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HUDSON INVESTMENT GROUP LIMITED
ACN 004 683 729

ASX Announcement
10 December 2018

HUDSON INVESTMENT GROUP LIMITED (ASX CODE: HGL) NOTICE OF GENERAL MEETING

Hudson Investment Group Limited (HGL) advises members that it will hold a General Meeting on 16 January 2019 at Level 2, 131 Macquarie Street, Sydney, the offices of the Company. The Notice of Meeting, Explanatory Statement and Proxy form attached is being mailed to all members.

For further information, please contact:

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NOTICE OF MEETING AND

EXPLANATORY STATEMENT

The General Meeting of
Hudson Investment Group Limited ACN 004 683 729
will be held at
Hudson House,
Level 2 131 Macquarie Street, Sydney NSW
at 2 pm on 16 January 2019

Notice of General Meeting of Hudson Investment Group Limited (ACN 004 683 729)

Notice is hereby given that a General Meeting of members of Hudson Investment Group Limited ACN 004 683 729 (the **Company**) will be held at the registered office of the Company, Level 2, Hudson House, 131 Macquarie Street, Sydney NSW 2000 at 2 pm on 16 January 2019.

Ordinary Business

1. Resolution 1 - Approval of Issue of 175 million ordinary shares at a deemed issue price of $0.035 per Share to non-related parties (Consideration Shares) as part consideration for the purchase by the Company of the First Brookes Street Property

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

"That conditional on the approval of Resolutions 2 and 3, for the purposes of Item 7 of section 611 of the Corporations Act, 2001 and all other purposes, the shareholders of the Company approve the allotment and issue of 175,000,000 ordinary shares, at a deemed issue price of $0.035 each in the Company as part of the consideration for the purchase by the Company of the property at 41-43 Brookes Street Bowen Hills Qld on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting".

Voting Exclusion Statement
A voting exclusion applies to this Resolution. The Company will disregard any votes cast in favour of Resolution 1 by or on its behalf of:

(a) Associates of Biogiene Property Investments Pty Ltd and Biogiene Property Investments Pty Ltd as trustee for the Bowen Property Trust; or
(b) any person who has or might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed; or
(c) an Associate of any of the above

However the Company need not 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 a person chairing the meeting as proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

As all resolutions are inter-conditional, a person whose votes are disregarded on any of the resolutions will have their votes on all other resolutions disregarded.

2. Resolution 2– Approval of Issue of 60 million ordinary shares at an issue price of $0.035 per Share to raise $2.1 million (Share Placement Shares)

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

"That conditional on the approval of Resolutions 1 and 3, for the purposes of Listing Rule 7.1 and for all other purposes, the shareholders of the Company approve the allotment and issue of 60,000,000 ordinary shares at an issue price of $0.035 each to persons who are not related parties to the Company on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.

Voting Exclusion Statement
A voting exclusion applies to this Resolution. The Company will disregard any votes cast in favour of Resolution 2 by or on behalf of:

(a) a person who may participate in the share issues; or
(b) a person who may obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company); or
(c) an associate of those persons.

However the Company need not 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 a

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person chairing the meeting as proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

3. Resolution 3 – Approval for placement of 60 million ordinary Shares to Associates of the Vendors

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

"That conditional on the approval of Resolutions 1 and 2, for the purposes of Item 7 of section 611 of the Corporations Act, 2001 and all other purposes, the shareholders of the Company approve the allotment and issue of 30,000,000 ordinary shares to Kin Lam and *30,000,000 ordinary shares to Wei Huang who are both directors of the Vendors and therefore Associates of the Vendors on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting".*

Voting Exclusion Statement
A voting exclusion applies to this Resolution. The Company will disregard any votes cast in favour of Resolution 3 by or on behalf of:

(a) Associates of Kin Lam or Wei Huang; or
(b) any person who has or might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed; or
(e) an Associate of any of the above

However the Company need not 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 a person chairing the meeting as proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Please refer to the Explanatory Statement that accompanies this Notice of Meeting for important information on the resolutions proposed.

The attached Explanatory Statement that forms part of this Notice of Meeting is provided to supply Shareholders with information to enable them to make an informed decision regarding the Resolutions set out in this Notice.

Proxies

Each member has a right to appoint a proxy. A proxy does not have to be a member of the Company. A member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion of number of votes each proxy is appointed to exercise. If such apportionment is not made, each proxy may exercise half of the member's voting rights. Neither proxy is entitled to vote on a show of hands.

The proxy form must be signed personally by the member or his/her attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed in accordance with its constitution or the Corporations Act 2001. In the case of joint members, this proxy must be signed by each person personally or by an authorised attorney.

If a proxy is executed by an attorney of a member, the original of the relevant power of attorney or a certified copy of the power of attorney, if it has not already been noted by the Company, must accompany the proxy form. A form of proxy is attached to this notice of meeting.

To be effective, proxies must be received by the Company at its Registered office at Level 2, 131 Macquarie Street Sydney NSW 2000 at least 48 hours before the time appointed for the meeting. A proxy may be sent by fax to +61 2 9251 7500 or electronically to corporate@higl.com.au to be received by the time specified above.

By Order of the Board

Henry Kinstlinger
Company Secretary
10 December 2018

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Explanatory Statement

This Explanatory Statement is intended to provide shareholders of Hudson Investment Group Limited (the **Company)** with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of General Meeting of the Company.

The directors recommend that shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

If you have any queries regarding the matters set out in this Explanatory Statement or the preceding Notice of General Meeting please contact the Company or your professional advisor.

The purpose of this Explanatory Statement is to:

- provide the Shareholders with information in relation to the resolutions to be put to a General Meeting; and,
- provide such other information in relation to the resolutions as is prescribed by the Listing Rules and the Corporations Act.

Please note that capitalised words in this Explanatory Statement have a defined meaning which appears in the Glossary.

RSM Corporate Australia Pty Ltd (**Independent Expert**) has prepared the Independent Expert's Report in relation to the Share issues enclosed with this Explanatory Statement and takes responsibility for that report.

The Independent Expert has prepared and is responsible for the Independent Expert's Report. The Independent Expert is not responsible for any other information contained within this Explanatory Statement.

The Independent Expert has determined that the issue of the Consideration Shares and the issue of Shares to Associates of the Vendors is **not fair and reasonable** in the context of the non-associated shareholders.

Shareholders are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

Background

The Company is a public company listed on the official list of the ASX (ASX code: **HGL**). The Company is currently focused on an industrial commercial property development, including 44.5ha of land at Warnervale on the New South Wales Central Coast ("the **Warnervale Property**").

Further information about the Company may be accessed at the Company's website at www.higl.com.au. This includes the audited financial statements for the financial year ended 31 December 2017 and audit reviewed report for the half year ended 30 June 2018.

As announced on 24 September 2018, the Company proposes to acquire two commercial properties in South East Queensland which are presently subject to leases and therefore are returning an income and are considered by the Directors to have redevelopment potential.

The Directors have considered the Company's current property portfolio and have identified the First and Second Brookes Street Properties as providing an opportunity to acquire additional property assets which in the Directors opinion will provide a further revenue stream, have an appreciating value and high development potential.

The acquisition has been structured in a manner not to impact on the Company's cash position and will be funded through the issue of new securities and also cash received through their issue. The details of the properties, the transaction and the consideration are provided in this Explanatory Statement.

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Additional background and analysis is included in the Independent Experts Report enclosed with this Explanatory Statement.

The purchase of both properties is subject to the conditions precedent that the Company obtains shareholder approval to:

a) issue 175,000,000 shares at a deemed issue price of $0.035 to Biogiene Property Investments Pty Ltd and Biogiene Property Investments Pty Ltd as trustee for the Bowen Property Trust;

b) issue 60 million shares at an issue price of $0.035 by way of placement to professional and sophisticated investors;

c) issue 30 million shares at an issue price of $0.035 to Kin Lam;

d) issue 30 million shares at an issue price of $0.035 to Wei Huang; and

e) that the shareholders of Millennium Limited approve the disposal of the Bowen Hills property at a meeting to be held on 8 November 2018 (this condition has been satisfied).

The ASX has advised the Company is not required to satisfy Chapters 1 and 2 of the Listing Rules.

First Brookes Street Property

The first property comprises Units 1 & 2, 41-43 Brookes Street, Bowen Hills Qld 4006 being Lots 1 and 2 in Group Titles Plan 1074 being title references 16474089 and 16474090 ("**First Brookes Street Property**"). The Company proposes to acquire this property for the sum of $6,200,000 to be satisfied by the issue to the Vendors of 175 million new Shares at a deemed issue price of $0.035 per Share ("**Consideration Shares**") plus a cash payment of $75,000.00.

The First Brookes Street Property comprises a regular shaped parent parcel of land positioned to the western side of Brookes Street, Bowen Hills diagonally opposite its intersection with Mallon Street.

The property also has a second street access to Exhibition Street to the western alignment of the property. The land is improved with a freestanding part two level commercial office and warehouse building which was constructed circa 1980's. The building is set on a reinforced concrete slab with a suspended reinforced concrete slab to the first floor office areas. The building has brick external walls and a corrugated sheet metal roof. The building has been configured to comprise 2 strata title units with each unit of equivalent size to the other. Unit 1 is set over two levels with the main access being from Brookes Street and this provides a very good standard of accommodation over both levels. Unit 2 is primarily accessed from the Exhibition Street frontage of the building and this is occupied by a plumbing supplies firm with the majority of accommodation being warehouse. There is a concrete sealed car parking area to the front and rear of the property with a total of 20 open air car parking spaces. Each unit has its own kitchenette, male and female amenities.

The current use of the property is a commercial investment asset within the fringe of the Brisbane CBD and having the benefit of being a potential redevelopment site in the medium to long term. The property does not have any Development Approval or Applications pending.

The building comprises two tenancies and, as at the date of this Explanatory Statement, the building was wholly occupied. Lot 1 is occupied by Task Labour Australia on a 3+3 year lease which commenced 1 July 2017 and they are paying an annual rental of $160,680 net per annum ($517/m²) as from 1 July 2018. Lot 2 is occupied by K & R Plumbing Supplies on a 1 year lease which commenced 1 August 2017 and they are currently paying an annual rental of $100,179 ($320/m²). The vendor has informed the Company that this tenant wishes to enter into a 2 year lease from 1 August 2018. This rental has increased by 3.0% from 1 August 2018 which results in an annual rental of $103,184 net per annum ($330/m²). Both tenants are responsible for their respective Lot outgoings and these equate to $150/m².

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The current income details for the First Brookes Street Property are:

Gross annual income	$358,086
Estimated Annual Outgoings	$ 94,221
Total net income	$263,865

Second Brookes Street Property

The second property comprises a property at 47 Brookes Street, Bowen Hills Qld 4006 being Lot 1 in Registered Plan 167860 title reference 15960096 ("**Second Brookes Street Property**"). The Company proposes to acquire this property for $3,800,000.00 from Millennium QLD Pty Ltd (ACN 618 102 695), a wholly owned subsidiary of Millennium Ltd (**ASX: MHD**).

The Second Brookes Street Property comprises a regular shaped parcel of land positioned to the western side of Brookes Street, Bowen Hills directly opposite its intersection with Mallon Street.

The property also has a second street access to Exhibition Street to the western alignment of the property. The land is improved with a freestanding part two level commercial office and warehouse building which was constructed circa 1980's. The building is set on a reinforced concrete slab with a suspended reinforced concrete slab to the first-floor office areas. The building has brick external walls and a corrugated sheet metal roof. The two-level office area has plasterboard lined internal walls and a suspended grid ceiling with recessed lighting and ducted air conditioning. The warehouse area is clear span and this is accessed via a full height roll steel shutter door to the Exhibition Street frontage. The warehouse area has a number of sound studios which have been constructed using a timber frame with glass and plasterboard cladding. There is a concrete sealed car parking area to the front and rear of the property with a total of 20 open air car parking spaces. Each tenancy also has its own kitchenette and male and female amenities.

The current use of the property is as a commercial investment asset within the fringe of the Brisbane CBD and having the benefit of being a potential redevelopment site in the medium to long term. The property does not have any Development Approval or Applications pending.

The building comprises three tenancies and, as at the date of this Explanatory Statement the building was wholly occupied. The property comprises 2 commercial tenancies (one to the ground level and one to the first level), and a clear span warehouse area which has been converted into a number of music studios and congregation area.

All tenancies are on current lease agreements ranging between 3 & 5 year terms with Leases 1 & 3 including options. The two commercial leases are currently paying a rental rate of $261/m² and $322/m² gross respectively with the warehouse tenancy paying a rental rate of $235/m² gross. Leases 1 & 2 are subject to annual increases of 3.5% and 2.0% respectively, with lease 3 being subject to a review mechanism being the greater of CPI or 4.0%.

The current income details for the Second Brookes Street Property are:

Gross annual income	$204,141
Estimated Annual Outgoings	$ 86,244
Total net income	$117,907

Background

There are 3 interdependent resolutions to allow the Company to issue shares to fund the acquisition of the First and Second Brookes Street Properties.

The Company will issue 175 million Consideration Shares deemed to be issued at $0.035 per share and pay $75,000 to the Vendors of the First Brookes Street property;

The Company will raise $4.2 million by the issue of 60 million Shares issued at $0.035 per share to both sophisticated and professional investors and 60 million Shares to Associates of the Vendors of the Second Brookes Street Property.

The funds raised will be used to acquire for cash the Second Brookes Street Property.

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Resolution 1 – Approval of Issue of 175 million Shares (Consideration Shares) and the acquisition of a relevant interest by the directors of the Vendors

Background

Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in issued voting shares in a company if, as a result of the issue of shares to a person, that person's or someone else's voting power in the company increases from less than 20% to more than 20%, or from a starting point that is above 20% and below 90%.

The voting power of a person in a company is determined under section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's Associates have a relevant interest.

A person has a relevant interest in securities if they:

(a) are the holder of the securities; or

(b) have power to exercise, or control the exercise of, a right to vote attached to securities; or

(c) have power to dispose of or control the exercise of a power to dispose of, the securities.

If the Consideration Shares referred to in Resolution 1 are issued the voting power of the Vendors and their Associates in the Company will increase by 49.7% and therefore the Vendors and the directors of the Vendors are not permitted to acquire those Shares unless an exception to the prohibition in section 606 applies. (Note: The Consideration Shares will not be issued if all of the Shares in Resolution 2 and 3 are not also issued).

There are various exceptions to the prohibition in section 606, including under section 611 Item 7 of the Corporations Act.

Section 611 Item 7 provides an exception to the prohibition in section 606, in circumstances where the shareholders of the company approve an acquisition of shares at a meeting at which no votes are cast by parties involved in the proposed acquisition, including their Associates.

If the Shareholders approve the issue of the Consideration Shares pursuant to this Resolution, then Listing Rule 7.1 does not apply to the issue by reason of Exception 16 in Listing Rule 7.2.

Kin Lam and Wei Huang are directors of the Vendors and accordingly are Associates of the Vendors. Approval for the issue of Shares to Kin Lam and Wei Huang are to be considered in Resolution 3.

Required Information - Item 7 of s. 611 of the Corporations Act

The Company is required to provide to Shareholders all information known to the person proposing to make the acquisition or their Associates, or known to the Company, that is material to the decision on how to vote on the Resolution.

The following paragraphs set out information required to be provided to the Shareholders under ASIC Regulatory Guide 74 and Item 7 of section 611 of the Corporations Act in relation to Resolution 1:

a) Identity of the persons proposing to make the acquisition and their Associates

The persons who propose to make the acquisition with respect to Consideration Shares if Resolution 1 is passed are:

- Biogiene Property Investments Pty Ltd ACN 138 651 911 as to 87,500,000 Consideration Shares and its Associates;

- Biogiene Property Investments Pty Ltd ACN 138 651 as trustee for the Bowen Property Trust as to 87,500,000 Consideration Shares and its Associates.

together **BPI.**

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We further note that the directors of BPI are Wei Huang, Kin Lam and Aaron Langley.

b) Full particulars (including the number and the percentage) of the Consideration Shares in the company to which the Vendors is/are or will be entitled immediately before and after the proposed issue of Consideration Shares

The following is on the basis that all of the Shares referred to in Resolutions 2 and 3 are issued because the Consideration Shares will not be issued unless this occurs.

Table 1: Vendor Share Entitlement

No. of Shares		% of Shares	
Before	**After**	**Before**	**After**
0	**175,000,000**	**0**	**29.5%**

c) The maximum extent of the increase in the person's voting power in the Company that would result from the acquisition

The maximum extent of the increase in voting power in the Company that will result from the issue of the Consideration Shares proposed by Resolution 1 will be 29.5% on the assumption that all of the Shares referred to in Resolutions 2 and 3 are issued because the Consideration Shares will not be issued unless this occurs.

d) The voting power the person/s would have as a result of the acquisition

The voting power that the Vendors of the First Brookes Street Property will have as a result of the issue of the Consideration Shares proposed by Resolution 1 will be 29.5%.

e) The maximum extent of the increase in the voting power of each of the person's Associates that would result from the acquisition

The following table indicates the relevant interest of each of the directors of the Vendors:

Table 2: Vendor and Associates Relevant Interests

HGL Shares on Issue	298,598,683
Resolution 1	175,000,000
Resolution 2	60,000,000
Resolution 3	60,000,000
Total after share issues	**593,598,683**

Director of BPI	Current no of Shares	Current interest/Voting Power	Acquisition pursuant to Resolution 3 (as Holder of Relevant Interest)	Relevant Interest pursuant to Resolution 1 as Associate of Holder of Relevant Interest)	Total Relevant Interest	Voting Power
Kin Lam	0	0.00%	30,000,000 (5.05%)	175,000,000 (29.48%)	205,000,000	39.60%
Wei Huang	0	0.00%	30,000,000 (5.05%)	175,000,000 (29.48%)	205,000,000	39.60%
Aaron Langley (Associate)	0	0.00%	0	175,000,000	175,000,000	29.48%

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By way of clarification, Kin Lam and Wei Huang will only hold 30 million Shares each by participating in the share issue referred in Resolution 3 if all the Resolutions are passed.

However, because they are directors of the Vendors they are Associates of the Vendors and therefore have a relevant interest in the 175 million Consideration Shares. As a result, this gives them a voting power of 39.60% with respect to their 205 million Shares.

Aaron Langley will have a relevant interest in 29.48% as an Associate of the Vendors as he is not acquiring any additional Shares.

f) The voting power that each of the person's Associates would have as a result of the acquisition

The voting power is set out in Table 2: Vendor and Associates Relevant Interests.

g) The changes in voting power

The changes in voting power that will occur are set out in Table 2: Vendor and Associates Relevant Interests.

h) The identity, associations and qualifications of any person who it is intended will become a director if shareholders agree to the purchase

There is no intention to appoint any additional directors to the Company as a consequence of the acquisition of the properties.

i) Statement by the Vendors of their intentions regarding the future of the Company

There is no intention by the Vendors to change the nature of the business of the Company as a result of the issue of the Consideration Shares pursuant to Resolution 1.

There is no intention by the Vendors to change the current employees of the Company as a result of the issue of the Consideration Shares pursuant to Resolution 1.

There is no intention by the Vendors to significantly change the financial or dividend distribution policies of the Company as a result of the issue of the Consideration Shares pursuant to Resolution 1.

There is no intention by the Vendors to inject further capital into the Company other than the Shares the subject of Resolution 2 and Resolution 3.

If all the Resolutions are passed and the new share capital is issued and the Company raises the $4.2 million, the Company will acquire the First Brookes Street Property and the Second Brookes Street Property from MHD and the Vendors.

There is no intention to otherwise redeploy the fixed assets of the Company as a result of the issue of the Consideration Shares pursuant to Resolution 1.

The Consideration Shares are being issued to enable the Company to acquire the First Brookes Street Property.

j) When the acquisition is to be completed

The issue of the Consideration Shares will occur upon completion of the acquisition by the Company of the First Brookes Street Property which is expected to be on 15 March 2019.

k) Interests of the Directors in the Resolution 1

None of the directors of the Company have an interest in Resolution 1 other than in their capacity as existing Shareholders.

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l) The identity of the directors who approved or voted against the proposal to put the resolution to shareholders and this Explanatory Statement

The Directors who voted to put Resolution 1 to shareholders and this Explanatory Statement are John W Farey (Non-Executive Chairman), Alan Beasley (Managing Director), John J Foley and Dr Cheng Fong Han.

m) The recommendation or otherwise of each director as to whether non-associated shareholders should agree to the acquisition, and the reasons for that recommendation or otherwise

The recommendation of each director as to whether non-associated shareholders should agree to the acquisition is a follows:

John W Farey (Non-Executive Chairman)	Approved
Alan Beasley (Managing Director)	Approved
John J Foley	Approved
Dr Cheng Fong Han	Approved

The reasons for this recommendation are that it will enable the Company to expand and diversify its current property portfolio by acquiring the First Brookes Street Property for the Consideration Shares and a small amount of cash of $75,000. The Acquisition has the potential to create significant value as it increases the size of the Company's existing operations and assets of the Company as the properties have appreciating value and development potential.

n) Analysis of whether the proposal is fair and reasonable when considered in the context of the interests of, the shareholders other than those involved in the proposed allotment or purchase or associated with such persons ("non-associated shareholders")

The Independent Expert has concluded that the proposal is **not fair and reasonable** in the context of the non-associated shareholders. The Independent Expert's Report which includes an analysis of the advantages and disadvantages of the proposal accompanies this Explanatory Statement. Shareholders are urged to consider the report in full before making any decision on how to vote.

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 1 by or on its behalf of:

(a) Associates of Biogiene Property Investments Pty Ltd and Biogiene Property Investments Pty Ltd as trustee for the Bowen Property Trust; or
(b) any person who has or might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed; or
(c) an Associate of any of the above

However the Company need not disregard any 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 a person chairing the meeting as proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

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Effect of the Transactions

The effect of the transactions, the subject of this Notice of Meeting is demonstrated in the following table:

Table 3: Effect of Transactions

		Transaction 1 Resolution 1	Transaction 2 Resolution 2 & 3	Transaction 3	Transaction 4	
	HGL Consolidated Audit review 30 June 2018	**Impact on Balance Sheet resulting from Transaction 1 – Acquisition of First Brookes Street Property for 175 million shares at a deemed issue price of $0.035 each and $75,000 cash**	**Impact on Balance Sheet resulting from Transaction 2 – Issue 120 million shares at an issue price of $0.035**	**Acquire Second Brookes Street Property for cash**	**Stamp duty**	**HGL Consolidated proforma 30 November 2018**
	'000	**'000**	**'000**	**'000**	**'000**	**'000**
Current Assets	$3,018	$(75)	$4,200	($3,800)	($641)	$2,702
Non-Current Assets	$18,799	$6,200	$0	$3,800	$641	$29,440
Total Assets	**$21,817**	**$6,125**	**$4,200**			**$32,142**
Current Liabilities	$11,198	$0	$0	$0	$0	$11,198
Non-Current Liabilities	$0	$0	$0	$0	$0	$0
Total Liabilities	**$11,198**					**$11,198**
Net Assets	**$10,619**	**$6,125**	**$4,200**			**$20,944**
Shareholders' Equity after each transaction	$10,619	$16,744	$20,944	$20,944	$20,944	$20,944
Number of new shares to be issued		175,000,000	120,000,000			
Total number of Shares after each transaction	298,598,683	473,598,683	593,598,683	593,598,683	593,598,683	593,598,683

As a result of the Proposed Acquisition, the Company would issue 295 million new Shares and it expects net profit to increase by $381,772 from the net rent collected from the fully tenanted First and Second Brookes Street properties. In addition, based on the acquisition price of the Brookes Street properties, net assets would similarly increase by 97.2% from $10.6 million (as 30 June 2018) to $20.9 million.

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Resolution 2 Approval of Issue of 60 million ordinary shares to professional / sophisticated investors to raise $2.1 million

The Company requires additional capital to fund the acquisition of the two properties. It therefore proposes to carry out a share placement of up to 60 million Share Placement Shares at an issue price of $0.035 per Share to professional / sophisticated investors to raise up to $2.1 million to fund the acquisition of the Second Brookes Street Property. The persons to whom these Share Placement Shares are issued will not be related parties to the Company, so Chapter 10 of the Listing Rules will not apply to the issue.

The effect of Resolution 2 will be to allow the Directors to issue the Share Placement Shares during the 3 month period after the General Meeting (or a longer period, if allowed by the ASX), without the Company using any of the annual 15% placement capacity imposed under Listing Rule 7.1.

The Company presently has 298,598,683 Shares on issue. The issue of the 60 million Share Placement Shares pursuant to this resolution and a further 175 million Consideration Shares under Resolution 1 and 60 million Shares under Resolution 3 will substantially dilute the existing holdings of current Shareholders in the Company. However, the application of the funds raised through the issue of the Shares will also increase the equity value of the Company.

The VWAP for the Shares for the three months prior to the date of this Notice of Meeting was $0,031 per Share. The last sale price before the date of this Notice of Meeting was $0.037 per Share.

We note that Resolutions 1, 2 and 3 are interdependent.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that an ASX listed company must not, subject to certain exceptions, issue or agree to issue more than 15% of its capital within a 12-month period without the approval of shareholders.

By obtaining the prior approval of Shareholders for the issue of the Share Placement Shares, the issue of the Share Placement Shares will not count within the 15% limit under Listing Rule 7 .1.

ASX Listing Rule 7.3

Listing Rule 7.3 contains certain requirements as to the contents of a notice sent to Shareholders for the purposes of Listing Rule 7.1 and the following information is included in this Explanatory Statement for that purpose:

a) The number of securities to be issued

The maximum number of securities to be issued is 60 million fully paid ordinary shares.

b) The date by which the Company will issue the securities

Within 3 months after the date of the Meeting (or such later date if permitted by the ASX)

c) The issue price of the securities

$0.035 per Share

d) The names of the Allottees of the securities

The Company intends to approach various professional investors and sophisticated investors to make the placement of the Share Placement Shares. As a result, the names of the allottees are not known at this time. The allottees will be persons who are professional investors or sophisticated investors as defined in the Corporations Act, 2001.

The allottees will not be related parties of the Company.

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e) The terms of the securities

The Share Placement Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing ordinary shares.

f) The use of funds raised

The funds raised will be applied to the acquisition (including costs and stamp duty) of the First Brookes Street Property (in part) and the Second Brookes Street Property (in part) as described above.

g) Dates of allotment

It is intended that the Share Placement Shares will be allotted on the same date as their issue within 3 months from the date of the meeting.

h) Voting exclusion statement

The Company will disregard any votes cast in favour of this resolution by or on behalf of:

(a) a person who may participate in the share issues; or
(b) a person who may obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company); or
(c) an associate of those persons.

However the Company need not 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 a person chairing the meeting as proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Resolution 3 - Approval for placement of 60 million ordinary Shares to Associates of the Vendors

Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in issued voting shares in a company if, as a result of the issue of the shares to a person, that person's or someone else's voting power in the company increases from less than 20% to more than 20%, or from a starting point that is above 20% and below 90%.

The voting power of a person in a company is determined under section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's Associates have a relevant interest.

A person has a relevant interest in securities if they:

(a) are the holder of the securities; or

(b) have power to exercise, or control the exercise of, a right to vote attached to securities; or

(c) have power to dispose of or control the exercise of a power to dispose of, the securities.

There are various exceptions to the prohibition in section 606, including under section 611 Item 7 of the Corporations Act.

Section 611 Item 7 provides an exception to the prohibition in section 606, in circumstances where the shareholders of the company approve an acquisition of shares at a meeting at which no votes are cast by parties involved in the proposed acquisition, including their Associates.

If the Shareholders approve the issue of Shares pursuant to this Resolution 3, then Listing Rule 7.1 does not apply to the issue by reason of Exception 16 in Listing Rule 7.2

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Kin Lam and Wei Huang are directors of the Vendors referred to in Resolution 1 and accordingly are Associates of the Vendors. They have been invited to each acquire 30 million Shares (60 million in total).

Because Kin Lam and Wei Huang are Associates of the Vendors, they will need approval to each acquire 30 million of the Shares pursuant to section 611 Item 7 of the Corporations Act.

The effect of the Transactions is included in the information set out in relation to Resolution 1.

Required Information - Item 7 of s. 611 of the Corporations Act

The Company is required to provide to Shareholders all information known to the person proposing to make the acquisition or their Associates, or known to the Company, that is material to the decision on how to vote on the Resolution.

The following paragraphs set out information required to be provided to the Shareholders under ASIC Regulatory Guide 74 and Item 7 of section 611 of the Corporations Act in relation to resolution:

a) Identity of the persons proposing to make the acquisition and their Associates

The persons who propose to make the acquisition with respect to Shares if Resolution 3 is passed are:

- Kin Lam and his Associates as to 30 million Shares;
- Wei Huang and his Associates as to 30 million Shares.

We further note that Kin Lam and Wei Huang are directors of MHD and also the Vendors; Aaron Langley is Associated as he is a director of the Vendors.

b) Full particulars (including the number and the percentage) of the Shares in the company to which Kin Lam and Wei Huang are or will be entitled immediately before and after the proposed issue of Shares

The following is on the basis that the Shares referred to in Resolutions 1 and 2 are issued because the Shares will not be issued to Kin Lam and Wei Huang unless this occurs.

Table 4: Entitlement of Kin Lam and Wei Huang and Associates

HGL Shares on Issue	298,598,683
Resolution 1	175,000,000
Resolution 2	60,000,000
Resolution 3	60,000,000
Total after share issues	**593,598,683**

Director of BPI	Current no of Shares	Current interest/Voting Power	Acquisition pursuant to Resolution 3 (as Holder of Relevant Interest)	Relevant Interest pursuant to Resolution 1 as Associate of Holder of Relevant Interest)	Total Relevant Interest	Voting Power
Kin Lam	0	0.00%	30,000,000 (5.05%)	175,000,000 (29.48%)	205,000,000	39.60%
Wei Huang	0	0.00%	30,000,000 (5.05%)	175,000,000 (29.48%)	205,000,000	39.60%
Aaron Langley (Associate)	0	0.00%	0	175,000,000	175,000,000	29.48%

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c) The maximum extent of the increase in the person's voting power in the Company that would result from the acquisition

The maximum extent of the increase in voting power in the Company that will result from the issue of the Shares proposed by Resolution 3 will be 39.60% on the assumption that all of the Shares referred to in Resolutions 1 and 2 are issued because the Shares will not be issued to Kin Lam and Wei Huang unless this occurs.

d) The voting power the person/s would have as a result of the acquisition

The voting power that the Associates of the Vendors will have as a result of the issue of the Shares proposed by Resolution 3 will be 39.60% with respect to Kin Lam and Wei Huang and 29.48% with respect to Aaron Langley.

e) The maximum extent of the increase in the voting power of each of the person's Associates that would result from the acquisition

The increase in voting power is set out in Table 4: Entitlement of Kin Lam and Wei Huang and Associates.

f) The voting power that each of the person's Associates would have as a result of the acquisition

The voting power is set out in Table 4: Entitlement of Kin Lam and Wei Huang and Associates.

g) The changes in voting power

The changes in voting power that will occur are set out in Table 4: Entitlement of Kin Lam and Wei Huang and Associates .

h) The identity, associations and qualifications of any person who it is intended will become a director if shareholders agree to the purchase

The is no intention to appoint any additional directors to the Company as a consequence of the acquisition of the properties.

i) Statement by Kin Lam and Wei Huang of their intentions regarding the future of the Company

Kin Lam and Wei Huang have no intention to change the nature of the business of the Company as a result of the issue of the shares pursuant to Resolution 3.

Kin Lam and Wei Huang have no intention to change the current employees of the Company as a result of the issue of the Shares pursuant to Resolution 3.

There is no intention to significantly change the financial or dividend distribution policies of the Company as a result of the issue of the Shares pursuant to Resolution 3.

Kin Lam and Wei Huang have no intention to inject further capital into the Company other than the Share Placement Shares the subject of Resolution 2.

If all the Resolutions are passed and the new share capital is issued and the Company raises $4.2 million, the Company will acquire the First Brookes Street Property and the Second Brookes Street Property from MHD and the Vendors.

Kin Lam and Wei Huang have no intention to otherwise redeploy the fixed assets of the Company as a result of the issue of the shares pursuant to Resolution 3.

The Shares are being issued to enable the Company to acquire the Second Brookes Street Property.

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j) When the acquisition is to be completed

The issue of the Shares will occur upon completion of the acquisition by the Company of the Second Brookes Street Property which is expected to be on 15 March 2019.

k) Interests of the Directors in the Resolution 3

None of the directors of the Company have an interest in Resolution 3 other than in their capacity as existing Shareholders.

l) The identity of the directors who approved or voted against the proposal to put the resolution to shareholders and this Explanatory Statement

The Directors unanimously voted in favour of the resolution to put Resolution 3 to shareholders and this Explanatory Statement.

m) The recommendation or otherwise of each director as to whether non-associated shareholders should agree to the acquisition, and the reasons for that recommendation or otherwise

The recommendation of each director as to whether non-associated shareholders should agree to the acquisition is as follows:

John W Farey (Non-Executive Chairman)	Approved
Alan Beasley (Managing Director)	Approved
John J Foley	Approved
Dr Cheng Fong Han	Approved

The reasons for this recommendation are that it will enable the Company to expand and diversify its current property portfolio by acquiring the Second Brookes Street Property. The Acquisition has the potential to create significant value as it increases the size of the Company's existing operations and assets of the Company as the properties have appreciating value and development potential.

n) Analysis of whether the proposal is fair and reasonable when considered in the context of the interests of, the shareholders other than those involved in the proposed allotment or purchase or associated with such persons ("non-associated shareholders")

The Independent Expert has concluded that the proposal is **not fair and reasonable** to the non-related shareholders of the Company) in the context of the non-associated shareholders. The Independent Expert's Report which includes an analysis of the advantages and disadvantages of the proposal accompanies this Explanatory Statement. Shareholders are urged to consider the report in full before making any decision on how to vote.

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this resolution by:

(a) Associates of Kin Lam or Wei Huang; or
(b) a person who has or might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed; or
(c) an Associate of any of the above.

However the Company need not disregard any 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 if it cast by a person chairing the meeting as proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

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Other Information

The Company is also required to provide all other information that is reasonably required by members in order to decide whether or not it is in the Company's interests to pass the proposed resolutions and is known to the Company and its Directors.

Shareholders should have regard to all of the information provided in this Explanatory Statement before deciding how to vote on these Resolutions.

The Company is a continuing disclosing entity and therefore is subject to regular reporting and disclosure obligations. Copies of continuing disclosure notices are on the ASX website at https://www.asx.com.au/asx/share-price-research/company/HGL and also may be obtained from an ASIC office. Information about the Company may also be obtained from the Company's website at www.higl.com.au.

Other than as contained in this Explanatory Statement and the accompanying Independent Expert's Report, there is no other information known to the Company material to the decision on how to vote on the resolution.

How to Vote

A general meeting of members of the Company will be held at 2 pm on 16 December, 2018 to consider and vote on the resolution set out in the Notice of Meeting. To vote on the resolution you must either:

- complete and return the proxy form which is enclosed with the Notice of Meeting to or by facsimile to or electronically to at least 48 hours before the time appointed for the meeting; or
- attend the meeting.

Further Information

If you require further information about the matters set out in this Explanatory Statement please contact the company secretary Henry Kinstlinger or Mona Esapournoori on 02 9251 7177.

Glossary

ASIC means the Australian Securities and Investments Commission;

Associate has the same meaning as the expression "associate" has in the Listing Rules;

ASX means ASX Limited (ACN 008 624 691) or, as the context requires, the financial market conducted by it;

Board means the board of directors of the Company;

BPI means Biogiene Property Investments Pty Ltd ACN 138 651 911 and/or Biogiene Property Investments Pty Ltd ACN 138 651 911 as trustee for the Bowen Property Trust as the context provides.

Company means Hudson Investment Group Limited ACN 004 683 729;

Consideration Shares means 175 million Shares proposed to be issued by the Company at a deemed issue price of $0.035 per Share if Resolution 1 is passed in part satisfaction of the purchase price of $6,200,000 for the acquisition of the First Brookes Street Property;

Constitution means the constitution of the Company;

Corporations Act means the *Corporations Act* 2001 (Cwth);

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Directors means the directors of the Company;

First Brookes Street Property means the property situate at Units 1 & 2, 41-43 Brookes Street, Bowen Hills Qld 4006 being Lots 1 and 2 in Group Titles Plan 1074 being title references 16474089 and 16474090;

GST has the same meaning as the expression "GST" has in the GST Act;

GST Act means *A New Tax System (Goods and Services Tax) Act, 1999*;

Listing Rules means the listing rules of the ASX;

MHD means Millennium Ltd (**ASX: MHD**).

Resolution means a resolution referred to in this Notice of Meeting;

Second Brookes Street Property means the property situate at 47 Brookes Street, Bowen Hills Qld being Lot 1 in Registered Plan 167860 title reference 15960096;

Share or **Shares** means an ordinary share in the Company;

Shareholder means a holder of a Share;

Vendors means BPI and BPI in its capacity as trustee for the Bowen Property Trust.

VWAP means volume weighted average price of the Company's Shares.

