proposals means the proposals set out in the Notice of Meeting, summaries of which are set out in Section 1.2 of the Explanatory Memorandum.

Proxy Form means the proxy form accompanying and forming part of the Notice of Meeting.

Pub Group Transactions means Resolutions 3 and 4 including the proposed in specie-distributions of PPG Securities.

Resolutions means the resolutions set out in the Notice of Meeting.

Unit means a fully paid ordinary unit issued in the Trust.

Unitholder means a holder of a Unit.

Notice of Meeting

Notice is given that a meeting of Unitholders of BlackWall Property Trust ARSN 109 684 773 will be held at **10:15am on Friday, 24 June 2016 at Level 1, 50 Yeo Street Neutral Bay NSW 2089**. This Notice of Meeting is issued by BlackWall Fund Services Limited ACN 079 608 825, the responsible entity of BlackWall Property Trust.

Your vote is important and you are encouraged to attend and vote at the Meeting.

If you are unable to attend the Meeting, you are encouraged to complete and return the enclosed Proxy Form. The completed Proxy Form must be received no later than **10:15am on Wednesday, 22 June 2016** (or such shorter time agreed to by the Responsible Entity) at the addresses or facsimile number set out on the Proxy Form. Please read the instructions on the Proxy Form carefully.

Unitholders should read the Explanatory Memorandum in full and in conjunction with this Notice of Meeting. Capitalised terms used in this Notice of Meeting and the Explanatory Memorandum are defined in the Glossary section of the Explanatory Memorandum.

1. BUSINESS

Resolution 1: Issue of Units under the BlackWall Telstra House Trust Offer

To consider and, if thought fit, pass the following resolution as an **ordinary resolution** of BlackWall Property Trust:

"That for the purposes of ASX Listing Rule 7.1 and for all other purposes, the issue of 3,583,050 Units at a price of \$1.43 per Unit to the unitholders under the BlackWall Telstra House Trust Offer as described in the Explanatory Memorandum be approved."

Voting exclusion: A voting exclusion statement applies to this Resolution 1 – see Section 3 of this Notice of Meeting for details.

Resolution 2: Issue of Units to a related party under the BlackWall Telstra House Trust Offer

To consider and, if thought fit, pass the following resolution as an **ordinary resolution** of BlackWall Property Trust:

"That for the purposes of ASX Listing Rule 10.11 and for all other purposes, Unitholders approve the issue of 808,117 Units to Alerik Pty Ltd at a price of \$1.43 per Unit pursuant to the BlackWall Telstra House Trust Offer as described in the Explanatory Memorandum."

Voting exclusion: A voting exclusion statement applies to this Resolution 2 – see Section 3 of this Notice of Meeting for details.

Resolution 3: Offer to acquire PPG Securities from Pelorus

To consider and, if thought fit, pass each of the following resolutions as an **ordinary resolution** of BlackWall Property Trust:

"That for the purposes of Listing Rules 10.1 and 10.11 and for all other purposes, Unitholders approve the issue of 3,058,981 Units to Pelorus Private Equity Limited as consideration for the acquisition of 63,031,837 PPG Securities on the terms set out in the Explanatory Memorandum."

Voting exclusion: A voting exclusion statement applies to this Resolution 3 – see Section 3 of this Notice of Meeting for details.

Independent Expert's Report: Unitholders should carefully consider the Independent Expert's Report prepared by RSM Corporate (attached to this Notice of Meeting) for the purposes of Unitholder approval under ASX Listing Rule 10.1 for Resolutions 3 and 4. RSM Corporate comments on the fairness and reasonableness of the transactions the subject of Resolutions 3 and 4 to non-associated Unitholders. RSM Corporate has determined that the transactions are **not fair but reasonable** to non-associated Unitholders.

Resolution 4: Offer to acquire PPG Securities from BlackWall

To consider and, if thought fit, pass the following resolution as an **ordinary resolution** of BlackWall Property Trust:

"Subject to and conditional on the shareholders of BlackWall Property Funds Limited approving the BlackWall Offers, that for the purposes of Listing Rules 10.1 and 10.11 and for all other purposes, Unitholders approve the issue of 2,026,982 Units to BlackWall as consideration for the acquisition of 40,854,037 PPG Securities on the terms set out in the Explanatory Memorandum."

Voting exclusion: A voting exclusion statement applies to this Resolution 4 – see Section 3 of this Notice of Meeting for details.

Independent Expert's Report: Unitholders should carefully consider the Independent Expert's Report prepared by RSM Corporate (attached to this Notice of Meeting) for the purposes of Unitholder approval under ASX Listing Rule 10.1 for Resolutions 3 and 4. RSM Corporate comments on the fairness and reasonableness of the transactions the subject of Resolutions 3 and 4 to non-associated Unitholders. RSM Corporate has determined that the transactions are **not fair but reasonable** to non-associated Unitholders.

Resolution 5: Issue of Units under the BQT Offer

To consider and, if thought fit, pass the following resolution as an **ordinary resolution** of BlackWall Property Trust:

"That for the purposes of ASX Listing Rule 7.1 and for all other purposes, the issue of up to 12,850,901 Units at a price of \$1.24 per Unit to the unitholders of Bakehouse Quarter Trust who accept the BQT Offer as described in the Explanatory Memorandum be approved."

Voting exclusion: A voting exclusion statement applies to this Resolution 5 – see Section 3 of this Notice of Meeting for details.

Resolutions 6(a)-6(f): Issue of Units under the BQT Offer to Related Parties

To consider and, if thought fit, pass each of the following resolutions as an **ordinary resolution** of BlackWall Property Trust:

"That for the purposes of ASX Listing Rule 10.11 and for all other purposes, Unitholders approve:

- (a) the issue of 82,238 Units to Sophie May Glew;*
- (b) the issue of 82,238 Units to Nona Ann Glew;*
- (c) the issue of 72,069 Units to Christopher Tedder;*
- (d) the issue of 65,788 Units to Jacqueline Christina Tedder;*
- (e) the issue of 21,938 Units to Frogstorm Pty Ltd <The Bossanova Super Fund A/C>; and*
- (f) the issue of 138,326 Units to Benjamin Tedder & Danielle Tedder,*

at a price of \$1.24 per Unit pursuant to the BQT Offer as described in the Explanatory Memorandum."

Voting exclusion: A voting exclusion statement applies to Resolutions 6(a) to (f) – see Section 3 of this Notice of Meeting for details.

Resolution 7: Ratification of Prior Issue of Units

To consider and, if thought fit, pass the following resolution as an **ordinary resolution** of BlackWall Property Trust:

"That for the purposes of ASX Listing Rule 7.4 and for all other purposes, the previous issue of 190,106 Units at a price of \$1.40 per Unit to unitholders in BlackWall Opportunities Fund who accepted the BOF Offer as described in the Explanatory Memorandum be ratified and approved."

Voting exclusion: A voting exclusion statement applies to Resolution 7 – see Section 3 of this Notice of Meeting for details.

Resolution 8: Approval of Additional 10% Placement capacity

To consider and, if thought fit, pass the following resolution as a **special resolution** of BlackWall Property Trust:

"That for the purposes of ASX Listing Rule 7.1A and for all other purposes, Unitholders approve the issue of Units totalling up to 10% of the issued capital of the Trust at the time of issue, calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A and on the terms and conditions set out in the Explanatory Memorandum."

Voting exclusion: A voting exclusion statement applies to Resolution 8 – see Section 3 of this Notice of Meeting for details.

Resolution 9: Amendments to Constitution - Ninth Supplementary Constitution

To consider and, if thought fit, pass the following resolution as a **special resolution** of BlackWall Property Trust:

"That for the purposes of section 601GC(1)(a) of the Corporations Act, clause 31.1(b)(i) of the Constitution and for all other purposes, the Constitution is amended as set out in the proposed Ninth Supplementary Constitution annexed to this Notice of Meeting."

2. QUORUM

In accordance with clause 25.3 of the Trust's Constitution, the Meeting will proceed if there are two Unitholders present in person or by proxy, together holding at least 10% of all Units.

3. VOTING EXCLUSION STATEMENTS

The Responsible Entity will disregard any votes cast on:

Resolution	Persons whose votes are to be disregarded
Resolution 1 Issue of Units under the BTHT Offer	Any person who is a BTHT unitholder and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this resolution is passed and each of their Associates.
Resolution 2 Issue of Units to a related party under the BTHT Offer	Alerik Pty Ltd and any of its Associates.
Resolution 3 Offer to acquire PPG Securities from Pelorus	Pelorus Private Equity Limited and BFS as responsible entity of BWR and any of their Associates.
Resolution 4 Offer to acquire PPG Securities from BlackWall	BWF, BFS and BFS as responsible entity of BWR and any of their Associates.
Resolution 5 Issue of Units under the BQT Offer	Any person who is a BQT unitholder and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this resolution is passed and each of their Associates.
Resolutions 6(a) - 6(f) Issue of Units to related parties under the BQT Offer	(a) Sophie May Glew and any of her Associates; (b) Nona Ann Glew and any of her Associates; (c) Christopher Tedder and any of his Associates; (d) Jacqueline Christina Tedder and any of her Associates; (e) Frogstorm Pty Ltd <The Bossanova Super Fund A/C> and any of its Associates; and (f) Benjamin Tedder & Danielle Tedder and any of their Associates.
Resolution 7 Ratification of Prior Issue of Units	Each person who received Units under the issue and any of their Associates.
Resolution 8 Additional 10% Placement Capacity	Any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this resolution is passed and any of their Associates.

However, the Responsible Entity does not need disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. VOTING

(a) Entitlement to vote

Individual Unitholders may vote at the Meeting in person or by proxy.

A corporate Unitholder may vote by proxy or through a body corporate representative.

If you hold your Units jointly with another, please note that the holder appearing first in the Unit register is entitled to attend and vote the Units to the exclusion of the other holders.

All Unitholders appearing on the Trust's register of Unitholders at **7pm on Wednesday, 22 June 2016** are entitled to attend and vote at the Meeting. Accordingly, transfers registered after this time will be disregarded in determining entitlements to vote at the Meeting.

(b) Ordinary and Special Resolutions

Resolutions 8 and 9 are both special resolutions and each will be passed if at least 75% of votes cast by Unitholders (in person or by proxy) entitled to vote on the resolution, vote in favour of the resolution.

The other Resolutions are ordinary resolutions and each will be passed if more than 50% of votes cast by Unitholders (in person or by proxy) entitled to vote on the resolution, vote in favour of the resolution.

(c) Voting process

As Resolutions 8 and 9 are special resolutions, they will each be decided on a poll in accordance with the Corporations Act and clause 28.6 of the Constitution. On a poll, each Unitholder has one vote for each Unit held. A Unitholder does not have to exercise all of their votes in the same way and not all votes need to be cast.

5. VOTING BY PROXY

(a) Proxy

A Unitholder entitled to attend and vote has a right to appoint a proxy to attend and vote for the Unitholder at the Meeting. Please note that:

- a proxy does not have to be a member of the Trust;
- a proxy may be an individual or a body corporate; and
- a Unitholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise but where the proportion or number is not specified, each proxy may exercise half of the votes.

A proxy appointed to attend and vote for a Unitholder has the same rights as the Unitholder to:

- speak at the Meeting;
- vote (only to the extent allowed by the appointment); and
- join in a demand for a poll.

If you wish to appoint a proxy, you should:

1. complete the enclosed Proxy Form;
2. sign and date the Proxy Form; and
3. return the Proxy Form to the Responsible Entity no later than **10:15am on Wednesday, 22 June 2016** (or such shorter time agreed to by the Responsible Entity) at the addresses or facsimile number set out in Section 5(d) below.

The enclosed Proxy Form provides further details on appointing proxies and lodging proxy forms. If you have appointed a proxy for this Meeting and you later decide to attend the Meeting, please note that your attendance at the Meeting will result in the proxy's appointment being suspended while you are present at the Meeting.

(b) Power of Attorney

If a Unitholder has appointed an attorney to attend and vote at the Meeting or if the Proxy Form has been signed under power of attorney or other authority, the original or a certified copy of the power of attorney or authority must also be received by the Responsible Entity, no later than **10:15am on Wednesday, 22 June 2016** (or such shorter time agreed to by the Responsible Entity) at the addresses or facsimile number set out in Section 5(d) below, unless the original or a certified copy has been previously lodged for notation.

(c) Corporate Representative

A corporate Unitholder may appoint an individual as a representative to exercise all or any of its powers at the Meeting. The appointment must set out what the representative is appointed to do and may set out restrictions on the representative's powers. If the appointment is to be by reference to a position held, then the appointment must identify the position. A corporate Unitholder may appoint more than one representative but only one representative may exercise its powers at any one time. Unless otherwise specified in the appointment, the representative may exercise on behalf of the corporate Unitholder all of the powers it could exercise at the Meeting or in voting on the resolution.

(d) Delivery of Proxy Forms

Proxy Forms must be received by Computershare, no later than **10:15am on Wednesday, 22 June 2016** (or such shorter time agreed to by the Responsible Entity) at:

- By post:** Using the Reply Paid envelope or
Computershare Investor Services, GPO Box 242 Melbourne, Victoria 3001 Australia
- By Facsimile:** (within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

**By Order of the Board of BlackWall Fund Services Limited as
responsible entity of BlackWall Property Trust**

A handwritten signature in black ink, appearing to be 'CR' followed by a long horizontal stroke.

