

ASX ANNOUNCEMENT

HALF-YEAR FINANCIAL RESULTS

28 FEBRUARY 2022

ASX CODE: MPX

DIRECTORS

Mr Nicholas Zborowski
Executive Director

Mr Anthony Ho
Non-Executive Director

Mr Jack Spencer-Cotton
Non-Executive Director

COMPANY SECRETARY

Joan Dabon

CAPITAL STRUCTURE

Ordinary Shares: 142.2M
Options: 16.5M

COMPANY ENQUIRIES

Nicholas Zborowski
Executive Director

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In accordance with Listing Rule 4.2A.3, Mustera Property Group Ltd (**Mustera** or the **Company**) (ASX: **MPX**) is pleased to present its Interim Financial Report and Appendix 4D for the six months ended 31 December 2021.

This information is to be read in conjunction with the annual report for the year ended 30 June 2021.

AUTHORISED BY

THE BOARD OF DIRECTORS

Appendix 4D
Half Year Report to the Australian Securities Exchange
Mustera Property Group Ltd and Controlled Entities – ABN 13 142 375 522
Period ending 31 December 2021

The following information is provided to the ASX under listing rule 4.2A.3

1. Details of the reporting period and the previous corresponding period.

Reporting Period	6 Months ending 31 December 2021
Previous Corresponding Reporting Period	6 Months ending 31 December 2020

2. Results for announcement to the market

2.1 The amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities.

\$ Revenue from Ordinary Activities - current period	\$'000	2,555
\$ Revenue from Ordinary Activities - previous period	\$'000	1,627
\$ change in Revenue from Ordinary Activities	\$'000	928
% change from previous corresponding reporting period	% UP	57%

2.2 The amount and percentage change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members.

\$ Profit (loss) from ordinary activities after tax - current period	\$'000	(1,235)
\$ Profit (loss) from ordinary activities after tax - previous period	\$'000	(943)
\$ change in profit (loss) from ordinary activities after tax	\$'000	(292)
% change from previous corresponding reporting period	% UP	31%

2.3 The amount and percentage change up or down from the previous corresponding period of net profit (loss) for the period attributable to members.

\$ Net profit (loss) attributable to members - current period	\$'000	(1,232)
\$ Net profit (loss) attributable to members - previous period	\$'000	(943)
\$ change in net profit (loss) attributable to members	\$'000	(289)
% change from previous corresponding reporting period	% UP	31%

2.4 The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends.

It is not proposed to pay a dividend.

2.5 The record date for determining entitlements to the dividends (if any).

Not applicable

2.6 A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.

Please refer to the Interim Financial Report lodged with this Appendix 4D.

3. Net tangible assets per security with the comparative figure for the previous corresponding period.

Net tangible assets per security	Cents	13.0
Previous corresponding period	Cents	12.4

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Appendix 4D
Half Year Report to the Australian Securities Exchange
Mustera Property Group Ltd and Controlled Entities – ABN 13 142 375 522
Period ending 31 December 2021

4. Details of entities over which control has been gained or lost during the period, including the following.

4.1 Name of the entity.

Not applicable

4.2 The date of the gain or loss of control.

Not applicable

4.3 Where material to an understanding of the report - the contribution of such entities to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period.

Not applicable

5. Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable and (if known) the amount per security of foreign sourced dividend or distribution.

Not applicable

6. Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.

Not applicable

7. Details of associates and joint venture entities including the following.

None

7.1 Name of the associate or joint venture entity.

Not applicable

7.2 Details of the reporting entity's percentage holding in each of these entities.

Not applicable

7.3 Where material to an understanding of the report – aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.

Not applicable

8 For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Financial Reporting Standards).

Not applicable

9. For all entities, if the accounts contain an independent audit report or review that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph.

Not applicable

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MUSTERA PROPERTY GROUP LTD
ABN 13 142 375 522

INTERIM FINANCIAL REPORT
31 December 2021

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DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Mustera Property Group Ltd (**Mustera** or **Company**) and its subsidiaries (**Group** or **Consolidated Entity**) for the half-year ended 31 December 2021 and the Auditor's Review Report thereon.

DIRECTORS

The Directors of the Company at any time during or since the end of the interim period and until the date of this report are noted below.