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HUDSON INVESTMENT GROUP LIMITED

Financial Services Guide and Independent Expert's Report

10 December 2018

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RSM

FINANCIAL SERVICES GUIDE

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 (“RSM Corporate Australia Pty Ltd” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a 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 financial services that we will be providing you under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- 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 purposes of our report and this FSG, the financial service 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 different financial services. However, in respect of the financial service being provided to you by us, fees will be agreed, 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 our employees receive a salary.

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.

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Associations and relationships

RSM Corporate Australia Pty Ltd is beneficially 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 Australia 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 should be directed to The Complaints Officer, RSM Corporate Australia Pty Ltd, P O Box R1253, Perth, WA, 6844.

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 Australian Financial Complaints Authority ("AFCA"). AFCA is an external dispute resolution scheme for the financial services industry. Further details about AFCA are available at the AFCA website www.afca.org.au.

If you are not satisfied with our handling of your complaint, you may, therefore, lodge a complaint with AFCA at the following:

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001

Toll Free:	1800 931 678
Email:	info@afca.org.au

Contact details

You may contact us using the details set out at the top of our letterhead on page 5 of this report.

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CONTENTS

1. Introduction 5
2. Summary and Conclusion 6
3. Summary of Proposed Transaction 9
4. Scope of the Report 10
5. Profile of Hudson Investment Group Limited 12
6. Valuation Approach 18
7. Valuation of Hudson Investment Group Limited 21
8. Is the Proposed Transaction Fair? 28
9. Is the Proposed Transaction Reasonable? 28

TABLE OF APPENDICES

A. Declarations and Disclaimers 33
B. Sources of Information 34
C. Glossary of Terms and Abbreviations 35
D. Knight Frank Newcastle – Valuation Report – 171-175 Sparks Road, Halloran – Dated 16 November 2018 37
E. Central Real Estate Australia Pty Ltd – Valuation Report – 59 Mountain Road, Halloran – Dated 19 November 2018 .....
F. CRISP Valuation Services Pty Ltd – Valuation Report – First Brookes Street Property – Dated 12 June 2018 .....

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10 December 2018

The Directors
Hudson Investment Group Limited
Level 2, 131 Macquarie Street
Sydney NSW 2000

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 Annual General Meeting and Explanatory Statement ("NOM") to be provided to shareholders for a General Meeting of Hudson Investment Group Limited ("Hudson" or "the Company") to be held on or around 16 January 2019, at which shareholder approval will be sought for a number of resolutions, as set out below ("the Proposed Transaction"):

Resolution 1 – Approval of issue of 175 million ordinary shares at a deemed issue price of $0.035 per Share to non-related parties as part consideration for the purchase by the Company of the property at 41-43 Brookes Street, Bowen Hills, Queensland ("First Brookes Street Property")

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

"That conditional on the approval of Resolutions 2 and 3, for the purposes of Item 7 of section 611 of the Corporations Act, 2001 and all other purposes, the shareholders of the Company approve the allotment and issue of 175,000,000 ordinary shares, at a deemed issue price of $0.035 each in the Company as part of the consideration for the purchase by the Company of the property at 41-43 Brookes Street Bowen Hills Qld on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."

Resolution 2 – Approval of issue of 60 million ordinary shares at an issue price of $0.035 per share to raise $2.1 million

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

"That conditional on the approval of Resolutions 1 and 3, for the purposes of Listing Rule 7.1 and for all other purposes, the shareholders of the Company approve the allotment and issue of 60,000,000 ordinary shares at an issue price of $0.035 each to persons who are not related parties to the Company on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."

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.

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

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Resolution 3 – Approval for placement of 60 million ordinary Shares to Associates of the Vendors

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

"That conditional on the approval of Resolutions 1 and 2, for the purposes of Item 7 of section 611 of the Corporations Act, 2001 and all other purposes, the shareholders of the Company approve the allotment and issue of 30,000,000 ordinary shares to Kin Lam and 30,000,000 ordinary shares to Wei Huang who are both directors of the Vendors and therefore Associates of the Vendors on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."

1.2 The Directors of the Company have requested that RSM Corporate Australia Pty Ltd ("RSM"), being independent and qualified for the purpose, express an opinion as to whether Resolutions 1 and 3 are fair and reasonable to Hudson shareholders not associated with the Proposed Transaction ("Shareholders")

1.3 Whilst we have been requested to provide an opinion as to whether Resolutions 1 and 3 are fair and reasonable to the Shareholders, completion of all Resolutions are contingent on receiving shareholder approval for all other Resolutions. On this basis, we have assessed whether Resolutions 1 and 3 are fair and reasonable to Shareholders through evaluating whether the Proposed Transaction, considered as a whole, is fair and reasonable to Shareholders.

1.4 The ultimate decision whether to approve the Proposed Transaction should be based on each Shareholder'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 as to the action they should take regarding the Proposed Transaction, or the matters dealt with in this Report, Shareholders should seek independent professional advice.

2. Summary and Conclusion

Opinion

2.1 In our opinion, for the reasons set out in sections 8 and 9 of this Report, and for the purposes of section 611 item 7 of the Corporations Act, the Proposed Transaction is **not fair and reasonable** to the Shareholders of Hudson.

Fairness

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

	Low	High	Preferred
Fair Value per share prior to the Proposed Transaction (controlling basis)	**$0.0361**	**$0.0384**	**$0.0373**
Fair Value per share immediately after the Proposed Transaction (non-controlling basis)	**$0.0251**	**$0.0270**	**$0.0260**

Source: RSM analysis

Table 1: Valuation Summary

2.3 The above is represented graphically as set out in the chart below.

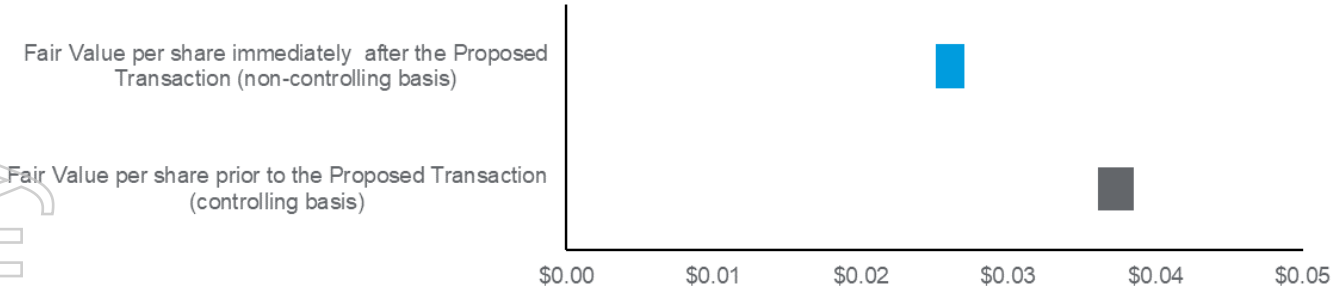

Chart 1: Valuation summary graphical representation

2.4 As the Fair Value of a Hudson share (on a non-controlling basis) immediately after the Proposed Transaction is less than the Fair Value of a Hudson share (on a controlling basis) prior to the Proposed Transaction, we consider the Proposed Transaction is **not fair** to the Shareholders of Hudson.

Reasonableness

2.5 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 security holders to accept the offer in the absence of any higher bid before the offer closes. As such, we have also considered the following factors in relation to the reasonableness aspects of the Proposed Transaction:

- the future prospects of Hudson if the Proposed Transaction does not proceed;
- the trading of Hudson shares following the announcement of the Proposed Transaction;
- other commercial advantages and disadvantages to the Shareholders as a consequence of the Proposed Transaction proceeding; and
- alternative proposals to the Proposed Transaction.

Future prospects of Hudson if the Proposed Transaction does not proceed

2.6 For the period ended 30 September 2018 ("YTD18"), Hudson disclosed net profit after income tax ("NPAT") of $975,000, net assets of $11.1 million and net debt of $7.6 million.

2.7 NPAT for YTD18 includes a $1.043 million gain from the change in fair value of investment properties. Therefore, the underlying rental operations generated a loss of $68,000, implying an annualised loss of $90,000. Hudson disclosed cash and cash equivalents of $445,000 at 30 September 2018.

2.8 Further, independent valuation reports indicate that the investment properties currently held by Hudson are collectively valued at $19.0 million as at the date of this report. Therefore, these properties may be liquidated in the event that Hudson experience financial difficulties.

Response of the market to the Proposed Transaction

2.9 Hudson's share liquidity has been extremely low, with shares traded on only 4 days in the 59 calendar days after the announcement of the Proposed Transaction on 24 September 2018.

2.10 The price per share has increased from $0.028 per share on 24 September 2018 to $0.037 as at the date of this report, indicating that the market has responded favourably to the announcement of the Proposed Transaction.

2.11 Given the above, it is possible that if the Proposed Transaction is not approved, Hudson's price per share may revert back to the price prior to announcement of the Proposed Transaction.

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Advantages of approving the Proposed Transaction to Shareholders:

2.12 The advantages of the Proposed Transaction are:

- successful completion of the Proposed Transaction will provide the Company with sufficient capital to complete the acquisition of the property located at 47 Brookes Street, Bowen Hills, Queensland ("Second Brookes Street Property"), for a cash consideration of $3.8 million;
- The First Brookes Street Property and the Second Brookes Street Property (collectively, "the Brookes Street Properties") are located approximately 2 kilometres from the Brisbane CBD, with potential to develop for either residential, mixed commercial or retail purposes.
- the existing height of the Brookes Street Properties is two stories, with current zoning allowing for development to be up to 12 stories. However, Economic Development Queensland ("EDQ") have submitted a draft plan to the Queensland Government which, if adopted, would provide for the height of future development to be 30 stories and potentially up to 36 stories if the footprint of the Brookes Street Properties can be aggregated. This would likely increase the valuation of the Brookes Street Properties should the draft plan be passed;
- the Brookes Street Properties are fully tenanted and should generate rental income until Hudson commences development in the future. Further, the Brookes Street Properties will be purchased with no debt and are unencumbered at present, which would provide security against future debt funding for the Company, if required;
- at present, Hudson is largely a single asset company, with its industrial property at Warnervale, located in regional New South Wales, constituting the majority of its assets. The purchase of the Brookes Street Properties in Brisbane, Queensland, would allow Hudson to diversify its asset base in a new geography and reduce the risk of overreliance on a single asset;
- successful completion of the Proposed Transaction will increase the size and geographical diversity of the Company, which may improve the Company's ability to raise capital in the future for additional development projects; and
- successful completion of the Proposed Transaction will increase the number of shares on issue, which may increase liquidity in the trading of the Company's shares.

Disadvantages of approving the Proposed Transaction to Shareholders:

2.13 The disadvantages of the Proposed Transaction are:

- the Proposed Transaction is considered **not fair**;
- the dilution of Shareholders' interests from 100.0% to 50.3%, immediately following the approval of the Proposed Transaction;
- Biogene will acquire a 29.5% interest and Mr Kin Lam and Mr Wei Huang, directors of Biogene, will acquire a combined 10.1% interest in the Company after the completion of the Proposed Transaction. Therefore, Biogene and its associates will effectively control 39.6% of Hudson post transaction and Biogene will constitute the largest shareholder in Hudson. Accordingly, we consider that Biogene will have significant influence on the strategic direction of the Company as compared to existing Shareholders and will have the ability to restrict remaining Shareholders ability to make decisions requiring Special Resolutions;
- the dilution of Shareholders' interests reduces the ability of existing shareholders to influence the strategic direction of the Company, including acceptance or rejection of takeover or merger proposals;
- there is a potential risk of oversupply of developed properties due to the size of the Lend Lease development. This may adversely impact the returns that Hudson could achieve from future development of the Brookes Street Properties; and

- The EDQ draft plan mentioned above is yet to be adopted by the Queensland Government as at the date of this report. Should the draft report not be adopted, and the height of the properties is restricted to the current zoning limit of 12 stories, the ability for Hudson to increase the value of the Brookes Street Properties would be limited, accordingly.

Alternative proposals

2.14 We are not aware of any alternative proposals which may provide greater benefit to the Shareholders at this time.

Conclusion on Reasonableness

2.15 In our opinion, and in the absence of any other relevant information and/or a superior offer, for the purposes of section 611, item 7 of the Corporations Act, we consider that the Proposed Transaction is **reasonable** for the Shareholders of Hudson.

3. Summary of Proposed Transaction

Overview

3.1 On 24 September 2018, the Company announced the proposed acquisition of the following commercial properties:

- Units 1 and 2, 41-43 Brookes St, Bowen Hills, Queensland ("First Brookes Street Property"), currently owned by Biogene Property Investments Pty Ltd; and
- 47 Brookes St, Bowen Hills, Queensland ("Second Brookes Street Property"), currently owned by Millennium QLD Pty Ltd, a wholly owned subsidiary of Millennium Limited.

3.2 The acquisition of the First Brookes Street Property will be conditional upon Hudson obtaining shareholder approval for the following resolutions, with Resolutions 1 and 3 being in accordance with item 7 of section 611 of the Corporations Act, 2001:

- Resolution 1: issue of 175,000,000 ordinary shares at a deemed issue price of $0.035 to the seller of the First Brookes Street Property, as part consideration for the property;
- Resolution 2: issue of 60,000,000 ordinary shares at an issue price of $0.035 per share by way of placement to professional and sophisticated investors; and
- Resolution 3: issue of 60,000,000 ordinary shares at an issue price of $0.035 per share by way of placement to Kin Lam and Wei Huang, who are both directors of the vendors.

3.3 All of the above resolutions must be passed in order for the Proposed Transaction to proceed as they are all conditional upon each other.

3.4 The consideration required to acquire the two properties comprises:

- First Brookes Street Property: 175,000,000 shares at a deemed issue price of $0.035 and $75,000 in cash, totalling $6,200,000; and
- Second Brookes Street Property: $3,800,000 in cash, funded from the proceeds of Resolutions 2 and 3.

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Impact of Proposed Transaction on Hudson's Capital Structure

3.5 The table below summarises the capital structure of the Company prior to, and immediately following the Proposed Transaction.

	Number of shares	%
Capital structure prior to the Proposed Transaction		
Number of ordinary shares held by Shareholders	298,598,683	100.0%
Total	**298,598,683**	**100.0%**
Capital structure after the Proposed Transaction		
Number of ordinary shares held by Biogene	175,000,000	29.5%
Number of ordinary shares held by Professional and Sophisticated Investors	60,000,000	10.1%
Number of ordinary shares held by Kin Lam and Wei Huang	60,000,000	10.1%
Number of ordinary shares held by the Shareholders	298,598,683	50.3%
Total	**593,598,683**	**100.0%**

Table 2: Hudson capital structure prior to and immediately after the Proposed Transaction

3.6 Completion of the Proposed Transaction would result in the dilution of Shareholders' interests from 100.0% to 50.3%.

3.7 The Proposed Transaction will result in Biogene acquiring a 29.5% interest in the Company and, therefore, becoming the largest shareholder in Hudson. Further, Mr Kin Lam and Mr Wei Huang, directors of Biogene, will acquire an additional 10.1% of the Company. Consequently, Biogene and its associates will effectively control 39.6% of Hudson post transaction.

4. Scope of the Report

Corporations Act

4.1 Section 606(1) of the Corporations Act provides that, subject to limited specified exemptions, a person must not acquire a "relevant interest" in issued voting shares in a public company, if as a result of the acquisition, any person's voting power in the company would increase from 20% or below to more than 20%, or, from a starting point that is above 20% and below 90%. In broad terms, a person has a "relevant interest" if that person holds shares or has the power to control the right to vote or dispose of shares. A person's voting power in a company is the number of voting shares in which the person (and its associates) holds, compared with the total number of voting shares in the company.

4.2 Completion of the Proposed Transaction will result in Biogene and its associates acquiring a combined relevant interest in Hudson of 39.6%.

4.3 Therefore, the Company will be in breach of section 606(1) of the Corporations Act in the absence of an applicable exemption.

4.4 Section 611, item 7 of the Corporations Act provides an exemption to the rule noted in paragraph 4.1 above as it allows a party (and its affiliates) to acquire a relevant interest in shares that would otherwise be prohibited under section 606(1) if the proposed acquisition is approved in advance by a resolution passed at a general meeting of the Company and:

1. no votes are cast in favour of the resolution by the proposed acquirers or respective associates; and
2. there was full disclosure of all information that was known to the persons proposed to make the acquisition or their associates or known to the Company that was material to a decision on how to vote on the resolution.

4.5 Section 611 states that shareholders must be given all information that is material to the decision on how to vote at the meeting. RG 111 advises the commissioning of an IER and provides guidance on the content.

Basis of Evaluation

4.6 In determining whether the Proposed Transaction is "fair and reasonable", we have given regard to the views expressed by ASIC in RG 111.

4.7 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.

4.8 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.

4.9 Where an issue of shares by a company otherwise prohibited under section 606 is approved under item 7 of section 611 and the effect on the company's shareholding is comparable to a takeover bid, RG 111 states that the transaction should be analysed as if it was a takeover bid.

4.10 RG 111 applies the "fair and reasonable" test as two distinct criteria in the circumstance of a takeover bid, stating:

- a takeover offer is considered "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
- a takeover offer is considered "reasonable" if it is fair or, where the offer is "not fair", it may still be "reasonable" if the expert believes that there are sufficient reasons for security holders to accept the offer.

4.11 Consistent with the guidelines in RG 111, in determining whether the Proposed Transaction is "fair and reasonable" to the Shareholders, the analysis undertaken is as follows:

- a comparison of the Fair Value of an ordinary share in Hudson prior to, and immediately following the Proposed Transaction, being the “consideration” for Shareholders in the assessment of fairness; and
- a review of other significant factors which Shareholders might consider prior to approving each Resolution in the assessment of reasonableness.

4.12 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 prospects of the Company if the Proposed Transaction does not proceed; and
- any other commercial advantages and disadvantages to the Shareholders as a consequence of the Proposed Transaction proceeding.

4.13 Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this Report.

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5. Profile of Hudson Investment Group Limited

Background

5.1 Hudson Investment Group Limited ("Hudson" or "the Company") is an ASX-listed company involved in the development and leasing of industrial and commercial property.

5.2 Hudson currently owns the following adjacent properties:

- 171-175 Sparks Road, Halloran, New South Wales ("Sparks Road Property"); and
- 59 Mountain Road, Halloran, New South Wales.

5.3 The properties are located within the Central Coast Council's Wyong Employment Zone, where it is proposed that $1.5 billion will be invested, generating approximately 40,000 jobs over the next 20 years.

5.4 The properties are on a 44.5-hectare site, comprising a factory and office complex, which occupy 5 hectares of the site, with the remaining land currently surplus. The Sparks Road Property is tenanted by Bunnings Limited, a wholly owned subsidiary of Wesfarmers Limited, and Better Concrete Products Pty Ltd. The Company intends to explore development opportunities for the surplus land.

Directors and management

5.5 At the date of this Report, the directors of Hudson comprise the following:

- Mr John W Farey (Chairman / Chief Executive Officer);
- Mr Alan Beasley (Managing Director);
- Mr John Foley (Non-Executive Director);
- Dr Cheng Fong Han (Non-Executive Director); and
- Mr Warren Wen-Shih Choo (Alternate Director to Dr Cheng Fong Han).

Financial information

5.6 The information in the following section provides a summary of the consolidated financial performance and financial position of Hudson for the years ended 31 December 2016 ("FY16"), 31 December 2017 ("FY17"), extracted from the audited financial statements of the Company, and for the period ended 30 September 2018 ("YTD18"), obtained from management accounts provided by the Company.

Financial performance

5.7 The following table sets out a summary of the consolidated financial performance of Hudson for FY16, FY17 and YTD18.

Hudson Investment Group Limited Financial Performance	Ref	Period ended 30-Sep-18 *Unaudited* $'000	Year ended 31-Dec-17 *Audited* $'000	Year ended 31-Dec-16 *Audited* $'000
Revenue	5.8	**768**	**981**	**974**
Cost of services	5.9	(103)	(125)	(117)
Gross profit		**665**	**856**	**857**
Other income	5.10	1,043	3,126	3,025
Expenses				
Consulting and professional expenses		(32)	(35)	(83)
Director and employee on costs	5.12	(105)	(231)	(145)
Other administration expenses	5.13	(231)	(285)	(191)
Finance expenses		(364)	(418)	(455)
Total expenses		**(733)**	**(969)**	**(874)**
Profit before income tax		**975**	**3,013**	**3,008**
Income tax benefit / (expense)	5.14	-	-	-
Net profit after income tax		**975**	**3,013**	**3,008**
Other comprehensive income, net of tax		-	-	-
Total comprehensive income	5.15	**975**	**3,013**	**3,008**

Source: Audited financial statements for FY17 and unaudited management accounts for YTD18

Table 3: Hudson Financial Performance

5.8 Hudson's revenue is derived from the leasing of investment properties for industrial and commercial use. Total revenue remained relatively consistent over the Historical Period, with a marginal increase of 0.7%, from $974,000 in FY16 to $981,000 in FY17. Hudson disclosed total revenue of $768,000 for YTD18, implying annualised revenue of $1.0 million, a 4.4% increase compared to revenue achieved in FY17.

5.9 Cost of services includes property outgoings, rates, taxes, levies and insurance.

5.10 Other income primarily comprises changes in fair value of investment properties and interest income.

5.11 The Company disclosed total expenses of $969,000 for FY17, an increase of 10.9% compared to expenditure of $874,000 in FY16. The increase in expenditure was primarily due to increases in director and employee on costs and other administration expenses disclosed for FY17.

5.12 Director and employee on costs totalled $231,000 in FY17, an increase of 59.3% compared to $145,000 in FY16. The increase was due to the appointment of two additional directors in FY17, being Dr Cheng Fong Han (Non-Executive Director) and Mr Warren Wen-Shih Choo (Alternate Director), offset by the resignation of Mr Ian Mutton (Former Non-Executive Director).

5.13 Other administration expenses for FY17 primarily comprised audit and legal fees, insurance, and other overhead expenditure.

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5.14 The Company has not recognised an income tax expense over the Historical Period due to the utilisation of carry forward tax losses.

5.15 Hudson disclosed net profit after income tax of $975,000 for YTD18 and $3.0 million for both FY17 and FY16, due to increases in the fair value of investment properties.

Financial position

5.16 The table below sets out a summary of the consolidated financial position of Hudson as at 31 December 2016, 31 December 2017 and 30 September 2018.

Hudson Investment Group Limited Financial Position	Ref	As at 30-Sep-18 *Unaudited* $'000	As at 31-Dec-17 *Audited* $'000	As at 31-Dec-16 *Audited* $'000
Current assets				
Cash and cash equivalents		445	82	306
Trade and other receivables		(78)	15	263
Other current assets		53	27	12
Total current assets		**420**	**124**	**581**
Non-current assets				
Investment properties	5.19	18,625	16,821	13,673
Other assets		682	751	395
Total non-current assets		**19,307**	**17,572**	**14,068**
Total assets		**19,727**	**17,696**	**14,649**
Current liabilities				
Trade and other payables		634	74	40
Financial liabilities	5.21	-	7,500	-
Convertible notes		-	500	-
Total current liabilities		**634**	**8,074**	**40**
Non-current liabilities				
Financial liabilities	5.21	8,000	-	7,500
Convertible notes		-	-	500
Total non-current liabilities		**8,000**	**-**	**8,000**
Total liabilities		**8,634**	**8,074**	**8,040**
Net assets		**11,093**	**9,622**	**6,609**
Equity				
Issued capital	5.22	53,094	52,598	52,598
Reserves		5,626	5,626	5,626
Accumulated losses		(47,627)	(48,602)	(51,615)
Total equity		**11,093**	**9,622**	**6,609**

Source: Audited financial statements for FY17 and unaudited management accounts for YTD18

Table 4: Hudson Financial Position

5.17 Hudson disclosed net assets of $11.1 million at 30 September 2018 compared to $9.6 million at 31 December 2017. The $1.5 million increase in net assets was due primarily to the increase in the fair value of investment properties.

5.18 The Company disclosed total assets of $19.7 million at 30 September 2018, predominantly comprising investment properties amounting to $18.6 million, cash and cash equivalents of $445,000 and other assets totalling $682,000.

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5.19 Investment properties represent circa 95% of the Company's total assets and comprises the fair value of the following properties:

- 171-175 Sparks Road, Halloran, New South Wales; and
- 59 Mountain Road, Halloran, New South Wales.

5.20 Hudson disclosed the fair value of investment properties of $18.6 million at 30 September 2018, an increase of 10.7% compared to a fair value of $16.8 million at 31 December 2017.

5.21 At 30 September 2018, Hudson disclosed total financial liabilities of $8.0 million, a 6.7% increase compared to financial liabilities of $7.5 million at 31 December 2017. The increase is due to the refinancing of the facility, which expired during 2018. The financial liabilities represent a bank loan secured by first mortgages over the Company's investment properties, as well as fixed and floating charges over assets owned by Hudson.

5.22 The company disclosed issued capital of $53.1 million at 30 September 2018, an increase of $496,000 compared to issued capital of $52.6 million at 31 December 2017 and 2016. On 1 May 2018, Hudson issued 18,181,818 fully paid ordinary shares to convert three convertible notes issued on 12 December 2016 into equity. This resulted in a $500,000 decline in current liabilities due to the conversion of the convertible notes and a corresponding $496,000 increase in equity, net of share issue costs totalling $4,000.

Capital structure

5.23 As at 31 October 2018, Hudson had 298,598,683 ordinary shares on issue of which 90.5% were held by the top 20 shareholders. The top 20 Hudson shareholders are set out in the table below.

Shareholder	Number	%
RAFFLESCO LIMITED	87,400,000	29.3%
CITICORP NOMINEES PTY LIMITED	30,183,600	10.1%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	27,756,000	9.3%
HTH NOMINEES PTY LTD	18,181,818	6.1%
JT CAPITAL PTY LTD	15,383,362	5.2%
HUDSON RESOURCES LIMITED	14,117,000	4.7%
PACIFIC PORTFOLIO INVESTMENTS PTY LTD	12,598,386	4.2%
FORWARD DELTA PTY LTD <BLUE ROSE SUPER FUND A/C>	10,000,000	3.3%
LIP KOON HWANG	10,000,000	3.3%
JT CAPITAL HOLDINGS PTY LTD	8,257,660	2.8%
RAFFLES EQUITIES PTY LTD	5,685,855	1.9%
MS KOON LIN VENUS CHIU	5,600,000	1.9%
SEI HAN TAN	5,000,000	1.7%
AZHAR HEWITTSEN ARIFFIN BIN IBRAHIM	4,425,000	1.5%
MS RACHEL ZHI TING TAN	3,743,000	1.3%
RAFFLES NOMINEES PTY LIMITED	2,948,378	1.0%
KHAIRUL IBRAHIM	2,375,000	0.8%
MR VINCENT SEE YIN TAN	2,364,164	0.8%
MR CUNXIANG WANG	2,246,617	0.8%
RAFFLES EQUITIES LIMITED	2,112,541	0.7%
	270,378,381	**90.5%**
Other Shareholders	28,220,302	9.5%
Total	**298,598,683**	**100.0%**

Table 5: Hudson shareholder summary as at 31 October 2018

Share price performance

5.24 The chart below sets out a summary of Hudson's daily closing share price and traded volumes on the ASX from the period 1 January 2018 to 18 November 2018.

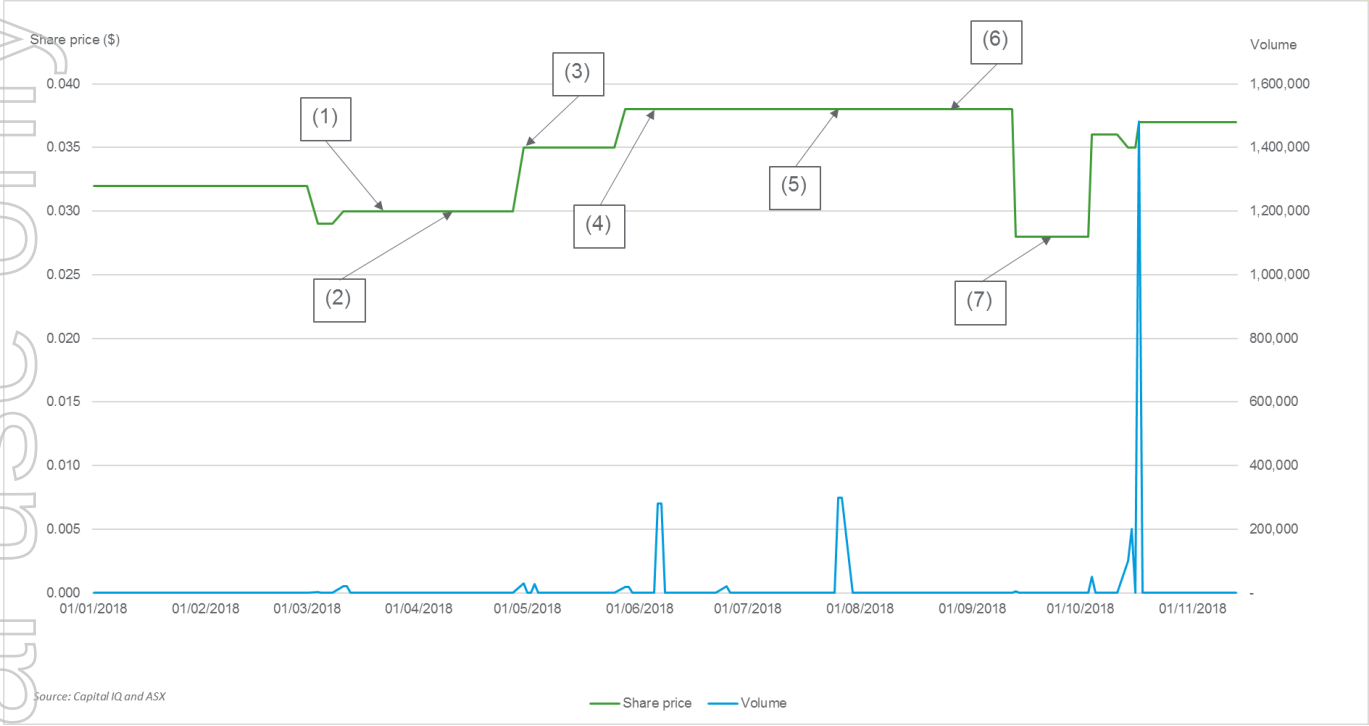

Chart 2: Hudson traded share price and volume chart

5.25 (1) On 23 March 2018, the Company announced its annual report and accounts for FY17.

5.26 (2) On 10 April 2018, Hudson announced that its wholly owned subsidiary, Halloran Properties 1 Pty Ltd, as trustee for Halloran Properties 1 Unit Trust, entered into a contract for the sale of land on 6 April 2018 to purchase Lot 3 in DP801029, located at 143 Sparks Road, Warnervale, for a consideration of $13.5 million, pursuant to the call option agreement dated 8 April 2018.

5.27 (3) On 1 May 2018, the Company announced the issue of 18,181,818 fully paid ordinary shares at a deemed issue price of $0.0275 per share, due to the conversion of 3 convertible notes issued on 12 December 2016.

5.28 (4) On 5 June 2018, Hudson announced the appointment of Mona Esapournoori as Joint Company Secretary, effective from 5 June 2018.

5.29 (5) On 25 July 2018, the Company announced that its wholly owned subsidiary, Halloran Properties 1 Pty Ltd, as trustee for Halloran Properties 1 Unit Trust, terminated the contract for sale of land, entered into on 6 April 2018, in relation to the purchase of Lot 3 in DP801029, located at 143 Sparks Road, Warnervale. The termination was due to the vendor failing to complete, pursuant to the Notice to Complete, issued by Halloran Properties 1 Pty Ltd.

5.30 (6) On 27 August 2018, Hudson announced its half yearly report and accounts for FY18.

5.31 (7) On 24 September 2018, the Proposed Transaction was announced.

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5.32 We note that Hudson's shares have been highly illiquid over the period under review, with shares traded on only 17 days from the period 1 January 2018 to the date of this Report. Over the same period, Hudson's share price has fluctuated from a high of $0.038 on 28 May 2018 to a low of $0.028 on 13 September 2018. Hudson's share price closed at $0.028 on 21 September 2018, the last date shares traded prior to the announcement of the Proposed Transaction on 24 September 2018. The share price has subsequently increased to $0.037 as at the date of this Report.

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6. Valuation Approach

Basis of Valuation

6.1 The valuation of a Hudson share prior to, and immediately after the Proposed Transaction has been prepared on the basis of Fair Market Value being the value that should be agreed in a hypothetical transaction between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arm's length.

Valuation methodologies

6.2 In assessing the value of a Hudson share 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.

6.3 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

6.4 Market based methods estimate the 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.

6.5 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.

6.6 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.

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Income based methods

6.7 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:

- capitalisation of maintainable earnings; and
- discounted cash flow (DCF) methods.

6.8 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.

6.9 The capitalisation of 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.

Asset based methods

6.10 Asset based methodologies estimate the 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 assets on a going concern basis.

6.11 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.

6.12 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.

6.13 The net assets on a going concern method estimates the market values of the net 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 companies.

Selection of Valuation Methodologies

Valuation of Hudson prior to the Proposed Transaction

6.14 Given that Hudson is primarily involved in the development of commercial property, the Company’s value is predominantly influenced by the value of the investment properties held at any given point in time. Accordingly, in assessing the Fair Value of a Hudson share, we have utilised the net assets on a going concern basis and relied upon the net book value of assets and liabilities as set out in Hudson’s management accounts as at 30 September 2018, on a controlling basis.

6.15 We have also considered the quoted market price methodology as a cross check to our primary methodology. Hudson's shares are listed on the ASX which means there is a regulated and observable market for its shares. However, consideration must be paid to adequate liquidity and activity in order to rely on the quoted market price method.

6.16 Notwithstanding the relatively low liquidity of Hudson's shares (discussed in further detail in section 7), we have utilised the quoted market price as our secondary methodology in valuing a Hudson share.

Valuation of Hudson immediately after the Proposed Transaction

6.17 We have also selected the net assets on a going concern basis in our assessment of the value of a share in Hudson immediately following the completion of the Proposed Transaction. Our assessment of the value of a share in Hudson immediately following the Proposed Transaction is also based on the management accounts at 30 September 2018 and adjusted for the pro forma terms of the Proposed Transaction.

6.18 As the approval of the Proposed Transaction will result in Biogene and its associates, Mr Kin Lam and Mr Wei Huang, increasing their shareholding to above the control threshold of 20% of the total issued shares of the Company, in accordance with RG 111, we have ascribed a discount for lack of control to the value of a Hudson share immediately after the Proposed Transaction.

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7. Valuation of Hudson

7.1 The basis of our evaluation of "fairness" is to compare the Fair Value of a Hudson share prior to, and immediately after the Proposed Transaction.

Valuation of a Hudson share prior to the Proposed Transaction (on a controlling basis)

7.2 As stated in section 6, we have assessed the Fair Value of a Hudson share using the net assets on a going concern basis and relied upon the net book value of assets and liabilities as set out in Hudson's statement of financial position at 30 September 2018.

7.3 We have also utilised the quoted market price methodology as a secondary valuation methodology. Hudson's shares are listed on the ASX which means there is a regulated and observable market for its shares. However, consideration must be paid to adequate liquidity and activity in order to rely on the quoted market price method.

7.4 Our assessment of the Fair Value of a Hudson share prior to the Proposed Transaction (on a controlling basis) is set out in the table below.

Hudson Investment Group Limited Historical Financial Position	As at 30-Sep-18 Reviewed $'000	Ref	Pro Forma Adjustments Low Valuation $	Pro Forma Adjustments High Valuation $	Assessed Value Low Valuation $	Assessed Value High Valuation $
Current assets						
Cash and cash equivalents	444,705				444,705	444,705
Trade and other receivables	(77,712)				(77,712)	(77,712)
Other current assets	52,842				52,842	52,842
Total current assets	**419,835**				**419,835**	**419,835**
Non-current assets						
Investment properties	18,625,423	7.6	368,077	368,077	18,993,500	18,993,500
Other assets	681,937	7.12	(681,937)		-	681,937
Total non-current assets	**19,307,360**				**18,993,500**	**19,675,437**
Total assets	**19,727,195**				**19,413,335**	**20,095,272**
Current liabilities						
Trade and other payables	634,478				634,478	634,478
Total current liabilities	**634,478**				**634,478**	**634,478**
Non-current liabilities						
Financial liabilities	8,000,000				8,000,000	8,000,000
Total non-current liabilities	**8,000,000**				**8,000,000**	**8,000,000**
Total liabilities	**8,634,478**				**8,634,478**	**8,634,478**
Net assets	**11,092,717**				**10,778,857**	**11,460,793**
Number of shares on issue	298,598,683				298,598,683	298,598,683
Assessed Fair Value per share (controlling basis)	**$0.0371**				**$0.0361**	**$0.0384**

Table 6: Assessed Fair Value of Hudson prior to the Proposed Transaction (controlling basis)

7.5 The assessment of the Fair Value of a Hudson share prior to the Proposed Transaction is based on the pro forma consolidated balance sheet of the Company as at 30 September 2018.

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7.6 We have adjusted Hudson's balance sheet as at 30 September 2018 to reflect the current fair value of the investment properties, as determined by independent valuers of the properties as set out in the table below.