Caroline Raw
Company Secretary
2 June 2016





BLACKWALL PROPERTY TRUST

Financial Services Guide and Independent Expert's Report

June 2016

FINANCIAL SERVICES GUIDE

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 AFSL 255 847 (“RSM” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of an independent expert’s report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we will provide

For the purpose of our report and this FSG, the financial service which we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge various fees for providing various different financial services. However in respect of the financial services being provided to you by us, fees will be agreed with, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM Corporate Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All of our employees who provide or provided services in relation to the financial services being provided to you receive a salary. However, other employees of RSM Corporate Australia Pty Ltd may be remunerated in other ways, such as salaries with the entitlement to earn a bonus, depending on meeting revenue, compliance and marketing targets throughout any given financial year. Such other remuneration structures are not relevant to the financial services being provided to you.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Corporate Australia Pty Ltd is wholly owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints Resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, RSM Corporate Australia Pty Ltd, PO Box R1253, Perth, WA, 6844, +61 (0) 8 9261 9100.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact Details

You may contact us using the details set out at the top of our letterhead on page 3 of the Independent Expert's Report.

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RSM Corporate Australia Pty Ltd

1 June 2016

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Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

- 1.1 This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of General Meeting and Explanatory Memorandum ("NOM") to unitholders for the General Meeting of BlackWall Property Trust ("BWR" or "the Trust") to be held in June 2016 at which unitholder approval will be sought for the following resolutions, relating to a series of transactions announced on 2 May 2016, as set out below.

Resolution 1: Issue of Units under the BlackWall Telstra House Offer

To consider and, if thought fit, pass the following resolution of BlackWall Property Trust:

"That for the purposes of ASX Listing Rule 7.1 and for all other purposes, the issue of 3,583,050 Units at a price of \$1.43 per Unit to the unitholders under the BlackWall Telstra House Trust Offer as described in the Explanatory Memorandum be approved."

Resolution 2: Issue of Units to a related party under the BlackWall Telstra Trust Offer

To consider and, if thought fit, pass, the following resolution as an ordinary resolution of BlackWall Property Trust:

"That for the purposes of ASX Listing Rule 10.11 and for all other purposes, Unitholders approve the issue of 808,117 Units to Alerik Pty Ltd at a price of \$1.43 per Unit pursuant to the BlackWall Telstra House Trust Offer as described in the Explanatory Memorandum be approved."

Resolution 3: Offer to acquire PPG Securities from Pelorus

To consider and, if thought fit, pass the following resolution as an ordinary resolution of BlackWall Property Trust:

"That for the purposes of Listing Rule 10.1 and 10.11 and for all other purposes, Unitholders approve the issue of 3,058,981 Units to Pelorus Private Equity Limited as consideration for the acquisition of 63,031,837 PPG Securities on the terms set out in the Explanatory Memorandum"

Resolution 4: Offer to acquire PPG Securities from BlackWall

To consider and, if thought fit, pass the following resolution as an ordinary resolution of BlackWall Property Trust:

"Subject and conditional on the shareholders of BlackWall Property Funds Limited approving the BlackWall Offers, that for the purposes of Listing Rule 10.1 and 10.11 and for all other purposes, Unitholders approve the issue of 2,026,982 Units to BlackWall as consideration for the acquisition of 40,854,037 PPG Securities on the terms set out in the Explanatory Memorandum"

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

RSM Corporate Australia Pty Ltd is beneficially owned by the Directors of RSM Australia Pty Ltd. RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

1. Introduction (Cont.)

Resolution 5: Issue of Units under the BQT Offer

To consider and, if thought fit, pass, the following resolution as an ordinary resolution of BlackWall Property Trust:

“That for the purposes of ASX Listing Rule 7.1 and for all other purposes, the issue of up to 12,850,901 Units at a price of \$1.24 per Unit to the unitholders of Bakehouse Quarter Trust who accept the BQT Offer as described in the Explanatory Memorandum be approved.”

Resolution 6(a)-6(f): Issue of Units under the BQT Offer to Related Parties

To consider and, if thought fit, pass each of the following resolutions as an ordinary resolution of BlackWall Property Trust:

“That for the purposes of Listing Rule 10.11 and for all other purposes, Unitholders approve:

(a) the issue of 82,238 Units to Sophie May Glew;

(b) the issue of 82,238 Units to Nona Ann Glew;

(c) the issue of 72,069 Units to Christopher Tedder;

(d) the issue of 65,788 Units to Jacqueline Christina Tedder;

(e) the issue of 21,938 Units to Frogstorm Pty Ltd <The Bossanova Super Fund A/C>; and

(f) the issue of 138,326 Units to Benjamin Tedder & Danielle Tedder,

at a price of \$1.24 per Unit pursuant to the BQT Offer as described in the Explanatory Memorandum.”

Resolution 7: Ratification of Prior Issue of Units

To consider and, if thought fit, pass, the following resolution as an ordinary resolution of BlackWall Property Trust:

“That for the purposes of ASX Listing Rule 7.4, and for all other purposes, the previous issue of 190,906 Units as described in the Explanatory Memorandum be ratified and approved.”

Resolution 8: Approval of Additional 10% of Placement Capacity

To consider and, if thought fit, pass the following resolution as a special resolution of BlackWall Property Trust:

“That for the purposes of ASX Listing Rule 7.1A and for all other purposes, Unitholders approve the issue of Units totalling up to 10% of the issued capital of the Trust at the time of issue, calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A and on the terms and conditions set out in the Explanatory Memorandum.”

Resolution 9: Amendments to Constitution – Ninth Supplementary Constitution

To consider and, if thought fit, pass the following resolution as a special resolution of BlackWall Property Trust:

“That for the purposes of section 601G(1)(a) of the Corporations Act, clause 31.1(b)(i) of the Constitution and for all other purposes, the Constitution is amended as set out in the Ninth Supplementary Constitution annexed to the Notice of Meeting.”

- 1.2 The Directors of BlackWall Fund Services Limited (“BFS”), as responsible entity for BWR, have requested RSM Corporate Australia Pty Ltd (“RSM”), being independent and qualified for the purpose, to express an opinion as to whether Resolutions 3 and 4 (“the Proposed Transaction”), are fair and reasonable to BWR unitholders not associated with the Proposed Transaction (“the Non-Associated Unitholders” or “Unitholders”). We have had regard to Regulatory Guide 111 Content of Expert Reports (“RG 111”), in our assessment of the fairness and reasonableness of the Proposed Transaction.
- 1.3 Our assessment of the fairness and reasonableness of Resolutions 3 and 4 will be impacted by the approval of Resolutions 1 and 2, as set out above. We have therefore assumed that Resolutions 1 to 4 are approved when evaluating whether the Proposed Transaction is, as a whole, fair and reasonable to Non-Associated Unitholders.
- 1.4 The ultimate decision whether to approve the Proposed Transaction should be based on each Unitholder’s assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Proposed Transaction, or matters dealt with in this Report, Unitholders should seek independent professional advice.

2. Summary and Conclusion

- 2.1 In our opinion, and for the reasons set out in Sections 9 and 10 of this Report, for the purposes of ASX Listing Rule 10.1, the Proposed Transaction is **not fair but reasonable** for the Non-Associated Unitholders of BWR.

Fairness

- 2.2 In assessing the fairness of the Proposed Transaction, we have valued a unit in BWR prior to and immediately after the Proposed Transaction as set out in the table below.

Valuation Summary	Preferred \$
Fair Value per unit prior to the Proposed Transaction (on a controlling basis)	\$1.41
Fair Value per unit immediately after the Proposed Transaction (on a controlling basis)	\$1.38

Table 1 – Valuation Summary

- 2.3 As the Fair Value of a BWR unit immediately after the Proposed Transaction is less than the Fair Value prior to the Proposed Transaction, and in the absence of any other relevant information, in our opinion, the Proposed Transaction is **not fair** to the Non-Associated Unitholders of BWR.

Reasonableness

- 2.4 RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for the security holders to accept the offer in the absence of any higher bid.
- 2.5 In our assessment of whether the Proposed Transaction is reasonable, we have given consideration, in Section 10 of the Report, to the future operations of BWR if the Proposed Transaction does not proceed, and other commercial advantages and disadvantages to the Non-Associated Unitholders as a consequence of the Proposed Transaction proceeding.
- 2.6 Management considers that the current investment in PPG is not a core investment and the Trust intends to exit its interest in PPG over the next 12 months. In the event the Proposed Transaction is not approved, BWR will continue to seek other divestment opportunities.
- 2.7 In our opinion, the key advantages of the Proposed Transaction are:
- the acquisition of PPG securities from Pelorus and BlackWall will result in BWR Unitholders receiving a larger parcel of PPG securities;
 - BWR Unitholders will obtain a direct interest in PPG;
 - the in-specie distributions of PPG securities are 100% tax-deferred; and
 - if the Proposed Transaction is approved, it is estimated that in excess of 1,000 new members will be added to PPG's register, better positioning PPG to grow through potential capital raising and mergers and acquisitions.
- 2.8 In our opinion, the key disadvantages of the Proposed Transaction are:
- the Proposed Transaction is not fair;
 - PPG security holders are not currently receiving distributions; and
 - Non-Associated Unitholders' interest in BWR will be diluted from 71.1% to 64.5% immediately after the Proposed Transaction.
- 2.9 We are not aware of any alternative proposals at this time that would offer the Non-Associated Unitholders a premium over the terms offered by the Proposed Transaction.
- 2.10 We have also considered the Volume Weighted Unit Price ("VWAP") of BWR's unit price and volumes traded in the period prior to, and after the announcement of the Proposed Transaction on 2 May 2016 in our assessment of the market's response to the announcement.

2. Summary and Conclusion (Cont.)

Reasonableness (Cont.)

- 2.11 The VWAP of \$1.484, in the period after the announcement to 25 May 2016, is 11.7% and 14.2% higher than the VWAP of \$1.329 and \$1.300 disclosed for the 60 days and 5 days prior to the announcement of the Proposed Transaction, respectively.
- 2.12 Notwithstanding the low liquidity of BWR units, we consider that the market has reacted favourably to the announcement of BWR's recent transactions. However, we note that the Proposed Transaction is part of a series of transactions contemplated by BWR as set out in the NOM.
- 2.13 In the absence of any other relevant information and/or a superior offer, for the purposes of ASX Listing Rule 10.1, we consider that the Proposed Transaction is reasonable for the Non-Associated Unitholders of BWR.

3. Summary of the Proposed Transaction

Terms of the Proposed Transaction

- 3.1 On 2 May 2016, BWR announced a series of proposed transactions, including the proposed acquisition of stapled ordinary securities in the unlisted Pelathon Pub Group ("PPG"), from the following:
 1. BlackWall Property Funds Limited ("BWF") and BlackWall Fund Services Limited (BFS), in exchange for the issue of new BWR units; and
 2. Pelorus Private Equity Limited ("Pelorus") in exchange for the issue of new BWR units (collectively, the "BlackWall Offers").
- 3.2 BFS is the responsible entity for BWR and is also a wholly-owned subsidiary of BWF. BFS and BWF (collectively, "BlackWall"), are related parties of BWR and are also substantial holders of BWR units.
- 3.3 Subsequent to BWR's proposed acquisition of stapled ordinary securities in PPG from BlackWall and Pelorus, BWR intends to implement a series of in-specie distributions of PPG securities to BWR Unitholders. The in-specie distributions will be 100% tax-deferred.
- 3.4 The Proposed Transaction will be implemented through a number of in-specie distributions as follows:
 - BWR will make a series of offers to Pelorus to acquire Pelorus's PPG securities plus most of the PPG securities Pelorus will receive pursuant to the in-specie distributions (by virtue of Pelorus's holding in BWR). BWR will acquire a total of 63,031,837 PPG securities. In exchange, BWR will seek approval for the issue of 3,058,981 new BWR units to Pelorus (Resolution 3); and
 - BWR will make a series of offers to BlackWall to acquire the PPG securities currently owned by both BWF and BFS, plus most of the PPG securities each of BWF and BFS will receive pursuant to the in-specie distributions. BWR will acquire a total of 40,854,037 PPG securities. In exchange, BWR will seek approval for the issue of 2,026,982 new BWR units to BlackWall, comprising 752,992 and 1,273,990 new units to BWF and BFS, respectively (Resolution 4).
- 3.5 Subsequent to the in-specie distributions of PPG securities held by BWR to BWR Unitholders, BWR will hold nil interest in PPG, and BWR Unitholders will collectively hold a 78.6% interest in PPG. Existing holders of PPG securities will hold a 21.2% interest in PPG, and BlackWall and Pelorus will each hold a 0.1% interest in PPG.

3. Summary of the Proposed Transaction (Cont.)

Effect of the Proposed Transaction on the capital structure of BWR and PPG

3.6 The table below summarises the capital structure of BWR and PPG prior to, and immediately following the Proposed Transaction.

