

ASX Release

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Trust Update – Bakehouse Quarter

The BlackWall Property Trust holds 13% of the Kirela Development Unit Trust which is the owner of the Bakehouse Quarter. In 2015 the Bakehouse Quarter was marketed for sale with offers received in the \$270m to \$300m range. These offers were rejected.

Kirela has now entered into a Heads of Agreement that could see the Bakehouse Quarter sold at a substantial premium. This agreement is highly conditional with formal documentation expected to take 3-4 weeks with a 3 month DD period to follow. If the agreement survives this process, there will be a series of call options with the first and major call exercisable by the end of March 2017.

This investment is held in the BWR balance sheet based on a value for the Bakehouse Quarter of \$270m. If the first call option is exercised BWR's interest in Kirela will grow in value by 85%.

Offsetting this positive, management has received a preliminary draft opinion from an independent valuer that their assessment of the market value of the Bakehouse Quarter could be as low as \$220m. The valuation is being undertaken on instructions from NAB in relation to a renewal of the \$125 million debt facility secured against the property. The BlackWall directors believe this assessment is wrong especially when the previous offers to purchase the site are considered.

Given the highly conditional nature of the Bakehouse Quarter HoA and the assessment of the independent valuers the directors have resolved to continue to hold the BWR investment in the Bakehouse Quarter at a value that equates to a property value \$270m.

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