Hudson Investment Group Limited Fair Value of Investment Properties	Ref	Fair Value $
171-175 Sparks Road, Halloran, New South Wales	7.8	14,200,000
59 Mountain Road, Halloran, New South Wales	7.9	3,600,000
Re-zoning adjustment	7.10 - 7.11	1,193,500
Total Fair Value of Investment Properties		**18,993,500**

Table 7: Fair Value of Investment Properties

7.7 We have not included any deferred tax impact in our valuation adjustments on the basis that the Company has unutilised tax losses.

7.8 Knight Frank Newcastle has prepared an independent valuation report dated 16 November 2018, set out in Appendix D of this report.

7.9 Central Real Estate Australia Pty Ltd has prepared an independent valuation report dated 19 November 2018, set out in Appendix E of this report.

7.10 In 2007, a 2.17 hectare portion of land included within the Sparks Road property was incorrectly zoned by the Wyong Council (now the Central Coast Council) as Environmental Conservation ("E2"), whereas it should have been classified General Industrial ("IN1"). Hudson appealed this error, and in February 2016 obtained support from the council to pass a motion of support to re-zone the land, with the council gazetting the land as IN1 in 2017. There has subsequently been a dispute with Central Coast Council over this rezoning. However, Hudson has received written confirmation dated 21 November 2018 that the land has been rezoned as IN1.

7.11 Knight Frank has valued this land within its valuation report as E2 zoned land, at a rate of $10 per square metre. Knight Frank has valued the adjoining IN1 zoned land at $65 per square metre. Therefore, we have reflected an adjustment of $1.2 million in our valuation for this rezoning decision, calculated as 21,700 sqm x ($65 - $10).

7.12 Other non-current assets of $682,000 represents a deposit paid by Hudson in relation to the acquisition of a property located at 143 Sparks Road, Warnervale, adjacent to its existing Sparks Road Property. The contract was entered into on 6 April 2018, however, it was subsequently terminated on 25 July 2018. Hudson is currently in the process of attempting to recover the full amount of the deposit paid. We have included an adjustment in the lower range of our valuation, to account for the possibility of the deposit not being recoverable.

7.13 We consider that the net book value of other assets and liabilities as set out in Hudson's unaudited statement of financial position as at 30 September 2018 to be materially reflective of market value on the basis of the following:

- Hudson disclosed total assets, excluding investment properties and non-current other assets, of $420,000 at 30 September 2018, comprising cash and cash equivalents, trade and other receivables, and other current assets of $445,000, ($78,000) and $53,000, respectively; and
- Hudson disclosed total liabilities of $8.6 million at 30 September 2018, comprising trade and other payables, and financial liabilities of $635,000 and $8.0 million, respectively.

7.14 Based on the above, our assessed value of a Hudson share prior to the Proposed Transaction is in the range of $0.0361 to $0.0384, with a preferred valuation at the midpoint of $0.0373.

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7.15 The value of a Hudson share prior to the Proposed Transaction is the value of a share 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 Hudson prior to the Proposed Transaction.

Quoted Price of Listed Securities (cross-check)

7.16 In order to provide a comparison and cross-check to our valuation of a Hudson share under the net assets methodology, we have considered the recent quoted market price of Hudson shares prior to the announcement of the Proposed Transaction.

7.17 RG 111.69 indicates that for the quoted market share price methodology to represent a reliable indicator of Market Value, there needs to be an active and liquid market for the securities. 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 traded on a weekly basis;
- the bid/ask spread of a company's shares must not be so great that a single majority trade can significantly affect the market capitalisation of the company; and
- there are no significant but unexplained movements in the share price.

7.18 The Proposed Transaction was announced on 24 September 2018. To provide further analysis of the quoted market prices for Hudson's shares, we have considered the volume weighted average share price ("VWAP") over a number of trading day periods prior to 24 September 2018. An analysis of the volume in trading in Hudson's shares for the 5, 10, 30, 60, 90, 120 and 180-day trading periods is set out in the following table.

Calendar days	Share price Low $	Share price High $	No. of days traded	Volume traded	Value traded $	VWAP $	Percentage of issued capital %
5 days	0.028	0.028	-	-	-	-	0.00%
10 days	0.028	0.028	-	-	-	-	0.00%
30 days	0.028	0.038	1	4,180	117	0.028	0.00%
60 days	0.028	0.038	2	304,180	11,517	0.038	0.11%
90 days	0.028	0.038	2	304,180	11,517	0.038	0.11%
120 days	0.028	0.038	5	623,180	23,639	0.038	0.22%
180 days	0.028	0.038	7	681,580	25,683	0.038	0.24%

Source: Capital IQ and RSM analysis

Table 8: Traded volume of Hudson shares prior to 24 September 2018

7.19 We note the following:

- no shares were traded in the 10 days prior to the announcement of the Proposed Transaction;
- only 0.11% of Hudson's shares were traded in the 90-day period prior to the announcement of the Proposed Transaction, with shares only traded on 2 days in the 90-day period;

- the bid/ask spread is often used to measure efficiency. For the 180-day period, the closing bid/ask spread of Hudson averaged 35.7% of the midpoint price. On the basis that, over a comparable period, all stocks trading on the ASX had an average bid-ask spread of 0.244%[1], we consider the bid/ask spread of Hudson to be large; and
- notwithstanding the extremely low levels of liquidity, Hudson complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of Hudson.

7.20 Based on the above, we have assessed the value of a Hudson share based on the quoted market price prior to the announcement of the Proposed Transaction (on a non-controlling basis) to be $0.028.

7.21 The value above is indicative of the value of a marketable parcel of securities assuming a holder does not have control of the Company. In the case of a section 611, item 7 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 Hudson share, we should include a premium for control.

Premium for control

7.22 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.

7.23 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).

7.24 RSM has undertaken a survey of control premiums paid over a 5-year period to 30 June 2016 in 463 successful takeovers and schemes of arrangements of companies listed on the ASX ("RSM Control Premium Study 2017"). The findings are summarised in the table below, showing the average control premiums paid 20, 5 and 2 days prior to announcement of a transaction, which are applied at the equity level.

	Number of transactions	20 days pre	5 days pre	2 days pre
Average control premium - all industries	**463**	**34.5%**	**28.3%**	**26.4%**

Source: RSM Control Premium Study 2017

Table 9: Control premium study

[1] Equity market data for the quarter ended 31 March 2018 – ASIC

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7.25 Based on the above, we consider that a control premium in the range of 25% to 30% is appropriate in assessing the value of a Hudson share on a controlling basis.

7.26 The table below sets out our assessment of the value of a Hudson share on a controlling basis utilising the quoted price of listed securities methodology.

	Low	High	Preferred
Quoted market price (non-controlling basis)	$0.0280	$0.0280	$0.0280
Control premium	25.0%	30.0%	27.5%
Value of a Hudson share (controlling basis)	**$0.0350**	**$0.0364**	**$0.0357**

Source: RSM analysis

Table 10: Assessed Fair Value of a Hudson share – Quoted Price of Listed Securities cross check

Valuation Summary (Prior to the Proposed Transaction)

7.27 A summary of our assessed values of a Hudson share prior 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 6	**$0.0361**	**$0.0384**	**$0.0373**
Quoted price of listed securities - cross check	Table 10	$0.0350	$0.0364	$0.0357

Table 11: Valuation of a Hudson share prior to the Proposed Transaction (controlling basis)

7.28 We have relied upon the net assets on a going concern basis as our primary methodology. Whilst the Company's securities exhibit extremely low levels of liquidity, after application of a control premium, the share price is broadly consistent with our assessed fair value per share.

7.29 We have assessed the Fair Value of a Hudson share on a controlling basis prior to the Proposed Transaction utilising the net assets on a going concern basis, to be in the range of $0.0361 to $0.0384, with a preferred valuation at the midpoint of $0.0373.

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Valuation of a Hudson share immediately after the Proposed Transaction

7.30 Our assessment of the Fair Value of a Hudson share immediately after the Proposed Transaction (on a controlling basis), is set out in the table below.

Hudson Investment Group Limited Historical Financial Position	Pro Forma Prior to the Proposed Transaction Low Valuation $	Pro Forma Prior to the Proposed Transaction High Valuation $	Ref	Pro Forma Adjustments $	Assessed Value Low Valuation $	Assessed Value High Valuation $
Current assets						
Cash and cash equivalents	444,705	444,705	7.32	3,767,233	4,211,937	4,211,937
Trade and other receivables	(77,712)	(77,712)			(77,712)	(77,712)
Other current assets	52,842	52,842			52,842	52,842
Total current assets	**419,835**	**419,835**			**4,187,068**	**4,187,068**
Non-current assets						
Investment properties	18,993,500	18,993,500	7.33	4,800,000	23,793,500	23,793,500
Other assets	-	681,937			-	681,937
Total non-current assets	**18,993,500**	**19,675,437**			**23,793,500**	**24,475,437**
Total assets	**19,413,335**	**20,095,272**			**27,980,568**	**28,662,504**
Current liabilities						
Trade and other payables	634,478	634,478			634,478	634,478
Total current liabilities	**634,478**	**634,478**			**634,478**	**634,478**
Non-current liabilities						
Financial liabilities	8,000,000	8,000,000			8,000,000	8,000,000
Total non-current liabilities	**8,000,000**	**8,000,000**			**8,000,000**	**8,000,000**
Total liabilities	**8,634,478**	**8,634,478**			**8,634,478**	**8,634,478**
Net assets	**10,778,857**	**11,460,793**			**19,346,089**	**20,028,026**
Number of shares on issue	298,598,683	298,598,683	7.34	295,000,000	593,598,683	593,598,683
Assessed Fair Value per share (controlling basis)	**$0.0361**	**$0.0384**			**$0.0326**	**$0.0337**

Table 12: Assessed Fair Value of a Hudson share immediately after the Proposed Transaction (controlling basis)

7.31 The assessment of the Fair Value of a Hudson share immediately after the Proposed Transaction is also based on the pro forma balance sheet of the Company as at 30 September 2018.

7.32 Cash and cash equivalents at 30 September 2018 has been adjusted to reflect the following:

- $75,000 cash outflow as part consideration of the acquisition of the First Brookes Street Property;
- $358,000 cash outflow for stamp duty relating to the acquisition of the First Brookes Street Property;
- $2.1 million cash inflow due to the issue of 60,000,000 ordinary shares to professional and sophisticated investors in accordance with Resolution 2; and
- $2.1 million cash inflow due to the issue of 60,000,000 ordinary shares to Kin Lam and Wei Huang, directors of Biogene, in accordance with Resolution 3.

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7.33 The investment property balance as at 30 September 2018 has been adjusted to reflect the current fair value of the First Brookes Street Property. The fair value of the property was determined by an independent valuer, CRISP Valuation Services Pty Ltd, with the full valuation report dated 12 June 2018, included within Appendix F of this report. CRISP Valuation Services Pty Ltd has confirmed to us that the assumptions within the valuation dated 12 June 2018 have not been overtaken by time or events.

Hudson Investment Group Limited Fair Value of the First Brookes Street Property	Ref	Fair Value $
Units 1 & 2, 41-43 Brookes Street, Bowen Hills, Queensland	7.33	4,800,000
Total Fair Value of the First Brookes Street Property		**4,800,000**

Table 13: Fair Value of the First Brookes Street Property

7.34 The number of shares on issue at 30 September 2018 has been adjusted to reflect the 295,000,000 million ordinary shares being issued as part of the Proposed Transaction.

7.35 Based on the above, we have assessed the Fair Value of a Hudson share immediately after the Proposed Transaction (on a controlling basis) to be in the range of $0.0326 to $0.0337, with a preferred value of $0.0332.

Valuation of a Hudson share immediately after the approval of the Proposed Transaction (non-controlling basis)

7.36 The table below sets out our assessment of the value of a Hudson share on a minority interest basis immediately after the approval of the Proposed Transaction.

	Ref	Low	High	Preferred
Value per share (controlling basis)	7.35	$0.0326	$0.0337	$0.0332
Discount for minority interest	7.38	-23.1%	-20.0%	-21.6%
Value per share (non-controlling interest)		**$0.0251**	**$0.0270**	**$0.0260**

Table 14: Assessed Fair Value of a Hudson share immediately after the Proposed Transaction (on a non-controlling basis)

7.37 As the approval of the Proposed Transaction will result in the decrease of Shareholders' interest in Hudson from 100.0% to 50.3%, in accordance with RG 111, we have ascribed a discount for lack of control to the value of a Hudson share immediately after the Proposed Transaction.

7.38 A discount for a minority interest (non-controlling interest) is the inverse of a premium for control. We have therefore applied a discount of 20.0% to 23.1% (rounded), being the inverse of the control premium utilised in our assessment of the value of a Hudson share on a quoted price of listed securities basis.

7.39 Based on the above, our assessed Fair Value of a Hudson share immediately after the Proposed Transaction (on a non-controlling basis), is in the range of $0.0251 to $0.0270, with a preferred value of $0.0260.

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8. Is the Proposed Transaction Fair?

8.1 In assessing whether we consider the Proposed Transaction to be fair to the Shareholders, we have valued a share in Hudson share prior to and immediately after the Proposed Transaction to determine whether a Shareholder would be better or worse off should the Proposed Transaction be approved. Our assessed values are summarised in the table below.

	Low	High	Preferred
Fair Value per share prior to the Proposed Transaction (controlling basis)	**$0.0361**	**$0.0384**	**$0.0373**
Fair Value per share immediately after the Proposed Transaction (non-controlling basis)	**$0.0251**	**$0.0270**	**$0.0260**

Source: RSM analysis

Table 15: Valuation Summary

8.2 The above comparison is depicted graphically in the chart below.

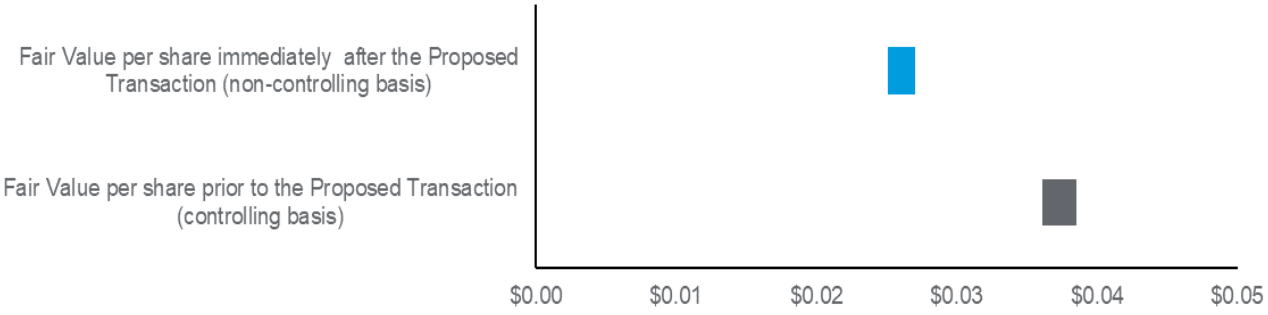

Chart 3: Valuation summary graphical representation

8.3 In our opinion, as the Fair Value of a Hudson share (on a non-controlling basis) immediately after the Proposed Transaction, is less than the Fair Value of a Hudson share (on a controlling basis) prior to the Proposed Transaction, we consider the Proposed Transaction is **not fair** to the Shareholders of Hudson.

9. Is the Proposed Transaction Reasonable?

9.1 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 security holders to accept the offer in the absence of any higher bid before the offer closes. As such, we have also considered the following factors in relation to the reasonableness aspects of the Proposed Transaction:

- the future prospects of Hudson if the Proposed Transaction does not proceed;
- the trading of Hudson shares following the announcement of the Proposed Transaction;
- other commercial advantages and disadvantages to the Shareholders as a consequence of the Proposed Transaction proceeding; and
- alternative proposals to the Proposed Transaction.

Future prospects of Hudson if the Proposed Transaction does not proceed

9.2 For the period ended 30 September 2018 ("YTD18"), Hudson disclosed net profit after income tax ("NPAT") of $975,000, net assets of $11.1 million and net debt of $7.6 million.

9.3 NPAT for YTD18 includes a $1.043 million gain from the change in fair value of investment properties. Therefore, the underlying rental operations generated a loss of $68,000, implying an annualised loss of $90,000. Hudson disclosed cash and cash equivalents of $445,000 at 30 September 2018.

9.4 Further, independent valuation reports indicate that the investment properties currently held by Hudson are collectively valued at $19.0 million as at the date of this report. Therefore, these properties may be liquidated in the event that Hudson experience financial difficulties.

Response of the Market to the Announcement of the Proposed Transaction

9.5 Hudson share liquidity has been extremely low, with shares traded on only 4 days in the 59 calendar days after the announcement of the Proposed Transaction on 24 September 2018.

	Share price Low $	Share price High $	No. of days traded	Volume traded	Value traded $	VWAP $	Percentage of issued capital %
Calendar days prior to 24 September 2018							
90 days	0.028	0.038	2	304,180	11,517	0.038	0.11%
120 days	0.028	0.038	5	623,180	23,639	0.038	0.22%
180 days	0.028	0.038	7	681,580	25,683	0.038	0.24%
Calendar days from 24 September 2018							
59 days	0.028	0.037	4	3,315,080	122,008	0.037	1.1%

Source: Capital IQ and RSM analysis

Table 16: Hudson VWAP after the announcement of the Proposed Transaction

9.6 The price per share has increased from $0.028 per share on 24 September 2018 to $0.037 as at the date of this report, indicating that the market has responded favourably to the announcement of the Proposed Transaction.

9.7 Given the above, it is possible that if the Proposed Transaction is not approved, Hudson's price per share may revert back to the price prior to announcement of the Proposed Transaction.

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Advantages of approving the Proposed Transaction to Shareholders:

9.8 The advantages of the Proposed Transaction are:

- successful completion of the Proposed Transaction will provide the Company with sufficient capital to complete the acquisition of the property located at 47 Brookes Street, Bowen Hills, Queensland ("Second Brookes Street Property"), for a cash consideration of $3.8 million;
- The First Brookes Street Property and the Second Brookes Street Property (collectively, "the Brookes Street Properties") are located approximately 2 kilometres from the Brisbane CBD, with potential to develop for either residential, mixed commercial or retail purposes.
- the existing height of the Brookes Street Properties is two stories, with current zoning allowing for development to be up to 12 stories. However, Economic Development Queensland ("EDQ") have submitted a draft plan to the Queensland Government which, if adopted, would provide for the height of future development to be 30 stories and potentially up to 36 stories if the footprint of the Brookes Street Properties can be aggregated. This would likely increase the valuation of the Brookes Street Properties should the draft plan be passed;
- the Brookes Street Properties are fully tenanted and should generate rental income until Hudson commences development in the future. Further, the Brookes Street Properties will be purchased with no debt and are unencumbered at present, which would provide security against future debt funding for the Company, if required;
- at present, Hudson is largely a single asset company, with its industrial property at Warnervale, located in regional New South Wales, constituting the majority of its assets. The purchase of the Brookes Street Properties in Brisbane, Queensland, would allow Hudson to diversify its asset base in a new geography and reduce the risk of overreliance on a single asset;
- successful completion of the Proposed Transaction will increase the size and geographical diversity of the Company, which may improve the Company's ability to raise capital in the future for additional development projects; and
- successful completion of the Proposed Transaction will increase the number of shares on issue, which may increase liquidity in the trading of the Company's shares.

Disadvantages of approving the Proposed Transaction to Shareholders:

9.9 The disadvantages of the Proposed Transaction are:

- the Proposed Transaction is considered **not fair**;
- the dilution of Shareholders' interests from 100.0% to 50.3%, immediately following the approval of the Proposed Transaction;
- Biogene will acquire a 29.5% interest and Mr Kin Lam and Mr Wei Huang, directors of Biogene, will acquire a combined 10.1% interest in the Company after the completion of the Proposed Transaction. Therefore, Biogene and its associates will effectively control 39.6% of Hudson post transaction and Biogene will constitute the largest shareholder in Hudson. Accordingly, we consider that Biogene will have significant influence on the strategic direction of the Company as compared to existing Shareholders and will have the ability to restrict remaining Shareholders ability to make decisions requiring Special Resolutions;
- the dilution of Shareholders' interests reduces the ability of existing shareholders to influence the strategic direction of the Company, including acceptance or rejection of takeover or merger proposals;
- there is a potential risk of oversupply of developed properties due to the size of the Lend Lease development. This may adversely impact the returns that Hudson could achieve from future development of the Brooke Street Properties; and

- The EDQ draft plan mentioned above is yet to be adopted by the Queensland Government as at the date of this report. Should the draft report not be adopted, and the height of the properties is restricted to the current zoning limit of 12 stories, the ability for Hudson to increase the value of the Brookes Street Properties would be limited, accordingly.

Alternative proposals

9.10 We are not aware of any alternative proposal at the current time which might offer the Shareholders a greater benefit than the Proposed Transaction.

Conclusion on Reasonableness

9.11 In our opinion, and in the absence of any other relevant information and/or a superior offer, for the purposes of section 611, item 7 of the Corporations Act, we consider that the Proposed Transaction is **reasonable** for the Shareholders of Hudson.

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

Yours faithfully

RSM CORPORATE AUSTRALIA PTY LTD

G YATES

Director

A CLIFFORD

Director

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APPENDICES

A. DECLARATIONS AND DISCLAIMERS

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) a large national firm of chartered accountants and business advisors.

Mr Glyn Yates and Mr Andrew Clifford are directors of RSM Corporate Australia Pty Ltd. Both Mr Yates and Mr Clifford 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 Shareholders of the Company 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 Hudson Investment Group Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. 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, Andrew Clifford, nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM 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 $22,500, excluding GST, based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether Hudson Investment Group Limited receives Shareholder 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 Notice of Annual General Meeting and Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Corporate Australia Pty Ltd or RSM Australia Pty Ltd or has been involved in the preparation of the Notice of General Meeting and Explanatory Memorandum. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement.

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B. 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;
- Audited financial statements for Hudson for the two years ended 31 December 2017;
- Management accounts for Hudson for the period ended 30 September 2018;
- Shareholder register of Hudson as at 31 October 2018;
- Knight Frank Newcastle Valuation Report, dated 16 November 2018, relating to 171-175 Sparks Road, Halloran, New South Wales;
- Central Real Estate Victoria Pty Ltd Valuation Report, dated 19 November 2018, relating to 59 Mountain Road, Halloran, New South Wales;
- CRISP Valuation Services Pty Ltd Valuation Report, dated 12 June 2018, relating to Units 1 and 2, 41-43 Brookes St, Bowen Hills, Queensland;
- ASX announcements of Hudson;
- S&P Capital IQ database; and
- Discussions with Directors and Management of Hudson.

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C. GLOSSARY OF TERMS AND ABBREVIATIONS

Term or Abbreviation	Definition
$ or A$	Australian dollar
Corporations Act	Corporations Act 2001 (Cth)
APES	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules	The listing rules of ASX as amended from time to time
Biogene or Vendor	Biogene Property Investments Pty Ltd
Brookes Street Properties	The First Brookes Street Property and the Second Brookes Street Property
Company or Hudson	Hudson Investment Group Limited
Control or controlling basis	As assessment of the Fair Value on an equity interest, which assumes the holder or holders have control of the entity in which the equity is held
Control premium	An amount or 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
Discounted cash flow (DCF)	A method within the income approach which values a business as the present value of future expected cash flows and is calculated using a discount rate
Directors	Directors of the Company
E2	Environmental Conservation zoned land
Fair Value, Fair Market Value or Market Value	The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
First Brookes Street Property	Units 1 and 2, 41-43 Brookes St, Bowen Hills, Queensland
Future maintainable earnings (FME)	The normal maintainable earnings expected to be achieved in the future
FSG	Financial Services Guide
FYXX	Financial year ended 31 December 20XX
Going concern	An ongoing operating business enterprise
IER or Report	This Independent Expert Report
IN1	General Industrial zoned land
k	Thousands
m	Millions
Management	The management of Hudson
Minority interest	A non-controlling ownership interest, generally less than 50% of a company's voting shares
Proposed Transaction	Resolution 1, 2 and 3, as set out in the Notice of General Meeting and Explanatory Statement accompanying this IER
RG 111	ASIC Regulatory Guide 111 – Content of expert reports
RG 112	ASIC Regulatory Guide 112 – Independence of experts

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Term or Abbreviation	Definition
RSM	RSM Corporate Australia Pty Ltd
S&P Capital IQ or Capital IQ	An entity of Standard and Poor's which is a third-party provider of company and other financial information
Second Brookes Street Property	47 Brookes Street, Bowen Hills, Queensland
Share	Ordinary fully paid share in the capital of the Company
Shareholders	Hudson shareholders who are not a party, or associated to a party, to the Proposed Transaction
Sparks Road Property	171-175 Sparks Road, Halloran, New South Wales
VWAP	Volume weighted average share price

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D. KNIGHT FRANK NEWCASTLE – VALUATION REPORT – 171-175 SPARKS ROAD, HALLORAN – DATED 16 NOVEMBER 2018

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Valuation Report

171-175 Sparks Road
HALLORAN NSW 2259

16 November 2018

Under instruction from
RSM Corporate Australia Pty Ltd

Prepared For
Hudson Investment Group Limited and RSM Corporate Australia Pty Ltd

Reference: MS/12334

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Executive Summary

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171-175 Sparks Road HALLORAN NSW 2259	
Instructing Party	RSM Corporate Australia Pty Ltd
Interest Valued	100% freehold interest.
Basis of Valuation	1. Current Market Value "As Is" subject to existing lease agreements to Bunnings and BCP – "Valuation 1" 2. Current Market value "As Is" of the surplus land – "Valuation 2", assuming separate title
Relying Party/Parties and Purpose of Valuation	RSM Corporate Australia Pty Ltd and Hudson Investment Group Ltd for financial reporting purposes and inclusion RSM's Independent Expert Report
Site Area	235,814m²
Zoning	• IN1 General Industrial • E2 Environmental Conservation
Description	The subject forms what was originally known as the CSR quarry pit and brick making facility. The site has retained and refurbished in part the manufacturing facility. Lot 74 in Deposited Plan 7552245 is improved with an older-style warehouse that is subdivided into two tenancy areas which is semi enclosed and leased to Bunnings and Better Concrete Products. In addition, there is a freestanding office building and a gatehouse situated south east of the warehouse providing circa 130 square metres. Ancillary site improvements include extensive concrete and gravel hardstand areas extending to the southern portion of Lot 1 Deposited Plan 796730, security fencing, ample light and heavy vehicle parking to the sites eastern elevation and wooden walkway between the gatehouse and office. Lot 1 Deposited Plan 796730 consists of a predominately undeveloped site with the exception of the hardstand overage mentioned above. There is a small residential brick dwelling fronting Sparks Road. Lot 7 in Deposited Plan 239691 and Lot 4 Deposited Plan 796730 are undeveloped land zoned E2 Environmental Conservation. The dwelling is 3 bedrooms, one bathroom, separate family, lounge dining and kitchen. The house is in good order and well maintained. There is a semi attached shed to the eastern elevation in fair order.
GLA (current configuration)	11,523m²
Vacancy & WALE	Vacancy: 0% WALE by Income: 4.2 yrs WALE by Area: 4.1 yrs
Valuation Methodology	Capitalisation, Discounted Cashflow and Direct Comparison approaches.

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Executive Summary (Cont'd)

Date of Inspection	19 November 2018	
Valuation Date	16 November 2018 (as instructed)	
Income Particulars	**At Passing Rents**	**At Market Rents**
Gross Income (p.a.)	$1,075,196	$1,018,050
Adopted Outgoings	$135,300	$135,300
Estimated Net Income (p.a.)	$939,896	$882,750
Adopted Capitalisation Rate	10.00%	
Adopted Discount Rate	10.00%	
NPV of Capex	$201,966 (5 yrs)	$365,602 (10 yrs)
Avg Face Rental Growth (Industrial)	3.2% (5 years)	3.1% (10 years)
Adopted Value	**Valuation 1 subject to Existing Lease Agreements - $9,000,000 (exclusive of GST)** **Valuation 2 - $5,200,000 (exclusive of GST)**	
Initial Yield (Valuation 1)	10.44%	
Core Market Yield (Valuation 1)	9.93%	
IRR/Terminal Yield (10 yrs) (Valuation 1)	9.88% @ 10.25%	
Rate/m² of GLA (Valuation 1)	$781/m²	
Valuers' Details	**Matthew Shaw,** AAPI API Member No. 17321 **Certified Practising Valuer** **Director**	**Christopher Keats,** AAPI **Director** *(Counter-signatory only)*

Key Points

- The subject Property comprises the former CSR quarry pit and brick making facility. The facility is leased to Bunnings Trade and Better Concrete Products and continues to operate as a manufacturing facility for these users. We note that there is limited user demand for a facility of this nature, and hence our adopted core capitalisation rate and target discount rate as well as specific assumptions around market rents, letting up allowances and growth rates reflects as such. Should the Property be valued with 'Vacant Possession' a lower valuation may result.

Critical Conditions

- We have been provided with the zoned areas from the Instructing party and have not sighted a site survey confirming these areas. Should these areas provided be incorrect, we reserve the right to review our valuation accordingly. We recommend an official site survey to confirm the zoned areas provided are consistent with the areas provided to us.
- **We have been provided with a recently executed lease renewal for Bunnings Group Limited. The lease renewal is for a 5-year term commencing 1 December 2018 at a commencing rental of $562,000 per annum net. The annual increases are to the greater of CPI or 3%**
- **RSM Corporate Australia Pty Ltd ("RSM") has been engaged by the Directors of Hudson Investment Group Limited ("Hudson") to prepare an Independent Expert's Report ("IER") in relation to a transaction being undertaken by Hudson. We confirm that this valuation is undertaken for Financial Reporting purposes only and as an appendix in the IER.**
- The valuation is also conditional on the important notices, disclaimers and qualifications contained in the body of this report.

This Executive Summary forms a part of and should not be used or read independently from the complete report. Particular attention is drawn to the Qualifications, Important Notices and Disclaimers included in this report. Liability limited by a scheme approved under Professional Standards Legislation.

SWOT Analysis

Strengths

- Secure and strong lease covenant to the Bunnings Group.
- Development potential of the surplus industrial land components

Weaknesses

- Dated warehouse improvements
- Warehouse lacks exposure from Sparks Road

Opportunities

- Further development of Lot 74 in Deposited Plan 755245.
- Retain existing tenants on longer lease terms.
- Potential subdivisions IN1 land
- Secure the Bunnings expansion requirement to the northern portion of the site

Threats

- Significant amounts of serviced industrial land available nearby
- High quality industrial improvements in the nearby suburb of Warnervale.

Buyer Profile

- In consideration of the current market, we anticipate the most probable purchaser of the Property to be a high net worth individual or a property syndicate.

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Key Data

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Summary of Inputs

Outgoings Summary

Outgoings	KFV Adopted	$/m²pa	PCA Median	Differential (%)
Statutory Outgoings	$60,100	$5.22	$0.00	#DIV/0!
Operating Expenditure	$75,200	$6.53	$0.00	#DIV/0!
Total Outgoings	***$135,300***	***$11.74***	***$0.00***	***#DIV/0!***

Outgoings Growth Rates	***Yr 1***	***Yr 2***	***Yr 3***	***Yr 4***	***Yr 5***	***Yr 6***	***Yr 7***	***Yr 8***	***Yr 9***	***Yr 10***
Outgoings Growth	2.5%	2.6%	2.6%	2.3%	2.5%	2.4%	2.3%	2.2%	2.3%	2.5%
Outgoings (m²)	*$11.74*	*$12.04*	*$12.35*	*$12.67*	*$12.96*	*$13.28*	*$13.60*	*$13.92*	*$14.22*	*$14.55*
				Avg 5 yrs	***2.5%***				***Avg 10 yrs***	***2.4%***

Growth Assumptions

	Yr 1	***Yr 2***	***Yr 3***	***Yr 4***	***Yr 5***	***Yr 6***	***Yr 7***	***Yr 8***	***Yr 9***	***Yr 10***
Face Industrial Growth	2.5%	3.7%	3.4%	3.1%	3.1%	3.1%	3.3%	3.0%	3.1%	3.1%
Average Face Growth				***Avg 5 yrs***	***3.2%***				***Avg 10 yrs***	***3.1%***
Avg Net Rental (m²)	*$79*	*$82*	*$84*	*$87*	*$90*	*$93*	*$96*	*$99*	*$102*	*$105*
Effective Industrial Growth	-9.3%	3.9%	3.5%	3.2%	3.2%	3.2%	3.5%	3.1%	3.2%	3.2%
Average Effective Growth				***Avg 5 yrs***	***0.8%***				***Avg 10 yrs***	***2.0%***
Office Face Growth	2.2%	2.5%	2.6%	2.5%	2.5%	2.5%	2.4%	2.5%	2.6%	2.6%
CPI Growth	2.5%	2.6%	2.6%	2.3%	2.5%	2.4%	2.3%	2.2%	2.3%	2.5%
Capital Expenditure Growth	2.5%	2.6%	2.6%	2.3%	2.5%	2.4%	2.3%	2.2%	2.3%	2.5%

Vacant Space Assumptions

Industrial	**Yr 1**	**Yr 2**	**Yr 3**	**Yr 4**	**Yr 5**	**Yr 6**	**Yr 7**	**Yr 8**	**Yr 9**	**Yr 10**
Industrial - Vacancy Allowance (mths)	12	12	12	12	12	12	12	12	12	12
Tenant Renewal Provision	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Incentive Allowance (%)	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Incentive Probability factor	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Total Allowance after renewal probabilities (mths	*12.0*	*12.0*	*12.0*	*12.0*	*12.0*	*12.0*	*12.0*	*12.0*	*12.0*	*12.0*

Office	**Yr 1**	**Yr 2**	**Yr 3**	**Yr 4**	**Yr 5**	**Yr 6**	**Yr 7**	**Yr 8**	**Yr 9**	**Yr 10**
Office - Vacancy Allowance (mths)	6	6	6	6	6	6	6	6	6	6
Tenant Renewal Provision	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Incentive Allowance (%)	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Incentive Probability factor	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Total Allowance after renewal probabilities (mths	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*

Current Vacant Space - Industrial

Leasing Allowance (current vacant space)	18 mths
Assumed Lease Term for Renewals	5 yrs
Lease Type	Net
Incentives for current Vacant Space	0.0%

Current Vacant Space - Office

Leasing Allowance (current vacant space)	18 mths
Assumed Lease Term for Renewals	5 yrs
Lease Type	Net
Incentives for current Vacant Space	0.0%

Leasing Fees

Leasing Fees (% of first yrs gross rent):	13.0%
Lease Renewal Fees (% of first yrs gross rent):	5.0%
Adjustment Period for Cap Approach	12 mths

Capital Expenditure

		Yr 1	**Yr 2**	**Yr 3**	**Yr 4**	**Yr 5**	**Yr 6**	**Yr 7**	**Yr 8**	**Yr 9**	**Yr 10**
On-going Capex	$4/m²pa	$4	$4	$4	$4	$4	$4	$4	$4	$4	$4
Make Good	$10/m²	$10	$10	$11	$11	$11	$11	$12	$12	$12	$13
Other Capex		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL	***$153***	***$14***	***$14***	***$14***	***$15***	***$15***	***$15***	***$16***	***$16***	***$17***	***$17***

Capital Expenditure

	Yr 1	**Yr 2**	**Yr 3**	**Yr 4**	**Yr 5**	**Yr 6**	**Yr 7**	**Yr 8**	**Yr 9**	**Yr 10**
Capital Incentives	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Rent Free Incentives	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Rental Rebates	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Outstanding Incentives	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***

Summary Data & Results

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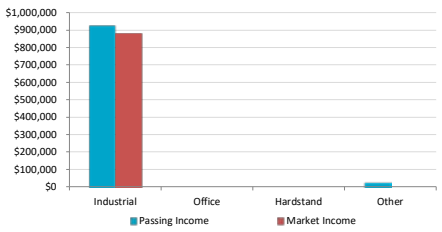
Income Summary

Use	Passing Income	$/m²pa	Market Income	$/m²pa
Industrial	$928,524	*$81*	$882,750	*$77*
Office	$0	-	$0	-
Hardstand	$0		$0	
Other	$32,413		$0	
Total Rental	***$960,937***		***$882,750***	
Less: Annual Rebates & Rent Free	$0			
Plus: Outgoings Recoveries	$135,300		$135,300	
Less: Rental for Deferred tenancies	$21,041			
Gross Income	**$1,075,196**		**$1,018,050**	
Less: Outgoings	$135,300	*$12*	*$135,300*	*$12*
Net Income	***$939,896***		***$882,750***	

Passing Income v Market Income

Current Gross Rent ($ pa) (before recoveries rebates & rent free)



Passing Rent v Market Rent

Rental differential including vacant areas

Industrial:	*4.30%*
Office:	*0.00%*

Rental differential excluding vacant areas

Industrial:	*4.30%*
Office:	*0.00%*

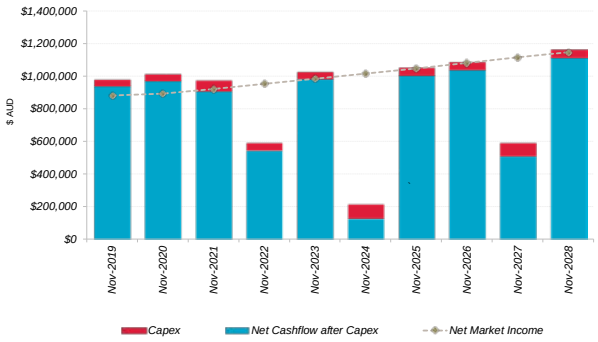
Current Vacancy

Use	*Vacancy (m²)*	*% of GLA*
Industrial	-	-
Office	-	-
Total	***0.0***	***0.0%***