Prior to the Proposed Transaction			Immediately after the Proposed Transaction		
PPG Capital Structure	Number of securities	%	PPG Capital Structure	Number of securities	%
BWR	36,973,973	30.4%	BWR	-	0.0%
BlackWall	18,811,439	15.5%	BlackWall	116,701	0.1%
Pelorus	40,037,934	32.9%	Pelorus	122,744	0.1%
BWR Unitholders	-	0.0%	BWR Unitholders	95,583,901	78.6%
Existing holders of PPG Securities	25,823,751	21.2%	Existing holders of PPG Securities	25,823,751	21.2%
Total	121,647,097	100.0%	Total	121,647,097	100.0%
BWR Capital Structure	Number of units	%	BWR Capital Structure	Number of units	%
BlackWall	7,500,000	15.0%	BlackWall	9,526,982	17.3%
Pelorus	6,961,265	13.9%	Pelorus	10,020,246	18.2%
Non-Associated Unitholders	35,589,386	71.1%	Non-Associated Unitholders	35,589,386	64.5%
Total	50,050,651	100.0%	Total	55,136,614	100.0%

Table 2 – BWR and PPG capital structure prior to and immediately after the Proposed Transaction

- 3.7 As set out in the table above, prior to the Proposed Transaction, BWR holds 30.4% equity interest in PPG.
- 3.8 If the Proposed Transaction is approved, BWR will hold nil direct interest in PPG as a result of the acquisition of PPG securities from BlackWall and Pelorus, together with the in-specie distribution of PPG securities to BWR Unitholders.
- 3.9 BWR Unitholders will collectively hold a 78.6% direct interest in PPG immediately after the Proposed Transaction, and BlackWall and Pelorus will each hold a 0.1% interest in PPG, respectively.
- 3.10 If the Proposed Transaction is approved, Non-Associated Unitholders' interest in BWR will be diluted from 71.1% to 64.5% as a result of the issue of 5,085,963 new units in BWR to both BlackWall (2,026,982 units) and Pelorus (3,058,981 units).
- 3.11 As set out in Resolutions 5 and 6, BWR is also seeking approval for the issue of new units to the unitholders of Bakehouse Quarter Trust ("BQT") to acquire all the units in BQT ("the BQT Offer").
- 3.12 As set out in further detail in the NOM, whilst BWR does not expect 100% of BQT unitholders to accept the BQT Offer, BWR is seeking approval for the maximum number of BWR units offered, being 13,313,498 units, comprising 12,850,901 units to non-related party BQT unitholders (Resolution 5) and 462,597 units to related party BQT unitholders (Resolution 6(a)-6(f)).
- 3.13 As the Proposed Transaction is not conditional on the approval of the BQT Offer, and has no impact on our assessment of fairness and reasonableness of the Proposed Transaction, we have excluded the BQT Offer from our analysis.
- 3.14 The scenarios above also assume the following:
- no additional BWR units are bought back under BWR's on-market buy-back facility (refer paragraph 3.17 below); and
 - the BWR issue of units under the BlackWall Telstra House Offer (Resolutions 1 and 2) have been completed prior to the Proposed Transaction (refer paragraphs 3.19 and 3.20 below). However, we note that there would be no material change to our opinion in the event that Resolutions 1 and 2 are not approved.

3. Summary of the Proposed Transaction (Cont.)

Capital Structure of BWR Prior to the Proposed Transaction

- 3.15 As set out in Table 2 above, the total number of BWR units on issue prior to the Proposed Transaction is 50,050,651. At 30 June 2015, BWR's audited financial statements disclosed total units on issue of 46,693,330.
- 3.16 The table below sets out the reconciliation to the number of BWR units on issue at 30 June 2015 and immediately prior to the Proposed Transaction.

BlackWall Property Trust Capital Structure	Note	Number of Units
As at 30 June 2015 and as at commencement of on-market buy-back		
Units issued on 11 December 2015 to BlackWall Opportunity Fund	3.17	46,693,330
Units bought back to 26 April 2016 as part of the on-market buy-back announced 7 July 2015	3.18	190,106
	3.17	(415,835)
Units currently on issue		46,467,601
Units to be issued in relation to the BTHT Offer	3.19	3,583,050
Total BWR units prior to the Proposed Transaction	3.15	50,050,651

Table 3 – BWR capital structure prior to the Proposed Transaction

- 3.17 As set out in the table above, as at 30 June 2015, BWR disclosed 46,693,330 units on issue. On 7 July 2015, the Trust announced an on-market buy-back of up to 10% of units on issue over the next 12 months ("On-Market Buy-Back Facility").
- 3.18 On 11 December 2015, BWR announced the issue of 190,106 units to the unitholders of BlackWall Opportunities Fund to increase BWR's investment in a property located at 55 Pyrmont Bridge Road, Pyrmont, Sydney (Resolution 7).
- 3.19 On 2 May 2016, the same date that the Proposed Transaction was announced, BWR also announced an offer to the unitholders of BlackWall Telstra House Trust ("BTHT"), to acquire units in BTHT in exchange for new BWR units on the basis of 10 BTHT units for every 8 BWR units issued ("the BTHT Offer" or "the BlackWall Telstra House Trust Offer"). The BTHT Offer was accompanied by a Product Disclosure Statement and closes on 2 June 2016. For the purposes of this Report, Management considers that based on acceptances from BTHT unitholders to date, 5,009,198 BTHT units will be swapped for 3,583,050 new BWR units (4,007,358 units less 424,308 units BWR held in itself) (Resolutions 1 and 2).
- 3.20 For the purpose of this Report, total BWR units prior to the Proposed Transaction is therefore assumed to total 50,050,651 units.

4. Purpose of this Report

ASX Listing Rule 10.1

- 4.1 BWR is seeking approval to acquire ordinary securities in PPG from BlackWall and Pelorus for the purposes of Listing Rule 10.1.
- 4.2 Chapter 10 of the Listing Rules contains certain provisions in relation to transactions between an entity and "persons in a position of influence". Listing Rule 10.1 provides that a listed entity must not acquire or dispose of a "substantial asset" from or to a related party, a substantial holder, an associate to any of those persons or any person whose relationship is to the listed entity, without the approval of holders of the entity's ordinary securities.
- 4.3 An asset is deemed to be substantial if its value, or the value of the consideration for it, is 5% or more of the equity interests of the entity.
- 4.4 BlackWall (collectively BFS and BWF) are related parties to BWR as BFS is the responsible entity for BWR and is also a wholly-owned subsidiary of BWF. BlackWall is also a substantial holder of BWR as it currently holds a 15.0% interest in BWR. A substantial holder is defined in Listing Rule 10.1.3 as being a person (and its associates) with a relevant interest, or having had a relevant interest at any time in the previous 6 months before the transaction, in at least 10% of the total votes attaching to the entity's voting securities.

4. Purpose of this Report (Cont.)

ASX Listing Rule 10.1 (Cont.)

- 4.5 Pelorus is also a substantial holder as it currently holds a 13.9% interest in BWR.
- 4.6 The consideration for the acquisition of ordinary securities in PPG from BlackWall and Pelorus comprises the issue of 5,085,963 new units in BWR, representing in excess of 5% of the equity interests in BWR prior to the Proposed Transaction.
- 4.7 Listing Rule 10.10.2 requires a report on the transaction from an independent expert. The report must state the expert's opinion as to whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes are not to be disregarded.

Basis of Evaluation

- 4.8 In determining whether the Proposed Transaction is "fair and reasonable", we have given regard to the views expressed by ASIC in RG 111.
- 4.9 RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.
- 4.10 RG 111 states that the expert report should focus on:
 - the issues facing the security holders for whom the report is being prepared; and
 - the substance of the transaction rather than the legal mechanism used to achieve it.
- 4.11 When analysing related party transactions, RG 111 states it is important that an expert focus on the substance of the related party transaction, rather than the legal mechanism. For example, where a related party transaction is made of a number of separate components, the expert should consider the overall effect of the related party transaction. Where the related party transaction is one component of a broader transaction or a series of transactions involving non-related parties (such as a control transaction), the expert should carefully consider what level of analysis of the related party is required. In this consideration, the expert should bear in mind whether the report has been sought to ensure the members are provided with sufficient information to decide whether to approve giving a financial benefit to the related party as well as the broader transaction.
- 4.12 RG 111 applies the fair and reasonable test as two distinct criteria, stating that a proposed related party transaction is fair if the value of the financial benefit to be provided by the entity to the related party is equal or less than the value of the consideration being provided to the entity.
- 4.13 A related party transaction is reasonable if it is fair. It might also be reasonable if, despite not being fair, the expert believes there are sufficient reasons for members to vote for the transaction.
- 4.14 Consistent with the guidelines in RG 111, in determining whether the Proposed Transaction is "fair and reasonable" to the Non-Associated Unitholders, the analysis undertaken is as follows:
 - a comparison of the fair value of a unit in BWR prior to and immediately following the Proposed Transaction, being the "consideration" for Non-Associated Unitholders in the assessment of fairness; and
 - a review of other significant factors which Non-Associated Unitholders might consider prior to approving the Proposed Transaction in the assessment of reasonableness.
- 4.15 In particular, we have considered the advantages and disadvantages of the Proposed Transaction in the event that the Proposed Transaction proceeds or does not proceed, including:
 - the future operations of BWR if the Proposed Transaction does not proceed; and
 - any other commercial advantages and disadvantages to Non-Associated Unitholders as a consequence of the Proposed Transaction proceeding.
- 4.16 Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this Report.

5. Profile of BWR

- 5.1 BWR is an ASX-listed real estate investment trust with operations based in Neutral Bay, NSW. The Trust was registered as a managed investment scheme on 7 July 2004 and was admitted to the official list of the ASX on 28 October 2011 under its previous name, P-REIT.
- 5.2 On 11 May 2012, BFS, the wholly-owned subsidiary of ASX-listed BWF, was appointed as the responsible entity for the Trust. The Trust changed its name to BlackWall Property Trust on 7 July 2014.
- 5.3 BWR has control of two unlisted trusts which are consolidated in BWR's audited financial statements.
- 5.4 A summary of BWR's organisational structure is set out below.

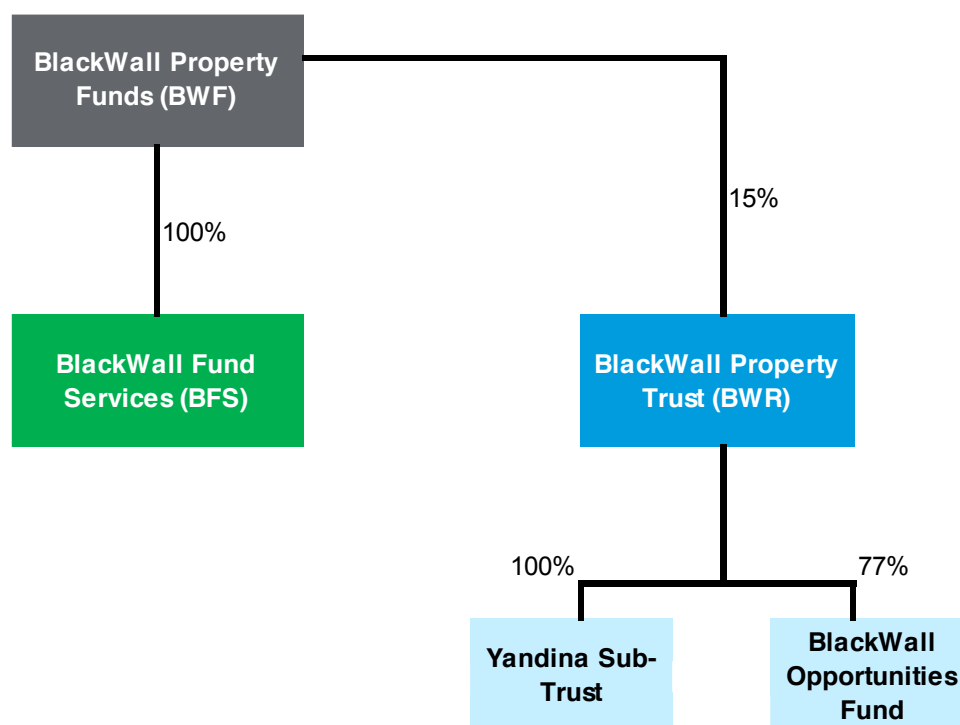


Chart 1 – BWR's organisational structure

Business Activities

- 5.5 BWR is a real estate investment trust with commercial, retail and industrial property interests. The Trust holds direct interests in six properties that are managed by BWF as follows:

- APN Yandina;
- APN Toowoomba;
- Chancellor Homemaker Centre;
- Silver @ The Exchange;
- Canberra Eye Hospital; and
- Bluescope Cooloom.

- 5.6 The above properties are wholly-owned by BWR and are discussed in greater detail below.

Direct Property Interests

APN Yandina

- 5.7 This industrial property located at 54 Pioneer Road, Yandina, Queensland comprises premises of 9,100m², and is leased to APN Print, an operator of regional newspapers, magazines, commercial print, radio broadcasting and outdoor advertising.

5. Profile of BWR (Cont.)

Direct Property Interests (Cont.)

APN Toowoomba

- 5.8 The industrial property located at 50 Industrial Avenue, Toowoomba, Queensland, comprises premises of 4,100m² and is also leased to APN Print.

Chancellor Homemaker Centre

- 5.9 Chancellor Homemaker Centre is a retail property centre located at 30 Chancellor Village Blvd, Sippy Downs, Queensland, with retail premises of 9,400 m². The centre primarily consists of bulky goods retailers and its key tenants comprise Joyce Mayne and Liquorland.