Mr Nicholas Zborowski
Executive Director

Mr Anthony Ho
Non-Executive Director

Mr Jack Spencer-Cotton
Non-Executive Director

REVIEW OF OPERATIONS

During the reporting period the Group continued with its core business of development and funds management focusing on progressing its existing development portfolio whilst generating sound holding income from the portfolio. Revenue of \$2.55m was recorded to 31 December 2021.

The Company successfully completed a non-renounceable rights offer to shareholders which raised approximately \$7.0m (before costs) during the period.

The Group commenced with the construction of its flagship project Forbes Residences in Applecross after securing project funding following a successful sales and marketing campaign during the period. The marketing campaign for the sale of the Forbes Residences continued during the period with approximately 58% of the apartments under contract to date.

The Group recorded an after-tax loss for the half-year of \$1,234,858 (2020: loss of \$985,467).

Further details of the Group's operating activities during the reporting period are outlined below.

COMPLETED PROJECTS

Victoria Quarter, Lot 803 Foundry Road, Midland WA – The sale of the remaining 4 apartments reached settlement during the reporting period and this 70-apartment development is now 100% sold.

PROJECTS UNDER CONSTRUCTION

10 Forbes Road, Applecross WA – In April 2020, development approval was granted for this project comprising 57 apartments, food and beverage and commercial office space over 13 floors.

PACT Construction Pty Ltd was appointed as the building contractor following a competitive tender process earlier in the year and construction officially commenced in September 2021 with the official sod turn event being held on site.

During the period the Company progressed with the construction of the project including piling, ground anchor installation and bulk excavation. Completion is expected in mid-2023.

The Company also successfully secured project funding for the development with its preferred lender during the period.



DIRECTORS' REPORT**FUTURE PROJECTS**

75 Haig Park Circle, East Perth WA - The property comprises a 2,233m² site and is situated near the corner of Plain and Royal Street, 1.5 km from the Perth Central Business District. Improvements include an open air at-grade car park with fifty car bays. The property is currently leased for long stay public parking.

The Group has continued to study development options for the property which is strategically located close to the world-class Optus Stadium sporting and entertainment precinct.

Consistent with the Group's strategy, rental income is being generated from the leased property whilst development planning and approvals are being undertaken.

15 McCabe Street, North Fremantle WA – The property, with direct ocean and river views, comprises office improvements of approximately 2,000m² over two levels, on a 2,398m² site.

The Group has continued to progress with the preliminary design and planning for the development in anticipation of applying for planning approval in mid-2022.

Consistent with the Group's strategy, rental income is being generated from the leased property whilst development planning is being undertaken.

Grace Quarter, Lot 801 Helena Street, Midland WA – The 2,390m² site is located on the corner of Helena Street and Yelverton Drive and forms a part of the Midland Railway Workshops precinct.

The Group has been assessing the market conditions in anticipation of reinstating the expired development approval. In addition, the Company is also looking at alternative development options for the site.

DIRECTORS' REPORT

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 20 July 2021, the Company completed a 3-for-10 non-renounceable rights issue of fully paid ordinary shares (**Rights Offer**) issuing 22,008,911 new shares and raising \$5,502,228, before costs.

On 10 August 2021, the Group acquired the remaining shares in Applecross Land Holdings Pty Ltd.

On 13 October 2021 the Company issued 6,000,000 shares as placement of shortfall from the Rights Offer raising an additional \$1,500,000.

EVENTS SUBSEQUENT TO REPORTING DATE

No matters or events have arisen since 31 December 2021 which have significantly affected, or may significantly affect, the operations of the Group, the results of the operations, or the state of affairs of the Group in future financial periods.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 21 and forms part of the Directors' Report.

This Report is made in accordance with a resolution of the Directors:



Nicholas Zborowski
Executive Director

Dated at Perth this 28th day of February 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the half-year ended 31 December 2021