Cashflow Summary

Analysis Date 19/11/2018

Net Cashflow Projections



Cashflow Profile (Year End)

	Net Cashflow (before capex)	Capex	Net Cashflow (after capex)
1	$979,095	*($41,339)*	$937,756
2	$1,012,806	*($42,414)*	$970,393
3	$977,184	*($69,523)*	$907,661
4	$591,147	*($44,517)*	$546,630
5	$1,028,145	*($45,630)*	$982,515
6	$216,339	*($84,737)*	$131,602
7	$1,052,321	*($47,800)*	$1,004,521
8	$1,088,821	*($48,852)*	$1,039,970
9	$593,173	*($79,841)*	$513,332
10	$11,836,510	*($51,224)*	$11,785,285

Capital Expenditure

Building Capex (10 yr)	$461,992
Operational Capex (10 year)	$93,885
Outstanding Capital Incentives	$0
Total Capex (10 year)	*$555,877*
Total Capex $/m2 of NLA (10 year)	$48/m²
% of Building Value	6.18%

Valuation Summary

DCF Analysis

Discount Rate	10.00%	
Terminal Yield	10.25%	
Present Value of Cashflow	$9,436,850	
Less Acquisition Costs	$500,439	
Indicated Value	***$8,936,411***	
NPV of Cashflow	$5,322,255	*59.6%*
PV Of Terminal Value	$3,614,156	*40.4%*

Capitalisation Approach

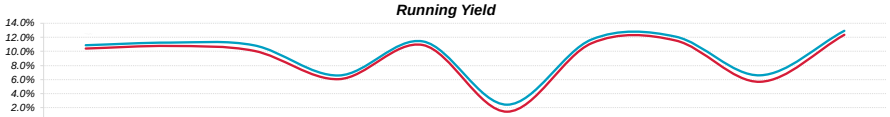
Net Market Income		***$882,750***	
Capitalisation Rate Range	*9.75%*	***10.00%***	*10.25%*
Core Value (pre adjustments)	$9,053,846	***$8,827,500***	$8,612,195
Adjustments	$114,121	$114,121	$114,121
Indicated Value Range	***$9,167,967***	***$8,941,621***	***$8,726,316***

DCF Analysis Sensitivity

Discount Rate \ Terminal Yield	*10.00%*	***10.25%***	*10.50%*
9.50%	$9,315,748	$9,202,260	$9,096,337
9.75%	$9,178,789	$9,067,860	$8,964,326
10.00%	$9,044,845	**$8,936,411**	$8,835,206
10.25%	$8,913,838	$8,807,838	$8,708,905
10.50%	$8,785,695	$8,682,069	$8,585,351

Adopted Value		***$9,000,000***
Passing Initial Yield		*10.44%*
Reversionary Yield		*9.81%*
Core Market Yield *(Analysed Capitalisation Rate)*		***9.93%***
Adopted Capitalisation Rate		*10.00%*
Rate per square metre of GLA		*$781*
Rate per square metre of Site Area		*$1,420*
Weighted Average Lease Expiry (by income)		*4.2 yrs*
Internal Rate of Return (after costs)	*10 years*	***9.9%***
	5 years	*9.0%*

Running Yield



	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Running Yield (before capex)	10.9%	11.3%	10.9%	6.6%	11.4%	2.4%	11.7%	12.1%	6.6%	12.9%
Running Yield (after capex)	10.4%	10.8%	10.1%	6.1%	10.9%	1.5%	11.2%	11.6%	5.7%	12.4%

Running Yield (before capex)
Running Yield (after capex)

Contents

Executive Summary i
SWOT Analysis iii
Key Data vii
Summary Data & Results viii
Qualifications 1
1 Introduction 3
1.1 Instructions 3
1.2 Pecuniary Interest Declaration 3
1.3 Market Value Definition 3
2 Land Particulars 4
2.1 Location 4
2.2 Title Details & Site Description 5
2.3 Easements and Encumbrances 7
2.4 Town Planning Details 9
2.5 Environmental Considerations 12
2.6 Mine Subsidence 13
2.7 Flooding Issues 13
2.8 Heritage 13
2.9 Native Title Claims 13
3 Improvements 14
3.1 General Description 14
3.2 Lettable Areas 15
3.3 Building Construction and Services 16
3.4 Accommodation 16
3.5 Ancillary Improvements and Car Parking 17
3.6 Building Age and Condition 17
4 Market Overview 19
4.1 Central Coast Economic Drivers 19
4.2 Central Coast Industrial Market Overview 21
5 Financial Summary 22
5.1 Tenancy Status & Negotiations 22
5.2 Lease Structure Summary 22
5.3 Summary of Total Capital Expenditure Adopted 24
5.4 Statutory Valuation Assessments 24
5.5 Outgoings 24
5.6 Leasing Evidence 25
5.7 Net Market Income Assessment 28
5.8 Net Income Summary (Passing versus Adopted Market) 28
5.9 Improved Sales Evidence 29
5.10 Vacant Land Sales Evidence 32
6 Valuation Rationale 37
6.1 Valuation Methodology and Considerations 37
6.2 Capitalisation Approach – Valuation 1 37
6.3 Discounted Cash Flow Analysis Approach (DCF) – Valuation 1 38
6.4 Valuation Reconciliation – Valuation 1 42
6.5 Sensitivity Analysis 42
6.6 Direct Comparison Approach – Valuation 3 Land Component 43
7 Additional Requirements 44
7.1 Valuation 2 assuming Bunnings Exercise their Option **Error! Bookmark not defined.**
7.2 Insurance Recommendation 44
7.3 Marketability 45
7.4 Mortgage Recommendation **Error! Bookmark not defined.**
8 Valuation Certification 46

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Appendices

- Letter of Instruction
- Title Documents
- Valuation Calculations

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Qualifications

1. This report is prepared for the private and confidential use of the reliance party/parties named in Section 1.1 of this report, and only for the purpose outlined in Section 1.1. It should not be relied on by the nominated party/parties for any other purpose and should not be reproduced in whole or part for any other purpose without the express written consent of Knight Frank Newcastle. Any party that is not named as a reliance party/parties may not rely on this report for any purpose and should obtain their own valuation before acting in any way in respect of the subject property.
2. This valuation may not be relied upon for mortgage security purposes by any party not nominated within without the express written approval/assignment by Knight Frank Newcastle.
3. The valuation specifically may not be relied upon by any party in connection with any Managed Investment Scheme (within the meaning of the Corporations Law) which:
   a) Has as its prime or as a substantial purpose, the provision of tax benefits to investors; or
   b) Is involved in any form of direct or indirect investment in primary production including "property used for primary production".
4. Unless otherwise stated, all valuation figures stated herein are net of GST, are on a before tax basis, are before acquisition or selling expenses, and do not reflect any withholding amounts or impact upon sale proceeds that may apply under foreign investor transaction legislation (including under mortgagee sale conditions).
5. Reliance on this report should only be taken upon sighting an original document received by the Reliant Party directly from Knight Frank or through a Panel Management System authorised by the client and countersigned by a senior executive of Knight Frank Newcastle. The counter-signatory verifies that this report is genuine and issued and endorsed by Knight Frank Newcastle. The opinion of value expressed in this report, however, has been arrived at by the prime signatory acting as the valuer. Please note that Christopher Keats has not inspected the subject property, and counter-signs this report only in his capacity of Director, Knight Frank Newcastle, Knight Frank Newcastle.
6. This valuation is current at the date of valuation only. The timing and extent of market movements is impossible to accurately predict and we do not attempt to do so. The value assessed herein may change significantly and unexpectedly over a relatively short period as a result of general market movements, or factors specific to the particular property as identified in this report. Losses resulting from such movement in value subsequent to the date of valuation are not foreseeable and we do not accept any duty to protect your financial interests against such movements in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this value is relied upon after the expiration of 3 months from the date of the valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.
7. In accordance with industry guidelines and requirements, Knight Frank Newcastle cannot assign or confirm the original or initial valuation after the expiration of 3 months from the date of valuation. Any written assignment of the valuation by Knight Frank Newcastle within this 3 month period is required to contain a statement that the valuer has not re-inspected the property nor undertaken further investigations or analysis since the original/initial valuation and accepts no responsibility for reliance upon the original/initial valuation other than as a valuation of the property at the original/initial date of valuation.
8. This valuation is conditional on there being no material change (including as a result of general market movements, or factors specific to the particular property) between the date of inspection, date of issue, and

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the date of valuation (should they differ) that would impact on the value of the subject property. Should such an event occur, the valuer should be contacted for comment prior to reliance upon the valuation.

9. This valuation is not intended to be used to provide financial advice, express or implied, and we confirm that the valuer and Knight Frank Newcastle is not licensed to provide financial product advice under the Corporations Act 2001.
10. This valuation report is to be read in its entirety and in particular we draw your attention to the Important Notices set out in the body of the report and the Critical Conditions section of the Executive Summary.
11. Any forecasts, including but not limited to, financial cash flow projections or terminal value calculations noted within this report are a valuation tool only undertaken for the purpose of assisting to determine the market value. No party may rely upon any financial projections or forecasts within this report on the understanding that they are undertaken for the specific purpose of determining the market value only and therefore should not be represented in any way as providing an indication of likely future profit or realisable cash flow.
12. Any objective information, data or calculations set out in the Valuation will be accurate so far as is reasonably expected from a qualified valuer, reflecting due skill, care and diligence.
13. The law of the Australian state in which a property is located will apply in every respect in relation to the valuation and the agreement with the client which shall be deemed to have been made in that state of Australia. In the event of a dispute arising in connection with a valuation, unless expressly agreed otherwise in writing by Knight Frank, the client, and any third party using the valuation, all will submit to the jurisdiction of the Australian Courts only. This will apply wherever the property or the client is located or the advice is provided.

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1 Introduction

1.1 Instructions

Instructing Party	RSM Corporate Australia Pty Ltd
Relying Party/Parties & Purpose of Valuation	RSM Corporate Australia Pty Ltd and Hudson Investment Group Ltd for financial reporting purposes and inclusion in RSM's Independent Expert Report
Interest Valued	100% freehold interest
Basis of Valuation as instructed	1. Current Market Value "As Is" subject to existing lease agreements to Bunnings and BCP – "Valuation 1" 2. Current Market value "As Is" of the surplus land – "Valuation 2", assuming separate title
Date of Inspection	19 November 2018
Date of Valuation	16 November 2018 (as instructed)

A copy of the Letter of Instruction is appended.

The valuation has been prepared in accordance with the Australian Property Institute's Valuation and Property Standards and may be relied upon for first mortgage security purposes.

1.2 Pecuniary Interest Declaration

The valuer has no pecuniary interest in the said property, past, present or prospective, and the opinion expressed is free of any bias in this regard.

All investigations have been conducted independently and without influence from a third party in any way.

1.3 Market Value Definition

Market Value as defined by the International Valuation Standards Committee (IVSC) and endorsed by the Australian Property Institute (API) and embodied within the current Corporations Law, is as follows:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

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2 Land Particulars

2.1 Location

Position

- The subject forms what was originally known as the CSR quarry pit and brick making facility. The site has retained and refurbished in part the manufacturing facility and there still remains several large lakes / ponds which are the former quarry pits.
- The Property is situated within the suburb of Halloran adjoining Warnervale, approximately 11 radial kilometres north of Wyong on the Central Coast.

Surrounding and Adjoining Development

- Halloran is comprised predominantly of rural and residential properties with some retail, commercial and industrial development intermingled. The subject property is situated within immediate proximity of the Warnervale Airport however such remains an unlicensed airport despite ongoing plans since 1995 to expand the airport for regional use.
- The neighbouring suburbs in the vicinity to the subject comprise predominantly rural and residential properties.
- Industrial occupiers in the surrounding industrial include Woolworths, Global Truck Imports, NDF Food Services and Clean Water Products.

Road System & Access

- Access to the allotments are via Sparks Road and Mountain Road. Both are bitumen sealed carriageways with gravel verges.
- The Property is located approximately 3.7 kilometres east, by road, from the Pacific Highway.

Services and Amenities

- All mains services including electricity, gas, water, sewerage and telephone are available to Lot 74 in Deposited Plan 755245 and Lot 1 Deposited Plan 796730. We don't believe any of the other lots have the above services to allow for immediate construction of warehouses. Further reticulation of services would be required to the eastern portion of the site including an access road. The land to the immediate vicinity of the current improvements would be able to utilise the current services provided.
- The nearest public rail transport to the Property is Warnervale railway station, approximately 1.8 kilometres to the south east.

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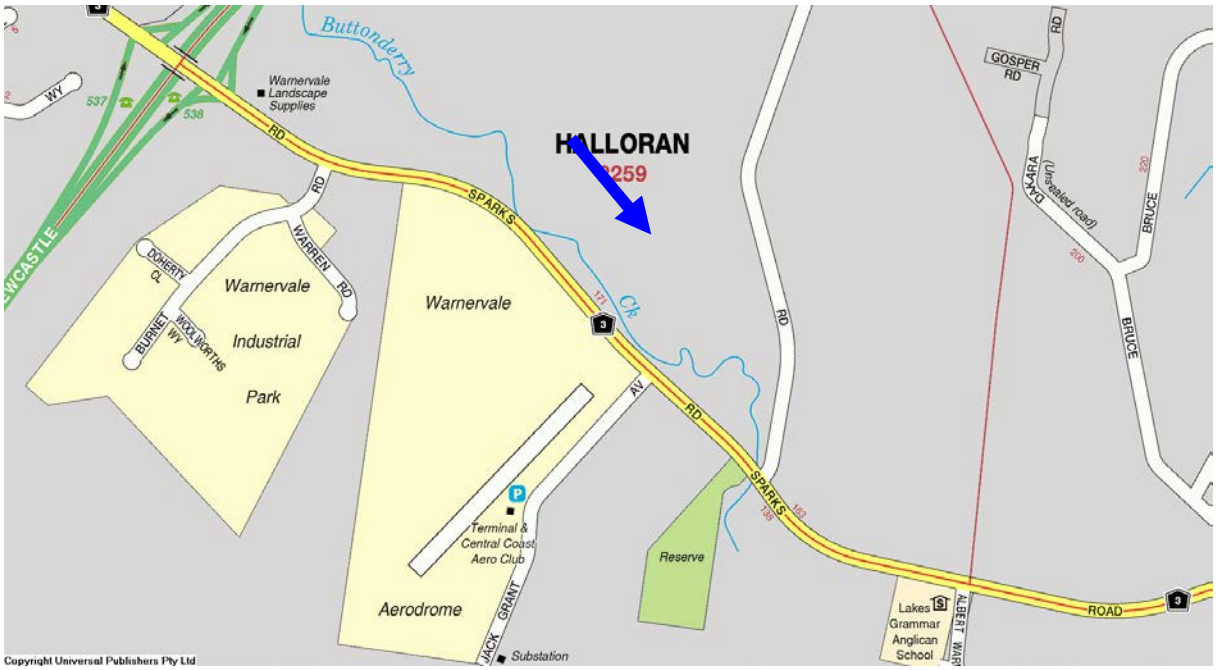

2.2 Title Details & Site Description

Title Description & Current Registered Proprietor		
Lot 7 in DP239691	171-175 Sparks Road, Halloran	HTH Holdings Pty Ltd
Lot 1 in DP796730	171-175 Sparks Road, Halloran	HTH Holdings Pty Ltd
Lot 2 in DP796730	171-175 Sparks Road, Halloran	HTH Holdings Pty Ltd
Lot 74 in DP755245	171-175 Sparks Road, Halloran	HTH Holdings Pty Ltd
(Crown Plan 5697.2111)		

Identification

The Property has been identified with reference to the Deposited Plans and physical inspection.

Site Area & Physical Description

The Deposited Plan indicates that all five allotments are of irregular in shape.

The site is undulating in topography, falling toward the east. The site has been cut and filled in part. Where the site is zoned industrial it is predominately cleared. There are several large lakes / ponds on site which form part of the former CSR quarry pit.

Description	Measurements
Area of Lot 74 in Deposited Plan 755245	92,066 metres
Area of Lot 2 in Deposited Plan 796730	6,446 metres
Area of Lot 7 in Deposited Plan 239691	7,702 metres
Area of Lot 1 Deposited Plan 796730:	129,600 metres
Total Site Area	**235,814 square metres**

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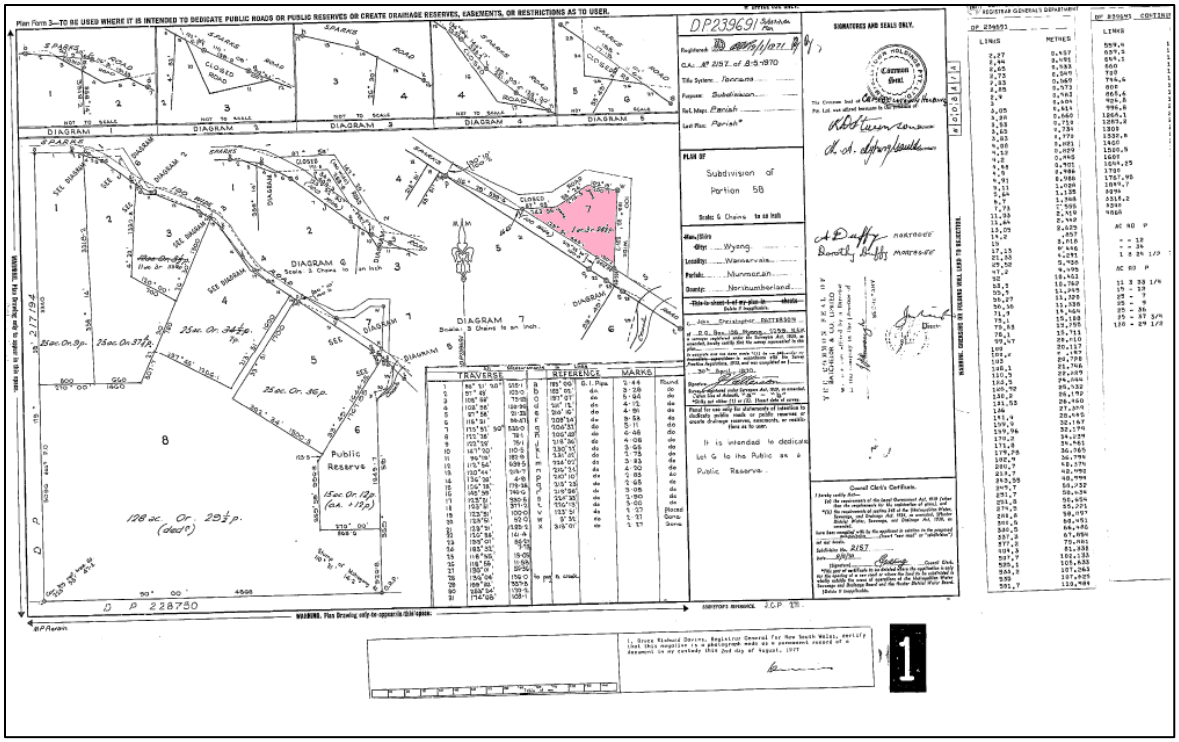
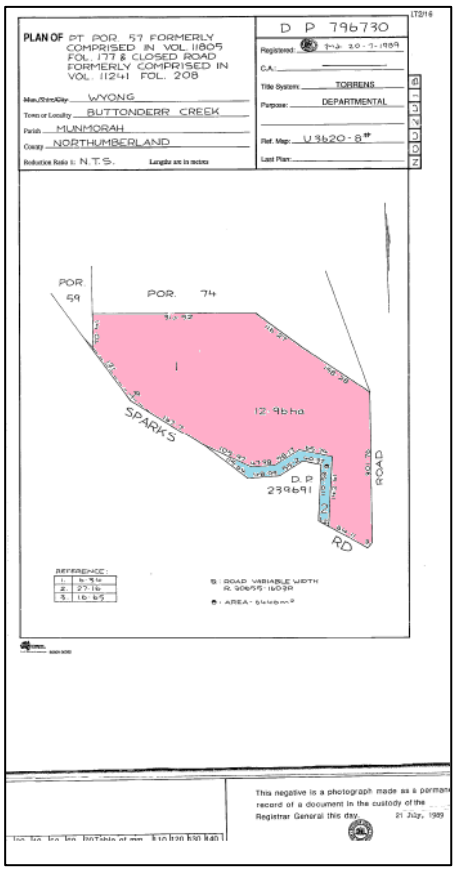
An extract of the Deposited Plan is as follows.



Lot 7 in DP239691



Lots 1 & 2 in DP796730

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Important Notice

From our inspection and a comparison with the Title Plan, the improvements appear to be constructed within the title boundaries, however we are not qualified surveyors, and have not been provided with a site survey and therefore we cannot state conclusively that all buildings are within the title boundaries. Our valuation is conditional on there being no encroachments by the subject's improvements, or onto the subject land by adjoining properties. In the event there is an encroachment which proves material, our valuation would change as would our recommendation as to its suitability for mortgage purposes (if made).

Copies of the Certificates of Title are appended.

2.3 Easements and Encumbrances

Reference should be made to the Folio Identifier attached, which details encumbrances and interests noted on title. Other than Reservations and Conditions in the Crown Grant(s), notations of significance include:

Lot 7 in DP239691

- Land excludes Minerals and is subject to Reservations and Conditions in favour of the Crown - see Crown Grant(s)
- AH172348 Mortgage to Commonwealth Bank of Australia

Lot 1 in DP796730

- Land excludes Minerals and is subject to Reservations and Conditions in favour of the Crown - see Crown Grant(s)
- *Land excludes the road(s) variable width shown on the title diagram*
- AC39869 Lease to Hudson Timber Products Limited Expires: 30/11/2011. Option of Renewal: 10 years. AC139279 Variation of Lease AC39869
- AH172348 Mortgage to Commonwealth Bank of Australia

Lot 2 in DP796730

- Land excludes Minerals and is subject to Reservations and Conditions in favour of the Crown - see Crown Grant(s)
- AH172348 Mortgage to Commonwealth Bank of Australia

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Lot 74 in DP755245

- Land excludes Minerals and is subject to Reservations and Conditions in favour of the Crown - see Crown Grant(s)
- Excepting land below a depth from the surface of 15.24 metres
- *AA533582* *Lease to Ausgrid (see AJ107152) of Substation No 18110 together with right of way and easement for electricity purposes affecting the part shown in DP1047747. Expires: 31/3/2053.*
- *AK971351* *Lease of Lease AA533582 to Blue Asset Partner Pty Ltd, Eric Alpha Asset Corporation 1 Pty Ltd, Eric Alpha Asset Corporation 2 Pty Ltd, Eric Alpha Asset Corporation 3 Pty Ltd & Eric Alpha Asset Corporation 4 Pty Ltd Expires: see Dealing. Clause 2.3 (b) (ii).*
- *AK971352* *Lease of Lease AK971351 to Blue Op Partner Pty Ltd, Eric Alpha Operator Corporation 1 Pty Ltd, Eric Alpha Operator Corporation 2 Pty Ltd, Eric Alpha Operator Corporation 3 Pty Ltd & Eric Alpha Operator Corporation 4 Pty Ltd Expires: see Dealing. Clause 12.1*
- *AK971502* *Mortgage of Lease AK971351 to ANZ Fiduciary Services Pty Ltd*
- *AK971571* *Change of Name affecting Lease AA533582 Lessee now Alpha Distribution Ministerial Holding Corporation*
- AG722326 Lease to Bunnings Group Limited of Unit 1, 171-175 Sparks Road, Warnervale. Expires: 30/11/2018. Option of Renewal: 5 years with 2 further Options of Renewal of 5 years each.
- AI325390 Variation of Lease AG722326
- AH172348 Mortgage to Commonwealth Bank of Australia
- AI325391 Lease to Better Concrete Products Pty Ltd of Unit 2, 171-175 Sparks Road, Warnervale. Expires: 13/10/2018. Option of Renewal: 3 years and one further Option of 3 years.

Important Notice

Although our title search (attached) does not show any unregistered dealings, it is noted that not all encumbrances may be recorded on the title documents provided to us. Our valuation is made on the basis that the property is free from mortgages, charges and other financial liens and is conditional on there being no encumbrances or interests other than those reported on our title search which materially affect the value, marketability and continued utility of the property. Should any encumbrances, encroachments, restrictions, leases or covenants which are not noted in this report be discovered which are material, our valuation would change, as would our recommendation as to its suitability for mortgage security purposes (if made).

2.4 Town Planning Details

Municipality and Planning Scheme
Wyong Local Environmental Plan 2013

Zoning – IN1 General Industrial

1. Objectives of Zone

- To provide a wide range of industrial and warehouse land uses.
- To encourage employment opportunities.
- To minimise any adverse effect of industry on other land uses.
- To support and protect industrial land for industrial uses.
- To enable other land uses that provide facilities or services to meet the day-to-day needs of workers in the area.

2. Permitted without Consent

Nil

3. Permitted with Consent

Depots; Food and drink premises; Freight transport facilities; Garden centres; General industries; Hardware and building supplies; Industrial training facilities; Kiosks; Landscaping material supplies; Light industries; Liquid fuel depots; Neighbourhood shops; Places of public worship; Plant nurseries; Roads; Rural supplies; Timber yards; Vehicle sales or hire premises; Warehouse or distribution centres; Any other development not specified in item 2 or 4

4. Prohibited

Agriculture; Boat launching ramps; Boat sheds; Camping grounds; Caravan parks; Cemeteries; Charter and tourism boating facilities; Commercial premises; Correctional centres; Eco-tourist facilities; Educational establishments; Entertainment facilities; Environmental facilities; Exhibition homes; Exhibition villages; Extractive industries; Farm buildings; Forestry; Function centres; Heavy industries; Heavy industrial storage establishments; Home-based child care; Home businesses; Home occupations; Home occupations (sex services); Information and education facilities; Jetties; Marinas; Mooring pens; Moorings; Open cut mining; Passenger transport facilities; Public administration buildings; Recreation facilities (indoor); Recreation facilities (outdoor); Registered clubs; Residential accommodation; Tourist and visitor accommodation; Water recreation structures; Wharf or boating facilities

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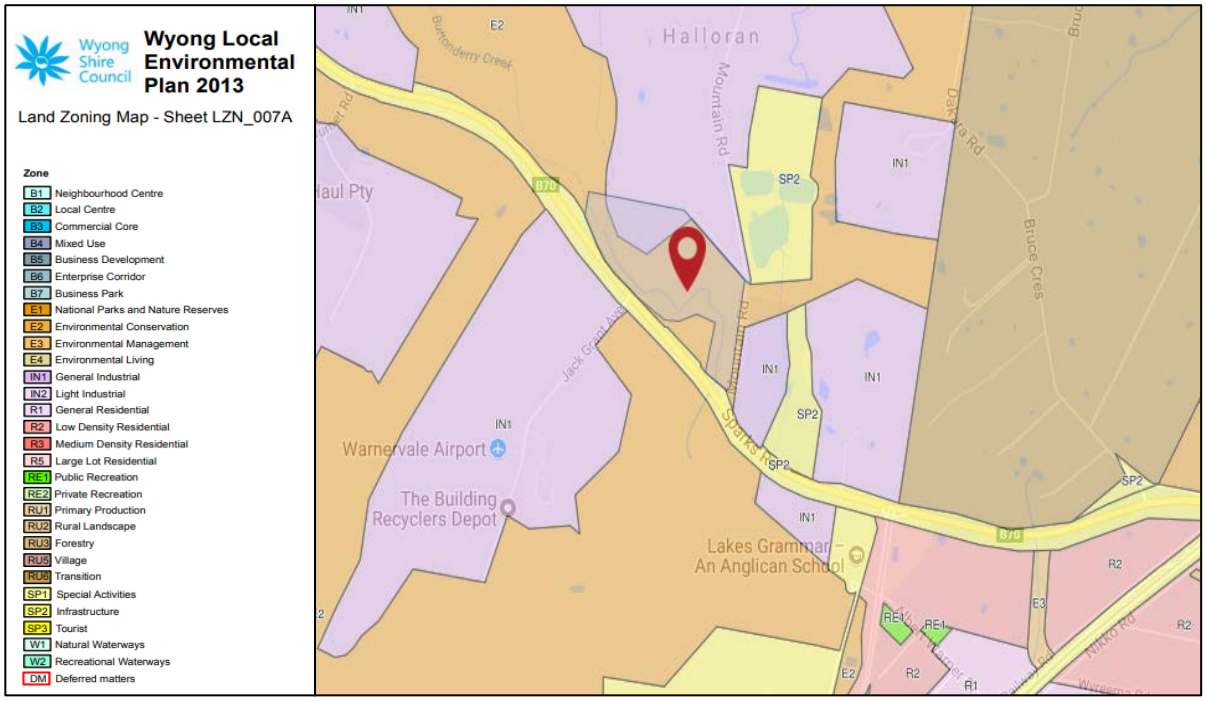
Zoning Map



Zoning – E2 Environmental Conservation

1. Objectives of Zone

- To protect, manage and restore areas of high ecological, scientific, cultural or aesthetic values.
- To prevent development that could destroy, damage or otherwise have an adverse effect on those values.
- To protect endangered ecological communities, coastal wetlands and littoral rainforests.
- To enable development of public works and environmental facilities if such development would not have a detrimental impact on ecological, scientific, cultural or aesthetic values.

2. Permitted without Consent

Nil

3. Permitted with Consent

Eco-tourist facilities; Environmental facilities; Environmental protection works; Flood mitigation works; Recreation areas; Research stations; Roads; Water reticulation systems

4. Prohibited

Business premises; Hotel or motel accommodation; Industries; Multi dwelling housing; Recreation facilities (major); Residential flat buildings; Restricted premises; Retail premises; Seniors housing; Service stations; Warehouse or distribution centres; Any other development not specified in item 2 or 3

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Zoning – SP2 Infrastructure

Objectives of Zone

- To provide for infrastructure and related uses.
- To prevent development that is not compatible with or that may detract from the provision of infrastructure.
- To recognise existing railway land and to enable future development for railway and associated purposes.
- To recognise major roads and to enable future development and expansion of major road networks and associated purposes.
- To recognise existing land and to enable future development for utility undertakings and associated purposes.

2. Permitted without Consent

Nil

3. Permitted with Consent

Roads; The purpose shown on the Land Zoning Map, including any development that is ordinarily incidental or ancillary to development for that purpose

4. Prohibited

Any development not specified in item 2 or 3

Bushfire Prone Land

✚ Vegetation Category 1 (pub. 2018-02-12)	1
✚ Vegetation Buffer (pub. 2018-02-12)	0

Important Notice

The above information was obtained from the public records of Council's Town Planning Department and should verification be required, an application to Council may be obtained for a Certificate issued under the provisions of Section 149 of the Environmental Planning & Assessment Act, 1979. Should such Certificate not confirm the abovementioned zoning and development guidelines, the matter should be referred immediately to the valuer for consideration and review of the valuation, if appropriate.

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2.5 Environmental Considerations

Site Contamination

Historical Uses	The historical use of the site has been as a quarry and prior to that as a rural parcel.
Registered on the EPA List/Statement of Environmental Audit	No
Perceived Environmental Risk	During the course of our inspection we did not notice any evidence of land or building contamination. Importantly, however, we are not experts in the detection or quantification of environmental problems and we have not sighted an Environmental Audit. We confirm that there are no perceived environmental risks or problems associated with the subject property in relation to its present and known historical uses, and we further confirm that we have found no information in our enquiries to necessitate the instigation of a detailed environmental audit, subject to important notice below.

Important Notice

No soil tests or environmental studies have been made available for our perusal and we do not have any expertise as environmental consultants nor are we qualified to provide an assessment of the contamination of land. We have undertaken the following steps to assess whether there are any obvious signs of contamination:

- *Site inspection.*
- *Review existing site use and historical site use (so far as it is identifiable from the current site owners).*
- *Review of EPA list (see above).*
- *Planning controls over the subject property.*

As a result of the above investigation we have been unable to identify any obvious signs of contamination. However we are unable to assess whether there are any latent signs of contamination or other indicators beyond the investigations referred to above. The assessed value could well decrease if material contaminants are present and our assessment of the suitability of this property for mortgage security purposes would be adversely impacted. This valuation is conditional on the site being free of contamination and any party relying on this valuation does so on the basis that Knight Frank Newcastle accepts no liability for any loss relating to contamination.

Asbestos Materials

Hazardous Materials Audit Provided	No
Identified Asbestos at Inspection	No, although possible to be present within building materials
Potential for unsighted Asbestos	Given the age of the improvements, and the indication of progressive refurbishment and alterations to the site, there is potential for asbestos to be present in such items as insulative materials around ductwork, or concealed within wall and ceiling cavities.

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Important Notice

No asbestos reports have been made available for our perusal and we do not have any expertise in asbestos identification or assessment. We have undertaken the following steps to assess whether there are any obvious signs of asbestos:

- *Internal and external visual inspection.*
- *We have not inspected the building beyond the surface of the internal and external building fabric.*

As a result of the above investigation we have been unable to identify any obvious signs of asbestos however as discussed above, this does not mean the building is free of asbestos. We are unable to assess whether there are any latent signs of asbestos or other indicators beyond the investigations referred to above. The assessed value could well decrease if asbestos which is material to the valuation is present and our assessment of the suitability of this property for mortgage security purposes would be adversely impacted. This valuation is conditional on the site being free of asbestos and any party relying on this valuation does so on the basis that Knight Frank Newcastle accepts no liability for any loss relating to asbestos.

2.6 Mine Subsidence

The land does not lie within a Mines Subsidence District proclaimed under Section 15 of the Mines Subsidence Compensation Act 1961.

2.7 Flooding Issues

We have not been provided with a Flood Survey however Wyong Shire Council online mapping indicates that this Property is susceptible to flooding, and is considered to have a low risk of flooding.

2.8 Heritage

The subject property is an adaptive re-use of a former quarry. We have not undertaken any formal heritage searches, and our valuation is made on the assumption that there are no heritage issues relating to the Property. If any heritage issues are found to relate to the Property, we reserve the right to review our valuation.

2.9 Native Title Claims

We are not aware of any Native Title Claim impacting on the Property.

Important Notice

In undertaking this valuation assessment, we have not commissioned a search of the Register of Native Title Claims which is administered by the National Native Title Tribunal. The assessed value could well decrease if a native title claim exists, or eventuates, over the subject land. It would also adversely impact on our assessment of the suitability of this property for mortgage security purposes. Knight Frank Newcastle is not a specialist in native title law and this valuation is conditional on the site being free of any native title claim. Any party relying on this valuation does so on the basis that Knight Frank Newcastle accepts no liability for any loss relating to native title claims. Should a native title claim be identified upon the subject site, the valuation should be referred back to the valuer for reassessment.

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3 Improvements

3.1 General Description

The subject forms what was originally known as the CSR quarry pit and brick making facility. The site has retained and refurbished in part, the manufacturing facility.

Lot 74 in Deposited Plan 7552245 is improved with an older-style warehouse that is subdivided into two tenancy areas which is semi enclosed, leased to Bunnings and Better Concrete Products. In addition there is a freestanding office building and a gatehouse situated south east of the warehouse providing circa 130 square metres.

Ancillary site improvements include extensive concrete and gravel hardstand areas extending to the southern portion of Lot 1 Deposited Plan 796730, security fencing, ample light and heavy vehicle parking to the sites eastern elevation and wooden walkway between the gatehouse and office.

Lot 1 Deposited Plan 796730 consists of a predominately undeveloped site with the exception of the hardstand overage mentioned above. There is a small residential brick dwelling fronting Sparks Road. Lot 7 in Deposited Plan 239691 and Lot 4 Deposited Plan 796730 are undeveloped land zoned E2 Environmental Conservation.

The dwelling is 3 bedrooms, one bathroom, separate family, lounge dining and kitchen. The house is in good order and well maintained. There is a semi attached shed to the eastern elevation in fair order.

Bunnings Frame and Truss

BCP Hardstand

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Northern elevation

Access road

Western land

3.2 Lettable Areas

The adopted net lettable areas are outlined below.

Accommodation	GLA (m²)	% GLA
Office A	919	7.98%
Warehouse A	5,724	49.67%
Office B	420	3.64%
Warehouse B	4,460	38.71%
Total GLA	**11,523**	**100.00%**

We have not independently verified these areas and assume they are correct for the purpose of our valuation. Should these areas prove to be incorrect we reserve the right to review our valuation.

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3.3 Building Construction and Services

Generally, the improvements have the following base construction:

Component	Office	Warehouse
Foundations	Concrete	Concrete
Floors	Concrete	Concrete
Frame	Steel portal frame	Steel portal frame
External Walls	Metal deck	Metal deck
Internal Walls	Plasterboard	Unlined
Roof	Metal deck	Metal deck
Ceilings	Suspended ceiling	Unlined
Lighting	Recessed fluorescent	Mercury arc lighting
Doors/Windows	Aluminium	Open space
Building Services	Ducted air-conditioning, split-system air-conditioning, packaged air-conditioning	Mechanical ventilation Three-phase power Gantry cranes
Fire Services	Fire hose reels Portable extinguishes	Fire hose reels Portable extinguishes Smoke detectors

3.4 Accommodation

House

The house is a basic single level brick and tile clad residence built up of the ground on bearers and joists. There is three bedrooms, separate lounge dining and family and kitchen areas.