Silver @ The Exchange

- 5.10 Silver @ The Exchange is a commercial property covering approximately 5,000m² located at Varsity Lakes, Queensland. The property comprises a three-storey office building with 12 tenants.

Canberra Eye Hospital

- 5.11 The Canberra Eye Hospital is a two-level commercial office building located at 10-14 Wormald Street, Symonston, ACT with premises of 2,600 m².

Bluescope Coolum

- 5.12 This industrial property located at 51 Quanda Road, Coolum, Queensland with premises of 2,900m², and is leased to Bluescope Steel.

Bald Rock Hotel – sold August 2015

- 5.13 The Bald Rock Hotel is located in Rozelle, Sydney and was sold in August 2015.

Indirect Property Interests

- 5.14 In addition to the six direct property interests as set out above, BWR also owns interests in various joint venture structures which gives the Trust an indirect interest in the following properties:
- Bakehouse Quarter (13% interest);
 - 55 Pyrmont Bridge Road (18% interest);
 - The Woods Action Centre (WRV Unit Trust and Woods PIPES Fund) (24% interest);
 - Telstra House (42% interest, assuming BWR issues new units to the unitholders of BlackWall Telstra House Trust, in accordance with the BHTT Offer contemplated in Resolutions 1 and 2);
 - Pelathon Pub Group (PPG) (currently 30% interest. Refer to section 6 for further details on PPG); and
 - 120 Mulgoa Road (Penrith (Planloc and BlackWall Penrith Fund No.3)) (sold in December 2015).
- 5.15 BWR primarily holds a portfolio interest in each of the above indirect properties. Further details of each indirect interest are set out below.

Bakehouse Quarter – Kirela Development Unit Trust (13% interest)

- 5.16 Located on a site of approximately 40,000m² in North Strathfield, Sydney, the Bakehouse Quarter comprises a mix of commercial, entertainment and retail premises. The site has a further 20,000m² of land available for development, which Management consider could be used for residential development. In December 2015, BWR redeemed \$20 million of Bakehouse Bonds in exchange for a 13% equity interest in the Kirela Development Unit Trust which owns the Bakehouse Quarter. A further \$1.68 million was paid in cash being the CPI indexation accrued over the life of the Bonds to the date of redemption.

55 Pyrmont Bridge Road – Pyrmont Bridge Unit Trust

- 5.17 55 Pyrmont Bridge Road is a technology and media hub in Pyrmont, Sydney with approximately 14,000m² of net lettable area.

5. Profile of BWR (Cont.)

Indirect Property Interests (Cont.)

The Woods Action Centre (WRV Unit Trust and Woods PIPES Fund) (24% interest)

- 5.18 WRV Unit Trust owns The Woods Action Centre, in Villawood, Sydney. Wood PIPES Fund also holds a mezzanine interest in the property. BWR currently holds 336,000 units in Wood PIPES Fund and 1,825,000 units in WRV Unit Trust, collectively a 24% interest in the property. The Woods Action Centre is a family entertainment and lifestyle precinct.

Telstra House – BlackWall Telstra House Trust (assumed 42% interest)

- 5.19 BTHT is a single asset syndicate controlling a commercial building known as Telstra House located at 490 Northbourne Avenue in Canberra. The building was leased to Telstra until November 2018. However, in early 2013, Telstra announced that it intended to relocate its operations to a new purpose built facility for its Canberra operations. BlackWall is discussing a proposal for Telstra to pay out its outstanding lease commitment in a lump sum which will be used to pay down debt. BWR has applied for a development approval to explore alternative building uses.
- 5.20 For the purposes of this Report, it is assumed that BWR holds a 42% interest in the property assuming that the Trust issues new units under the BTHT Offer in accordance with Resolutions 1 and 2, and as set out in paragraph 3.19.

120 Mulgoa Road (Penrith (Planloc and BlackWall Penrith Fund No.3)) (sold in December 2015)

- 5.21 The property is a bulky goods retail precinct located in Penrith, Sydney. The Trust sold the investment in December 2015.

Directors and Key Management

- 5.22 The Officeholders of BFS, the responsible entity for BWR comprise the following:

- Richard Hill (Non-Executive Director and Independent Chairman);
- Joseph Glew (Non-Executive Director);
- Robin Tedder (Non-Executive Director);
- Stuart Brown (Executive Director and Chief Executive Officer); and
- Caroline Raw (Company Secretary).

5. Profile of BWR (Cont.)

Financial Performance

5.23 The table below sets out the financial performance of BWR for the half-year ended 31 December 2015, and the years ended 30 June 2015 and 30 June 2014.

BlackWall Property Trust Financial Performance	Note	Half-year ended 31-Dec-15 <i>Reviewed</i> \$'000	Year ended 30-Jun-15 <i>Audited</i> \$'000	Year ended 30-Jun-14 <i>Audited</i> \$'000
Revenue				
Rental income		4,485	9,094	10,604
Property securities distribution income		607	1,316	2,031
Interest income		99	248	106
Net unrealised gain on revaluation		765	4,073	2,067
Gain on sale of investments		367	-	-
Revenue from ordinary activities	5.24	6,323	14,731	14,808
Reversal of prior years' litigation provision	5.27	-	-	2,790
Total revenue		6,323	14,731	17,598
Property outgoings		(1,026)	(2,319)	(2,137)
Depreciation expense		(1,069)	(2,176)	(2,253)
Administration expenses		(495)	(1,200)	(1,170)
Finance costs	5.25	(1,138)	(2,486)	(3,215)
Loss on sale of investments	5.26	-	(35)	(2,254)
Other expenses		-	(24)	-
Litigation expenses	5.27	-	-	(165)
		(3,728)	(8,240)	(11,194)
Profit from continuing operations		2,595	6,491	6,404
Profit/(loss) from discontinued operations	5.28	(121)	-	-
Total comprehensive income for the period		2,474	6,491	6,404

Source: BWR reviewed financial statements for the half-year ended 31 December 2015 and audited financial statements for the two years ended 30 June 2014 and 2015

Table 4 – BWR Financial Performance

5.24 BWR's revenue primarily comprised rental income and revaluation gains for the half-year ended 31 December 2015 and the two years ended 30 June 2014 and 2015. The revaluation gains primarily comprise gains recognised in relation to the Trust's investment properties, financial assets (the majority comprising Bakehouse Bonds), and interest rate hedges.

5.25 Management has attributed the decrease in finance costs for the period under review to the following:

- a decrease in the bank bill swap bid rate during the period;
- a decrease in the facility margin on the NAB debt facility during the year ended 30 June 2014 ("FY 2014") (discussed in further detail below); and
- hedging of the NAB debt facility since FY 2014.

5.26 The loss of sale of investments of \$2.3 million disclosed in FY 2014 primarily relates to the sale of Bakehouse Bonds which were liquidated in order to settle litigation costs in relation to the judgement, costs and interest awarded against the Trust by the High Court.

5. Profile of BWR (Cont.)

Financial Performance (Cont.)

- 5.27 The litigation (and the expenses recognised in FY 2014), related to an action arising from a capital raising conducted by the former fund managers (when the trust was known as the Reed Property Trust) in 2007, which Blackwall inherited when it assumed control in 2009. The matter has been settled and BWR paid the judgement liability in full. Upon settlement of the liability, BWR recognised an overprovision in relation to this liability of \$2.8 million in FY 2014.
- 5.28 Losses recognised from discontinued operations of \$121,000 during the half-year ended 31 December 2015 comprised losses recognised in relation to the Bald Rock Fund which was dormant, and discontinued during the half-year period following the sale of the Bald Rock Hotel in August 2015.
- 5.29 The Trust disclosed total comprehensive profits of \$2.5 million, \$6.5 million and \$6.4 million for the half-year ended 31 December 2015, FY 2015 and FY 2014, respectively.

5. Profile of BWR (Cont.)

Financial Position

5.30 The table below sets out the financial position of BWR as at 30 April 2016, 31 December 2015, 30 June 2015 and 30 June 2014.

BlackWall Property Trust Financial Position	Note	As at 30-Apr-16 <i>Unaudited</i> \$'000	As at 31-Dec-15 <i>Reviewed</i> \$'000	As at 30-Jun-15 <i>Audited</i> \$'000	As at 30-Jun-14 <i>Audited</i> \$'000
ASSETS					
Current assets					
Cash and cash equivalents		1,999	3,059	316	230
Trade and other receivables	5.32	321	30	388	1,859
Other assets		-	110	128	159
Financial assets (PPG)	5.34	2,403	3,238	-	-
Bald Rock Hotel	5.33	-	-	3,500	-
Total current assets		4,723	6,437	4,332	2,248
Non-current assets					
Investment properties	5.33	86,350	83,850	83,850	83,950
Financial assets (Property joint ventures)	5.34	30,911	26,490	31,764	29,404
Total non-current assets		117,261	110,340	115,614	113,354
Total assets		121,984	116,777	119,946	115,602
LIABILITIES					
Current liabilities					
Trade and other payables		436	809	908	1,042
Other liabilities		-	361	1,968	3
Borrowings	5.35	50,000	50,000	50,000	-
Interest rate hedges		-	-	-	47
Total current liabilities		50,436	51,170	52,876	1,092
Non-current liabilities					
Borrowings	5.35	-	-	-	51,721
Interest rate hedges		859	859	580	-
Total non-current liabilities		859	859	580	51,721
Total liabilities		51,295	52,029	53,456	52,813
NET ASSETS	5.31	70,689	64,748	66,490	62,789
NET ASSETS					
Attributable to owners of the parent		70,028	63,764	63,457	61,975
Outside equity interests		661	984	3,033	814
TOTAL EQUITY	5.31	70,689	64,748	66,490	62,789

Source: BWR unaudited financial position at 30 April 2016, the reviewed financial statements for the half-year ended 31 December 2015 and audited financial statements for the two years ended 30 June 2014 and 2015

Table 5 – BWR Financial Position

5.31 We have been provided with an unaudited balance sheet at 30 April 2016. BWR disclosed net assets of \$70.7 million at 30 April 2016 compared to \$64.7 million and \$66.5 million at 30 June 2015 and 30 June 2014, respectively.

5. Profile of BWR (Cont.)

Financial Position (Cont.)

- 5.32 BWR's trade and other receivables balance includes amounts owing from related parties and other parties. The balance of \$1.9 million at 30 June 2014 included an amount of \$1.35 million receivable from related parties in respect of Bakehouse Bonds, which pay a coupon of 5.5% per annum and have their face value indexed to CPI on an annual basis.
- 5.33 Bald Rock Hotel was disclosed as a current asset at 30 June 2015 and was sold in August 2015. Further details on BWR's current direct investment properties are set out in paragraphs 5.7 to 5.13 above. BWR disclosed non-current investment properties totalling \$86.4 million at 30 April 2016.
- 5.34 Current financial assets of \$2.4 million and \$3.2 million at 30 April 2016 and 31 December 2015, respectively, comprised BWR's interest in PPG. Non-current financial assets totalling \$30.9 million and \$26.5 million at 30 April 2015 and 31 December 2015, respectively, comprise indirect property investments that BWR holds interests in, and set out in further detail in paragraphs 5.14 to 5.21 above.
- 5.35 BWR's borrowings comprise a bill facility held with National Australia Bank ("NAB") that is secured by registered first mortgages over BWR's properties. The facility matures on 31 May 2016 and BWR is in discussions with NAB to extend the facility. Management expects the facility to be extended on similar terms to the current facility.
- 5.36 BWR holds interest rate swaps in its normal course of business to hedge exposure. BWR currently has two interest rate collars that are held as non-current assets. Details of the interest rate swaps are as follows:
- \$20 million collar with a floor rate of 2.72% per annum and a cap rate of 4.55% per annum. The collar will expire in July 2019; and
 - \$30 million collar with a floor rate of 2.24% per annum and a cap rate of 3.24% per annum. The collar will expire in January 2020.

Capital Structure

- 5.37 As at the date of this Report, BWR has 46,467,601 units on issue, of which approximately 67% were held by the top 10 unitholders. The top 10 unitholders in BWR, as at 12 May 2016, are set out in the table below.

Unitholder	Number of units	%
Pelorus Private Equity Limited	6,961,265	15.0%
Sandhurst Trustees Ltd	5,847,669	12.6%
BlackWall Property Funds Limited	5,400,000	11.6%
Mr Archibald Geoffrey Loudon	3,770,372	8.1%
Seno Management Pty Ltd <Taipa A/c>	2,735,000	5.9%
BlackWall Fund Services Limited	2,100,000	4.5%
Lymkeesh Pyt Ltd <Employees Super Fund A/c>	1,418,717	3.1%
Stanbox Pty Ltd <The Salem Family Account>	1,200,000	2.6%
Glenahilty Pty Ltd	961,234	2.1%
Koonta Pty Ltd <Koonta Super Fund A/c>	781,489	1.7%
Top 10 unitholders	31,175,746	67.1%
Other unitholders	15,291,855	32.9%
Total	46,467,601	100.0%

Table 6 – BWR Unitholder Summary

- 5.38 As set out in paragraphs 3.19 and 3.20, on 2 May 2016, BWR announced the BTHT Offer. For the purposes of this Report, total BWR units prior to the Proposed Transaction is assumed to total 50,050,651 units assuming the completion of the BTHT Offer in accordance with the approval sought in Resolutions 1 and 2.

5. Profile of BWR (Cont.)

Share Price and Performance

5.39 The daily closing price and traded volumes of BWR units on the ASX from 6 January 2015 (the first day units were traded in January 2015) to 25 May 2016 are set out in the chart below.

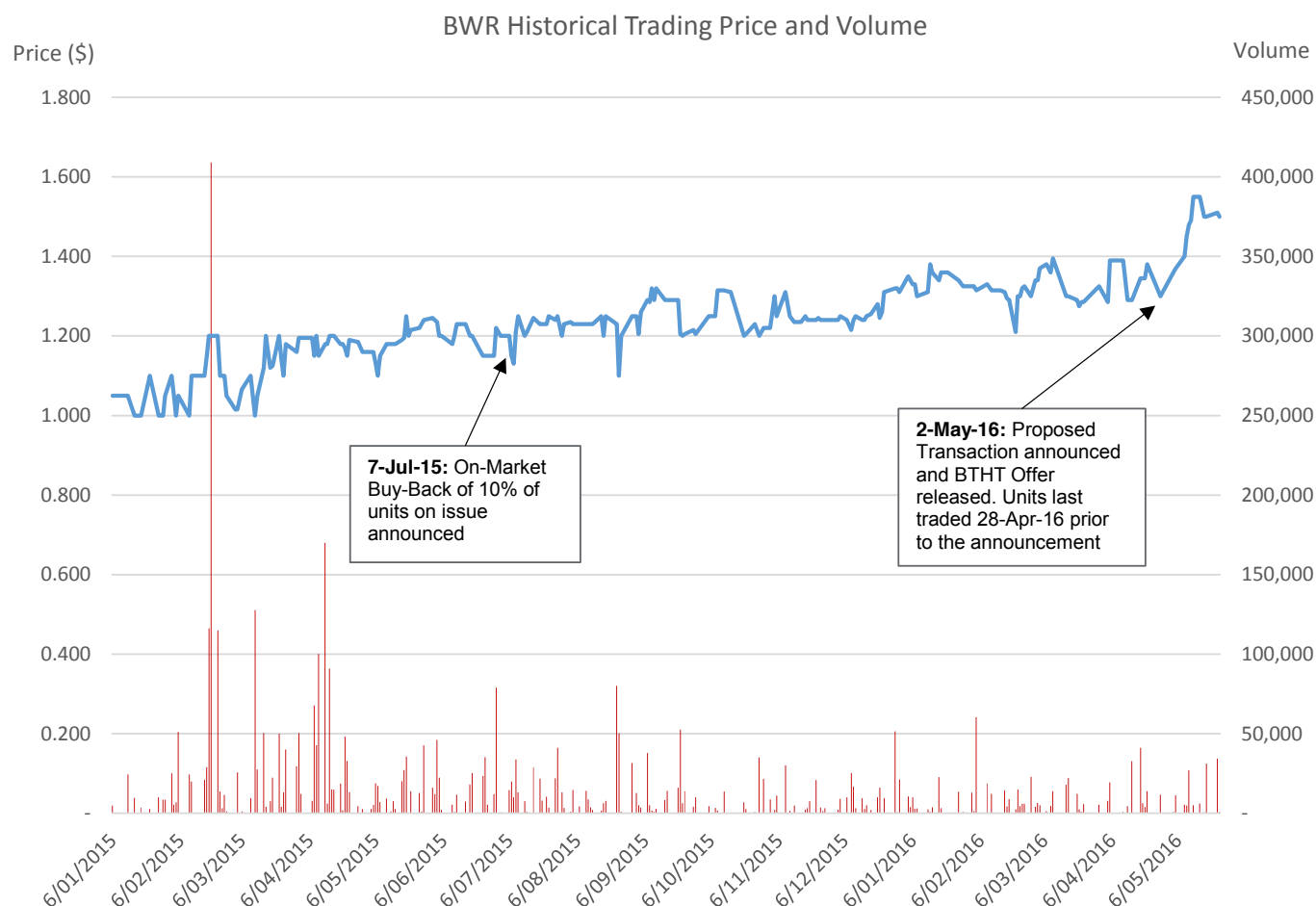


Chart 2 – BWR Daily Closing Price and Traded Volumes
(Source: Capital IQ, ASX announcements and RSM analysis)

- 5.40 During the period 6 January 2015 to 28 April 2016, the last day BWR units were traded prior to the announcement of the Proposed Transaction on 2 May 2016, units traded reached a high of \$1.395 on 10 March 2016 and a low of \$1.00 in mid-January and mid-February 2015.
- 5.41 After the announcement of the Proposed Transaction on 2 May 2016, units next traded at \$1.50 on 4 May 2016. Since the date of the announcement to 25 May 2016, units have traded between \$1.50 and \$1.55.

6. Profile of PPG

- 6.1 Pelathon Pub Group is comprised of a company, Pelathon Hotels Limited (and its controlled entities) (“PHL”) and an unlisted trust, Pelathon Pub Fund (and its controlled entities) (“PPF”). Pelathon Funds Management Limited (“PFML”) acts as responsible entity for PPF. Prior to 18 April 2016, BFS was the responsible entity of PPF.
- 6.2 BlackWall took over the management of PPG in 2009. At this time, PPG faced financing pressures and the risk of investor loss as a result of the GFC. BlackWall implemented a number of measures to reduce costs and business model issues. At the date of this Report, PPG has refinanced its debt.

Business Activities

- 6.3 PPG’s principal activities comprise the ownership and operation of hotel and pub businesses.
- 6.4 PPG currently owns a 100% interest in three pubs in regional NSW as follows:
 - Victoria Hotel, Wagga Wagga, NSW;
 - Mary G’s, Lismore NSW; and
 - Amaroo Tavern, Moree, NSW.
- 6.5 The properties are discussed in further detail below.

Victoria Hotel

- 6.6 The Victoria Hotel is located in Wagga Wagga, approximately 450 km south-west of Sydney. The three storey hotel was built in the 1940s and comprises a basement cellar, ground level public bar (incorporating a TAB, kitchen, restaurant and lounge areas), gaming areas, a beer garden and a night club on the first level. The Victoria Hotel also has 14 accommodation rooms.

Mary G’s

- 6.7 Mary G’s is located in Lismore, approximately 200 km south of Brisbane. The two storey hotel comprises a ground floor public bar (incorporating a TAB, restaurant, courtyard and nightclub), an outdoor gaming area and drive-through bottle shop. The first floor of the building comprises offices and a manager’s flat.

Amaroo Tavern

- 6.8 The Amaroo Tavern is located in Moree, approximately 650 km north-west of Sydney. The single storey building was constructed in the 1980s and has a public bar and TAB area, bistro and dining area, gaming areas, attached drive-through bottle shop and a detached manager’s residence.

Directors and Key Management

- 6.9 The directors of the PPG comprise:
 - David Horton (Non-Executive Director);
 - Darren Baker (Executive Director and Company Secretary); and
 - James Mooney (Chairman and Executive Director).

Profile of PPG (Cont.)

Financial Performance

6.10 The table below sets out the financial performance of PPG for the nine months ended 31 March 2016, the half-year ended 31 December 2015, and the years ended 30 June 2015 and 30 June 2014.

Pelathon Pub Group Financial Performance	Note	9 months ended 31-Mar-16 <i>Unaudited</i> \$'000	Half-year ended 31-Dec-15 <i>Unaudited</i> \$'000	Year ended 30-Jun-15 <i>Audited</i> \$'000	Year ended 30-Jun-14 <i>Audited</i> \$'000
Revenue					
Hotel operations income		13,867	9,398	17,950	20,627
Other income		-	-	-	4
Total revenue	6.11	13,867	9,398	17,950	20,631
Expenses					
Cost of sales		(6,237)	(4,238)	(8,103)	(9,112)
General and administrative expenses		(262)	(184)	(334)	(371)
Marketing expenses		(418)	(273)	(613)	(758)
Poker machine expenses		(256)	(159)	(276)	(336)
Operating expenses		(683)	(457)	(930)	(1,083)
Employment expenses		(3,687)	(2,431)	(4,774)	(5,294)
Occupancy costs		(575)	(371)	(828)	(1,051)
Other management expenses		(257)	(214)	(468)	(590)
Depreciation and amortisation		(161)	(131)	(281)	(343)
Finance costs		(521)	(348)	(958)	(1,282)
Fair value adjustment of property, plant and equipment		512	598	(16)	200
Profit/(loss) on sale of hotels		-	-	11	(28)
		(12,545)	(8,208)	(17,570)	(20,048)
Profit before income tax		1,322	1,190	380	583
Income tax expense	6.12	-	-	-	-
Profit after income tax for the period/year		1,322	1,190	380	583
Other comprehensive income/(loss)		-	-	-	-
Total comprehensive profit for the period/year	6.13	1,322	1,190	380	583

Source: PPG unaudited financial statements for the 9 nine months ended 31 March 2016, the half-year ended 31 December 2015, and the audited financial statements for the two years ended 30 June 2014 and 2015

Table 7 – PPG Financial Performance

- 6.11 PPG disclosed total unaudited revenue of \$13.9 million and \$9.4 million for the nine months ended 31 March 2016 and the six months ended 31 December 2015, respectively, relatively consistent with historical revenue levels. Hotel operations income primarily comprises the following:
- food and beverage sales;
 - gaming revenue; and
 - rental income.
- 6.12 PPG has not paid tax on its profits as profits for the period set out above have been offset against tax losses not brought to account.
- 6.13 PPG disclosed total comprehensive profits of \$1.3 million, \$1.2 million and \$380,000 for the nine months ended 31 March 2016, the half-year ended 31 December 2015 and the year ended 30 June 2015, respectively. The improvement in profit levels over the period under review is due primarily to the overall restructure of PPG's business model.
- 6.14 Based on the above, PPG disclosed earnings at the EBITDA level (earnings before finance costs, depreciation and amortisation, and fair value adjustments) of \$1.5 million, \$1.6 million and \$2.0 million for the nine months ended 31 March 2016, and the years ended 30 June 2015 and 2014, respectively.

Profile of PPG (Cont.)

Financial Position

6.15 The table below sets out the financial position of PPG as at 31 March 2016, 31 December 2015, 30 June 2015 and 30 June 2014.

Pelathon Pub Group Financial Position	Note	As at 31-Mar-16 <i>Unaudited</i> \$'000	As at 31-Dec-15 <i>Unaudited</i> \$'000	As at 30-Jun-15 <i>Audited</i> \$'000	As at 30-Jun-14 <i>Audited</i> \$'000
ASSETS					
Current assets					
Cash and cash equivalents		747	1,132	1,204	692
Trade and other receivables		69	55	93	437
Inventories		606	661	574	579
Non-current assets held for sale	6.17	-	-	-	3,600
Other assets		27	6	64	97
Total current assets		1,449	1,854	1,935	5,405
Non-current assets					
Property, plant and equipment	6.18	23,950	23,900	23,350	23,350
Other receivables		-	-	-	1,703
Total non-current assets		23,950	23,900	23,350	25,053
Total assets		25,399	25,754	25,285	30,458
LIABILITIES					
Current liabilities					
Trade and other payables		2,006	2,046	1,925	1,454
Interest bearing liabilities	6.20	11,917	12,379	13,180	20,447
Provisions	6.21	136	126	125	115
Total current liabilities		14,059	14,551	15,230	22,016
Non-current liabilities					
Interest bearing liabilities	6.20	1,207	1,207	1,248	-
Provisions	6.21	92	86	88	103
Total non-current liabilities		1,299	1,293	1,336	103
Total liabilities		15,358	15,844	16,566	22,119
NET ASSETS	6.16	10,041	9,910	8,719	8,339
EQUITY					
Contributed equity		25,021	25,021	25,021	25,021
Accumulated losses		(14,980)	(15,111)	(16,302)	(16,682)
TOTAL EQUITY	6.16	10,041	9,910	8,719	8,339

Source: PPG unaudited financial statements for the 9 nine months ended 31 March 2016, the half-year ended 31 December 2015, and the audited financial statements for the two years ended 30 June 2014 and 2015

Table 8 – PPG Financial Position

- 6.16 We have been provided with an unaudited balance sheet as at 31 March 2016 and 31 December 2015. PPG disclosed net assets of \$10.0 million at 31 March 2016 compared to net assets of \$9.9 million and \$8.7 million at 31 December 2015 and 30 June 2015, respectively.
- 6.17 PPG disclosed the carrying value of the Macquarie Arms Hotel of \$3.6 million at 30 June 2014 as a current asset as PPG sold its interest in the hotel in September 2014.
- 6.18 Property, plant and equipment of \$24.0 million at 31 March 2016 comprised the carrying values of the properties comprising the Victoria Hotel, Mary G's and the Amaroo Tavern as described in paragraphs 6.4 to 6.8 above.

Profile of PPG (Cont.)

Financial Position (Cont.)

6.19 The table below sets out the market value of the properties recognised at 31 March 2016. We have relied upon this valuation in our assessment of the fair value in PPG.