Office

The Bunnings office accommodation consists of single level office component, incorporating a reception area, boardroom, meeting rooms, training rooms, partitioned and open plan offices, kitchen, server room, male and female amenities with shower and locker facilities, lunchroom and outdoor eating area. The Better Concrete Products office is a demountable over two levels and features open plan office space with meeting rooms and male and female amenities.

Warehouse

Clear span semi-enclosed warehouse subdivided into two tenancy with clearance of approximately 6 to 7 metres, six rows of support columns and open access points.

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BCP Workshop

Bunnings covered awning area

Kitchen (BCP)

Hardstand

3.5 Ancillary Improvements and Car Parking

Ancillary site improvements include extensive gravel hardstand areas extending to the northern portion of Lot 1 Deposited Plan 796730, security fencing, ample light and heavy vehicle parking to the sites eastern elevation and wooden walkway between the gatehouse and office.

3.6 Building Age and Condition

The building was constructed circa 1970s and has had various up-grades more recently in circa 1990's and as at the date of inspection appeared to be in an average state of repair and condition, commensurate with its age and use.

Our valuation has had regard to the apparent state of repair and condition of the Property, however, we were not instructed to carry out a structural survey or to test any of the services available to the Property. We are therefore unable to report that the Property is free from further defect and we have assumed that no deleterious materials have been used in the construction.

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We have assumed the Property complies with all relevant statutory requirements in respect of matters such as health, building, and fire safety regulations and has been built in accordance with the provisions of the Australian Building Code prevailing at the time of construction.

Important Notice

We have not been provided with a structural survey, nor an expert report on the plant and equipment. Our valuation is conditional on the structure and service installations of the improvements being free from any defects requiring material capital expenditure, other than that stated herein. If this is incorrect, or should there be a material revision to the capital expenditure information noted within, our valuation would change, as would our recommendation as to its suitability for mortgage security purposes (if made).

Our valuation is conditional upon the property complying with all statutory and local government regulations and building codes. We are not, however, experts in this area and should you wish to confirm compliance verification may be sought from an appropriately qualified consultant.

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4 Market Overview

4.1 Central Coast Economic Drivers

The Economic Profile Central Coast Prepared for the Economic Development Strategy for Regional NSW February 2015 and a presentation 'Central Coast Economic Breakfast' by the Council Chief Executive Officer dated 27 October 2017, provides the following economic update for the 'Coast'.

Overview

Located about an hour from Sydney and Newcastle, the Central Coast offers a coastal lifestyle, a regional city in Gosford, a strategic position for business logistic operations and a mobile workforce. Key industries include manufacturing, health and social services, retail, construction, and accommodation and food services. The region offers connectivity to key labour and consumer markets and a viable alternate business and residential location to Sydney. The 2015 report reveals a quarter of all residents commute out of the region for work, of which 18% commute to Sydney and 5% to the Hunter region. More than half of the Central Coast is made up of national parks, state forest, bush land, open space, nature reserves, beaches and waterways, with over 80km of coastline. Tourism is worth around $880 million a year to the region. It primarily attracts Sydneysiders, who made up about 62% of overnight domestic visitors to the year ended March 2014. A 'sea change' destination, the Central Coast also attracts retirees and families, mainly from Sydney. Population growth has been high and is expected to continue, reaching an estimated 386,900 by 2031. The proportion of people over 65 years is also expected to grow.

Compared to Regional NSW, the Central Coast has higher than average overall tertiary qualification rates (technical and university). But although the region's technical skills base is relatively strong, university qualifications are lower than average. There is potential to further leverage its competitive advantages as the Central Coast continues to grow. These include a strong labour force; a growing population; connectivity to key markets, transport infrastructure, and high speed fibre internet; and an attractive natural environment and coastal lifestyle.

A unique region with an enviable coastal lifestyle, growing business hub, skilled workforce, and strategic access to Sydney and Newcastle.

Over 130,000 Central Coast residents are employed, representing about 11% of Regional NSW's total employment. The Central Coast experienced above average job growth between 2006 and 2011 of 4.7% as compared to 4.2% in Regional NSW. Manufacturing contributes over $1 billion to the region's gross product. The Central Coast is a food and beverage manufacturing hub, accounting for 25% of

In 2011, around 78% of people were employed in services related sectors (as in metropolitan Sydney). Projected population growth is likely to see continued growth in these sectors, particularly in health care and social services. The Professional, Scientific and Technical Services sector grew strongly from 2006-2013 (7.8% compound annual growth), indicative of a growth in knowledge based services. The sector contributed around $424 million to the Central Coast economy in 2013.

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Retail Trade contributed over $600 million to the Central Coast economy in 2011 and employed over 13,500 people. Since 2011, the sector's GRP has grown at a high 7.8% compound annual rate, to over $700 million in 2013. The Accommodation and Food Services sector, tied to the visitor economy, employed 9.1% of the Central Coast workforce in 2011 and contributed around $396 million to the region in 2013. Construction is another key sector, contributing around $700 million. With a projected demand for 36,800 new dwellings by 2031, the sector is likely to remain an important economic driver.

The Central Coast is also a strategic location for logistics, with access to Sydney and Newcastle via the Pacific Highway and Motorway, and to Brisbane, Melbourne and beyond. Distribution and logistics operations, such as Alliance Distribution Services, Toll and Woolworths, are located in the region.

Overall unemployment was higher than the average in Regional NSW – 6.9% compared with 6.2%. Youth unemployment was also relatively high, at 14.9% compared with the regional average of 13.2%. Central Coast unemployment has remained in a band ranging between 6% and 7% from the end of 2011 through to August 2014, based on twelve month moving average data.

Top 5 industries by contribution to GRP in 2013 (compared to Regional NSW) Central Coast Regional NSW 1. Health Care and Social Assistance (11.2%) 1. Manufacturing (8.3%) 2. Manufacturing (9.4%) 2. Health Care and Social Assistance (8.1%) 3. Retail Trade (6.5%) 3. Mining (7.7%) 4. Education and Training (6.5%) 4. Construction (6.0%) 5. Construction (6.5%) 5. Education and Training (5.9%)

Development Applications Achievements & Targets

Central Coast Council report the following in their 2017 economic update presentation:

- 5,185 development applications (DAs) worth over $1.8 billion approved since the merger, including 1,061 DAs worth over $379m since 1 July 2017.

- A total of 35 rezonings have gateway approval and are under assessment = $4 Billion in future development.

- Median DA assessment time was 19 Business Days last Quarter • Premier's target is 90% of housing approvals determined in < 40 days by 2019. CCC is already achieving this target.

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4.2 Central Coast Industrial Market Overview

The Central Coast industrial property marketed is largely made up of light to medium industrial users along with a number of larger scale distribution and manufacturing facilities. The M1 Motorway linking Sydney to Newcastle and northern New South Wales and as such the Central Coast is a suitable location for large scale distribution centres including the Woolworths Distribution Centre at Warnervale and Berkeley Vale Distribution Centre.

The main industrial estates within the Central Coast region include:

- Gosford and Gosford West
- Tuggerah, Berkeley Vale and Tumbi Umbi
- Somersby
- Wyong and North Wyong
- Erina
- Morisset
- Charmhaven and Doyalson

Leasing Market

Light to medium industries form the majority of stock across the market, and as such the market will always remain relatively active in comparison to larger holdings. Rents across older facilities generally range from $90/m2 to $130/m2, with smaller strata units achieving rents of $100/m2 to $150/m2, with those at the higher end including a significant proportion of office space.

The industrial leasing market on the Central Coast is considered to be a limited market especially for larger users. The ability for larger users to seek a specific 'turn-key' development will always exist whilst there is such a large supply of land. Depending on the quality and age of the facility market rents generally ranged between $70/m2 - $100/m2.

Investment Market

The sales sector of the market over the past 6 to 12 months has continued to experience medium volumes of transactions through all price brackets. Yields on investment properties within this regional market has either remained level or firmed over the past 12 months.

The outlook for the Central Coast market remains unchanged with no particular signs of further falls in capital values and softening in the leasing market nor at the same time any reason for an increase in capital values and rise in rentals.

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5 Financial Summary

5.1 Tenancy Status & Negotiations

Material negotiations with regard to current or incoming tenancies are noted below.

Tenant	Comments
Bunnings	We have been provided with a recently executed lease renewal for Bunnings Group Limited. The lease renewal is for a 5-year term commencing 1 December 2018 at a commencing rental of $562,000 per annum net. The annual increases are to the greater of CPI or 3%
BCP	We have been provided with an Offer to Purchase Unit 2 from the sitting tenant dated 14 December 2017. As part of this offer, the land will be purchased as a going concern and the lease option will be executed at an agreed gross rental of $425,000 pa.

5.2 Lease Structure Summary

We have been provided with a tenancy schedule and have also sighted all of the relevant signed lease documents for the commercial assets.

This excludes the house (gross rent $420 p.w - $21,840 p.a) which we are advised is on a residential tenancy with an expiry date of 5 June 2018. We have not included the house in our investment value and hence not provided the details below.

The Property is 100% leased to Bunnings Group Limited and Better Concrete Products Pty Ltd on a whole of land basis.

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Major Lease Synopsis

A synopsis of the major leases are noted below.

Lessee	Bunnings Group Limited
Demised Premises	Unit 1
Commencement Date	1 December 2018
Term	5 years
Expiry	30 November 2023
Options	Three further terms of five years each
Commencing Rentals	$562,000 per annum net ($84.60/m^2) plus GST
Rental Review	Greater of CPI or 3.00% per annum
Passing Rental	$562,000 per annum net ($84.60/m^2) plus GST
Outgoings	Tenant pays proportional share of Complex Outgoings calculated at 57.65%. Outgoings excludes any costs of a capital nature or management fees
Permitted Use	Manufacture of frames and trusses for buildings and for the storage of raw materials and finished product or any use permitted by law

Lessee	Better Concrete Products Ply Ltd
Demised Premises	The whole of the land
Commencement Date	14 October 2013
Term	5 years
Expiry	13 October 2021
Options	Two further terms of Three years each
Commencing Rentals	$295,000 per annum gross ($60/sqm) plus GST
Rental Review	3.00% per annum
Passing Rental	Current gross income provided by the Hudson is $425,000 ($87.09/m^2). For the purposes of our valuation modelling we have adopted a net rental of $366,524 pa.
Outgoings	All outgoings are non-recoverable from the Lessee.
Bank Guarantee	Four months gross rental inclusive of GST
Other Matters	We note BCP Ply Ltd pay a Licence Fee ($8,992) for the use of 970 square metres to the west of unit two. Expiry is in 13 October 2018. We have been provided with an Offer to Purchase Unit 2 from the sitting tenant dated 14 December 2017. As part of this offer, the land will be purchased as a going concern and the lease option will be executed at an agreed gross rental of $425,000 pa.

Important Notice

We have requested full executed copies of all lease documentation, except as otherwise noted herein, and have relied upon the accuracy and completeness of this documentation. In the event that the lease documentation is not accurate or is incomplete (such as missing variations, side agreements etc) and the change to lease terms or conditions is material, then our valuation of the property would change, as would our view on its suitability for mortgage security purposes (if made).

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5.3 Summary of Total Capital Expenditure Adopted

We provide the following summary of the adopted capital expenditure (excluding leasing fees and future incentives which are reflected separately in our calculations) across the 10 year cash flow horizon.

Capital Expenditure Assumptions										
	Yr 1	*Yr 2*	*Yr 3*	*Yr 4*	*Yr 5*	*Yr 6*	*Yr 7*	*Yr 8*	*Yr 9*	*Yr 10*
Capex Growth (Annual)	2.5%	2.6%	2.6%	2.3%	2.5%	2.4%	2.3%	2.2%	2.3%	2.5%
Ongoing Capex ($/m2)	$4	$4	$4	$4	$4	$4	$4	$4	$4	$4
Ongoing Capex ($/p.a)	$41,339	$42,414	$43,516	$44,517	$45,630	$46,725	$47,800	$48,852	$49,975	$51,224
Capex at Expiry before renewals ($/m2)	$10	$11	$11	$11	$11	$12	$12	$12	$12	$13
Capex at Expiry after renewals ($/p.a)	$0	$0	$26,006	$0	$0	$38,012	$0	$0	$29,866	$0
Other/Budgeted Capex ($/p.a)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other/Budgeted Capex ($/m2)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Capital Incentives	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Capex (annually)	***$41,339***	***$42,414***	***$69,523***	***$44,517***	***$45,630***	***$84,737***	***$47,800***	***$48,852***	***$79,841***	***$51,224***
PV of Capital Expenditure	$39,587	$40,616	$66,576	$42,630	$43,696	$81,146	$45,774	$46,781	$76,457	$49,053
Total Capex ($/m2 pa)	$4	$4	$6	$4	$4	$7	$4	$4	$7	$4
Total Capex (10 Years)	***$555,877***									
Total capex as % of Market Value	6.18%									
NPV of Capex	***$365,602***									
NPV of capex as % of Market Value	4.06%									

Important Notice

We have relied upon the capital expenditure information provided. Should there be any revision to the capital expenditure information provided, we reserve the right to revise our valuation accordingly.

5.4 Statutory Valuation Assessments

Relevant Date	1 July 2017
Site Value	$2,867,000

5.5 Outgoings

We have been provided with a 2017 outgoings budget from the Applicant which has been adopted for the purposes of this valuation.

Our adopted outgoings are noted below.

Total Outgoings	*Provided Outgoings*		*KFN Assessment*	
Statutory	**per annum**	**per annum**	**per annum**	**per annum**
Council Rates	$26,500	$2.30/m²	$26,500	$2.30/m²
Water Rates	$9,600	$0.83/m²	$9,600	$0.83/m²
Land Tax	$24,000	$2.08/m²	$24,000	$2.08/m²
Other Statutory Outgoings	$0	-	$0	-
Total Statutory	*$60,100*	*$5.22/m²*	*$60,100*	*$5.22/m²*
Operating Expenses				
Insurance	$7,000	$0.61/m²	$7,000	$0.61/m²
Fire Protection	$29,000	$2.52/m²	$29,000	$2.52/m²
Lifts & Escalators	$6,000	$0.52/m²	$6,000	$0.52/m²
Repairs & Maintenance	$17,700	$1.54/m²	$17,700	$1.54/m²
Miscellaneous	$500	$0.04/m²	$500	$0.04/m²
Management	$15,000	$1.30/m²	$15,000	$1.30/m²
Total Operating	*$75,200*	*$6.53/m²*	*$75,200*	*$6.53/m²*
Total Statutory & Operating	***$135,300***	*$11.74/m²*	***$135,300***	*$11.74/m²*

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5.6 Leasing Evidence

In determining an appropriate market rental profile, we have had regard to rental evidence in the Central Coast industrial markets.

There is limited comparable rental evidence in the immediate Warnervale area, hence we have relied upon Hunter region rental evidence to assist in our assessment.

Property	Comm. Date	Term	Net Rent	Outgoings	Estimated Gross Rent	Type	Area	Reviews
40 ENTERPRISE DRIVE BERESFIELD NSW	Dec 2017	3 years	$124/m² pa	$20/m² pa	$144/m² pa	Net	1,818 m²	ANNUAL 3%
High clearance, concrete panel industrial facility located in the Beresfield Industrial Estate. 750m^2 of open plan and partitioned offices, reception and meeting rooms over two levels. The warehouse comprises of approx 1068m2 high clearance area accessible from 4 full height roller doors, with 3 undercover loading areas. Also included is a 10T overhead crane with a hook height of approx 5 meters. $225,000 per annum net plus GST. Incentive is 3 months rent free taken over first 6 months of lease term. ***Comparison:*** *Significantly superior facility compared to the subject with a higher office content. Located in a more established industrial precinct. Significantly lower rates per square metre of GLA on a net basis are warranted at the subject.*								
43 GAVENLOCK ROAD TUGGERAH NSW	Dec 2017	3 years	$72/m² pa	$20/m² pa	$92/m² pa	Net	830 m²	Stepped
Older industrial warehouse with newer rear addition. Lower clearance to original front section and high clearance to newer rear section. Previously occupied by wholesale food outlet including cool rooms. However, we understand new lease is to warehouse user. The yard is full concrete hardstand. Lease deal struck at $50,000 per annum net plus GST with rent to step to $60,000 per annum net plus GST in year 2 and then step to $70,000 per annum net plus GST. Average rent is $60,000 per annum net plus GST. ***Comparison:*** *Situated approximately 10kms to the south of the subject with similar easy access to the M1 Motorway. Smaller facility with lower clearances. Similar rates per square metre of GLA on a net basis are warranted at the subject.*								

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Property	Comm. Date	Term	Net Rent	Outgoings	Estimated Gross Rent	Type	Area	Reviews
8 HEREFORD STREET BERKELEY VALE NSW	Dec 2017	5 years	$119/m² pa	$25/m² pa	$144/m² pa	Net	1,000 m²	ANNUAL 3%
	The property comprises approximately 820sqm of ground level high clearance warehouse with 5 tonne gantry crane plus 180sqm of offices and 45 onsite car parking spaces built about seventeen years ago. The property was sold with a lease in place to HMA Group (Halley & Mellowes Pty Ltd) on 1,000m^2 of gross floor area at a commencing rent of $118,950 per annum Plus Outgoings and GST for a term of 5 years with 2 x 5 year options. ***Comparison:*** *Located in the Tuggerah industrial precinct nearby Westfield Tuggerah. Smaller, superior improvements and presentation which warrants significantly lower rates per square metre of GLA on a net basis are warranted at the subject.*							
12 GIBBENS ROAD WEST GOSFORD NSW	Nov 2017	15 years	$105/m² pa	$20/m² pa	$125/m² pa	Net	1,182 m²	ANNUAL 3%
	Freestanding building in good condition, on a level block of land of 4,189sqm within the West Gosford industrial precinct. General industrial warehouse and office facilities suitable for a variety of users having a total building area of 1,182m^2 with drive through awning, ample parking and dual access driveway. New 15 year lease back to Suez. ***Comparison:*** *Significantly smaller facility than the subject. Located in close proximity to the Gosford CBD. Lower rental rates per square of GLA on a net basis are warranted at the subject.*							
52 MUSTANG DRIVE RUTHERFORD NSW	Oct 2017	2 years	$76/m² pa	$20/m² pa	$96/m² pa	Net	790 m²	3.0
	Comprises a metal deck industrial warehouse on a site area of 2,196m^2. The property includes warehouse of 624 sqm and offices of 166 sqm. 4 roller doors and mezzanine storage. Built Circa 2012, the property has a lettable area of 790sqm. Leased by Raine and Horne. 2 year lease with 2 year option for $60,000 per annum net plus GST. ***Comparison:*** *Modern facility located in a secondary industrial precinct at Rutherford. Similar rental rates per square of GLA on a net basis are warranted at the subject.*							

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Property	Comm. Date	Term	Net Rent	Outgoings	Estimated Gross Rent	Type	Area	Reviews
15 KILCOY DRIVE TOMAGO NSW	Aug 2017	3 years	$99/m² pa	$10/m² pa	$109/m² pa	Net	1,980 m²	CPI
	A modern freestanding industrial building comprising ground floor office, mezzanine, high clearance warehouse with 3 x roller doors and concrete onsite parking. GBA of 1,980m2 on a site of 4,316. Modern building leased for use as Caravan and Vehicle repairs. Bank guarantee of 3 months rent + GST. ***Comparison:*** *Modern facility located in a secondary industrial precinct at Rutherford. Similar rental rates per square of GLA on a net basis are warranted at the subject.*							
9-11 TATURA AVENUE GOSFORD NSW	Aug 2017	5 years	$86/m² pa	$20/m² pa	$106/m² pa	Net	1,339 m²	ANNUAL 1.5%
	Comprises a brick, concrete block industrial building on a site of 2,737sqm. The property has clear span warehouse of 6.2m eaves clearance, with 23sqm of mezzanine office plus a small attached front office. Built Circa 1995. The property has a lettable area of 1339sqm. Leased by Chapman and Frazer. ***Comparison:*** *Significantly smaller facility than the subject. Located in close proximity to the Gosford CBD. Similar to lower rental rates per square of GLA on a net basis are warranted at the subject.*							
9 JURA STREET HEATHERBRAE NSW	May 2017	4 years	$88/m² pa	$15/m² pa	$103/m² pa	Net	3,899 m²	CPI
	Purpose designed high clearance warehouse having 9 metre clearance to eaves, 5 levelling loading docks and office component. Property is a cold storage facility however leased for warehousing purposes at ambient temperature only (excluding refrigeration etc.). Located with good access to Pacific Highway. Total area of 3,899m2 on a site area of 11,910m2. Leased to Dywidag-Systems International Pty Limited on a 4 year lease with 3 year option at $343,000pa net. Set rental increases of $10,000 each year to year 4. Market review at option. ***Comparison:*** *Similar large facility with high clearances. Standard of improvements are considered to be superior to the subject. Heatherbrae is considered a secondary industrial precinct. Similar to lower rental rates per square metre of GLA on a net basis are warranted at the subject.*							
24 GARDINER STREET RUTHERFORD NSW	Mar 2017	3 years	$50/m² pa	$15/m² pa	$65/m² pa	Net	7,863 m²	ANNUAL 3%
	24-26 Gardiner Street Rutherford comprises two large high bay, metal clad workshops with multiple cranes, blast chamber and paint booth. Three ancillary metal clad workshops, heavy duty wash bay and two storey brick office building. Low site coverage at approximately 27%. New 3 year lease signed by long standing tenant. ***Comparison:*** *Similar large facility with high clearances. Standard of improvements are considered to be similar to the subject. Rutherford is considered a secondary industrial precinct. Higher rental rates per square metre of GLA on a net basis are warranted at the subject.*							

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In assessing the current market rental profile appropriate for the Property, we have had regard to the deals presented with the comments made above. We consider these deals to provide evidence and guidance as to market levels for the Property.

As such, we have adopted the following market rental profile.

5.7 Net Market Income Assessment

Component	GLA m2	per annum	per annum
Bunnings Office	919	$100.00/m²	$91,900
Bunnings Warehouse	5,724	$82.50/m²	$472,230
Total	**6,643**	**$84.92/m²**	**$564,130**
Adopt		$85	**$562,000**
BCP Office	420	$100.00/m²	$42,000
BCP Warehouse	4,460	$62.50/m²	$278,750
Total	**4,880**	**$65.73/m²**	**$320,750**
Adopt		$66	**$320,750**

We have not applied a market rental to the gate house and other licence income.

5.8 Net Income Summary (Passing versus Adopted Market)

The table below summarises the passing versus adopted market income as at the date of valuation.

Use	*Passing Income*	*$/m²pa*	*Market Income*	*$/m²pa*
Industrial and Office Components	$928,524	*$81*	$882,750	*$77*
Licence Income	$32,413		$0	
Total Rental	*$960,937*		*$882,750*	
Less: Annual Rebates & Rent Free	$0			
Plus: Outgoings Recoveries	$135,300		$135,300	
Less: Rental for Deferred tenancies	$21,041			
Gross Income	$1,075,196		$1,018,050	
Less: Outgoings	$135,300	*$12*	$135,300	*$12*
Net Income	***$939,896***		***$882,750***	

The total passing net income for the building is considered to be generally in line with the assessed market income.

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5.9 Improved Sales Evidence

Property	Sale Price	Sale Date	Site Area	Area	Initial Yield	Core Yield	Rate/m²
24 GARDINER STREET RUTHERFORD NSW	$3,500,000	Mar 2017	29,500 m²	7,863 m² GLA	11.20 %	11.20%	$445
24-26 Gardiner Street Rutherford comprises two large high bay, metal clad workshops with multiple cranes, blast chamber and paint booth. Three ancillary metal clad workshops, heavy duty wash bay and two storey brick office building. Low site coverage at approximately 27%. Good street frontage, with a new 3 year lease to longstanding (circa 30 years) construction industry tenant. Passing rent advised at $392,000 pa net. ***Comparison:*** *Smaller facility with a similar standard of improvements. Inferior location at Rutherford. A firmer core yield range is warranted at the subject Property.*							
45 MUNIBUNG ROAD CARDIFF NSW	$6,800,000	Mar 2017	19,480 m²	7,212 m² GLA	8.78%	9.68 %	$943
The Property comprises a high clearance metal clad industrial workshop with attached office block and hardstand with additional smaller workshop to the rear of the site with second street access via concrete driveway off Pennant Street. The Property has DA Approval to subdivide into 2 separate lots. Sold by Colliers. Purchased by adjoining owner for upgrade a re-lease. We note the lease to BlueScope Steel expires 9 July 2017. Analysed reversionary yield of 9.68%. ***Comparison:*** *Superior standard of improvements albeit smaller in size. Short WALE at time of sale. A similar to softer core yield range is warranted at the subject Property.*							
1-3 YANGAN DRIVE BERESFIELD NSW	$7,400,000	Dec 2016	10,770 m²	4,437 m² GLA	8.49 %	8.49 %	$1,668
A modern high clearance distribution warehouse with internal showroom, two level office areas and amenities. The improvements are fully leased to CSR Building Products Limited, a subsidiary of CSR Limited, a top 100 ASX listed Company with a passing net rent of $628,470 per annum to 7 March 2021 plus 2 x 5 year options. Sold via Expressions of Interest by Knight Frank Newcastle. ***Comparison:*** *Smaller facility with a superior standard of improvements. Superior industrial location. A softer core yield range is warranted at the subject Property.*							

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Property	Sale Price	Sale Date	Site Area	Area	Initial Yield	Core Yield	Rate/m²
15-17 GINDURRA ROAD SOMERSBY NSW	$4,575,000	Dec 2016	22,000 m²	6,312 m² GFA	10.15%	10.15 %	$725

Warehouse facility comprises of a number of freestanding buildings including two large warehousing areas and open modernised office accommodation.

The 2.2 ha approx. site presents to a high standard with professional landscaping and an abundance of car parking & hardstand area. The site also boasts heavy vehicle drive around access via the rear of the site or through the main warehouse.

Sold with 3 year lease back over 1,437m2 of improvements with the remainder vacant.

Comparison: *Smaller scale of improvements in a similar Central Coast location. A similar core yield range is warranted at the subject Property.*

In assisting at arriving at our target discount rate in our discounted cash flow approach, we have regard to the following larger (albeit dated) sales in the local market.

Property	Sale Price	Sale Date	Site Area	Area	Initial Yield	Core Yield	IRR	Rate/m²
58 GINDURRA ROAD SOMERSBY NSW	$11,600,000	Jun 2015	36,700 m²	8,541 m² GLA	12.91 %	9.67 %	8.94 %	$1,358

Located in an established industrial precinct on the Central Coast of NSW, approximately 1 kilometre from the Sydney-Newcastle M1 motorway, 8 kilometres west of Gosford and less than 1 hour's drive to Newcastle or Sydney CBDs.

The facility was constructed in 2008 and is used to process kerbside waste and recycling materials from the Wyong and Gosford local government areas. The facility comprises two distinct functional areas the first being Materials Recycling Facility - housing state-of-the-art sorting machinery, plus associated amenities and the second being Depot - comprising a workshop and associated offices and amenities, plus external parking for trucks, separate parking for all staff, and ancillary service structures such as the fuel bowser. The property is fully leased to Remondis Australia (a subsidiary of Global Recycling Giant, the Remondis Group - which in turn is part of the Rethmann Group).

The rent is subject to annual reviews to the greater of 3% or CPI (with an annual 5% cap), with market reviews at exercise of the options.

The asset currently has passing income of $175.35 per square metre which we consider to be far above market rates. The property sold with a remaining lease term of 2.58 years.

Comparison: *Superior facility to the subject.*

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Property	Sale Price	Sale Date	Site Area	Area	Initial Yield	Core Yield	IRR	Rate/m²
2 WOOLWORTHS WAY WARNERVALE NSW	$69,800,000	Jul 2014	231,600 m²	54,534 m² GLA	8.32 %	8.03 %	9.12 %	$1,280

Property comprises a modern high quality industrial office/warehouse distribution centre forming part of the "Warnervale Business Park". The property was specifically built for Woolworths Limited with construction completed early 2006. Used as a Regional Distribution Centre (RDC) by Woolworths and offers total Gross Lettable Area of 54,534m2.

Vehicular access for cars and trucks is obtained through differing ingress/egress points. The main access road is via Warren Road cul-de-sac on the eastern corner of the property. Access to the rear portion of the facility is available from Woolworths Way.

The sale was keenly contested by several parties including foreign investors. We are advised the purchase by 360 Capital required equity raising which was oversubscribed. Purchased for the 360 Capital Industrial Fund for a portfolio that holds assets nationwide. Sold 100% leased with a WALE (by income) of 7 years.

Facility now sits within the Centuria Capital Industrial REIT.

Comparison: *Significantly larger and superior facility*

After considering the sales evidence, market indicators and the level of investor sentiment for comparable real estate and adjusting specifically for:

- the characteristics of the location;
- quality of the improvements/building;
- leasing covenants/security of income cash flow;
- weighted remaining lease duration; and
- expiry profile of tenancies.

We have adopted a core capitalisation rate of 10.00% on our adopted market rental profile and a 10.00% target discount rate.

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5.10 Vacant Land Sales Evidence

Industrial Sales

Property	Sale Price	Sale Date	Site Area	Zoning	Rate/m² Overall
147 MOUNTAIN ROAD WYONG NSW	$3,250,000	Sep 2017	262,000 m²	IN1 General Industrial, E2 Environmental Conservation	$12.40
	Englobo parcel of land located on the eastern side of Mountain Road. Parcel comprises approximately 20 hectares of IN1 General Industrial with the balance zoned E2 Environmental Conservation. Improved with 3 houses (2 of which are habitable), old stables, and machinery shed Property was purchased by Moits Civil Engineering for future development of an industrial subdivision. In the interim the purchaser will utilise the site as a local depot for projects they are working on in the local area. Rate per square metre over the developable area reflects a rate of $16.25/m^2.				
460 PACIFIC HIGHWAY WYONG NSW	$2,600,000	Sep 2017	47,370 m²	B6 Enterprise Corridor	$54.88
	Sale of a cleared parcel of land zoned B6 Enterprise Corridor. Frontage to the Pacific Highway and access to Brussels Road. Sold by Landin Realty from Tuggerah. Selling agent reports the land suitable for subdivision into 12-14 lots (subject to Council Approval). Property previously sold November 2015 for $1,725,000 excluding GST or $36/m^2				
20 JACK GRANT AVENUE WARNERVALE NSW	$1,400,000	May 2017	101,500 m^2	IN1 General Industrial, E2 Environmental Conservation	$13.79
	This property comprises a vacant parcel of land adjacent to Warnervale Airport. The parcel of land comprises a total of 101,500m^2 (10.15ha) The portion of land with the IN1 General Industrial zoning is approximately 52,000m^2 The land offers direct access and a large frontage to Jack Grant Avenue, off Sparks Road, which is the main arterial road connecting to the M1. Rate per square metre over the developable area reflects a rate of $27/sqm.				
90 GINDURRA ROAD SOMERSBY NSW	$5,375,000	Dec 2016	107,500 m²	IN1 General Industrial	$50
	Largely unimproved parcel of industrial land. The property is timbered, with only approximately 1/3rd of the site cleared. Second frontage to Kangoo Road. Sold by LJ Hooker Commercial. Since the sale a DA has been lodged with Council for a shed with offices, amenities and driveway. Further development of the site possible, subject to council consent				

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Property	Sale Price	Sale Date	Site Area	Zoning	Rate/m² Overall
140 SPARKS ROAD WARNERVALE NSW	$1,430,000	Mar 2016	92,170 m²	IN1 General Industrial	$15.51
	Vacant parcel of land fronting Sparks Road and Jack Grant Avenue. Approximately 3.3 hectares of developable IN1 zoned General Industrial land with the remainder zoned E2 Environmental Conservation. The majority of the site is flood affected, aside from a small portion to the Sparks Road frontage which appears to be flood free. Rate per square metre over the developable area reflects a rate of $43/m^2. Property was purchased by Wyong Shire Council.				

In order to derive the value of the remaining IN1 portions of land in Lot 74 in Deposited Plan 755245 and Lot 1 Deposited Plan 796730, we have removed the "Investment Component" of 52,566 square metres of IN1 land from Lot 74 and Lot 1. We have therefore had to section off the remaining IN1 surplus land surrounding the "Investment Component" and have referred to this area as the following;

- Part Lot 74 DP 755245 - Northern Portion - 15,000m^2
- Part Lot 1 DP 796730 - Southern Portion - 26,600m^2
- Part Lot 74 DP 755245 - Eastern Portion - 19,500m^2

Part Lot 74 in DP 755245 - Northern Portion consists of 15,000 square metres and is positioned to the warehouses rear, along the sites northern boundary and provides generally level land which is slightly sloping to the eastern elevation. Access to the site is currently from the main driveway although we note it would be possible to access the land directly from Mountain Road if a new driveway was constructed.

The majority of the sales above are englobo parcels and hence show a low rate per square metre. Acknowledging that this portion is serviced and benched we are of the opinion that a rate per square metre of $65 is appropriate.

Part Lot 1 DP 796730 - Southern Portion consists of 26,600 square metres situated to the sites northern portion adjoining Lot 74. The portion of land is slightly higher than the surrounding E2 - Environmental Conservation land which is flood affected. Access to the land is via the main drive way from Mountain Road. We note a part portion of the site is improved with benched gravel hardstand.

In applying a rate for the Part Lot 1 DP 796730 - Northern Portion, we have adopted $65 per square metre. We note the site is larger than the Part Lot 74 DP 755245 – Northern Portion although has been improved (Gravel hardstand) on a small percentage of the site and therefore we have not discounted to a lower rate.

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Part Lot 74 DP 755245 - Eastern Portion consists of 19,500 square metres and is positioned to the sites eastern elevation. The site generally slopes to the eastern elevation with access via the main drive way from Mountain Road.

In applying a rate for the Part Lot 74 DP 755245 - Eastern Portion, we have adopted $65.00 per square metre.

E2 Environmental Conservation and E3 Environmental Management sales

173 – 179 Virginia Road, Warnervale

Sale Price	$1,140,000
Sale Date	January 2018
Area	101,200m^2
Zoning	E3 Environmental Management
Rate/m^2 (land)	$11.26/m^2

Comments: 10.12 hectare parcel of land improved with 4-bedroom hardiplank homestead in good condition. Located adjacent to an established business park which is zoned B6.

Assigning a value of $250,000 to the improvements the underlying E3 Environmental Management land reflects $8.80/m^2

Comparison: Located to the south of the subject in a more established precinct. Inferior access and exposure. A similar to higher rate per square metre on a vacant land basis is warranted at the subject Property.

155 McPherson Road, Mardi

Sale Price	$1,170,000
Sale Date	January 2018
Area	29,390m^2
Zoning	E3 Environmental Management
Rate/m^2 (land)	$39.80/m^2

Comments: Narrow 2.939-hectare parcel of land improved with a renovated home with office as well as approximately 2,400m2 of older open-bay shedding. Located adjacent to an established residential subdivision.

Assigning a value of $750,000 to the improvements the underlying E3 Environmental Management land reflects $14.29/m^2

Comparison: Located to the south of the subject. Inferior shape, access and exposure. A similar to lower rate per square metre on a vacant land basis is warranted at the subject Property.

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242 Wilkinson Road, Martinsville

Sale Price	$550,000
Sale Date	February 2016
Area	55,370/m^2
Zoning	E3 Environmental Management
Rate/m^2 (land)	$9.93/m^2

Comments: Comprising 5.537Ha of land which is predominately cleared. Site is vacant being irregular shaped with elongated frontage to Wilkinson Road. Sold with DA in place for dwelling on the highest point of the site. Property is within Bush Fire Prone and Flood Prone location. Property is zoned E3 Environmental Management and is located within a rural location.

Comparison: Located north of the subject. Significantly smaller site area. Overall a similar rate per square metre is appropriate.

In order to derive the value of the remaining E2 Environmental Conservation we have combined the land within Lot 2 in DP 796730, Lot 7 in DP 239691 and Part Lot 1 in DP 796730 with the total area providing a total area of 117,148 square metres. In addition, we have separated 5,000 square metres of E2 land in Lot 74 in DP755245 to the western portion. We have referred to this area as the following;

- Lot 2 DP 796730, Lot 7 DP 239691 and Part Lot 1 DP 796730 - House on western portion - 117, 148m^2
- Lot 74 DP755245 - western portion - 5,000m^2 (no building entitlement)

House on Western portion - Lot 2 in DP 796730, Lot 7 in DP 239691 and Part Lot 1 in DP 796730 consists of three allotments (Lot 1 being a part portion) providing a total area of 117, 148 square metres with lots featuring a frontage to Sparks Road.

We note the E2 Environmental Conservation land is only a part portion of Part Lot 1 DP 796730 and the entire land of both Lot 2 DP 796730, Lot 7 DP 239691 and is completely food affected as outlined in section 2.6 of this report. Furthermore, we have had regard to the sites dwelling entitlement when comparing to other site sales.

We have· had regard to recent E2 Environmental Conservation and E3 Environmental Management land sales noted in the evidence section of this report with the most comparable being 173 – 179 Virginia Road, Warnervale at $8.80/m^2, and 155 McPherson Road, Mardi at $14.29/m^2 on an analysed vacant land area basis.

The sales range in value from $700,000 to $993,000 for parcels of land that are all smaller in size than the subject holding. Therefore, in applying a value for the Lot 2 DP 796730, Lot 7 DP 239691 and Part Lot 1 DP 796730- Northern Portion, we have adopted $1,200,000.