Pelathon Pub Group Property interests	As at 31-Mar-16 Market Value* \$'000
Victoria Hotel	12,000
Mary G's	6,300
Amaroo Tavern	5,650
Total	23,950

*Source: Third party valuation prepared for BWR

Table 9 – Market Value of PPG properties

6.20 At 31 March 2016, PPG disclosed total interest bearing liabilities of \$13.1 million. Borrowings comprised floating rate secured facilities with NAB.

6.21 Provisions comprise employee provisions for annual leave and long-service leave.

Capital Structure

6.22 As at the date of this Report, PPG has 121,647,097 securities on issue, of which approximately 95% were held by the top 10 shareholders. The top 10 shareholders in PPG, as at 10 May 2016, are set out in the table below.

Shareholder	Number of securities	%
Pelorus Private Equity Limited	40,037,934	32.9%
Trust Company Ltd <BlackWall Property Trust>	36,973,973	30.4%
BlackWall Fund Services Limited	18,811,439	15.5%
Pelathon Management Group Pty Limited	13,866,667	11.4%
Mooney Family Pty Ltd <Mooney Family A/c>	3,000,000	2.5%
C W Associates Pty Ltd	718,422	0.6%
Mr Philip Baker <The Bogart A/c>	543,904	0.4%
Baywool Pty Ltd	416,667	0.3%
Erca Investments Pty Ltd <Erca Investments Unit A/c>	416,667	0.3%
Inland Developments Pty Ltd	333,333	0.3%
Top 10 shareholders	115,119,006	94.6%
Other shareholders	6,528,091	5.4%
Total	121,647,097	100.0%

Table 10 – PPG Shareholder Summary

7. Valuation Methodologies

- 7.1 In assessing the value of a unit in BWR prior to and immediately following the Proposed Transaction, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:
- the discounted cash flow (“DCF”) method and the estimated realisable value of any surplus assets;
 - the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
 - the amount which would be available for distribution on an orderly realisation of assets;
 - the quoted price for listed securities; and
 - any recent genuine offers received.
- 7.2 We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows:
- Market Based Methods;
 - Income Based Methods; and
 - Asset Based Methods.

Market Based Methods

- 7.3 Market based methods estimate the fair market value by considering the market value of a company’s securities or the market value of comparable companies. Market based methods include:
- the quoted price for listed securities; and
 - industry specific methods.
- 7.4 The recent quoted price for listed securities method provides evidence of the fair market value of a company’s securities where they are publicly traded in an informed and liquid market.
- 7.5 Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Income Based Methods

- 7.6 Income based methods estimate value by calculating the present value of a company’s estimated future stream of earnings or cash flows. Income based methods include:
- discounted cash flow methods; and
 - capitalisation of future maintainable earnings.
- 7.7 The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company’s cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.
- 7.8 The capitalisation of future maintainable earnings methodology is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings (“FME”) of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

7. Valuation Methodologies (Cont.)

Asset Based Methods

- 7.9 Asset based methodologies estimate the fair market value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:
- orderly realisation of assets method;
 - liquidation of assets method; and
 - net tangible assets on a going concern basis.
- 7.10 The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.
- 7.11 The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame, reflecting a distressed liquidation value. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method, and is appropriate for companies in financial distress or when a company is not valued on a going concern basis.
- 7.12 The net tangible assets on a going concern method estimates the market values of the net tangible assets of a company but unlike the orderly realisation of assets method, it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding purposes.

Selection of Valuation Methodologies

Valuation of BWR prior to the Proposed Transaction

Net assets on a going concern basis

- 7.13 In valuing a unit in BWR prior to the Proposed Transaction, we have utilised the net assets on a going concern methodology as our primary methodology for the following reasons:
- BWR is a real estate investment trust (REIT) and holds portfolio of industrial, commercial and retail properties in Australia. We consider that the primary value of BWR is its ownership interests in these properties; and
 - the majority of the property interests (circa 93% of the market value attributed to each of the property interests held by BWR), have been either independently valued by independent property consultants for BWR or valued based on recent genuine offers, with the remaining 7% valued by the Directors and at cost for recent purchases.

Quoted Price of Listed Securities

- 7.14 As a secondary method of valuing a BWR unit prior to the Proposed Transaction, we have also considered the quoted price for listed securities methodology. In accordance with RG 111, we have assessed the value of BWR's units on the basis of a 100% controlling interest.
- 7.15 Prices at which a company's securities have been traded on the ASX can, in the absence of low liquidity or unusual circumstances, provide an objective measure of the value of the company, excluding a premium for control.
- 7.16 Notwithstanding the low liquidity of BWR's traded units (discussed in further detail in section 7), we have utilised the quoted market price by as our secondary methodology in valuing a unit in BWR prior to the Proposed Transaction.

Valuation of BWR immediately following the Proposed Transaction

- 7.17 We have also selected the net assets on a going concern basis in our assessment of the value of a share in BWR immediately following the Proposed Transaction. Our assessment of the value of a unit in BWR immediately following the Proposed Transaction is based on the unaudited financial position at 30 April 2016, and adjusted for the pro forma terms of the Proposed Transaction, as set out in paragraphs 3.4 to 3.20.

7. Valuation Methodologies (Cont.)

Valuation of BWR immediately following the Proposed Transaction (Cont.)

- 7.18 As set out in Table 2, prior to the Proposed Transaction, Non-Associated Unitholders hold a 71.1% interest in BWR. The approval of the Proposed Transaction will result in the dilution of Non-Associated Unitholders' interest in BWR to 64.5% immediately after the Proposed Transaction and will also result in Non-Associated Unitholders acquiring a controlling 78.6% interest in PPG as a result of the in-specie distribution by BWR of PPG securities to BWR Unitholders.
- 7.19 We have included the value of a 78.6% interest in PPG in our assessment of the value of BWR unit immediately after the Proposed Transaction. On the basis that Non-Associated Unitholders will still hold a controlling interest in BWR of 64.5%, and a 78.6% controlling interest in PPG immediately after the Proposed Transaction, we have not ascribed a discount for lack of control to the value of a unit in BWR immediately after the Proposed Transaction.

Valuation of PPG

- 7.20 At the date of this Report, BWR holds 36,973,973 securities in PPG (30% interest). BWR has recognised its interest in PPG at 30 April 2016 based PPG's net tangible asset value disclosed at 31 March 2016, less a minority interest discount of 20% to reflect BWR's non-controlling interest in PPG.
- 7.21 Immediately after the Proposed Transaction, BWR will have acquired a 78.6% interest in PPG.
- 7.22 We have assessed the fair value of BWR's interest in PPG both prior to, and immediately after, the Proposed Transaction in our assessment of the fair value of a unit in BWR.
- 7.23 In valuing PPG, we have utilised the net assets on a going concern methodology as our primary valuation methodology.
- 7.24 As a cross-check to our primary valuation methodology, we have considered utilising the capitalisation of FME methodology. However, for the reasons set out in paragraphs 8.38 to 8.42, we have not utilised the capitalisation of FME methodology in our valuation of PPG.

8. Valuation of BWR

- 8.1 The basis of our evaluation of "fairness" is to compare the Fair Value of a BWR unit prior to, and immediately after the Proposed Transaction.

Valuation of a BWR Unit Prior to the Proposed Transaction (on a controlling basis)

- 8.2 Our assessment of the Fair Value of a BWR unit prior to the Proposed Transaction (on a controlling basis) is set out in the table below.

BlackWall Property Trust Assessed Value prior to the Proposed Transaction	Ref	
Net assets at 30 April 2016 (attributable to the owners of BWR)	Table 5	\$70,028,000
Add: increase in Market Value of direct property interests	8.4, Table 12	\$550,000
Fair Value of net assets		\$70,578,000
Units on issue prior to the Proposed Transaction	3.20, Table 3	50,050,651
Value per unit (controlling basis)		\$1.41

Table 11 – Assessed Fair Value of BWR prior to the Proposed Transaction (controlling basis)

- 8.3 The assessment of the Fair Value of a BWR unit prior to the Proposed Transaction is based on the unaudited balance sheet of BWR as at 30 April 2016.

8. Valuation of BWR (Cont.)

Valuation of a BWR Unit Prior to the Proposed Transaction (on a controlling basis) (Cont.)

8.4 The table below sets out a summary of the adjustments made in relation to the market value of BWR's direct property interests.

BlackWall Property Trust Direct property interests	As at 30-Apr-16 Carrying value \$'000	Current Market Value* \$'000	Change in value \$'000
APN Yandina	24,450	24,700	250
Chancellor Homemaker Centre	26,200	26,200	-
Silver @ The Exchange	17,700	18,000	300
Canberra Eye Hospital	8,000	8,100	100
APN Toowoomba	6,500	6,500	-
Bluescope Cooloom	3,500	3,400	(100)
Total	86,350	86,900	550

*Source: Directors' assessment

Table 12 – Adjustments made for the Market Value of BWR's direct property interests

8.5 The assessment of market value of BWR's direct property interests is based on the following:

- a preliminary third party valuation of each of the properties set out in the table above as at the date of this Report;
- an independent third party valuation for APN Yandina completed in October 2014 that valued the property at \$24.75 million;
- the value of Chancellor Homemaker Centre based on an offer (that was not accepted) received during a sale process in 2015; and
- independent third party valuations for APN Toowoomba and Bluescope Cooloom completed in June 2014 that valued the properties at \$6.10 million and \$4.00 million, respectively; and
- independent third party valuations for Silver @ The Exchange and Canberra Eye Hospital completed in February 2012 that valued the properties at \$18.25 million and \$7.90 million, respectively.

8. Valuation of BWR (Cont.)

Valuation of a BWR Unit Prior to the Proposed Transaction (on a controlling basis) (Cont.)

8.6 The table below sets out a summary of the assessed fair market value of BWR's indirect property interests as at 30 April 2016.

BlackWall Property Trust Indirect property interests	As at 30-Apr-16 Carrying value \$'000	Current Market Value \$'000	Change in value \$'000
Bakehouse Quarter (Kirela Development Unit Trust Fund)*	20,000	20,000	-
Pymont Bridge Trust**	2,800	2,800	-
WRV Unit Trust***	336	336	-
Woods PIPES Fund***	1,825	1,825	-
BlackWall Telstra House Trust***	5,950	5,950	-
Total	30,911	30,911	-

*Source: based on an offer received from Aqualand in January 2016

**Source: based on subordinated debt notes ranking equally with a debt facility from NAB to fund the acquisition of debt secured over the property at 55 Pymont Bridge Road

***Source: Directors' assessment

Table 13 – Adjustments made for Market Value of BWR's indirect property interests

- 8.7 As set out in the table above, the market value of the Kirela Development Unit Trust Fund and the Pymont Bridge Trust has been based on a third party offer, and subordinated debt notes ranking equally with a debt facility from NAB to fund the acquisition of debt secured over 55 Pymont Bridge Road, respectively.
- 8.8 The market value of the other indirect interests is based on Directors' assessment. The market value of \$6.0 million recognised in relation to BlackWall Telstra House Trust includes the Directors' assessment of market value assuming 3,583,050 new BWR units are issued to acquire units in BTHT, as contemplated in Resolutions 1 and 2.
- 8.9 Based on the value of indirect property interests recognised as at 30 April 2016, no adjustments have been made in relation to indirect property interests.
- 8.10 As set out in Table 5 and paragraph 5.34, BWR recognised \$2.4 million in current financial assets comprising BWR's interest in PPG at 30 April 2016, compared to \$3.2 million at 31 December 2015. BWR currently holds 36,973,973 PPG securities out of a total of 121,647,097 securities (refer Table 2).
- 8.11 At 31 December 2015, PPG disclosed net assets of \$8.7 million, with an implied net tangible asset ("NTA") value per security of \$0.081 per unit. Based on this NTA value, BWR recognised \$3.2 million in financial assets at 31 December 2015.
- 8.12 At 31 March 2016, PPG disclosed net assets of \$10.0 million, with an implied NTA value per security of \$0.083.
- 8.13 The Directors have applied a discount of 20% to the NTA value per PPG security, ascribing a value per security of \$0.065 as at the date of this Report. This value is consistent with the consideration proposed in the BlackWall and Pelorus Offers. BWR has, therefore, recognised \$2.4 million in relation to its investment in PPG.
- 8.14 Based on the above and as set out in Table 11, our assessed value of a BWR unit prior to the Proposed Transaction is \$1.41.
- 8.15 The value of a BWR unit prior to the Proposed Transaction is the value of a BWR unit on a controlling basis. The net assets on a going concern methodology applied represents the value of a controlling shareholding. Accordingly, we consider the value generated under the net assets on a going concern basis to incorporate a premium for control and no further premium is considered necessary to assess the value of BWR prior to the Proposed Transaction.

8. Valuation of BWR (Cont.)

Valuation of a BWR Unit Prior to the Proposed Transaction (on a controlling basis) (Cont.)

Quoted Price of Listed Securities

- 8.16 We have utilised the quoted price of listed securities methodology as our secondary methodology in our assessment of the value of a BWR unit prior to the Proposed Transaction.
- 8.17 The assessment only reflects trading prior to the announcement of the Proposed Transaction in order to avoid the influence of any movement in share price that occurred as a result of the announcement.
- 8.18 The table below sets out a summary of BWR's VWAP for the 5, 10, 30, 60, 90, and 180 calendar days prior to the announcement of the Proposed Transaction on 2 May 2016.