Lot 74 in DP755245 - western portion E2 land consists of 5,000 square metres of E2 Environmental Conservation land which is completely flood affected as outlined in section 2.6 of this report. The parcel of land is situated to the western side of the warehouse. We have applied a low rate of $2.50 per square metres or $12,500 to the site as there is no dwelling entitlement.

The value is limited and the market would most likely include this within the House located on the western portion under any future subdivision.

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6 Valuation Rationale

6.1 Valuation Methodology and Considerations

In assessing the market value, the appropriate method of assessment is considered to be via reconciliation between the capitalisation, discounted cash flow and direct comparison methods, with rents and yields assessed on a consistent net face basis unless otherwise stated.

6.2 Capitalisation Approach – Valuation 1

Under this approach, the assessed net face market income as at the date of valuation is capitalised at an appropriate market yield to establish the property's market value fully leased. Appropriate capital adjustments are then made where necessary to reflect the specific cash flow profile and the general characteristics of the property.

Based upon the sales and having regard to the comments noted above, it is considered that a reasonable capitalisation rate range for the subject is in the order of 9.75%- 10.25%. Our calculations under this basis of valuation are as follows:-

Core Market Yield Basis

Market Income				
Industrial			$882,750	
Office			$0	
			$882,750	
Plus: Outgoings Recoveries			$135,300	
Gross Annual Income			**$1,018,050**	
Less: Outgoings			$135,300	
Net Annual Income			**$882,750**	
Capitalised at		***9.75%***	***10.00%***	***10.25%***
Core Value Range (assuming fully leased)		**$9,053,846**	**$8,827,500**	**$8,612,195**
Rate per m² of Lettable Area		*$786*	*$766*	*$747*
Adjustments				
Present Value of Special Income		$18,940	$18,940	$18,940
Net Present Value of Rental Reversions *(Note 1)*		$118,843	$118,843	$118,843
Current Vacancy Allowances (Note 2)				
Leasing Downtime		($23,662)	($23,662)	($23,662)
Leasing Incentives		$0	$0	$0
Agents Fees & Leasing Costs *(Note 4)*		$0	$0	$0
Imminent Expiry Allowances (Note 3)				
Leasing Downtime over next	*12 mths*	$0	$0	$0
Leasing Incentives for New Leases next	*12 mths*	$0	$0	$0
Agents Fees & Leasing Costs *(Note 4)*	*12 mths*	$0	$0	$0
Outstanding Leasing Incentives (Note 5)				
PV of Rebates		$0	$0	$0
PV of Capital Incentives		$0	$0	$0
PV of Rent Free Incentives		$0	$0	$0
Capital Expenditure (Note 6)				
Make good at Expiries over next	*12 mths*	$0	$0	$0
Other/Budgeted Capital Expenditure over next	*12 mths*	$0	$0	$0
Total Adjustments		**$114,121**	**$114,121**	**$114,121**
Resultant Capitalisation Value Range		**$9,167,967**	**$8,941,621**	**$8,726,316**
Rate per m² of Lettable Area		*$796*	*$776*	*$757*

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Explanatory Notes

Note 1 – Rental Reversions
NPV of Rental Reversions are calculated until lease expiry and/or next review and reflect a cumulative rental profit as a result of the adopted market rents being higher than passing levels in some cases.

Note 2 – Current Vacancy Allowances
Nil

Note 3 – Imminent Expiries
The lease up/incentive allowance for imminent expiries directly accounts for the risk of those tenants expiring over the next 12 months.

Note 4 - Agents Fees & Leasing Costs
13% of first years gross rent for incoming tenants and 5% for renewing tenants.

Note 5 – Outstanding Incentives
PV of capital incentives are nil. PV of rent free incentives are nil.

Note 6 – Capital Expenditure
Capital Expenditure PV of the make good/capital expenditure allowance at all expiries over the next 12 months Other/Budgeted capital expenditure is nil.

6.3 Discounted Cash Flow Analysis Approach (DCF) – Valuation 1

This approach incorporates the estimation of future annual cash flows over a 10 year investment horizon from the valuation date by reference to expected rental growth rates, ongoing capital expenditure, terminal sale value and acquisition and disposal costs. The present value of future cash flows is then determined by the application of an appropriate discount rate (target IRR) to derive a net present value for the property as at the valuation date.

Summarised below are the inputs factored into the DCF analysis.

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Market Growth Assumptions

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	5yr Avg	10yr Avg
Industrial - Gross Market Growth Forecast (%)	2.5%	3.7%	3.4%	3.1%	3.1%	3.1%	3.3%	3.0%	3.1%	3.1%	2.9%	2.9%	2.9%	3.2%	3.1%
Office - Gross Market Growth Forecast (%)	2.2%	2.5%	2.6%	2.5%	2.5%	2.5%	2.4%	2.5%	2.6%	2.6%	2.5%	2.5%	2.5%	2.5%	2.5%
CPI NSW	2.5%	2.6%	2.6%	2.3%	2.5%	2.4%	2.3%	2.2%	2.3%	2.5%	2.5%	2.5%	2.5%	2.5%	2.4%
CPI + 0.00%	2.5%	2.6%	2.6%	2.3%	2.5%	2.4%	2.3%	2.2%	2.3%	2.5%	2.5%	2.5%	2.5%	2.5%	2.4%
CPI + 0.00%	2.5%	2.6%	2.6%	2.3%	2.5%	2.4%	2.3%	2.2%	2.3%	2.5%	2.5%	2.5%	2.5%	2.5%	2.4%
Parking	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Vacancy Assumptions & Incentives

Industrial	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	5yr Avg	10yr Avg
Vacancy/Downtime on Expiry (mths)	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
Renewal probability applied to Downtime	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%		
Vacancy/Downtime on Expiry after renewal probability(mths)	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***
Incentive allowance	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Renewal probability applied to Incentive	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		
Incentive allowance after renewal probability (mths)	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	*6.0*	*6.0*
Total allowance after renewal probabilities (mths)	***12.0***	***12.0***	***12.0***	***12.0***	***12.0***	***12.0***	***12.0***	***12.0***	***12.0***	***12.0***	***12.0***	***12.0***	***12.0***	***12.0***	***12.0***

Office	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	5yr Avg	10yr Avg
Vacancy/Downtime on Expiry (mths)	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6
Renewal probability applied to Downtime	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%		
Vacancy/Downtime on Expiry after renewal probability(mths)	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***
Incentive allowance	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Renewal probability applied to Incentive	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%		
Incentive allowance after renewal probability (mths)	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	*3.0*	*3.0*
Total allowance after renewal probabilities (mths)	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***

Other Income (eg. Parking, storage, telcos)	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	5yr Avg	10yr Avg
Vacancy/Downtime on Expiry (mths)	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6
Renewal probability applied to Downtime	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%		
Vacancy/Downtime on Expiry after renewal probability(mths)	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***
Incentive allowance	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Renewal probability applied to Incentive	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%		
Incentive allowance after renewal probability (mths)	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	***3.0***	*3.0*	*3.0*
Total allowance after renewal probabilities (mths)	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***

Industrial Rental Growth Assumptions

	Current	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	5yr CAGR	10yr CAGR
Gross Rental Assumptions																
Face Rental Growth (%)		*2.5%*	*3.7%*	*3.4%*	*3.1%*	*3.1%*	*3.1%*	*3.3%*	*3.0%*	*3.1%*	*3.1%*	*2.9%*	*2.9%*	*2.9%*	*3.2%*	*3.1%*
Average Gross Face Rental	$88/m²	$91/m²	$94/m²	$97/m²	$100/m²	$103/m²	$106/m²	$110/m²	$113/m²	$117/m²	$120/m²	$124/m²	$127/m²	$131/m²		
Average Gross Effective Rental	$88/m²	$82/m²	$85/m²	$87/m²	$90/m²	$93/m²	$96/m²	$99/m²	$102/m²	$105/m²	$108/m²	$111/m²	$115/m²	$118/m²		
Effective Rental Growth (%)		*-7.7%*	*3.7%*	*3.4%*	*3.1%*	*3.1%*	*3.1%*	*3.3%*	*3.0%*	*3.1%*	*3.1%*	*2.9%*	*2.9%*	*2.9%*	*1.0%*	*2.1%*
Net Rental Assumptions																
Face Rental Growth (%)		*2.5%*	*3.9%*	*3.5%*	*3.2%*	*3.2%*	*3.2%*	*3.4%*	*3.1%*	*3.2%*	*3.2%*	*3.0%*	*3.0%*	*3.0%*	*3.3%*	*3.2%*
Average Net Face Rental	$77/m²	$79/m²	$82/m²	$84/m²	$87/m²	$90/m²	$93/m²	$96/m²	$99/m²	$102/m²	$105/m²	$109/m²	$112/m²	$115/m²		
Average Net Effective Rental	$77/m²	$69/m²	$72/m²	$75/m²	$77/m²	$80/m²	$82/m²	$85/m²	$88/m²	$91/m²	$93/m²	$96/m²	$99/m²	$102/m²		
Effective Rental Growth (%)		*-9.3%*	*3.9%*	*3.5%*	*3.2%*	*3.2%*	*3.2%*	*3.5%*	*3.1%*	*3.2%*	*3.2%*	*3.0%*	*3.0%*	*3.0%*	*0.8%*	*2.0%*

Current Vacancy Assumptions

Industrial		**Office**		**Other Income**	
Assumed Term	5 yrs	Assumed Term	5 yrs	Assumed Term	5 yrs
Avg Lease up period	18 mths	Avg Lease up period	18 mths	Avg Lease up period	6 mths
Total **Gross** Incentive	0.0%	Total Gross Incentive	0.0%	Total Gross Incentive	0.0%
Current Market Incentive (mths)	0 mths	Current Market Incentive (mths)	0 mths	Current Market Incentive (mths)	

Capital Expenditure Assumptions

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	5yr Avg	10yr Avg
Capex Growth (Annual)	2.5%	2.6%	2.6%	2.3%	2.5%	2.4%	2.3%	2.2%	2.3%	2.5%	2.5%	2.5%	2.5%	2.5%	2.4%
Ongoing Capex ($/m2)	$4	$4	$4	$4	$4	$4	$4	$4	$4	$4	$4	$5	$5	$4	$4
Ongoing Capex ($/p.a)	$41,339	$42,414	$43,516	$44,517	$45,630	$46,725	$47,800	$48,852	$49,975	$51,224	$52,505	$53,818	$55,163	$43,483	$46,199
Capex at Expiry before renewals ($/m2)	$10	$11	$11	$11	$11	$12	$12	$12	$12	$13	$13	$13	$14	$11	$11
Capex at Expiry after renewals ($/p.a)	$0	$0	$26,006	$0	$0	$38,012	$0	$0	$29,866	$0	$42,714	$0	$0		
Other/Budgeted Capex ($/p.a)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0		
Other/Budgeted Capex ($/m2)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0		
Capital Incentives	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0		
Total Capex (annually)	***$41,339***	***$42,414***	***$69,523***	***$44,517***	***$45,630***	***$84,737***	***$47,800***	***$48,852***	***$79,841***	***$51,224***	***$95,219***	***$53,818***	***$55,163***		
PV of Capital Expenditure	$39,587	$40,616	$66,576	$42,630	$43,696	$81,146	$45,774	$46,781	$76,457	$49,053	$91,184	$51,537	$52,825		
Total Capex ($/m2 pa)	$4	$4	$6	$4	$4	$7	$4	$4	$7	$4	$8	$5	$5		

Total Capex (10 Years)	***$555,877***
Total capex as % of Market Value	6.18%
NPV of Capex	***$365,602***
NPV of capex as % of Market Value	4.06%

Other Cashflow Assumptions

Lease/Agent Fees - Vacant space (current & future)	13.00% (of first year's gross rent)	Acquisition Costs	5.60%
Lease Renewal Fees - Existing Tenants	5.00% (of first year's gross rent)	Terminal Disposal/Selling Costs	1.00%
Terminal Yield (end of Yr 10)	10.25%		
Discount Rate	10.00% pa		

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Terminal Value Notes

We have assumed that the property is sold at the beginning of the 11th Year of the cash flow at a core market yield of 10.25%. Whilst we recognise that yields are at or above long term averages (See Commentary) and in many cases we consider that adopting terminal yields in line with current yields is warranted, in this case a margin over the current yield is appropriate.

Discount Rates

Analysis of comparable sales has been used in order to determine an appropriate discount rate for the subject.

Based upon the evidence (albeit limited) and acknowledging current market sentiment, we consider that an appropriate target internal rate of return is in the order of 10.0%.

The discount rate in our view reflects a commercially achievable rate in line with market expectations of a potential purchaser, whilst at the same time the adoption of this rate recognises that any projections within the cash flow may be subject to change from external factors that are not currently evident.

It should be noted that asset related risk issues that are explicitly reflected in the cash flow stream, have not been implicitly reflected in the adopted discount rate.

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DCF Summary and Net Present Value

DCF Analysis

Year ending	Nov-2019	Nov-2020	Nov-2021	Nov-2022	Nov-2023	Nov-2024	Nov-2025	Nov-2026	Nov-2027	Nov-2028
	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Industrial Income	$983,307	$1,012,806	$1,016,765	$1,006,792	$1,028,145	$1,038,914	$1,052,321	$1,088,821	$1,131,940	$1,164,310
Contracted Income	*$983,307*	*$1,012,806*	*$982,962*	*$650,345*	*$669,856*	*$21,420*	*$0*	*$0*	*$0*	*$0*
Renewal/Speculative Income	*$0*	*$0*	*$33,803*	*$356,447*	*$358,290*	*$1,017,494*	*$1,052,321*	*$1,088,821*	*$1,131,940*	*$1,164,310*
Office Income	-	-	-	-	-	-	-	-	-	-
Other Income	$0	-	-	-	-	-	-	-	-	-
Special Income	$19,394	-	-	-	-	-	-	-	-	-
Total Rental Income (Fully Leased)	***$1,002,701***	***$1,012,806***	***$1,016,765***	***$1,006,792***	***$1,028,145***	***$1,038,914***	***$1,052,321***	***$1,088,821***	***$1,131,940***	***$1,164,310***
Plus: Outgoings Recovered	$135,300	$138,683	$142,288	$145,988	$149,345	$153,079	$156,753	$160,358	$163,886	$167,656
Less: Outgoings	($135,300)	($138,683)	($142,288)	($145,988)	($149,345)	($153,079)	($156,753)	($160,358)	($163,886)	($167,656)
Net Income (Fully leased)	***$1,002,701***	***$1,012,806***	***$1,016,765***	***$1,006,792***	***$1,028,145***	***$1,038,914***	***$1,052,321***	***$1,088,821***	***$1,131,940***	***$1,164,310***
Current Vacancy Allowances										
Leasing Downtime	($23,606)	-	-	-	-					
Leasing Incentives	-	-	-	-	-					
Agents Fees & Leasing Costs	-	-	-	-	-					
Renewal Expiry Allowances										
Leasing Downtime	-	-	($39,581)	($167,439)	-	($374,189)	-	-	($244,930)	-
Leasing Incentives	-	-	-	($210,344)	-	($379,987)	-	-	($249,014)	-
Agents Fees & Leasing Costs	-	-	-	($37,862)	-	($68,398)	-	-	($44,823)	-
Outstanding Leasing Incentives										
Rebates	-	-	-	-	-	-	-	-	-	-
Capital Incentives	-	-	-	-	-	-	-	-	-	-
Rent Free Incentives	-	-	-	-	-	-	-	-	-	-
Net Cashflow (before Capital Exp)	***$979,095***	***$1,012,806***	***$977,184***	***$591,147***	***$1,028,145***	***$216,339***	***$1,052,321***	***$1,088,821***	***$593,173***	***$1,164,310***
Ongoing Capital Expenditure	($41,339)	($42,414)	($43,516)	($44,517)	($45,630)	($46,725)	($47,800)	($48,852)	($49,975)	($51,224)
Capex Allowance at Expiries	-	-	($26,006)	-	-	($38,012)	-	-	($29,866)	-
Other Capital Expenditure	-	-	-	-	-	-	-	-	-	-
Net Cashflow (after Capital Exp)	***$937,756***	***$970,393***	***$907,661***	***$546,630***	***$982,515***	***$131,602***	***$1,004,521***	***$1,039,970***	***$513,332***	***$1,113,085***
Sale Price (Terminal Value)										$10,780,000
Selling Costs										($107,800)
Annual Cashflow	***$937,756***	***$970,393***	***$907,661***	***$546,630***	***$982,515***	***$131,602***	***$1,004,521***	***$1,039,970***	***$513,332***	***$11,785,285***

Based upon the above-mentioned variables and our target internal rate of return of 10.00%, the discounted cashflow and net present value of the cash flow is noted below.

Discounted Cashflow Approach

Effective Annual Discount Rate		10.00%	
Present Value of Cashflow		$9,436,850	
Less Acquisition Costs		$500,439	
DCF Based Market Value		***$8,936,411***	
Apportioned as	NPV Cashflow	$5,322,255	(59.56%)
	PV Terminal Value	$3,614,156	(40.44%)

Important Notice

Any forecasts, including but not limited to, financial cash flow projections or terminal value calculations noted within this report are a valuation tool only, undertaken for the purpose of assisting to determine the market value. No party may rely upon any financial projections or forecasts within this report on the understanding that they are undertaken for the specific purpose of determining the market value only and therefore should not be represented in any way as providing an indication of likely future profit or realisable cash flow.

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6.4 Valuation Reconciliation – Valuation 1

The resultant values under the primary bases of valuation are noted below.

Valuation Approach			
Capitalisation Approach (range)	$8,726,316	to	$9,167,967
Discounted Cash Flow Approach	$8,936,411		

Based upon the analysis, a value of **$9,000,000** (exclusive of GST) has been adopted which represents a balance between the capitalisation and discounted cash flow approach. The adopted value reflects the following investment and value parameters:

6.5 Sensitivity Analysis

Whilst transaction volumes have improved, the uncertainty created by recent market conditions has continued to contribute to a lack of a weight of comparable market evidence and inconsistent pricing in some markets. This increases pricing/value risk and accordingly, we have included a sensitivity analysis below which recognises the potential value risk associated with movements in the major valuation drivers.

The table below demonstrates the effect on value due to changes in the core market yield.

Core Market Yield				
9.50%	**9.75%**	**10.00%**	**10.25%**	**10.50%**
$9,406,226	$9,167,967	$8,941,621	$8,726,316	$8,521,263
% variation over Adopted Value				
4.5%	1.9%	-0.6%	-3.0%	-5.3%

The table below demonstrates the effect on value due to changes in the discount rate and terminal yield (i.e. DCF sensitivity).

Terminal Yield						
Discount Rate	**10.00%**		**10.25%**		**10.50%**	
9.50%	$9,315,748	*3.51%*	$9,202,260	*2.25%*	$9,096,337	*1.07%*
9.75%	$9,178,789	*1.99%*	$9,067,860	*0.75%*	$8,964,326	*-0.40%*
10.00%	$9,044,845	*0.50%*	**$8,936,411**	*-0.71%*	$8,835,206	*-1.83%*
10.25%	$8,913,838	*-0.96%*	$8,807,838	*-2.14%*	$8,708,905	*-3.23%*
10.50%	$8,785,695	*-2.38%*	$8,682,069	*-3.53%*	$8,585,351	*-4.61%*

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6.6 Direct Comparison Approach – Valuation 2 Land Component

In order to derive the value of the remaining IN1 portions of land in Lot 74 in Deposited Plan 755245 and Lot 1 Deposited Plan 796730, we have removed the "Investment Component" of 52,566 square metres of IN1 land from Lot 74 and Lot 1. We have therefore had to section off the remaining IN1 surplus land surrounding the "Investment Component" and have referred to this area as the following;

- Part Lot 74 DP 755245 - Northern Portion - 15,000m^2
- Part Lot 1 DP 796730 - Southern Portion - 26,600m^2
- Part Lot 74 DP 755245 - Eastern Portion - 19,500m^2

In order to derive the value of the remaining E2 Environmental Conservation we have combined the land within Lot 2 in DP 796730, Lot 7 in DP 239691 and Part Lot 1 in DP 796730 with the total area providing a total area of 117,148 square metres. In addition, we have separated 5,000 square metres of E2 land in Lot 74 in DP755245 to the western portion. We have referred to this area as the following;

- Lot 2 DP 796730, Lot 7 DP 239691 and Part Lot 1 DP 796730 - House on western portion - 117, 148m^2
- Lot 74 DP755245 - western portion - 5,000m^2 (no building entitlement)

Based upon analysis and rationale of adopted rates in section 5.11 of our report our assessed value of the 183,248m^2 of surplus land is summarised as follows:

Industrial Land	**IN1 m^2**	**IN1 Rate**	**Value**
Lot 74 DP755245 northern portion	15,000	$65.00	$975,000
Part 74 eastern portion	19,500	$65.00	$1,267,500
Part Lot 1 DP796730 northern portion	26,600	$65.00	$1,729,000
Subtotal			**$3,971,500**
Environmental Land	**E2 m^2**	**E2 Rate**	**Value**
Lot 2 DP796730, Lot 7 DP239691 & Lot 1	117,148	$10.00	$1,171,480
Lot 74 western land	5,000	$2.50	$12,500
Subtotal			**$1,183,980**
Total			**$5,155,480**
Adopt			**$5,200,000**

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7 Additional Requirements

7.1 Insurance Recommendation

Replacement Cost New is defined by International Valuation Guidance Note 4 as:

> *"The current cost of a similar new item having the nearest equivalent utility as the item being appraised."*

The estimate does not envisage replacement of an exact replica of the current building. Items excluded comprise the cost of alternate accommodation, removal of any hazardous materials and related costs, loss of profits, movable chattels, tenant fitout, contents and stock, and plant and equipment which is not directly related to modern conventional building services. These items will require an additional insurance sum.

We consider the Replacement Cost New of the improvements to be:

$13,500,000 (Thirteen Million, Five Hundred Thousand Dollars) exclusive of GST

In addition to construction costs, the figure above provides for:

- Cost escalation during the reconstruction period. The reconstruction period includes demolition, preparation of building plans, tendering and the approval process.
- Demolition and removal costs.
- Professional fees.
- Loss of market rent and outgoings (or EBITDAR in the case of a going concern assessment) during the reconstruction period.

Important Notice

We note that valuers are not qualified as experts in estimates of construction or replacement cost or other associated costs and therefore we advise that the above assessment should be taken as indicative only and is current at the date of valuation only.

We have included an insurance assessment only to comply with the valuation standard of the intending mortgagee and we are not expressing any view as to whether or not this insurable estimate is appropriate for the owner of the property. That is outside the terms of our engagement. We have not accepted any duty to do so.

As such, we recommend that a precise estimate from a qualified quantity surveyor be commissioned to provide formal independent advice regarding reinstatement costs, and that this insurable estimate be reviewed regularly or as market conditions dictate.

We also stress that the risk to an owner of a property being underinsured is far greater than the risk to a mortgagee as the amount advanced is usually less than the assessed value of the property. Owners require a far greater degree of precision in assessing insurable value than we are able to provide and are providing in this report. Should the owner require advice as to insurable value, that advice should be obtained from a qualified quantity surveyor.

7.2 Marketability

The subject Property comprises the former CSR quarry pit and brick making facility. The facility is leased to Bunnings Trade and Better Concrete Products and continues to operate as a manufacturing facility for these users. We note that there is limited user demand for a facility of this nature, and hence our valuation is underpinned by the cashflow to the sitting tenants Bunnings and Better Concrete Products. We note should the Property become vacant, it is likely that letting up allowances to attract a new tenant may be protracted, given the limited demand for manufacturing facilities in the local market.

The likely purchasers are considered to be predominately owner occupiers or entrepreneurial investors looking to re-purpose the site to obtain income or subdivide the site, subject to council approval.

We are of the opinion that a purchaser would be secured within a nine to twelve-month period, assuming a formal marketing campaign carried out by a recognised industrial agent experienced in the locality at an asking price in line with market conditions at the time.

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8 Valuation Certification

Acting under instructions from RSM Corporate Australia Pty Limited, Knight Frank Newcastle has undertaken a valuation of 171-175 Sparks Road, Halloran NSW 2259. We confirm that we have inspected the property as described herein and have prepared this report.

Subject to the overriding stipulations contained within the body of this report, we are of the opinion that the market value of the subject property assuming a sale of the unencumbered freehold interest, or subject to the lease agreements detailed herein, as at 16 November 2018 for financial reporting purposes is:

Valuation 1 subject to Existing Lease Agreements - $9,000,000

(Nine Million Thousand Dollars (excluding GST))

Valuation 2 Surplus Land - $5,200,000 (excluding GST)

(Five Million, Two Hundred Thousand Dollars (excluding GST))

This certificate of valuation forms part of, and should not be used or read independently from, the complete report.

MATTHEW SHAW AAPI
API Member No. 17321
Certified Practising Valuer
Director

CHRISTOPHER KEATS AAPI
Director
(Counter-signatory only)

Knight Frank Newcastle

Disclaimer – Important Notice to Third Parties

This report is prepared for the private and confidential use of the reliance party/parties named in Section 1.1 of this report, and only for the purpose outlined in Section 1.1. It should not be relied on by the nominated party/parties for any other purpose and should not be reproduced in whole or part for any other purpose without the express written consent of Knight Frank Newcastle. Any party that is not named as a reliance party/parties may not rely on this report for any purpose and should obtain their own valuation before acting in any way in respect of the subject property.

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LETTER OF INSTRUCTION

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RSM Corporate Australia Pty Ltd

Level 21, 55 Collins Street
Melbourne VIC 3000
T +61 (03) 9286 8000
F +61 (03) 9286 8199
rsm.com.au

16 November 2018

Mr Matt Shaw
Knight Frank Newcastle
Suite 1, 168 Parry Street
Newcastle NSW 2300

By email

Dear Matt,

Hudson Investment Group Limited's proposed acquisition of commercial property in Bowen Hills, Brisbane, Queensland and associated issues of equity ("the Proposed Transaction")

We refer to the independent valuation performed by Knight Frank Newcastle ("Knight Frank") in April 2018 in relation to the commercial property located at 171-175 Sparks Road, Halloran, New South Wales ("171-175 Sparks Road").

RSM Corporate Australia Pty Ltd ("RSM") has been engaged by the Directors of Hudson Investment Group Limited ("Hudson") to prepare an Independent Expert's Report ("IER") in relation to the Proposed Transaction.

Accordingly, we require Knight Frank to provide an updated independent valuation of the market value of 171-175 Sparks Road to assist us in the preparation of our IER.

Fees

Hudson will be responsible for the payment of all fees. The cost of updating the independent valuation report is to be agreed between yourself and Hudson.

Timing

We anticipate receiving your report within 3 to 5 business days from the date of your receipt of all necessary information from Hudson to complete the independent valuation update.

Scope

As set out above, Knight Frank's scope of work is to update the independent valuation report of 171-175 Sparks Road as at 16 November 2018.

Your report will be included as an appendix in RSM Corporate Australia's IER.

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.
RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

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RSM

Agreement of Terms

By signing this document, you agree to accept the scope of work and terms set out in this letter and you confirm that you are independent and perceived to be independent of Hudson.

We look forward to working with you on this assignment.

Yours faithfully,

A. Clifford

Andrew Clifford
Director

Acknowledged on behalf of Knight Frank Newcastle by

Name MATTHEW SHAW

Title DIRECTOR

Date 16/11/18

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TITLE DOCUMENTS

LAND REGISTRY SERVICES

Direct Info
Quick and easy online

Title Search

02/03/2018 11:26 AM

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NEW SOUTH WALES LAND REGISTRY SERVICES - TITLE SEARCH

FOLIO: 74/755245

SEARCH DATE	TIME	EDITION NO	DATE
2/3/2018	11:26 AM	17	23/1/2014

LAND

LOT 74 IN DEPOSITED PLAN 755245
LOCAL GOVERNMENT AREA CENTRAL COAST
PARISH OF MUNMORAH COUNTY OF NORTHUMBERLAND
(FORMERLY KNOWN AS PORTION 74)
TITLE DIAGRAM CROWN PLAN 5697.2111

FIRST SCHEDULE

HTH HOLDINGS PTY LTD (T AC484787)

SECOND SCHEDULE (6 NOTIFICATIONS)

---

1 LAND EXCLUDES MINERALS AND IS SUBJECT TO RESERVATIONS AND CONDITIONS IN FAVOUR OF THE CROWN - SEE CROWN GRANT(S)
2 EXCEPTING LAND BELOW A DEPTH FROM THE SURFACE OF 15.24 METRES
* 3 AA533582 LEASE TO AUSGRID (SEE AJ107152) OF SUBSTATION NO 18110 TOGETHER WITH RIGHT OF WAY AND EASEMENT FOR ELECTRICITY PURPOSES AFFECTING THE PART SHOWN IN DP1047747. EXPIRES: 31/3/2053.
* AK971351 LEASE OF LEASE AA533582 TO BLUE ASSET PARTNER PTY LTD, ERIC ALPHA ASSET CORPORATION 1 PTY LTD, ERIC ALPHA ASSET CORPORATION 2 PTY LTD, ERIC ALPHA ASSET CORPORATION 3 PTY LTD & ERIC ALPHA ASSET CORPORATION 4 PTY LTD EXPIRES: SEE DEALING. CLAUSE 2.3 (b) (ii).
* AK971352 LEASE OF LEASE AK971351 TO BLUE OP PARTNER PTY LTD, ERIC ALPHA OPERATOR CORPORATION 1 PTY LTD, ERIC ALPHA OPERATOR CORPORATION 2 PTY LTD, ERIC ALPHA OPERATOR CORPORATION 3 PTY LTD & ERIC ALPHA OPERATOR CORPORATION 4 PTY LTD EXPIRES: SEE DEALING. CLAUSE 12.1
* AK971502 MORTGAGE OF LEASE AK971351 TO ANZ FIDUCIARY SERVICES PTY LTD
* AK971571 CHANGE OF NAME AFFECTING LEASE AA533582 LESSEE NOW ALPHA DISTRIBUTION MINISTERIAL HOLDING

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CORPORATION

4 AG722326 LEASE TO BUNNINGS GROUP LIMITED OF UNIT 1, 171-175 SPARKS ROAD, WARNERVALE. EXPIRES: 30/11/2018. OPTION OF RENEWAL: 5 YEARS WITH 2 FURTHER OPTIONS OF RENEWAL OF 5 YEARS EACH.

AI325390 VARIATION OF LEASE AG722326

END OF PAGE 1 - CONTINUED OVER

NEW SOUTH WALES LAND REGISTRY SERVICES - TITLE SEARCH

FOLIO: 74/755245 PAGE 2

SECOND SCHEDULE (6 NOTIFICATIONS) (CONTINUED)

---

5 AH172348 MORTGAGE TO COMMONWEALTH BANK OF AUSTRALIA

6 AI325391 LEASE TO BETTER CONCRETE PRODUCTS PTY LTD OF UNIT 2, 171-175 SPARKS ROAD, WARNERVALE. EXPIRES: 13/10/2018. OPTION OF RENEWAL: 3 YEARS AND ONE FURTHER OPTION OF 3 YEARS.

NOTATIONS

UNREGISTERED DEALINGS: NIL

*** END OF SEARCH ***

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Title Search

02/03/2018 11:31 AM

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NEW SOUTH WALES LAND REGISTRY SERVICES - TITLE SEARCH

FOLIO: 7/239691

SEARCH DATE	TIME	EDITION NO	DATE
2/3/2018	11:31 AM	9	14/8/2012

LAND

LOT 7 IN DEPOSITED PLAN 239691
AT WARNERVALE
LOCAL GOVERNMENT AREA CENTRAL COAST
PARISH OF MUNMORAH COUNTY OF NORTHUMBERLAND
TITLE DIAGRAM DP239691

FIRST SCHEDULE

HTH HOLDINGS PTY LTD (T AC484787)

SECOND SCHEDULE (2 NOTIFICATIONS)

---

1 LAND EXCLUDES MINERALS AND IS SUBJECT TO RESERVATIONS AND CONDITIONS IN FAVOUR OF THE CROWN - SEE CROWN GRANT(S)
2 AH172348 MORTGAGE TO COMMONWEALTH BANK OF AUSTRALIA

NOTATIONS

UNREGISTERED DEALINGS: NIL

*** END OF SEARCH ***

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Title Search

02/03/2018 11:33 AM

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NEW SOUTH WALES LAND REGISTRY SERVICES - TITLE SEARCH

FOLIO: 2/796730

SEARCH DATE	TIME	EDITION NO	DATE
2/3/2018	11:33 AM	9	14/8/2012

LAND

LOT 2 IN DEPOSITED PLAN 796730
AT BUTTONDERR CREEK
LOCAL GOVERNMENT AREA CENTRAL COAST
PARISH OF MUNMORAH COUNTY OF NORTHUMBERLAND
TITLE DIAGRAM DP796730

FIRST SCHEDULE

HTH HOLDINGS PTY LTD (T AC484787)

SECOND SCHEDULE (2 NOTIFICATIONS)

---

1 LAND EXCLUDES MINERALS AND IS SUBJECT TO RESERVATIONS AND CONDITIONS IN FAVOUR OF THE CROWN - SEE CROWN GRANT(S)
2 AH172348 MORTGAGE TO COMMONWEALTH BANK OF AUSTRALIA

NOTATIONS

UNREGISTERED DEALINGS: NIL

*** END OF SEARCH ***

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Title Search

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NEW SOUTH WALES LAND REGISTRY SERVICES - TITLE SEARCH

FOLIO: 1/796730

SEARCH DATE	TIME	EDITION NO	DATE
2/3/2018	11:29 AM	12	14/8/2012

LAND

LOT 1 IN DEPOSITED PLAN 796730
AT BUTTONDERR CREEK
LOCAL GOVERNMENT AREA CENTRAL COAST
PARISH OF MUNMORAH COUNTY OF NORTHUMBERLAND
TITLE DIAGRAM DP796730

FIRST SCHEDULE

HTH HOLDINGS PTY LTD (T AC484787)

SECOND SCHEDULE (4 NOTIFICATIONS)

---

1 LAND EXCLUDES MINERALS AND IS SUBJECT TO RESERVATIONS AND CONDITIONS IN FAVOUR OF THE CROWN - SEE CROWN GRANT(S)

* 2 LAND EXCLUDES THE ROAD(S) VARIABLE WIDTH SHOWN ON THE TITLE DIAGRAM

3 AC39869 LEASE TO HUDSON TIMBER PRODUCTS LIMITED EXPIRES: 30/11/2011. OPTION OF RENEWAL: 10 YEARS.
AC139279 VARIATION OF LEASE AC39869

4 AH172348 MORTGAGE TO COMMONWEALTH BANK OF AUSTRALIA

NOTATIONS

UNREGISTERED DEALINGS: NIL

*** END OF SEARCH ***

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LT2/16

PLAN OF PT POR. 57 FORMERLY COMPRISED IN VOL. 11805 FOL. 177 & CLOSED ROAD FORMERLY COMPRISED IN VOL. 11241 FOL. 208

~~Mun./Shire/City~~ WYONG

Town or Locality BUTTONDERR CREEK

Parish MUNMORAH

County NORTHUMBERLAND

Reduction Ratio 1: N.T.S. Lengths are in metres

D P 796730

Registered: 20-7-1989

C.A.:

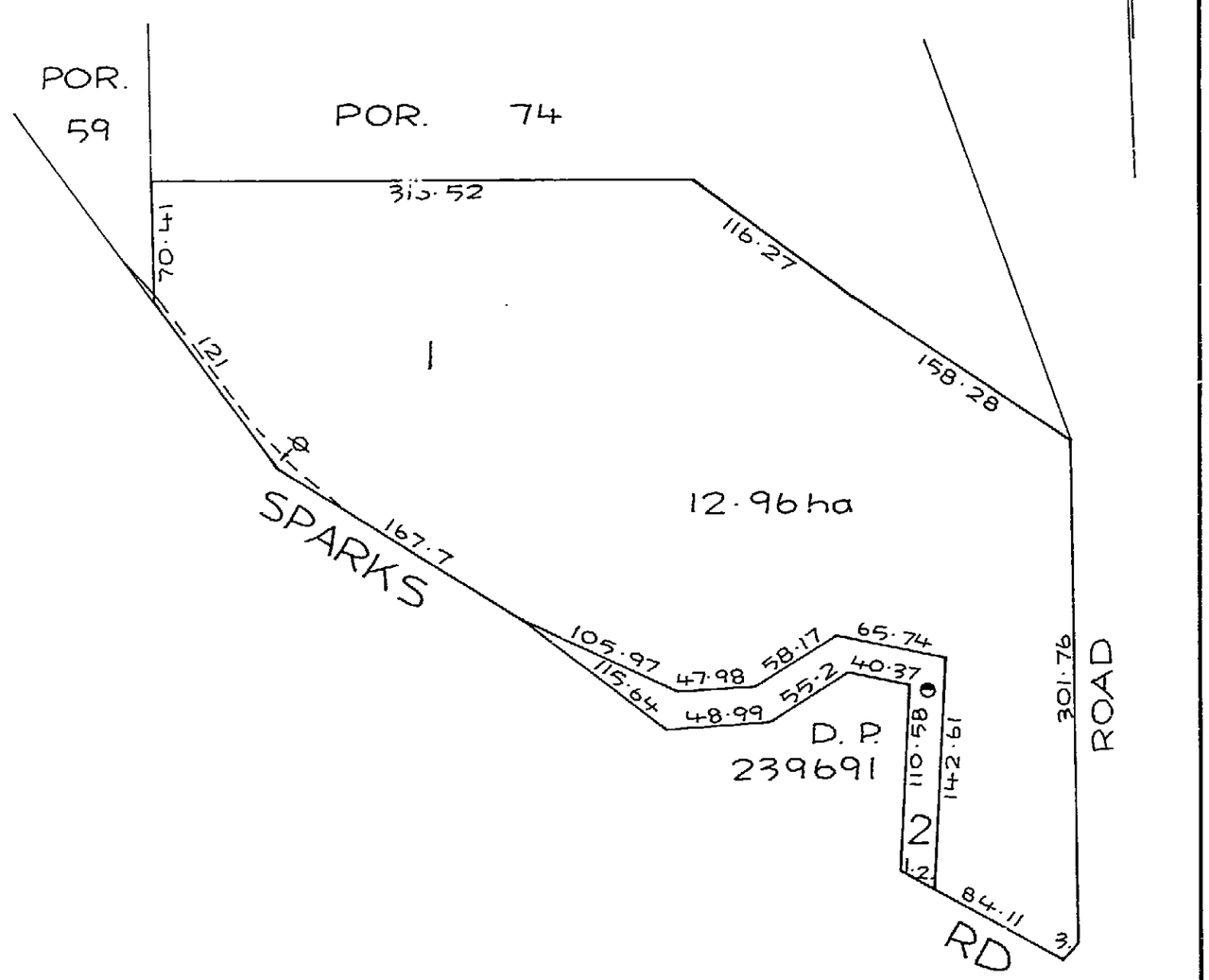
Title System: TORRENS

Purpose: DEPARTMENTAL

Ref. Map: U3620-8#

Last Plan:

ZOOM 2 DIB



REFERENCE:

1.	6·34
2.	27·16
3.	16·65

Q : ROAD VARIABLE WIDTH R. 30655-1603R

● : AREA - 6446m²

80809-36392

This negative is a photograph made as a permanent record of a document in the custody of the Registrar General this day. 21 July, 1989

10 20 30 40 50 60 70 Table of mm 110 120 130 140

FOR

Req:R212532 /Doc:DP 0796730 P /Rev:22-Sep-1992 /Sts:OK.OK /Pgs:ALL /Prt:02-Mar-2018 11:43 /Seq:1 of 1
Ref:MS/11975 /Src:Q

E. CENTRAL REAL ESTATE AUSTRALIA PTY LTD – VALUATION REPORT – 59 MOUNTAIN ROAD, HALLORAN – DATED 19 NOVEMBER 2018

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Market Appraisal

Lot 67 DP755245

59 Mountain Road Halloran

for

RSM Corporate Australia Pty Ltd

19th November 2018

CREAUS
Central Real Estate Australia

P.O. Box 56
Wyong, NSW 2259

Unit 10,
9-11 Willow Tree Road
Wyong, NSW 2259

Ph: 4311 9333
www.CREAUS.com.au

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CREAUS
Central Real Estate Australia

EXECUTIVE SUMMARY

ADDRESS:	Lot 67 DP 755245 Mountain Road, Halloran NSW 2259 (known as 59 Mountain Road Halloran NSW 2259)
INSTRUCTIONS:	We have been asked to provide an estimated market value of 59 Mountain Road Halloran.
PURPOSE:	To provide an updated independent appraisal of the market value of 59 Mountain Road Halloran to assist Corporate Australia Pty Ltd in the preparation of an Independent Expert's Report.
TOTAL LAND AREA:	20.94ha
IN1 ZONED LAND:	5.1ha
ZONING:	IN1 General Industrial under the terms of State Environmental Planning Policy (Major Projects) 2005 (amendment number 21), gazetted in 2008
LOCATION:	Halloran is an industrial suburb bounded by the Sydney/Newcastle F3 Freeway, Sparks Road and the suburb of Wallarah to the east and north-east. Other neighbouring suburbs include Kiah, Bushells Ridge, Jilliby and Warnervale.
IMPROVEMENTS:	Nil.
APPRAISAL APPROACH:	Direct comparison
APPRAISAL PER M²:	$70m² - $75m²
ASSUMPTIONS:	Title Details Identification Town Planning Services Improvements Environmental Considerations Sources and Limitations of Market Evidence

Unit 10,
9-11 Willow Tree Road
Wyong, NSW 2259

Ph: 4311 9333
www.CREAUS.com.au

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1.0 INSTRUCTIONS

We have been asked to provide an estimated market value of the subject property, on the basis of its value today. The purpose of the appraisal is to provide an updated independent appraisal of the market value of 59 Mountain Road Halloran to assist Corporate Australia Pty Ltd in the preparation of an Independent Expert's Report (IER).