Days prior to Announcement	Trading Days	Low \$	High \$	Value \$	Cumulative Volume	VWAP \$	Volume traded as % of units outstanding
1 day	-	1.300	1.300	-	-	N/a	N/a
5 days	1 day	1.300	1.300	15,132	11,640	1.300	0.03%
10 days	2 days	1.285	1.380	34,273	25,510	1.343	0.05%
30 days	10 days	1.285	1.390	189,007	141,750	1.333	0.31%
60 days	22 days	1.275	1.395	318,515	239,710	1.329	0.52%
90 days	38 days	1.210	1.395	572,119	433,060	1.321	0.93%
180 days	83 days	1.210	1.395	1,039,056	796,390	1.305	1.72%

Source: Capital IQ and RSM calculations

Table 14 – VWAP of BWR's units

- 8.19 As set out in the table above, the VWAP of BWR's units ranged from \$1.30 to \$1.34 over the 180 calendar days prior to 2 May 2016.
- 8.20 Units were traded for 83 days over the 180 calendar day period and comprised 1.72% of the weighed units outstanding over the period.
- 8.21 RG 111.69 indicates that for the quoted market share price methodology to represent a reliable indicator of fair value, there needs to be an active and liquid market for the securities.
- 8.22 The following characteristics may be considered to be representative of a liquid and active market:
- regular trading in the company's securities;
 - approximately 1% of a company's securities are traded on a weekly basis;
 - the bid/ask spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of the company; and
 - there are no significant but unexplained movements in the share price.
- 8.23 Notwithstanding the low liquidity of the BWR's units traded, the Trust complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of BWR.
- 8.24 Based on the analysis of recent trading, we have assessed the value of a BWR unit on a minority interest basis, to be \$1.30 to \$1.33, being the 5- to 90-day VWAP of a unit in BWR prior to the announcement of the Proposed Transaction.
- 8.25 The value above is indicative of the value of a marketable parcel of securities assuming a holder does not have control of BWR. In the case of a Section 611 acquisition, RG 111 states that the independent expert should calculate the value of a target's securities as if 100% control were being obtained. Therefore, in our assessment of the fair value of a BWR unit, we should include a premium for control.

8. Valuation of BWR (Cont.)

Valuation of a BWR Unit Prior to the Proposed Transaction (on a controlling basis) (Cont.)

Quoted Price of Listed Securities (Cont.)

Premium for control

8.26 Obtaining control of an entity usually provides the acquirer with a number of advantages including the following:

- access to potential synergies;
- control over decision making and strategic direction;
- access to underlying cash flows; and
- control over dividend policies.

8.27 In the case of publicly traded securities, given the advantages control of an entity provides an acquirer, they are usually expected to pay a premium to the quoted market price to achieve control, which is often referred to as a control premium. A control premium is the amount or a percentage by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest in a business enterprise, to reflect the premium a buyer will pay to acquire control in a business enterprise. Consequently, earnings multiples for listed companies do not reflect the market value of a controlling interest in the company as they are derived from market prices which usually represent the buying and selling of non-controlling portfolio holdings (small parcels of shares).

8.28 RSM has conducted a study of 345 takeovers and schemes of arrangements involving companies listed on the ASX over the 7 years ended 30 June 2012 ("RSM Control Premium Study 2013"). In determining the control premium, we compared the offer price to the closing trading price of the target company 20, 10 and 2 trading days pre the date of the announcement of the offer. Where the consideration included shares in the acquiring company, we used the closing share price of the acquiring company on the day prior to the date of the offer.

8.29 The findings are summarised below, showing the average control premium 20 days, 10 days and 2 days pre the date of the announcement of the offer.

	Number of Transactions	20 days pre	5 days pre	2 days pre
Average control premium - all industries	345	35.3%	29.3%	26.5%
Real Estate	22	20.7%	19.2%	26.0%

Table 15 – Control Premium Study (Source: RSM Control Premium Study 2013)

8.30 On the basis of the above, we consider that premium for control of 20% is appropriate in assessing the value of a unit in BWR on a controlling basis.

8.31 The table below sets out our assessment of the value of a BWR unit on a controlling basis utilising the quoted price of listed securities methodology.

	Ref	Low	High
Quoted market price (non-controlling basis)	8.24	\$1.30	\$1.33
Control premium	8.30	20.0%	20.0%
Value of a BWR unit (controlling basis)		\$1.56	\$1.60

Table 16 – Assessed Fair Value of a BWR unit – Quoted Price of Listed Securities method

8. Valuation of BWR (Cont.)

Valuation of a BWR Unit Prior to the Proposed Transaction (on a controlling basis) (Cont.)

Valuation Summary (Prior to the Proposed Transaction)

8.32 A summary of our assessed values of a BWR unit to the Proposed Transaction is set out in the table below.

	Ref	Low	High	Preferred
Net assets on a going concern basis - primary method	Table 11, 8.14	\$1.41	\$1.41	\$1.41
Quoted price of listed securities - secondary	Table 16	\$1.56	\$1.60	\$1.58

Table 17 – Valuation of a unit in BWR prior to the Proposed Transaction (controlling basis)

8.33 We note the following with regards to BWR's recent trading history:

- as set out in Table 14 above, only 1.72% of the weighted average outstanding units issued was traded in the 180 days prior to the announcement of the Proposed Transaction;
- the bid/ask spread is often used to measure market efficiency. For the period 1 January 2016 to 28 April 2016 (the last day units were traded prior to the announcement of the Proposed Transaction), the closing bid/ask spread of BWR averaged 3.64% of the mid-point price. On the basis that, over a comparable time period, all stocks trading on the ASX had an average bid/ask spread of 0.242%¹, we consider the bid/ask spread of BWR to be relatively large; and
- BWR commenced its On-Market Buy-Back in July 2015 for capital management purposes. The ongoing buy-back may be distorting the Trust's traded price.

Valuation of a BWR Unit Immediately after the Proposed Transaction (on a controlling basis)

8.34 Based on the above, we have relied upon the net assets on a going concern valuation methodology as we consider that the trading market for BWR's units is not sufficiently liquid and therefore, its price may not be a reliable indicator of value as the market for those units may not be fully efficient.

8.35 We have therefore assessed the Fair Value of a BWR unit on a controlling basis prior to the Proposed Transaction, utilising the net assets on a going concern basis, to be \$1.41.

Assessment of the Fair Value of PPG – net assets on a going concern basis

8.36 The table below sets out a summary of the fair value of PPG based on the net assets on a going concern basis.

Pelathon Pub Group Assessed Fair Value	Ref	
Net assets at 31 March 2016	Table 8	\$10,041,361
Securities on issue	Table 2	121,647,097
Value per security (controlling basis)		<u>\$0.083</u>

Table 18 – Assessed Fair Value of PPG

8.37 We consider that there are no fair market value adjustments to PPG's net assets at 31 March 2016. On this basis we consider the value per PPG security to be \$0.083 on a controlling basis.

¹ Equity market data for the quarter ending 31 March 2016 – ASIC

8. Valuation of BWR (Cont.)

Valuation of a BWR Unit Immediately after the Proposed Transaction (on a controlling basis)

Assessment of the Fair Value of PPG – Capitalisation of FME

- 8.38 In our assessment of an appropriate valuation methodology for PPG, we have had regard to the capitalisation of FME methodology. The capitalisation of FME is an appropriate method if the earnings of a business are regular, maintainable, and sufficient to justify a value exceeding the value of the underlying assets.
- 8.39 As set out in paragraph 6.14, PPG disclosed earnings at the EBITDA level of \$1.5 million, \$1.6 million and \$2.0 million for the nine months ended 31 March 2016, and the years ended 30 June 2015 and 2014, respectively.
- 8.40 At 31 March 2016, PPG disclosed net debt of \$12,377,000 (calculated as cash and cash equivalents of \$747,000 less total interest bearing liabilities of \$13,124,000).
- 8.41 Based on our professional judgement, and having regard to PPG's historical earnings, debt position, and listed comparable multiples and transactions in similar industries, we do not consider that a valuation of PPG utilising the FME methodology would result in a valuation in excess of the valuation utilising the net assets method.
- 8.42 On the basis of the above, we have not utilised the capitalisation of FME methodology in our assessment of the Fair Value of PPG.
- 8.43 Our assessment of the Fair Value of a BWR unit immediately after the Proposed Transaction (on a controlling basis) is set out in the table below.

BlackWall Property Trust Assessed Value immediately after the Proposed Transaction	Ref	
Fair Value of net assets prior to the Proposed Transaction	Table 11	\$70,578,000
Less: interest in PPG recognised at 30 April 2016	8.10	(\$2,403,000)
Add: PPG interest acquired if the Proposed Transaction is approved (on a controlling basis)	8.46	\$7,889,974
Fair Value of net assets immediately after the Proposed Transaction		\$76,064,974
Units on issue immediately after the Proposed Transaction	8.46, Table 2	55,136,614
Value per unit (controlling basis)		\$1.38

Table 19 – Assessed Fair Value of a BWR unit immediately after the Proposed Transaction (controlling basis)

- 8.44 The assessment of the Fair Value of a BWR immediately after the Proposed Transaction (on a controlling basis) is also based on the unaudited pro forma balance sheet of BWR at 30 April 2016.
- 8.45 As set out in paragraph 7.22, BWR's pro forma balance sheet has also been adjusted for the acquisition of a 78.6% interest in PPG in the event the Proposed Transaction is approved.
- 8.46 The following adjustments have been included in our assessment of the Fair Value of a BWR unit immediately after the Proposed Transaction (on a controlling basis):
- the assessed fair value of BWR's 78.6% interest in PPG on a controlling basis; and
 - the issue of 5,085,963 new BWR units to both BlackWall and Pelorus to acquire PPG securities.
- 8.47 As set out in paragraphs 7.18 and 7.19, as BWR (and consequently BWR Unitholders) will acquire a controlling interest in PPG if the Proposed Transaction is approved, and BWR Unitholders will continue to have a controlling interest in BWR, we have not ascribed a discount for lack of control to the value of a unit in BWR immediately after the Proposed Transaction.
- 8.48 Based on the above, our assessed value of a BWR unit immediately after the Proposed Transaction (on a controlling basis), and including the value of the 78.6% interest in PPG that will be distributed in-specie to BWR Unitholders, is \$1.38.

9. Is the Proposed Transaction Fair

- 9.1 In assessing whether we consider the Proposed Transaction to be fair to the Non-Associated Unitholders, we have valued a unit in BWR prior to and immediately after the Proposed Transaction to determine whether a Non-Associated Unitholder would be better or worse off should the Proposed Transaction be approved. Our assessed values are summarised in the table below.

Valuation Summary	Preferred \$
Fair Value per unit prior to the Proposed Transaction (on a controlling basis)	\$1.41
Fair Value per unit immediately after the Proposed Transaction (on a controlling basis)	\$1.38

Table 20 – Valuation Summary

- 9.2 As the Fair Value of a BWR unit immediately after the Proposed Transaction is less than the Fair Value prior to the Proposed Transaction, and in the absence of any other relevant information, in our opinion, the Proposed Transaction is **not fair** to the Non-Associated Unitholders of BWR.

10. Other Factors taken into Consideration in Forming our Opinion

- 10.1 RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for the security holders to accept the offer in the absence of a higher bid.
- 10.2 In our assessment of whether the Proposed Transaction is reasonable, we have also considered the following:
- the future operations of BWR if the Proposed Transaction does not proceed; and
 - other commercial advantages and disadvantages to the Non-Associated Unitholders as a consequence of the Proposed Transaction proceeding.

Future operations of BWR if the Proposed Transaction does not proceed

- 10.3 Management considers that the current investment in PPG is not a core investment and the Trust intends to exit its interest in PPG over the next 12 months. In the event the Proposed Transaction is not approved, BWR will continue to seek other divestment opportunities.

Advantages and Disadvantages

- 10.4 In assessing whether the Non-Associated Unitholders are likely to be better off if the Proposed Transaction proceeds than if it does not, we have compared various advantages and disadvantages that are likely to accrue to the Non-Associated Unitholders.

Advantages

- 10.5 The acquisition of PPG securities from Pelorus and BlackWall will result in BWR Unitholders receiving a larger parcel of PPG securities.
- 10.6 BWR Unitholders will obtain a direct interest in PPG.
- 10.7 The in-specie distributions of PPG securities are 100% tax-deferred.
- 10.8 If the Proposed Transaction is approved, it is estimated that in excess of 1,000 new members will be added to PPG's register, better positioning PPG to grow through potential capital raising and mergers and acquisitions.

Disadvantages

- 10.9 The Proposed Transaction is not fair.
- 10.10 PPG security holders are not currently receiving distributions.
- 10.11 Non-Associated Unitholders' interest in BWR will be diluted from 71.1% to 64.5% immediately after the Proposed Transaction.

10. Other Factors taken into Consideration in Forming our Opinion (Cont.)

Response of the Market to the Announcement of the Proposed Transaction

Alternative Proposals

10.12 We are not aware of any alternative proposals at this time that would offer the Non-Associated Unitholders a premium over the terms offered by the Proposed Transaction.

10.13 The table below sets out the VWAP of BWR's unit price and volumes traded in the 60 days prior to the announcement of the Proposed Transaction, and the period after the announcement to 25 May 2016.