This appraisal has been prepared in accordance with the Australian Property Institute (API) Code of Professional Practice.

2.0 DEFINITION OF MARKET VALUE

Market value is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

Source: International Valuation Standard 1

3.0 LOCATION

The subject property is located at Halloran, approximately 8.5km north of Wyong town centre on the Central Coast of New South Wales.

The Central Coast spans an area of 1,680 square kilometres and, as disclosed in the 2016 Census, had a population of 339,196. It is one of the fastest growing regions in Australia, with the regions Local Government Authority being the Central Coast Council.

Halloran is a small industrial suburb bounded by the Sydney/Newcastle F3 Freeway, Sparks Road and the suburb of Wallarah to the east and north-east. Other neighbouring suburbs include Kiah, Bushells Ridge, Jilliby and Warnervale.

The WEZ has a total area of about 744.3ha and is bounded by Porters Creek Wetland catchment to the north, Porters Creek Wetland to the south, the Great Northern Railway to the east and Hue Hue Road to the west. The WEZ is proposed to comprise about 340ha of land for general industrial purposes which is expected to generate employment for 6,000 people. Approximately 349ha will be zoned for conservation, which will protect Significant regional wildlife corridors and a wide range of vegetation communities and threatened species.

Warnervale Industrial Park, directly to the south of the subject area and forming part of the WEZ Industrial Area, was established in about 2000. The major use within the Warnervale Industrial Park is a Woolworths Distribution Centre. Warnervale Aerodrome, which is also part of the WEZ and is to the east of the Woolworths Distribution Centre.

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4.0 SITE DESCRIPTION

The property is vegetated over much of the site with the exception of the Western end of the land which has four dams of varying sizes. The site has a total land area of 20.94ha. On the Eastern elevated and relatively level section of the land is the land zoned IN1 (industrial). The gradient of the land at the eastern portion is within 0 to 5%. There are two significant IN1 portions with a combined total area of approximately 5.1ha with E2 land between the two areas (Figure 1).

The majority of the land has light to medium vegetation, however, some native mature vegetation, comprising Eucalypt and Casuarina trees are present on the site.

Figure 1

Unit 10,
9-11 Willow Tree Road
Wyong, NSW 2259

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www.CREAUS.com.au

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5.0 SALES RECONCILIATION

Having regard to the recent sales evidence, comments and our investigation, we consider the value of the subject IN1 zoned land in its current state is within the range of $70m² to $75 m², we adopted a current market value of $3,600,000 excluding GST.

6.0 GENERAL QUALIFYING STATEMENTS

This appraisal is for the use only of the party to whom it is addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of this Appraisal.

Neither the whole nor any part of this report, or any other advice given in respect of the property which is the subject of this report, nor any reference thereto, may be relied upon or included in any document, circular or statement without our written approval of the form and context in which it will appear.

Central Real Estate Australia hereby declares that it makes no guarantee, promise, warranty, representation or undertaking that the lodgement of this appraisal report will result in any predetermined requirements of the instructing party or client being satisfied. As this appraisal is to be used for the purposes of preparing the IER, it should be used for information only.

This appraisal is current as at the date of appraisal only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of three months from the date of the report, or such earlier date if you become aware of any factors that have any effect on the value.

This report may only be relied upon if you have the signed original report document. We hereby certify that we do not have any direct, indirect or financial interest in the property described herein.

We direct your attention to the other qualifying statements contained within this report document.

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7.0 PRIVACY STATEMENT

Central Real Estate Australia acknowledges its obligations under the Privacy Act 1988 (as amended). Personal information collected from clients will be used primarily to ensure Central Real Estate Australia discharges its professional duties to the standards required by the Australian Property Institute and by the relevant State and Federal government legislation. The use of personal information is limited to use as required for the purpose of valuation and property consultancy. Personal information provided to Central Real Estate Australia will not be used for any other purpose, be re-sold or used for client marketing. Our policy is available upon request.

8.0 VALUATION

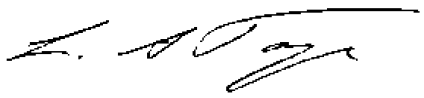
We are of the opinion the market value of the subject land in its current state, subject to the comments and qualifications contained within this report document, as at 19th November 2018, is:

$3,600,000

(THREE MILLION SIX HUNDRED THOUSAND DOLLARS)

The appraisal figure determined above is exclusive of GST.

Central Real Estate Australia Pty Ltd



……

Lloyd Taylor
Director
Licensed Real Estate Agent
License Number 20086031

Unit 10,
9-11 Willow Tree Road
Wyong, NSW 2259

Ph: 4311 9333
www.CREAUS.com.au

F. CRISP VALUATION SERVICES PTY LTD – VALUATION REPORT – FIRST BROOKES STREET PROPERTY – DATED 12 JUNE 2018

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MEMBER OF THE API THE AUSTRALIAN PROPERTY INSTITUTE Leading the property professions

CRISP Valuation Services

ABN: 43 152 831 126

A: Level 1, Unit 3
8 Mowbray Terrace
East Brisbane QLD 4169

P: PO Box 7756
East Brisbane QLD 4169

T: (07) 3137 9360
M: 0416 188 754

E: info@crispval.com.au

Ref: SDC:C113036
14 November 2018

Valuation Report

Units 1 & 2, 41-43 Brookes Street, Bowen Hills Qld 4006

Instructed By	**RSM Corporate Australia Pty Ltd**
Date of Valuation	**12 June 2018**

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Executive Summary (to be read in conjunction with the body of this report)

Valuation Details

Address	Units 1 & 2, 41-43 Brookes Street, Bowen Hills Qld 4006
Instructing Party	RSM Corporate Australia Pty Ltd
Purpose	Independent Expert Reporting Purposes
Interest Valued	Unencumbered Fee Simple
Registered Owner	Biogiene Property Investments Pty Ltd
Date of Valuation	12 June 2018
Date of Inspection	12 June 2018

Property Details

Land Area	1,013m²
Zoning	Emerging Community Zone
Unit Area	Unit 1 - 311m² Unit 2 - 313m²
Brief Description	The property comprises a regular shaped parent parcel of land positioned to the western side of Brookes Street, diagonally opposite its intersection with Mallon Street. The property also has a second street access to Exhibition Street to the western alignment of the property. The land is improved with is a freestanding part two level commercial office and warehouse building which was constructed circa 1980's. The building is set on a reinforced concrete slab with a suspended reinforced concrete slab to the first floor office areas. The building has brick external walls and a corrugated sheet metal roof. The building has been configured to comprise 2 strata title units with each unit of equivalent size to the other. Unit 1 is set over two levels with the main access being from Brookes Street and this provides a very good standard of accommodation over both levels. Unit 2 is primarily accessed from the Exhibition Street frontage of the building and this is occupied by a plumbing supplies firm with the majority of accommodation being warehouse. There is a concrete sealed car parking area to the front and rear of the property with a total of 20 open air car parking spaces. Each unit has its own kitchenette, male and female amenities.
Highest and Best Use	The highest and best use of the property is an investment commercial asset within the fringe of the Brisbane CBD and having the benefit of being a potential redevelopment site in the medium to long term. The property does not have any Development Approval or Applications pending.

Tenancy Details

No. of Tenancies	**2**	**Current Vacancy**	**0**
WALE (by area)	**1.1 years**	**WALE (by income)**	**1.3 years**

The building comprises two tenancies and, as at the Date of Valuation, the building was wholly occupied. Lot 1 is occupied by Task Labour Australia on a 3+3 year lease which commenced 1 July 2017 and they are paying an annual rental of $160,680 net per annum ($517/m²) as from 1 July 2018. Lot 2 is occupied by K & R Plumbing Supplies on a 1 year lease which commenced 1 August 2017 and they are currently paying an annual rental of $100,179 ($320/m²). We have been advised this tenant wishes to enter into a 2 year lease from 1 August 2018. This rental is to increase by 3.0% from 1 August 2018 which results in an annual rental of $103,184 net per annum ($330/m²). Both tenants are responsible for their respective Lots outgoings and these equate to $150/m². We consider the current passing rents to be within market parameters.

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Financial Details

	Passing/Market
Gross Annual Income	358,086
Estimated Annual Outgoings	94,221
Total Net Income	263,865
Net Income $/m²	$423/m²

Valuation Conclusions

Adopted Value	**$4,800,000 GST exclusive**
	(Four Million Eight Hundred Thousand Dollars)
Initial Passing Yield	5.50%
Analysed Market Yield	5.50%
Reversionary Yield	5.50%
IRR (10 years)	5.93%
Direct Comparison	$7,692/m² NLA

Definitions:
Initial yield – passing income / adopted value
Analysed market yield – assessed net market income / adopted value less present value of adjustments
Reversionary yield – assessed net market income / adopted value
Internal rate of return – is the discount rate where the net present value equals zero

Qualifications

- While all reasonable endeavours have been made to clarify the accuracy of the information provided, it is assumed the information provided by Mr Wei Huang of Millennium Qld Pty Ltd (owner) consists of a full and frank disclosure of all information that is relevant.
- We have assumed the property is free of all easements, encumbrances and interests other than those listed and there are no encroachments outside the boundaries of the Plan.
- We have assumed all necessary town planning and approvals for the existing building have been obtained and complied with.
- We have assumed the improvements are structurally sound with no major service defects and comply with relevant Statutory Authority codes and standards.

Table of Contents

1.	**Instructions**	**5**
1.1.	Brief	5
1.2.	Purpose of Valuation	5
1.3.	Date of Inspection	5
1.4.	Date of Valuation	5
1.5.	Basis of Valuation	6
2.	**Risk Assessment**	**7**
2.1.	Cash Flow	7
2.2.	Asset	7
2.3.	Market	7
2.4.	Lending Cautions	7
3.	**Title Details**	**8**
3.1.	Title Search	8
3.2.	Easements, Encumbrances and Interests	10
4.	**Planning and Development Controls**	**11**
4.1.	Planning Overview	11
4.2.	Department of Natural Resources and Mines Site Value	12
5.	**Land**	**13**
5.1.	Land Details	13
5.2.	Location & Surrounding Development	14
5.3.	Roads, Access and Exposure	15
6.	**Improvements**	**16**
6.1.	Accommodation	16
6.2.	Net Lettable Area	18
6.3.	Construction and Building Services	18
6.4.	Condition and Utility of Improvements	19
7.	**Environmental Issues**	**20**
7.1.	Building Materials	20
7.2.	Contamination	20
8.	**Occupancy**	**21**
8.1.	Tenancy	21
8.2.	Tenant Overview Summary	21
8.3.	Lease Expiry Profile	22
8.4.	Estimated Annual Outgoings	22
9.	**Market Analysis**	**23**
9.1.	Sales History	23
9.2.	Market Commentary	23
9.3.	Comparable Evidence	25
9.4.	Leasing Evidence	25
9.5.	Sales Evidence	27
9.6.	Sales Reconciliation	31
10.	**Methodology**	**32**
10.1.	Highest and Best Use	32
10.2.	Capitalisation Approach	32
10.3.	Direct Comparison Approach	32
10.4.	Valuation Conclusions	33
10.5.	Insurance Replacement Value	33
11.	**Valuation**	**34**

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1. Instructions

1.1. Brief

Instructions were received from RSM Corporate Australia Pty Ltd to assess the current market value of Units 1 & 2, 41-43 Brookes Street, Bowen Hills.

The report has been prepared for the private and confidential use of RSM Corporate Australia Pty Ltd and it may not be reproduced in whole or in part or relied upon for any other purpose or by any party other than the above without our written authority.

Qualification
Unless otherwise stated, all financial information and valuation calculations in this report exclude GST.

Accordingly, the treatment of GST can be handled in a number of ways with respect to the subject property. Being a commercial property, it is most likely that the "going concern" method of handling GST will be adopted, and therefore the transaction can be GST exempt. Alternatively, a vendor may require a notional purchaser to pay GST in addition to the purchase price, with such purchaser able to claim back this payment as an input tax credit. As a third method, the vendor and purchaser may elect to adopt the margin scheme, with the purchaser paying GST on the margin or difference in value of the property between the current date and 1 July 2000.

Our valuation is expressed GST exclusive.

This valuation is based on the assumptions relating to GST set out above. If any of these assumptions are found to be incorrect, or if the party on whose instructions this valuation is provided wishes our valuation to be based on different assumptions, this valuation should be referred back to us for comment and, in appropriate cases, amendment.

1.2. Purpose of Valuation

This valuation has been prepared to assess the market value of the property for Independent Expert Report purposes.

This report also complies with the Seventh Edition of the Australia and New Zealand Valuation and Property Standards (dated January 2012).

1.3. Date of Inspection

12 June 2018

1.4. Date of Valuation

12 June 2018

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1.5. Basis of Valuation

The valuation is based on the following definitions and is current as at the Date of Valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period, (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of 90 days from the Date of the Valuation, or such earlier date if an event occurs which has an impact on the valuation.

Market Value
The International Valuation Standards Committee defines market value as:

"…….. the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The value assessed assumes a professional marketing campaign and reflects a selling period of no more than six months.

Market Rent
The *Australian Property Institute* defines market rent as:

"Market rent is the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

The rent is assessed on the assumption that the premises are vacant and are fit for immediate occupation and ignoring any lessee's improvements or goodwill attaching to the premises by reason of the lessee's business.

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2. Risk Assessment

2.1. Cash Flow

- The building is divided into two strata titled units.
- Unit 1 is leased to Task Labour Australia on a 3+3 year lease which commenced 1 July 2017 and they are paying an annual rental of $160,680 net per annum ($517/m²) as from 1 July 2018. The rent is to be reviewed annually by 3.50%.
- Unit 2 is occupied by K & R Plumbing Supplies on a 1 year lease which commenced 1 August 2017 and they are currently paying an annual rental of $100,179 ($320/m²). We have been advised this tenant wishes to enter into a 2 year lease from 1 August 2018 at a commencing rental of $103,184 net per annum ($330/m²).
- Both tenants are responsible for their respective Lots outgoings and these equate to $150/m².
- We consider the current passing rents to be within market parameters.

2.2. Asset

- The property was constructed circa 1980's and offers a good standard of accommodation.
- There are 20 off street car parks on site.
- The building offers a good standard of accommodation.
- The property is strata titled into two units, so one unit could be sold off without the other.
- The property is well elevated and has some outlook toward the south-west of the Brisbane CBD skyline.
- The property is located within Bowen Hills and surrounded by similar commercial office buildings and is in close to major public transport including rail and bus.

2.3. Market

- Enquiry and activity levels in the Brisbane CBD fringe commercial property market have improved from 2015 to date.
- Demand is considered reasonable so long as the sale price is realistic.
- The estimated selling period is 3 – 6 months with a professional marketing campaign.
- Key positives – position / location, surrounding transport networks, standard of accommodation, off street car parking and access.
- Due to the size and presentation of the property, its position and location, and future redevelopment opportunity, it is expected that the property would attract a good level of interest from other developers.

2.4. Lending Cautions

- The property has a WALE of 1.1 years which is considered short.
- The property has a low site coverage compared to many of the surrounding properties which results in a lower income and higher analysed sale rate.
- The property does have the benefit that one side could be sold off separately to the other side.

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3. Title Details

3.1. Title Search

Lot 1

CURRENT TITLE SEARCH

NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND

Request No: 28913204
Search Date: 21/06/2018 10:35 **Title Reference: 16474089**
Date Created: 25/05/1983

Previous Title: 16129145

REGISTERED OWNER

Dealing No: 718181114 28/07/2017

BIOGIENE PROPERTY INVESTMENTS PTY LTD
A.C.N. 138 651 911

ESTATE AND LAND

Estate in Fee Simple

LOT 1 GROUP TITLES PLAN 1074
Local Government: BRISBANE CITY
COMMUNITY MANAGEMENT STATEMENT 21501

EASEMENTS, ENCUMBRANCES AND INTERESTS

1. Rights and interests reserved to the Crown by
   Deed of Grant No. 10266182 (ALLOT 9 SEC 56)
   Deed of Grant No. 10266183 (ALLOT 10 SEC 56)

2. MORTGAGE No 718181115 28/07/2017 at 11:11
   COMMONWEALTH BANK OF AUSTRALIA A.B.N. 48 123 123 124

ADMINISTRATIVE ADVICES - NIL
UNREGISTERED DEALINGS - NIL

CERTIFICATE OF TITLE ISSUED - No

Caution - Charges do not necessarily appear in order of priority

** End of Current Title Search **

COPYRIGHT THE STATE OF QUEENSLAND (NATURAL RESOURCES, MINES AND ENERGY) [2018]
Requested By: D-ENQ CITEC CONFIRM

Summary

Real Property Description	Lot 1 on Group Titles Plan 1074
Local Government	Brisbane City
Title Reference	16474089
CMS	21501
Registered Owner	Biogiene Property Investments Pty Ltd A.C.N. 138 651 911

Lot 2

CURRENT TITLE SEARCH

NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND

Request No: 28913208
Search Date: 21/06/2018 10:35 **Title Reference: 16474090**
Date Created: 25/05/1983

Previous Title: 16129145

REGISTERED OWNER

Dealing No: 718236406 28/08/2017

BIOGIENE PROPERTY INVESTMENTS PTY LTD
A.C.N. 138 651 911 TRUSTEE
UNDER INSTRUMENT NO. 718236406

ESTATE AND LAND

Estate in Fee Simple

LOT 2 GROUP TITLES PLAN 1074
Local Government: BRISBANE CITY
COMMUNITY MANAGEMENT STATEMENT 21501

EASEMENTS, ENCUMBRANCES AND INTERESTS

1. Rights and interests reserved to the Crown by
   Deed of Grant No. 10266182 (ALLOT 9 SEC 56)
   Deed of Grant No. 10266183 (ALLOT 10 SEC 56)

2. LEASE No 711836006 04/08/2008 at 12:03
   ANTHSUL PTY LTD A.C.N. 010 169 801
   OF THE WHOLE OF THE LAND
   TERM: 01/07/2008 TO 30/06/2011 OPTION 3 YEARS

3. AMENDMENT OF LEASE No 713670802 19/01/2011 at 10:10
   LEASE: 711836006
   TERM: 01/07/2008 TO 30/06/2014 OPTION 3 YEARS

4. MORTGAGE No 718236407 28/08/2017 at 10:19
   COMMONWEALTH BANK OF AUSTRALIA A.B.N. 48 123 123 124

ADMINISTRATIVE ADVICES - NIL
UNREGISTERED DEALINGS - NIL

CERTIFICATE OF TITLE ISSUED - No

Caution - Charges do not necessarily appear in order of priority

** End of Current Title Search **

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Requested By: D-ENQ CITEC CONFIRM

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Summary

Real Property Description	Lot 2 on Group Titles Plan 1074
Local Government	Brisbane City
Title Reference	16474090
CMS	21501
Registered Owner	Biogiene Property Investments Pty Ltd A.C.N. 138 651 911 as Trustee under Instrument No. 718236406

3.2. Easements, Encumbrances and Interests

Lot 1

- Rights and interests reserved to the Crown by
  Deed of Grant No. 10266182 (ALLOT 9 SEC 56)
  Deed of Grant No. 10266191 (ALLOT 10 SEC 56)
- Mortgage No. 718181115 dated 28 July 2017 to Commonwealth Bank of Australia

Lot 2

- Rights and interests reserved to the Crown by
  Deed of Grant No. 10266182 (ALLOT 9 SEC 56)
  Deed of Grant No. 10266191 (ALLOT 10 SEC 56)
- Lease No. 711836006 dated 4 August 2008 to Anthsul Pty Ltd A.C.N. 010 169 801 of the Whole of the Land
  Term: 01/07/2008 to 30/06/2011 Option 3 years
- Amendment of Lease No. 713670802 dated 19 January 2011 of Lease No. 711836006
  Term: 01/07/2008 to 30/06/2014 Option 3 years
- Mortgage No. 718236407 dated 28 August 2017 to Commonwealth Bank of Australia

Our valuation takes into account the effect, if any, on the value of the interest valued of any easements, encumbrances and interests registered on the included copy of the Current Title Searches and Group Titles Plan obtained from the *Department of Natural Resources and Mines*. It assumes that there are no other easements, encumbrances and interests other than those recorded on Title.

As no identification survey has been sighted, the valuation is made on the basis that there are no encroachments or restrictions by or upon the property and this should be confirmed by a survey report and/or advice from a Registered Surveyor. If any encroachments are noted on the survey report we should be consulted to reassess if there is any impact on the value stated in this report.

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4. Planning and Development Controls

4.1. Planning Overview

Local Authority:	Brisbane City Council
Planning Scheme	Brisbane City Plan 2014
Zoning	Emerging Community Zone Bowen Hills Priority Development Area

Brisbane City Plan 2014 Zoning Map Extract

Zoning Purpose	The purpose of the Emerging community zone code is to: (a) Identify land that is suitable for urban purposes and conserve land that may be suitable for urban development in the future. (b) Manage the timely conversion of non-urban land to urban purposes. (c) Prevent or discourage development that is likely to compromise appropriate longer term land use.
Use Assessment	The current use of the land for office purposes is a conforming land use within this Zoning.
Constraints	Streetscape Hierarchy Overlay Critical Infrastructure And Movement Network Overlay Airport Environs Overlay Transport Air Quality Corridor Overlay Bowen Hills Neighbourhood Plan Road Hierarchy Overlay Potential and Acid Sulfate Soils Overlay
Qualifications	We have not obtained a Certificate of Classification, however for the purpose of this valuation we have assumed that all necessary town planning and building approvals and consents for the existing development have been obtained and complied with.

4.2. Department of Natural Resources and Mines Site Value

For rating and taxing purposes the overall site value is assessed at $3,400,000 ($3,356/m²).

Date of Valuation	1 October 2016	Date of Effect	30 June 2017

This results in a Land Tax liability of $51,000 based on a single entity Company/Trustee ownership status.

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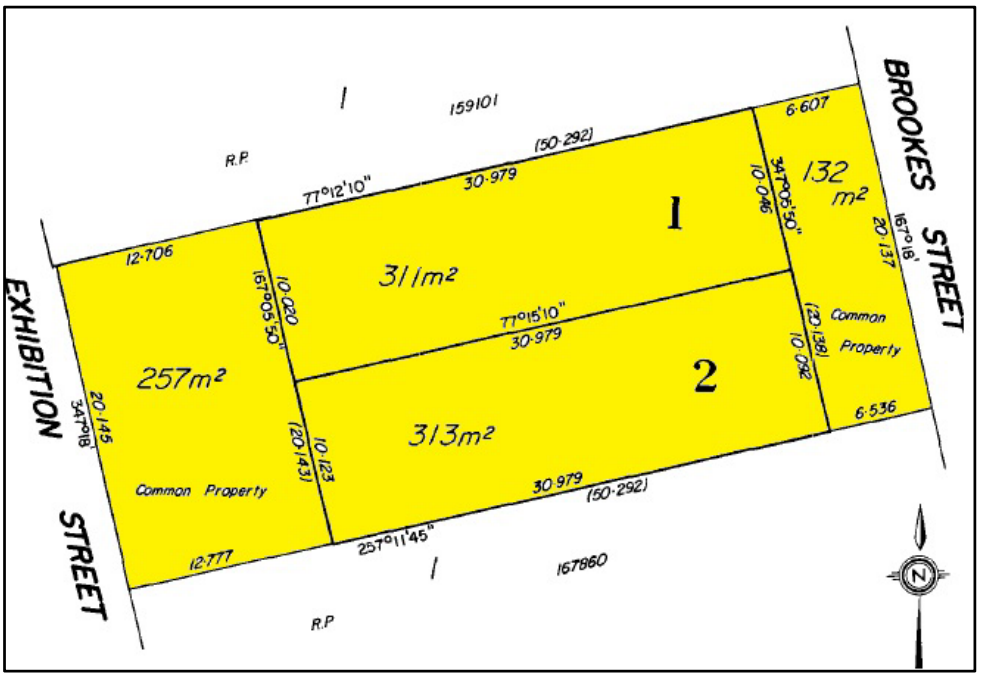
5. Land

5.1. Land Details



Cadastral Map Extract

Land Size	1,013m²
Street Frontages	The site comprises a regular shaped inside lot being positioned to the western side of Brookes Street and having a second frontage at the rear to Exhibition Street. Brookes Street frontage – 20.1 metres approximately Exhibition Street – 20.1 metres approximately
Topography	In its natural form, the land slopes gently below the road height to the rear alignment. The allotment has been excavated and retained to provide a level building platform to accommodate the existing improvements.
Flooding	Our search of the Brisbane City Council, FloodWise Property Report indicates the property is not susceptible to flooding from any creeks, rivers, storm tides or overland flow paths and is considered low risk.
Services	Services available include electricity, town water, sewerage and telephone.
Other Comments	We are unaware of any planned changes in the area, such as amended road patterns, population and demographic movements, Council requests or plans, which may result in an adverse effect to the market value of the property.

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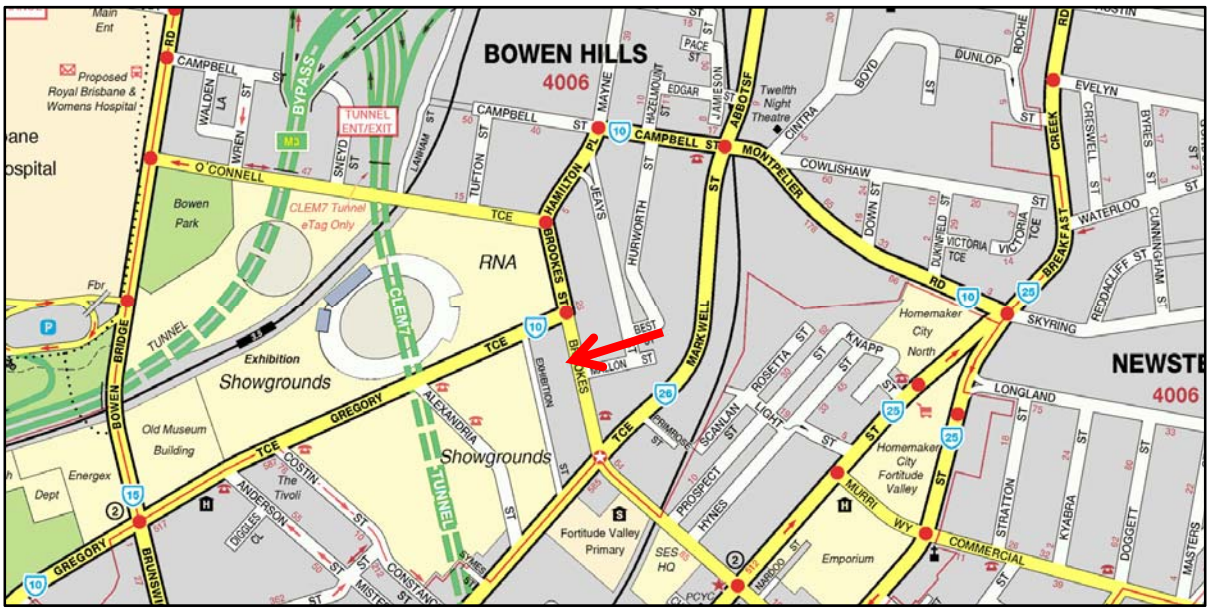
5.2. Location & Surrounding Development

The property is positioned to the western side of Brookes Street, directly opposite its intersection with Mallon Street, 100 metres north of its intersection with St Pauls Terrace, and it is approximately 2 kilometres radially north-east of the Brisbane GPO.



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The surrounding development comprises similar low rise commercial office buildings as well as some light industrial buildings. The property is in close proximity to the RNA Showgrounds as well as being in close proximity to the new Sullivan Nicolaides laboratories which have recently been constructed in Hurworth Street.

Aerial photograph (19 May 2018) showing the subject and surrounding development

5.3. Roads, Access and Exposure

At the front of the property, Brookes Street is a four lane (2 in each direction) bitumen sealed connector road with concrete kerb and channelling and formed footpaths to both sides. Brookes Street carries moderate levels of traffic with high volumes during peak periods, and it links St Pauls Terrace, Ann Street and Wickham Street in the south with Hamilton Place and O'Connell Terrace in the north.

Exhibition Street is a narrow two lane bitumen sealed road with concrete kerb and channelling. Exhibition Street carries low levels of traffic and links St Pauls Terrace in the south with Gregory Terrace in the north.

Vehicle access / egress is easy and direct via concrete crossover from both Exhibition Street and Brookes Street and these are considered easy and direct.

Northward along Brookes Street

Southward along Brookes Street

Southward along Exhibition Street

Northward along Exhibition Street

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6. Improvements

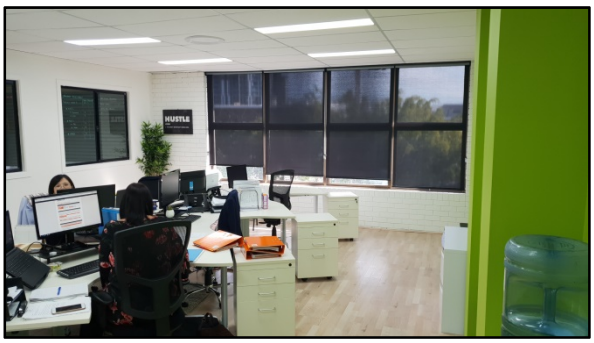
6.1. Accommodation

Front Elevation of the Property to Brookes Street

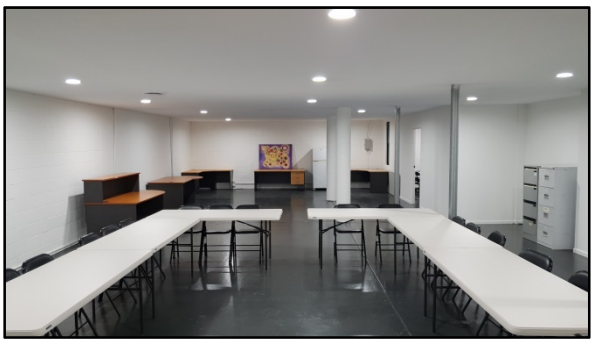
Rear Elevation to Exhibition Street

Entry/Reception Ground Floor of Unit 1

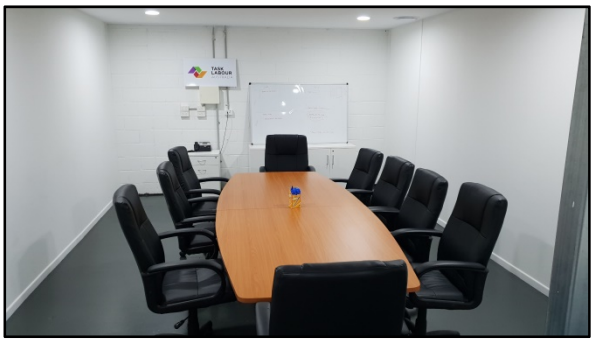
Office Area Ground Floor Unit 1



Office Area Ground Floor Unit 1



Lower Ground Training Room Unit 1



Lower Ground Boardroom Unit 1

Lower Ground Kitchenette Unit 1

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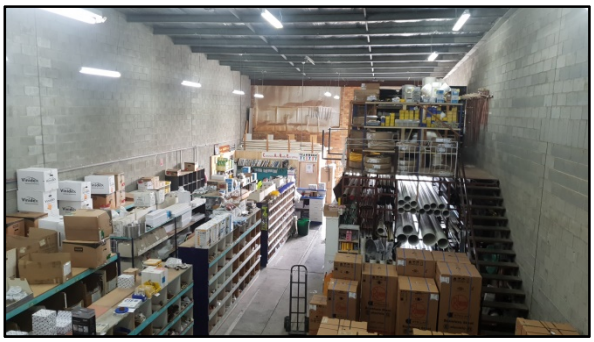

Warehouse Area Unit 2

First Floor Office Area Unit 2

Unit 1 Rear Car Park

Unit 2 Rear Car Park

The property is improved with is a freestanding part two level commercial office and warehouse building which was constructed circa 1980's.

The building is set on a reinforced concrete slab with a suspended reinforced concrete slab to the first floor office areas. The building has brick external walls and a corrugated sheet metal roof. The building has been configured to comprise 2 strata title units with each unit of equivalent size to the other.

Unit 1 is set over two levels with the main access being from Brookes Street and this provides a very good standard of accommodation over both levels. The ground level comprises a reception/waiting area, meeting room, and 2 separate open office areas (each including 3 partitioned offices). The lower ground area comprises a large training room, first aid room, boardroom, kitchenette, male and female amenities.

Unit 2 is primarily accessed from the Exhibition Street frontage of the building and this is occupied by a plumbing supplies firm with the majority of accommodation being warehouse. The unit includes some office/showroom accommodation to the upper level (although this is being used as storage accommodation at present), kitchenette, male and female amenities.