	Low \$	High \$	Value \$	Cumulative Volume	VWAP \$	Volume traded as % of units outstanding
Days prior to 2 May 2016						
5 days	1.300	1.300	15,132	11,640	1.300	0.03%
10 days	1.285	1.380	34,273	25,510	1.343	0.05%
30 days	1.285	1.390	189,007	141,750	1.333	0.31%
60 days	1.275	1.395	318,515	239,710	1.329	0.52%
Period from 2-May-16						
Units traded to 25-May-16	1.360	1.550	188,530	127,010	1.484	0.27%

Source: Capital IQ and RSM calculations

Table 21 – VWAP of BWR Units after the announcement of the Proposed Transaction

10.14 The VWAP of \$1.484, in the period after the announcement to 25 May 2016, is 11.7% and 14.2% higher than the VWAP of \$1.329 and \$1.300 disclosed for the 60 days and 5 days prior to the announcement of the Proposed Transaction, respectively.

10.15 Notwithstanding the low liquidity of BWR units, we consider that the market has reacted favourably to the announcement of BWR's recent transactions. However, we note that the Proposed Transaction is part of a series of transactions contemplated by BWR as set out in the NOM.

Conclusion on Reasonableness

10.16 In our opinion, the position of the Non-Associated Unitholders if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **Reasonable** for the Non-Associated Unitholders of BWR.

10.17 An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, unitholders should consult an independent advisor.

Yours faithfully

RSM CORPORATE AUSTRALIA PTY LTD



GLYN YATES
Director



IAN DOUGLAS
Director



APPENDICES

Appendix 1 – Declarations and Disclosures

Declarations and Disclosures

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM Australia) a large national firm of chartered accountants and business advisors.

Mr Glyn Yates and Mr Ian Douglas are directors of RSM Corporate Australia Pty Ltd. Mr Yates and Mr Douglas are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert’s reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

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

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and Management of BWR and we have no reason to believe that this information was inaccurate, misleading or incomplete. However, we have not endeavoured to seek any independent confirmation in relation to its accuracy, reliability or completeness. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd 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.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this report, none of RSM Corporate Australia Pty Ltd, RSM, Glyn Yates, Ian Douglas, nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM Australia has any interest in the outcome of the Proposed Transaction, except that RSM Corporate Australia Pty Ltd are expected to receive a fee of approximately \$25,000 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether BlackWall Property Funds receives Unitholder approval for the Proposed Transaction, or otherwise.

Consents

RSM Corporate Australia Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Explanatory Memorandum to be issued to Unitholders. Other than this report, none of RSM Corporate Australia Pty Ltd, RSM Australia or RSM Australia Partners has been involved in the preparation of the Notice of General Meeting and Explanatory Statement. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement as a whole.

Appendix 2 – Sources of Information

In preparing this Report we have relied upon the following principal sources of information:

- Drafts and final copies of the Notice of Meeting;
- BWR unaudited balance sheet at 30 April 2016;
- BWR reviewed financial statements for the half-year ended 31 December 2015;
- BWR audited financial statements for the two years ended 30 June 2014 and 2015;
- PPG unaudited financial statements for the nine months ended 31 March 2016 and the half-year ended 31 December 2015;
- PPG audited financial statements for the two years ended 30 June 2014 and 2015;
- Third party valuation reports provided in relation to the valuation of BWR's direct property interests;
- Third party valuation reports provided in relation to the valuation of the Victoria Hotel, Mary G's and Amaroo Tavern;
- Current unit registers of BWR and PPG;
- ASX announcements of BWR; and
- Discussions with Management of BWR.

Appendix 3 – Glossary of Terms and Abbreviations

Term	Definition
Act or Corporations Act	Corporations Act 2001
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
BFS or responsible entity	BlackWall Fund Services Limited
BlackWall	Collectively, BFS and BWF
BlackWall Telstra House Trust or BTHT	BlackWall Telstra House Trust
BlackWall Telstra House Trust Offer or BTHT Offer	The offer made by BWR to the unitholders of BTHT and contemplated in Resolutions 1 and 2
BQT	Bakehouse Quarter Trust
BQT Offer	The offer to be made by BWR to unitholders of BQT to acquire their BQT units in exchange for units in BWR and contemplated in Resolutions 5 and 6
BWR or the Trust	BlackWall Property Trust
BWF	BlackWall Property Funds Limited
Cash flow	Cash that is generated over a period of time by an asset, group of assets, or business enterprise. It may be used in a general sense to encompass various levels of specifically defined cash flows. When the term is used, it should be supplemented by a qualifier (for example, "discretionary" or "operating") and a specific definition in the given valuation context
Control	The power to direct the management and policies of a business enterprise
Control premium or premium for control	An amount or a percentage by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest in a business enterprise, to reflect the power of control
Directors	The directors of BFS
Discount rate	A rate of return used to convert a future monetary sum into present value
Discounted Cash Flow Method (DCF)	A method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation

Term	Definition
Equity	The owner's interest in property after deduction of all liabilities
Fair Value or Fair Market Value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction
FME	Future maintainable earnings
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
Going concern	An ongoing operating business enterprise
Management	Management of BWR
NOM	Notice of General Meeting and Explanatory Statement to unitholders for the General Meeting of BWR to be held in June 2016.
Non-Associated Unitholders or Unitholders	The unitholders of BWR not associated with BlackWall, Pelorus and its associates
Non-controlling interest or minority interest	An assessment of the fair value on an equity interest, which assumes the holder or holders do not have control of the entity in which the equity is held
Pelorus	Pelorus Private Equity Limited
PFML	Pelathon Funds Management Limited, the responsible entity of PPF
PHL	Pelathon Hotels Limited
PPF	Pelathon Pub Fund
PPG	Pelathon Pub Group; the stapled entity comprising the PPF and PHL
PPG securities or PPG Securities	Stapled ordinary securities in the PPG consisting of one ordinary unit of PPF and one ordinary share in PHL
Proposed Transaction	Resolutions 3 and 4 as set out in the NOM
Report or IER	This Independent Expert's Report
RG 111	ASIC Regulatory Guide 111 Content of Expert Reports
RG 112	ASIC Regulatory Guide 112 Independence of Experts
RSM	RSM Corporate Australia Pty Ltd
\$ or A\$	Australian Dollars
Unit	A fully paid ordinary unit in BWR
VWAP	Volume Weighted Average Price

Appendix 4 – Industry Overview

Pub, Bar and Nightclub Industry in Australia²

The Pub and Bar industry has performed modestly over the past five years, with the impacts of declining alcohol consumption and increased regulation being offset by increasing discretionary incomes and changes in preferences towards more premium products. Through the five years to 2015-16, industry revenue increased by an annualised 2.5% per annum. However, this was not seen to be consistent for all participants in the industry. For instance, pubs were observed to have comparatively weaker performance, in large part due to changing consumer preferences.

Industry revenue is primarily derived from the sale of alcohol, both on and off-premises, and gambling. The industry has been characterised by the following trends:

- On-premises alcohol sales revenue has grown steadily with a consumer preference shift towards premium products, which can be sold at higher prices, offsetting a decline in demand for traditional, mass-produced beverages;
- Off-premises alcohol sales refer to sales from bottle shops attached to and associated with premises, for example drive-through bottle shops. Revenue has declined from this source over the past five years as a consequence of a demand shift towards larger format liquor stores, operated by major retailers such as Dan Murphy's and First Choice Liquor; and
- Gambling and gaming revenue has decreased over the past five years partially as a consequence of government regulation, for instance through caps placed on the number of gaming machines allowed on a premises. Online gambling platforms have experienced a surge in popularity, placing additional pressure on traditional gambling and gaming revenue.

The industry is characterised by a low level of market share concentration, such that only one operator has over 3.00% of total revenue, with many small scale operators in business. Woolworths Limited and Wesfarmers Limited are the largest players with estimated market shares of 9.0% and 2.4% respectively. Woolworths is built around a substantial property portfolio and poker machine holdings, with approximately 86 pubs, 527 liquor retail outlets and 13,000 poker machines.

Wesfarmers Limited operates its pubs predominantly in Queensland due to liquor licensing regulations and also holds approximately 2,900 poker machines.

Performance over the next five years to 2020-21 is expected to be impacted by a number of external factors, which include declining alcohol consumption and changes in consumer preferences and increased scrutiny by governments of alcohol consumption and gambling activities. It is anticipated that traditional pub operations will experience the most stress as a consequence of the changing industry landscape. These pressures mean that revenue growth in the industry will slow, with an expected increase of 1.4% per annum over the five years expected, resulting in industry revenue of approximately \$17.9 billion for 2020-21.

Property Industry in Australia³

The property industry in Australia is characterised by three distinct categories, being office, retail and industrial. Different trends are seen in each property class that are detailed below, however, a common theme across all categories is that property values have been increasing in the past five years. This has generally had a negative impact on yields but IBISWorld attributes this more as a consequence of the higher property values rather than an indication of reduced income in monetary terms.

Office Property Industry

Office property revenue has benefited from favourable conditions over the past five years, growing by an annualised 9.3% per annum to reach \$27.6 billion. This figure is not truly representative of performance as the base year occurred during the midst of the global financial crisis ("GFC"). As the impact of the GFC has reduced, operators and investors, both domestic and foreign, have been taking advantage of favourable lending conditions that boost operator earnings per property. IBISWorld considers that the market supply of office properties is also moving towards demand equilibrium, which is encouraging for operators as it points towards improved yields. Most demand is expected for

² IBISWorld Industry Report H4520 – Pubs, Bars and Nightclubs in Australia, January 2016

³ IBISWorld Industry Report L6712a – Office Property Operators in Australia, March 2016, Report L6712b – Retail Property Operators in Australia, April 2016, and Report L6712c – Industrial and Other Property Operators in Australia, March 2016

prime-grade offices as domestic growth shifts away from mining activity towards service-based offerings in the eastern states. Against this backdrop, revenue from office properties is anticipated to grow by an annualised 2.2% per annum over the five years to 2020-21.

Retail Property Industry

Retail properties have performed strongly over the past five years, with revenues growing at an annualised 7.0% per annum to reach \$18.3 billion over the five years to 2015-16. Despite low yield growth and structural issues in the retail industry, investor activity has increased, which has increased capital values. While property values are expected to remain strong, the industry appears to be in a relatively precarious position with a strong push towards online shopping challenging retail property operators. Further, with other sectors of the economy struggling, it is likely that consumer sentiment will remain volatile. This has a direct impact on retail tenants and a significant effect on the performance that retail property operators can expect. Accordingly, it is expected that the annualised revenue growth over the next five years will be 1.2% per annum to the five years to 2020-21, reaching \$19.5 billion.

Industrial Property Industry

Industrial property performance has been strong over the five years to 2015-16, with revenue growing by an annualised 5.9% per annum. This industry is particularly influenced by downstream business markets and, to that end, there has been a significant shift away from manufacturing orientated industrial properties. Structural changes in the retail trade, however, has caused growth in demand for spaces that are capable of distributing goods directly to consumers. It is expected that this will continue to drive growth in the industry over the next five years but this is expected to occur at a much slower rate of an annualised 2.0% per annum over the next five years to \$11.2 billion.

It is expected that the property industry will continue to perform well over the next five years, with lending conditions anticipated to remain favourable for some time yet. This will continue to drive investor activity and will lead to further increases in property values, though at a lower rate than has been experienced over the previous five years to 2015-16. Structural changes in Australia's economic environment will impact property class performance, with retail properties likely to face the most significant upheaval.

THE POWER OF BEING UNDERSTOOD

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BLACKWALL PROPERTY FUNDS

BlackWall Property Trust
ARSN 109 684 773

Lodge your vote:



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Computershare Investor Services Pty Limited
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Victoria 3001 Australia

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BWR

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

XX



Vote and view the Notice of Meeting online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



For your vote to be effective it must be received by 10:15am Wednesday, 22 June 2016

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Blackwall Property Trust hereby appoint

☐ the Chairman of the Meeting

OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Blackwall Property Trust to be held at Level 1, 50 Yeo Street, Neutral Bay NSW 2089 on Friday, 24 June 2016 at 10:15am and at any adjournment or postponement of that meeting.

STEP 2

Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain			For	Against	Abstain
1	Issue of Units under the Blackwall Telstra House Trust Offer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6f)	Issue of 138,326 Units under the BQT Offer to Benjamin Tedder & Danielle Tedder	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Issue of Units to a related party under the Blackwall Telstra House Trust Offer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7	Ratification of Prior Issue of Units	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Offer to acquire PPG Securities from Pelorus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8	Approval of Additional 10% Placement capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Offer to acquire PPG Securities from Blackwall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9	Amendments to Constitution - Ninth Supplementary Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Issue of Units under the BQT Offer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
6a)	Issue of 82,238 Units under the BQT Offer to Sophie May Glew	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
6b)	Issue of 82,238 Units under the BQT Offer to Nona Ann Glew	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
6c)	Issue of 72,069 Units under the BQT Offer to Christopher Tedder	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
6d)	Issue of 65,788 Units under the BQT Offer to Jacqueline Christina Tedder	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
6e)	Issue of 21,938 Units under the BQT Offer to Frogstorm Pty Ltd <The Bossanova Super Fund A/C>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN

Signature of Securityholder(s)

This section must be completed.

Individual or Securityholder 1

Securityholder 2

Securityholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

/

/