There is a concrete sealed car parking area to the front and rear of the property with a total of 20 open air car parking spaces.

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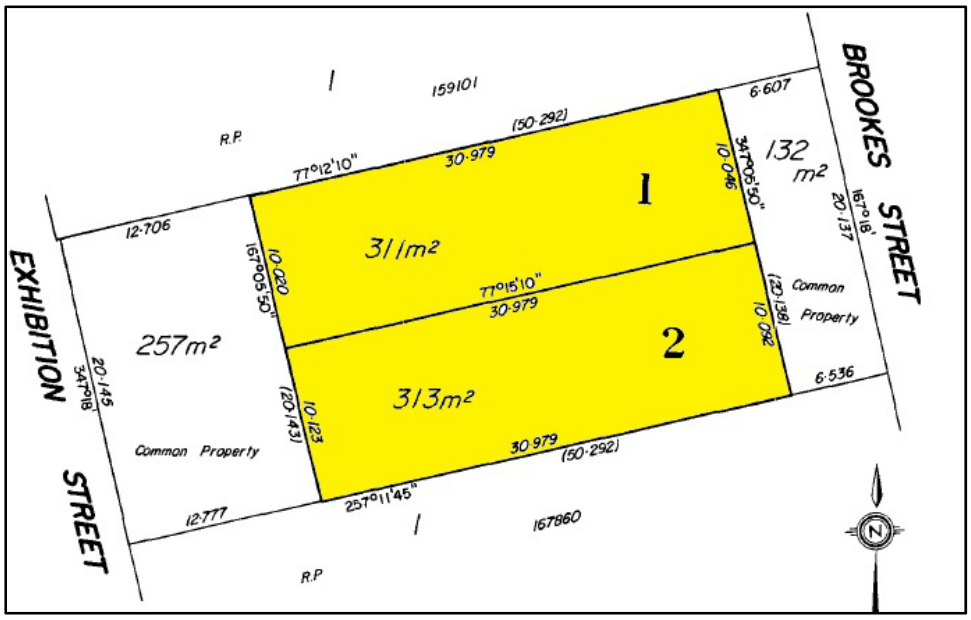
6.2. Net Lettable Area

Based on the information provided and our searches, the net lettable area is as outlined in the table below. The areas are subject to confirmation by survey.

Component	Area (m²)
Unit 1	311
Unit 2	313
Total	**624**



Building Units Plan Extract

6.3. Construction and Building Services

General construction details are summarised as follows:

Foundations	Reinforced concrete.
Floors	Concrete to lower ground level and suspended concrete to ground level.
External Walls	Face brick, masonry block.
Internal Walls	Plasterboard to office areas.
Ceilings	Mixture of suspended grid and plasterboard to office areas.
Windows / Doors	Aluminium framed glazed external windows and entry doors.
Roof	Sheet metal.
Floor coverings	Carpet, vinyl and ceramic tile.
Condition	Good.

The improvements are serviced by the following:

Amenities	Male and female amenities and kitchenette to each unit.
Air Conditioning	Split systems to office areas.
Lighting	Recessed fluorescent tube lighting.
Car Parking	20 open air car parks.
Other	Achieves some CBD Skyline outlook.

6.4. Condition and Utility of Improvements

An inspection of all readily accessible parts of the improvements on the land has been carried out. The property presented in a generally good condition having regard to its age and use. Although we have not sighted a qualified engineer's structural survey of the improvements or its plant and equipment, no obvious structural defects were visible.

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7. Environmental Issues

7.1. Building Materials

As we are not building construction and/or structural experts we are unable to certify as to structural soundness of the improvements. Greater certainty as to structural condition and presence of any form of infestation can only be obtained by commissioning further reports from relevant experts.

We have assumed for the purpose of this assessment that no major defects exist and that the improvements comply with relevant Statutory Authority codes and standards.

The Workplace Health & Safety Regulation 2008 came into effect on 1 September 2008, providing a framework for managing health and safety risks in Queensland workplaces. The Asbestos Management Code applies to buildings or part of a building that is a workplace and was built or given building approval before 1 January 1990.

To comply with the legislation, the building owner or property manager must obtain an Asbestos Materials Report by an "appropriately qualified person" stating:

- whether any asbestos materials are present;
- a description of the type of asbestos material;
- the form of the material;
- any potential health risks to occupants.

If asbestos materials are present, the building owner/property manager must establish an Asbestos Materials Register.

We have not been provided with an Asbestos Report for the property. The valuation is made on the assumption there are no potential health risks within the property.

7.2. Contamination

A visual site inspection has not revealed any obvious contamination. We are not aware of any environmental issues affecting the property. We are not experts in the detection or quantification of environmental problems and, have not carried out a detailed environmental investigation. This valuation is made on the assumption that there are no actual or potential contamination issues affecting the value or marketability of the property.

If verification is required that the property is free from contamination and has not been affected by contaminants of any kind, this could be obtained from a suitably qualified environmental professional. Should subsequent investigation show that the site is contaminated this valuation may require revision.

8. Occupancy

8.1. Tenancy

Based on information supplied to us by Mr Wei Huang (owner), we have prepared a current Tenancy Schedule as follows:

Unit No.	Tenant	Area (m^2)	Rental		Term (Comm)	Reviews
			Net Rent ($/yr)	Rate ($/$m^2$)		
1	Task Labour Australia	311	160,680	517	3+3 yrs (Jul-17)	3.50%
2	K & R Plumbing Supplies	313	103,184	330	2 yrs (Aug-18)	3.0%
		624	**263,864**			

8.2. Tenant Overview Summary

Task Labour Australia

Task Labour Australia (TLA) is a privately owned and operated business developed as a result of the founders combined and extensive 70 years' experience in the Australian Meat Processing Industry. TLA are the meat processing workforce specialists partnering the meat processing industry with a difference by delivering site specific, cost effective workforce models that respond to the real time needs of your business

Source: www.tasklabour.com

K & R Plumbing Supplies

K & R Plumbing Supplies specialising in plumbing supplies for bathroom renovations, new homes, as well as commercial and industrial plumbing needs. They sell to the tradesman as well as the home owner, handyman, renovator and public. K & R Plumbing Supplies offers all the top brands at the best competitive price. K & R Plumbing Supplies are part of the powerful Plumbing Plus Australia Wide Buying Group, insuring they are able to gain access to all ranges of product and pass these savings onto their customers. They are a locally owned family business where who guarantee their service is of the highest possible standard, they are local, they work in the business, they support their local communities and they want to look after all your plumbing requirements.

Source: www.kandrplumbingsupplies.com.au/about-us

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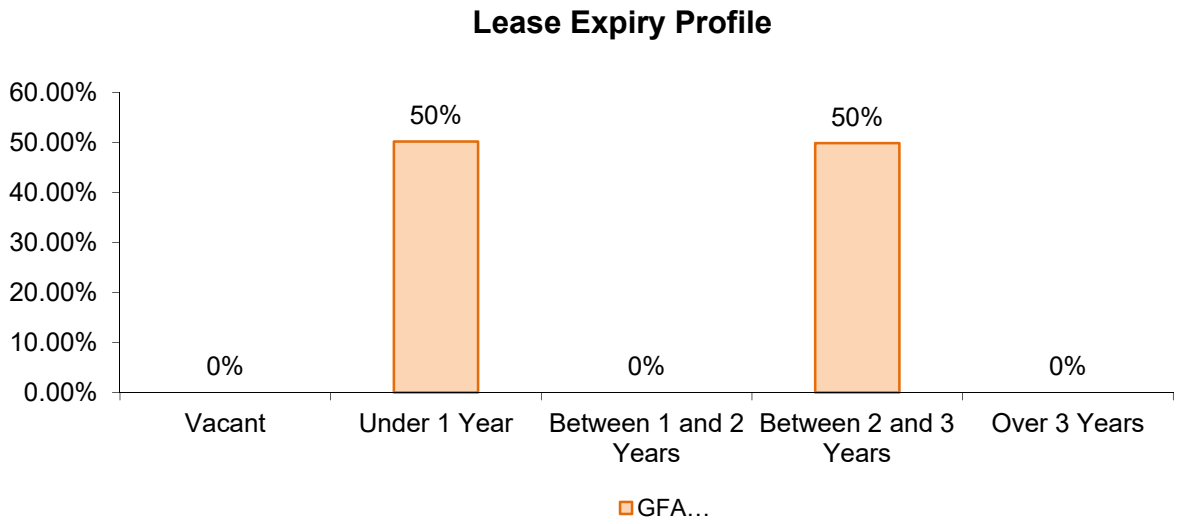
8.3. Lease Expiry Profile



From the above graph, it is evident that 50% of the building income will expire within the next 12 months, and 50% will expire in more than 2 years but less than 3 years.

The property has a Weighted Average Lease Expire Profile (WALE) of 1.1 years by area and 1.3 years by income.

8.4. Estimated Annual Outgoings

We have been provided with details of the outgoings for the property. Based on this as well as our own experience of valuing this type of property, we have estimated the annual outgoings for the property as follows:

Item	$/yr	$/m²
Council Rates	35,805	57.38
Water Charges	2,416	3.87
Insurance	5,000	8.01
Land Tax *	51,000	81.73
Total Estimated Annual Outgoings	**94,221**	**150.99**

* Land Tax payable for Trustee or Company based on the Average Rateable Land Value of $3,400,000

Total Estimated Annual Outgoings of approximately $150/m² is considered realistic given the size, condition and location of the property.

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9. Market Analysis

9.1. Sales History

According to our inspection of Government records, the units were acquired by the current owners as follows:

Unit 1 - $1,825,000 on 11 May 2017
Unit 2 - $2,000,000 on 28 June 2017

9.2. Market Commentary

The Brisbane fringe office market comprises the five precincts - Urban Renewal (Fortitude Valley, Newstead, Bowen Hills and Herston), Inner South (South Brisbane, West End, Woolloongabba, Kangaroo Point, East Brisbane and Greenslopes), Milton, Spring Hill and Toowong and contains approximately 1.2 million square metres of lettable office space.

With limited availability of quality office accommodation, and improving occupancy levels, developers are likely to once again be considering commercial development. With the surge in residential apartment projects reaching its peak, commercial projects may again become a viable option, albeit requiring pre-commitments prior to construction commencing.

Ongoing competitive rents and incentives, continues to attract tenants from the suburbs into the Fringe and CBD office markets. Value for money and quality of stock is also a draw card for a number of tenants looking to the Fringe. Lend Lease's K1 building in Bowen Hills is now fully leased, having secured SMEC and Medtronic during the last quarter of 2016.

Sales within the '$2 - $25 million' price range with a total $132 million worth of transactions accounted for the majority of deals with 21 sales reported for the year ending December. This is down on the previous year of 31 sales totalling $194 million.

In the Fringe market, gross face rents currently average $560/m² for A-grade space and $420/m² for B-grade space. Incentives average 37% for A-grade space and 40% for B-grade space. Newly developed space in the Fringe typically receives a rental premium compared with the existing prime Fringe market.

Offshore investment is being driven by a number of factors. Overall, Australia is seen as providing a stable investment environment with a combination of relatively high yields and strong rental growth prospects. Adding to this is the conducive value of the Australian dollar as well as more desirable lease terms in Australia than across the remainder of the Asia Pacific. Looking specifically at Brisbane, the yield arbitrage between Brisbane and Sydney and Melbourne, as well as other global cities, is another growing driver of offshore demand.

The spread between Brisbane office yields and those being achieved in Sydney and Melbourne is also encouraging domestic investment in the Brisbane office market. Adding to this is the growing recognition that Brisbane's leasing market has bottomed and that prospects for rental growth have strengthened. Demand has also increased due to some major players increasing their allocation for property investment. Due to investment demand being stronger than supply, commercial property yields have been on a firming trend for a number of years now.

Inner Brisbane office yields continued to tighten during 2017. Fringe yields typically range between 6.00% and 7.00% for A-grade buildings and 7.00% and 8.00% for B-grade buildings.

Capital values in the Brisbane Fringe as at December 2017 typically range between $5,650 to $6,950/m² for A Grade buildings, and between $3,100 and $4,500/m² for secondary grade buildings. Average A Grade capital values are currently $6,255/m², a 9.5% rise over the year.

In line with the CBD, the Fringe office market looks to have turned a corner with improved leasing activity over the 2017 calendar year. Looking forward it is expected that this level of tenant demand will slowly gather momentum with flight to quality remaining the predominant trend. This may encourage developers to begin to consider office development projects as the residential market reaches its peak. With little new stock due for completion in the next two years, occupancy levels are expected to continue to improve. We believe that the current level of incentives has reached their peak and gross face rents will continue to slowly trend upwards. The gap between gross face and net effective rents has broadened due to high incentives and there is reluctance for lessors to reduce face rents.

The positive outlook for the Queensland economy is encouraging more businesses to reconsider their office space needs, whether it be to consolidate into one premises or find more efficient accommodation, which will likely contribute to continued positive net absorption across the Fringe office markets. Increased tenant activity around the Fringe is also expected to continue with a number of large leases expiring over the next two years. Given the amount of office space still available across metropolitan Brisbane, smaller tenants in particular are likely to continue to take advantage of the competitive rental environment in the CBD with quality fitout a key consideration. Larger tenants on the other hand will typically continue to source quality product with preference for the Fringe. Tenants from suburban areas are also likely to continue to consider relocating to the Fringe or CBD for this same reason.

Investor interest in the Brisbane office market is set to continue, particularly for assets which have repositioned themselves through improved office amenity and occupancy levels. As a result firming of yields is expected, with assets with long term WALE's and quality tenants highly sought after.

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9.3. Comparable Evidence

To assist us in arriving at the market value of the property, we have obtained, inspected and analysed leasing and sales evidence of comparable properties within the Brisbane fringe area.

In compiling the following market evidence we have relied on a range of external sources including publicly available information, subscription to information databases and information generally provided verbally by others such as real estate agents, property managers, property valuers and consultants. In many instances we have not had access to the original source material. Although we have endeavoured to the best of our ability to confirm the accuracy of the information provided, we have had to rely on some of this information in good faith. We are unable to state with absolute certainty that the information upon which we have relied is consistent with the contractual arrangements between the relevant parties.

All of the properties have been inspected externally, but we have not been able to inspect every property internally. Our comments are based on the external inspections as well as our conversations with parties associated with the transaction.

The Department of Natural Resources and Mines does not currently differentiate between or record whether or not a transaction is inclusive or exclusive of GST. Where we have not been able to verify the status of a transaction, we have assumed the recorded information is inclusive of GST and have made appropriate adjustments to establish a GST exclusive figure.

The following schedules detail those most comparable transactions which we have relied on in making our assessment:

9.4. Leasing Evidence

No.	*Address*	*Tenant*	*Area (m^2)*	*Annual Gross Rental ($/m^2$)*	*Term (Comm Date)*	*Annual Reviews*
1	15 Mallon Street Bowen Hills	Meltdale (Level 1)	301	302	10 yrs (Oct-17)	n/a
Part of the first floor within a two level plus ground floor car parking commercial building positioned to the southern side of Mallon Street, opposite its intersection with Jeays Street and within close proximity to Brookes Street. The building is dated and the space leased provides for reasonable quality office space.						
2	68 Commercial Road Newstead	Pixevety	80	350	1 yr (Nov-17)	n/a
Office space within an iconic landmark building on the corner of Commercial Road, Wyandra Street and Masters Street. The space presents to a good standard with vinyl timber flooring and good levels of natural light. The tenancy comes with one car park. There are communal male and female amenities.						
3	8 Gardner Close Milton	HSH	736	435	10 yrs (May-16)	n/a
The property is positioned to the end of the Gardner Close cul-de-sac road and it is improved with a semi-modern 3 level commercial building (plus basement car parking) which was constructed circa 2001. The subject tenancy is positioned to the ground level and includes plasterboard lined internal walls, suspended grid acoustic ceiling with recessed lighting and ducted air conditioning. There are communal male and female amenities to each level and there are 2 passenger lifts which service each level.						

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No.	Address	Tenant	Area (m^2)	Annual Gross Rental ($/m^2$)	Term (Comm Date)	Annual Reviews
4	12 Cribb Street Milton	R Hannan & Co	736	500	7 yrs (Oct-16)	n/a
The property is located to the southern side of Cribb Street, approximately 40 metres north of its intersection with Coronation Drive. The property is improved with a semi-modern commercial building which provides for 5 levels of commercial accommodation plus a secure basement car park (51 vehicles). The tenancy offers a good standard of accommodation including plasterboard lined walls, suspended grid acoustic ceiling and ducted air conditioning.						
5	16 Marie Street Milton	Atira Student Living	310	516	3 yrs (Feb-18)	CPI
A semi-modern commercial office building over five levels plus secure basement car parking. The tenancy is located on Level 2 of the building and provided a good standard of accommodation. The premises were leased fitted out including a reception area, boardroom, meeting room, 2 partitioned offices and an open plan office area providing for 37 workstations. The tenancy included 6 car parking spaces.						
6	27 Jeays Street Bowen Hills	Agena Bioscience	304	550	5 yrs (Mar-18)	4.0%
		Redcliffe Tax	146	521	5 yrs (Apr-18)	3.5%
The property comprises a regular shaped parcel of land positioned to the western side of Jeays Street. The land is improved with is a freestanding two level commercial office building which was constructed circa 1998 and includes a basement level car park which provides for 15 undercover car parking spaces plus an additional 5 outdoor spaces. The building presents to a modern standard and each tenancy is internally lined with plasterboard and has a suspended grid ceiling with ducted air conditioning and recessed lighting. Each tenancy also has its own kitchenette and male and female amenities. The building has been divided into three tenancies and, as at the Date of Valuation, the building was wholly occupied. The building has been configured to comprise 1 ground floor commercial tenancy and two first level commercial tenancies. The leases to Agena Bioscience and Redcliffe Tax are for 5 year terms, and the lease to PA Corporation is for a 3 year term. None of the leases have options for a further term. All leases have been negotiated on a gross basis and the negotiated rental in each of the leases includes any car parking within the building.						
7	143 Coronation Drive Milton	BGC Contracting	652	525	6 yrs (Feb-17)	3.0%
		Construction Skills Qld	776	531	8 yrs (Aug-16)	n/a
		APP Corporation	333	525	2 yrs (May-16)	n/a
The property known as '143 Coronation Drive' forms part of the Coronation Drive Office Park in Milton. The building was constructed circa 1995 and is set over 6 levels with 2 levels of basement car parking (162 vehicles). The building generally offers a good standard of accommodation including plasterboard lined internal walls, suspended grid ceiling with recessed lighting and ducted air conditioning. The building has a NABERS rating of 2.5 stars and car parking of 1:50m^2.						
8	21 McLachlan Street Fortitude Valley	ARRB Group	635	553*	7+5 yrs (Aug-17)	3.0%
The property comprises a rectangular shaped site (364m^2) positioned to the eastern side of McLachlan Street, approximately 50 metres north of its intersection with Brunswick Street. The property is improved with a two level office building with a total net lettable area of 635m^2. Recently completed high quality building refurbishment with capital intensive tenant fitout. * Leased based on a net rent of \$446.90/m^2 and we have added estimated outgoings of \$106/m^2 to get to a gross rent.						

The leasing transactions for commercial accommodation outlined above indicates gross rents ranging from $302/m² to $553/m² depending on their location, size of tenancy and immediate amenity such as car parking and access to public transport.

Based on the above evidence and discussions with agents' active in the market, since the passing rentals are broadly within the above rental range, we consider the passing rents to be in line with market parameters and have adopted these in our calculations at the rear of this report.

9.5. Sales Evidence

1		**Address:**	35 Brookes Street Bowen Hills
		Purchase Price:	$2,750,000*
		Date:	Jun-18
		Land Area:	556m²
		Building Area:	679m²
		Building Analysis:	$4,050/m²
		Yield:	Initial – 7.22%
		WALE (by area):	1.9 years

The property comprises a regular shaped parcel of land positioned to the western side of Brookes Street, approximately 25 metres south of its intersection with Exhibition Street. The property also has a second street access to Exhibition Street to the western alignment of the property. The land is improved with is a freestanding two level commercial office and warehouse building which was constructed circa 1980's. The building is set on a reinforced concrete slab with a suspended reinforced concrete slab to the first floor. The building has brick external walls and a corrugated sheet metal roof. The building has been divided into 3 separate tenancies with each tenancy having its own kitchenette, male and female amenities. Internally, the office areas comprise plasterboard lined internal walls and ceilings and ducted air conditioning. There is a concrete sealed car parking area to the front and rear of the property with a total of 8 open air car parking spaces. The building comprises three tenancies and, as at the Date of Sale, the building was wholly occupied. The property comprises 2 commercial tenancies fronting Brookes Street and one fronting Exhibition Street at the rear. All tenancies are on current lease agreements ranging between 1 & 3 year terms with two leases including options. We consider the current passing rentals to be within current market parameters. * We have sighted a copy of this Contract, however, it is not due to settle until February 2019 so we are unable to confirm its accuracy with Government records.

Comparison: This property is in very close proximity and has been purchased by the same owner as the subject property. The property comprises a smaller land area with a much greater site coverage which has resulted in a much lower analysed sale rate and softer yield.

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2		**Address:**	163 Wharf Street Spring Hill
		Purchase Price:	$3,100,000
		Date:	May-17
		Land Area:	316m²
		NLA:	499m² (158%)
		NLA Analysis:	$6,212/m²
		Yield:	Equiv – 6.43%

The property comprises a regular shaped lot positioned to the north-eastern side of Wharf Street, approximately 100 metres north-west of its intersection with Wharf Street. In its natural state, the land slopes gently below the Wharf Street frontage down to the property's second street frontage to Carrol Lane. The property is improved with a semi-modern two storey office building with a basement car park providing accommodation for 12 vehicles. The building has a fully glazed façade and was previously occupied by Evocca College as an educational facility. The building has kitchen, male and female amenities to both levels and a passenger lift servicing all levels. We have adopted a market rental of $400/m² net over the whole building area to arrive at the equivalent yield.

Comparison: This property comprises a smaller land and building area within a superior Brisbane CBD fringe location. Despite the superior location and the greater site coverage, the sale has resulted in a lower analysed NLA sale rate and slightly softer yield.

3		**Address:**	22 Wyandra Street Newstead
		Purchase Price:	$3,100,000
		Date:	Oct-17
		Land Area:	460m²
		NLA:	387m² (84%)
		NLA Analysis:	$8,010/m²
		Yield:	Initial – 6.82%

The property is positioned to the western side of Wyandra Street and has a second street frontage to the rear fronting Wyatt Street. The property is improved with a recently refurbished office/warehouse building which has been transformed to a commercial building and now comprising 7 tenancies in total over two levels and including off street undercover car parking for 10 vehicles. All the leases within the building have commenced within the last 12 months and were all negotiated on a gross basis. A search of the Brisbane City Council flood maps indicates this property suffered inundation during the 2011 Brisbane floods.

Comparison: The property comprises a smaller size land and building area. The building has been recently refurbished and is now divided into 7 tenancies. The location of the property in Newstead and the diverse income stream has resulted in a higher analysed NLA sale rate. The slightly inferior location has resulted in a slightly softer analysed yield.

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4		**Address:**	47 Brookes Street Bowen Hills
		Purchase Price:	$3,250,000
		Date:	Apr-17
		Land Area:	1,011m²
		NLA:	804m² (80%)
		NLA Analysis:	$4,042/m²
		Yield:	Initial – 4.17% Equiv – 6.99%

The property comprises a regular shaped parcel of land positioned to the western side of Brookes Street, directly opposite its intersection with Mallon Street. The property also has a second street access to Exhibition Street to the western alignment of the property. The land is improved with is a freestanding part two level commercial office and warehouse building which was constructed circa 1980's. The building is set on a reinforced concrete slab with a suspended reinforced concrete slab to the first floor office areas. The building has brick external walls and a corrugated sheet metal roof. The two level office area has plasterboard lined internal walls and a suspended grid ceiling with recessed lighting and ducted air conditioning. The warehouse area is clear span and this is accessed via a full height roll steel shutter door to the Exhibition Street frontage. The warehouse area has a number of sound studios which has been constructed using a timber frame with glass and plasterboard cladding. There is a concrete sealed car parking area to the front and rear of the property with a total of 20 open air car parking spaces. Each tenancy also has its own kitchenette and male and female amenities. At the time of sale, all tenancies were on lease agreement ranging between 3 & 5 year terms with all leases including options. The passing rentals at the time of sale were slightly below market parameters.

Comparison: This is the sale of the property immediately adjacent. The greater site coverage has resulted in a higher analysed sale rate and slightly softer yield.

5		**Address:**	13-15 Bowen Bridge Road Bowen Hills
		Purchase Price:	$3,518,000
		Date:	Sep-17
		Land Area:	854m²
		NLA:	977m² (114%)
		NLA Analysis:	$3,601/m²
		Yield:	Equiv – 7.99%

The property comprises a regular shaped lot positioned to the eastern side of Bowen Bridge Road, approximately halfway between its intersections with O'Connell Street and Campbell Street. The property is located directly opposite the Royal Brisbane & Women's Hospital and has a second street frontage/access to Walden Lane at the rear. The property is improved with a two level (plus basement car park) semi-modern commercial building which was sold with vacant possession. The building is set on a reinforced concrete slab to each level with rendered masonry block external walls and a corrugated sheet metal roof. The ground floor comprises an area of 460m² and the first floor has an area of 517m². Each level includes ducted air conditioning and has its own male and female amenities as well as a kitchenette. The basement car park provides for 25 vehicles and this is accessed via Walden Lane. There is a passenger lift which services all levels. The building was sold with vacant possession. We have assessed a market rental of $400/m² gross and then we have deducted outgoings of $80/m² and then deducted a leasing incentive of 10.0% to arrive at the equivalent yield of 7.99%.

Comparison: The property comprises a smaller size land area with a much greater site coverage which has resulted in a lower analysed NLA sale rate and softer equivalent yield.

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6		**Address:**	21 McLachlan Street Fortitude Valley
		Purchase Price:	$4,500,000
		Date:	May-18
		Land Area:	364m²
		NLA:	635m² (174%)
		NLA Analysis:	$7,087/m²
		Yield:	Equiv / Initial – 6.26%

The property comprises a rectangular shaped site positioned to the eastern side of McLachlan Street, approximately 50 metres north of its intersection with Brunswick Street. The property is improved with a two level office building with a total net lettable area of 635m². The building was sold with a 7 year lease in place, expiring in 2024 plus a further 5 year option, to ARRB Group Ltd. Recently completed high quality building refurbishment with capital intensive tenant fitout.

Comparison: This property comprises a smaller land and building area within a superior Brisbane CBD fringe location. Overall considered to reflect a slightly lower analysed NLA sale rate and broadly comparable yield.

7		**Address:**	83 Castlemaine Street Milton
		Purchase Price:	$8,900,000
		Date:	May-16
		Land Area:	1,303m²
		NLA:	1,631m² (125.2%)
		NLA Analysis:	$5,457/m²
		Yield:	Initial – 7.08%

The property comprises a generally regular shaped corner lot being positioned to the north-western corner of the intersection of Castlemaine Street and Cordova Street as well as having a third street access/frontage to Parkview Street at the rear. The property is improved with a semi-modern two level commercial building which also includes a basement level car parking area providing 5 basement car parking spaces. The building is set on a reinforced concrete slab to each level and painted masonry block external walls and a sheet metal roof. The property is located directly opposite Suncorp Stadium and the building was sold wholly leased to the Australian Rugby League Commission who were paying a gross rental rate of $415/m². A search of the Brisbane City Council flood maps indicates this property suffered inundation during the 2011 Brisbane floods.

Comparison: Dated sale of a much larger property in Milton. The property sold wholly leased. The property suffered high inundation during the Brisbane 2011 floods. The property offered a slightly superior standard of accommodation and included some car parking. Overall, the higher price point has resulted in a lower analysed NLA sale rate. The higher price point and flooding issues has resulted in a slightly softer analysed yield.

9.6. Sales Reconciliation

We have derived from the above sales evidence that analysed rates based on NLA ranged from $3,601/m² for the sale of a property having a larger land area with greater site coverage and sold with vacant possession in Bowen Hills up to $8,010/m² for a smaller property which has recently been extensively refurbished within Newstead and sold fully leased to 7 tenancies.

We further note that the above sales derived investment yields ranging between 6.26% and 7.99% depending on the overall lease covenant on the property, in particular the WALE.

In assessing an appropriate analysed net lettable area rate range and yield for the property, we have had regard to the following factors that influence the value of the property. These include but are not limited to the:

- overall design, condition and functionality of building
- land and building size
- overall site coverage
- configuration of the building
- lease expiry profile of the property
- car parking
- quality of accommodation and standard of presentation of the existing improvements
- general market demand from tenants and owner occupiers
- location and position within Bowen Hills
- quantum of dollar bracket into which the subject property lies (sub $5m)

Based on our sales analysis and taking the above factors into consideration, we have assessed a Net Lettable Area rate range of between $7,500/m² and $7,750/m² and a yield rate of 5.50% to be appropriate in this instance.

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10. Methodology

10.1. Highest and Best Use

Real property is valued in terms of its "highest and best use" which may be defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible and which results in the highest value for the property being valued. In this instance we consider the current use as an investment grade commercial property to be its highest and best, and it is on this basis we have assessed its market value.

10.2. Capitalisation Approach

Under the Capitalisation approach, we have assessed the Sustainable Net Annual Income for the property, based on the market net income (less non recoverable annual outgoings). This amount is capitalised at a market derived rate (yield) that adequately reflects the security of income, its growth potential and lease terms and conditions.

As detailed in Section 9.6, we have adopted a capitalisation rate of 5.50%.

Capitalisation Approach			
Annual net income			$ 263,864
Less Non Recoverable Annual Outgoings			$ 0
Sustainable Net Annual Income			$ 263,864
Capitalised @	5.50%		$ 4,797,527

10.3. Direct Comparison Approach

This approach identifies comparable sales on a dollar rate per square metre of lettable area basis and compares the equivalent rates to the property to establish the property's current market value. This approach is somewhat subjective given the fact specific items of income, expenditure together with remaining lease terms are difficult to directly reflect and compare when adopting a rate per square metre.

Direct Comparison Approach			
Net Lettable Area		624m²	
Improved Market Range	$7,500/m²	to	$7,750/m²
Calculated Value	$4,680,000	to	$4,836,000

10.4. Valuation Conclusions

The resultant values under each of the valuation approaches are as follows:

Capitalisation Approach	Direct Comparison Approach
$4,797,527	$4,680,000 - $4,836,000

Based upon the analysis, we have assessed the market value of the property to range between approximately $4,680,000 and $4,840,000. Thus we have adopted the approximate rounded midpoint of this range of **$4,800,000 exclusive of GST** to be representative of the market value of the property in this instance.

An analysis of the adopted value is noted below:

Adopted Value, Returns and Yields	
Adopted value	$4,800,000
Initial yield	5.50%
Analysed market yield	5.50%
Reversionary yield	5.50%
IRR (10yrs)	5.93%
Rate $/m²	$7,692

Definitions:
Initial yield – passing income / adopted value
Analysed market yield – assessed net market income / adopted value less present value of adjustments
Reversionary yield – assessed net market income / adopted value
Internal rate of return – is the discount rate where the net present value equals zero

10.5. Insurance Replacement Value

Replacement With New Value as at: 12 June 2018

Total Replacement Value: (Net of GST) $2,540,000

Our insurance estimate is exclusive of GST.
The insurance estimate should be taken as ***indicative*** only.

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11. Valuation

In accordance with my appointment and any qualifications detailed herein, I have assessed the market value of **Units 1 & 2, 41-43 Brookes Street, Bowen Hills Qld 4006** as at **12 June 2018** to be:

$4,800,000 GST exclusive
(Four Million Eight Hundred Thousand Dollars)

This valuation is made subject to the assumptions, remarks and qualifications contained in this report and is for the use only of the party to whom it is addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of this report in isolation.

We consent to this Valuation Report being included within the Independent Expert Report prepared by RSM Corporate Australia Pty Ltd. Neither the whole nor any part of this valuation report or any reference thereto may be included in any other published documents, circular or statement, nor published in part or full, without written approval of the form and context in which it will appear.

Neither Crisp Valuation Services Pty Ltd nor the signatory to this report have any interest financial, pecuniary or otherwise in, or with parties associated with the subject of this Valuation.

CRISP VALUATION SERVICES PTY LTD

STUART CAMERON
Director
Registered Valuer No. 2499
Certified Practising Valuer
Specialist Retail Valuer

Date: 14 November 2018

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APPENDIX 1

LETTER OF INSTRUCTIONS

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CRISP
Valuation Services

ABN: 43 152 831 126

A: Level 1, Unit 3
8 Mowbray Terrace
East Brisbane QLD 4169

P: PO Box 7756
East Brisbane QLD 4169

T: (07) 3137 9360
M: 0416 188 754

E: info@crispval.com.au

SDC
Ref: 43Brookes Quote
8 June 2018

Mr Wei Huang
Millenium Ltd

By Email: weihuang@milleniumltd.com.au

Dear Wei

CONFIRMATION OF APPOINTMENT
41-43 BROOKES STREET, BOWEN HILLS QLD 4006

Further to our telephone conversation yesterday morning and your subsequent email, I confirm my ability to carry out your instruction to assess the market value of the above property for mortgage security purposes on behalf of Bendigo Bank Limited.

In accordance with the instruction, I propose a total fee of **$2,000.00** + GST which is required to be paid prior to or upon inspection of the property. Upon acceptance of this quote, can you please let me know who to address the invoice to, and I will email an invoice to you in due course.

At this stage, I envisage the report will take approximately 5 working days from the date we have received all the relevant information and payment.

Our valuation will be prepared in accordance with the Seventh Edition of the Australia and New Zealand Valuation and Property Standards (dated January 2012) and will be current as at the Date of Valuation specified therein.

In undertaking this assessment we will:

- make a detailed inspection of the property
- arrange all relevant searches
- undertake comprehensive market research and analysis of comparable sales evidence
- utilise accepted valuation methodology
- prepare a project specific report

Throughout the process I will keep you informed of my progress and discuss any unanticipated issues.

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CRISP Valuation Services

Would you please confirm your instruction for me to proceed on this basis by signing the section below and returning a copy to us. By signing this acceptance, you also accept the attached Terms of Engagement for Valuation Services. If however, you wish to amend your instructions, please contact me immediately.

I thank you for your instruction and for the opportunity to be of service.

Yours faithfully

STUART CAMERON
Director

I/We hereby accept the Terms of this Appointment		
Signed:	Professional Fee: GST:	$2,000.00 $ 200.00 $2,200.00
Date: 8/6/2018		

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HUDSON INVESTMENT GROUP LIMITED
ACN 004 683 729

GENERAL MEETING OF SHAREHOLDERS PROXY FORM

Please complete, sign and return this document to:

To: The Secretary
Hudson Investment Group Limited
Level 2, Hudson House
131 Macquarie Street
SYDNEY NSW 2000

Email executed form to: corporate@higl.com.au
fax executed form to: 02 9251 7500
By 7.00 pm Sydney Time on 14 January 2019

I / We … .....
being a member of Hudson Investment Group Limited (the **Company**), appoint:

Name of proxy: ……

Address of proxy: ……

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 the Company on 16 December 2018 and at any adjournment of or postponement of that Meeting.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on any Resolution by marking the appropriate box below.

The Chairman intends to vote all undirected proxies that he receives in favour of each resolution to be brought before the meeting, except where the Chairman is expressly forbidden to do so, under the *Corporations Act* 2001 (Cth).

Items of Business

Please mark ☒ to indicate your directions

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 poll and your votes will not be counted in computing the required majority.

RESOLUTIONS	**FOR**	**AGAINST**	**ABSTAIN**
Resolution 1 –Ordinary Resolution to approve the issue of 175 million new Shares deemed to be issued at 3.5 cents each as part consideration for the purchase by the Company of the First Brookes Street Property	☐	☐	☐
Resolution 2 – Ordinary Resolution to approve the issue of 60 million new Shares to be issued at 3.5 cents each.	☐	☐	☐
Resolution 3 – Ordinary Resolution to approve the placement of 60 million new Shares to associates of the Vendors	☐	☐	☐

The Chairman of the meeting intends to vote all available proxies in favour of each item of business.

SIGNATURE OF MEMBER (S)

Individual or Member 1	Member 2	Member 3
Sole Company Secretary	**Director**	**Director/ Director/Company Secretary**

Date: _____ **Email:** _____

Contact Name: _____ **Contact Phone (daytime)**: _____

Notes on Proxies

1. 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 as they choose. If you mark more than one box on an item your vote will be invalid on that item.

2. A member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote in his stead pursuant to the Constitution.

3. If a member appoints one proxy only, that proxy shall be entitled to vote on a show of hands, but if a member appoints two proxies neither shall be entitled to vote on a show of hands.

4. Where more than one proxy is appointed, each proxy must be appointed to represent a specific portion of the member's voting rights. Otherwise each proxy may exercise half of your votes.

5. A proxy need not be a security holder of the Company.

6. Signing instructions:

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

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

   Power of Attorney: If you have not already lodged the Power of Attorney with the registry or the Company, 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 (Cth) 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.

   For your vote to be effective, the completed proxy form must be received by 5.00 pm AEST on 14 December 2018.

Please advise of any change of address by completion of the section below:

My new address is:

_____

_____

For personal use only