	Note	Half-year	
		31 December 2021 \$	31 December 2020 \$
Revenue	6	2,555,415	1,626,083
Cost of sales	8	(1,189,419)	(297,355)
Gross Profit		1,365,996	1,328,728
Property expenses and outgoings		(959,210)	(673,484)
Property development costs		(517,973)	(464,248)
Employee benefits expenses		(183,708)	(193,799)
Administration and overhead costs		(272,569)	(380,800)
Amortisation and depreciation		(49,956)	(34,425)
Other Income and Expenses		(1,983,416)	(1,746,756)
Finance income		124	485
Finance costs		(190,592)	(289,351)
Less loss/(profit) attributable to property fund unitholders	13	(429,970)	(248,531)
Net Finance Costs		(620,438)	(537,397)
Loss before income tax		(1,234,858)	(955,425)
Income tax expense		-	(30,042)
Total comprehensive loss for the period		(1,234,858)	(985,467)
Total comprehensive loss for the period is attributable to:			
Ordinary equity holders of the parent		(1,232,289)	(943,384)
Non-controlling interest		(2,569)	(42,083)
		(1,234,858)	(985,467)
Loss per share (cents)			
Loss per share for the period (cents)		(0.87)	(0.92)
Diluted earnings per share for the period (cents)		N/A*	N/A*

*Diluted loss per share is not shown as all potential ordinary shares on issue would decrease the loss per share and are thus not considered dilutive.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2021

	Note	31 December 2021 \$	30 June 2021 \$
CURRENT ASSETS			
Cash and cash equivalents		779,875	421,449
Trade and other receivables	7	534,147	387,135
Inventories	8	-	1,189,419
Other current assets		111,003	49,220
Total Current Assets		1,425,025	2,047,223
NON-CURRENT ASSETS			
Trade and other receivables	7	902,500	2,500
Inventories	8	26,446,791	22,253,488
Investment property	9	17,425,091	17,425,091
Property, plant & equipment		80,885	123,947
Right of use asset		14,774	24,624
Deferred tax assets		157,723	157,723
Total Non-Current Assets		45,027,764	39,987,373
TOTAL ASSETS		46,452,789	42,034,596
CURRENT LIABILITIES			
Trade and other payables		576,952	1,435,190
Income tax payable		2,517	6,524
Employee benefits		7,556	14,425
Lease liability		15,266	19,988
Borrowings	10	9,111,029	11,655,000
Net assets attributable to Fund unitholders	13	4,057,594	5,441,692
Total Current Liabilities		13,770,914	18,572,819
NON-CURRENT LIABILITIES			
Other payables		2,500	2,500
Employee benefits		34,115	31,886
Lease liability		-	5,125
Borrowings	10	13,948,213	9,900,000
Total Non-Current Liabilities		13,984,828	9,939,511
TOTAL LIABILITIES		27,755,742	28,512,330
NET ASSETS		18,697,047	13,522,266
EQUITY			
Contributed equity	11	22,965,710	16,131,071
Other reserves	12	671,188	687,494
Accumulated losses		(4,939,851)	(3,475,753)
Non-controlling interest		-	179,454
TOTAL EQUITY		18,697,047	13,522,266

The Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half-year ended 31 December 2021

	Attributable to owners of Mustera Property Group Limited					
	Contributed Equity \$	Other Reserves \$	Accumulated losses \$	Total \$	Non- controlling interests \$	Total Equity \$
Balance at 1 July 2021	16,131,071	687,494	(3,475,753)	13,342,812	179,454	13,522,266
Loss for the half-year	-	-	(1,232,289)	(1,232,289)	(2,569)	(1,234,858)
Total comprehensive loss for the half-year	-	-	(1,232,289)	(1,232,289)	(2,569)	(1,234,858)
Transactions with equity holders in their capacity as equity holders:						
Shares issued, net of costs	6,834,639	-	-	6,834,639	-	6,834,639
Transactions with non controlling interests	-	(16,306)	(231,809)	(248,115)	(176,885)	(425,000)
Balance at 31 December 2021	<u>22,965,710</u>	<u>671,188</u>	<u>(4,939,851)</u>	<u>18,697,047</u>	<u>-</u>	<u>18,697,047</u>
Balance at 1 July 2020	11,980,795	308,019	(1,061,067)	11,227,747	482,904	11,710,651
Loss for the half-year	-	-	(943,384)	(943,384)	(42,083)	(985,467)
Total comprehensive loss for the half-year	-	-	(943,384)	(943,384)	(42,083)	(985,467)
Transactions with equity holders in their capacity as equity holders:						
Shares issued, net of costs	4,150,276	-	-	4,150,276	-	4,150,276
Rights issue	-	12,143	-	12,143	-	12,143
Transactions with non controlling interests	-	(197,525)	-	(197,525)	(227,475)	(425,000)
Balance at 31 December 2020	<u>16,131,071</u>	<u>122,637</u>	<u>(2,004,451)</u>	<u>14,249,257</u>	<u>213,346</u>	<u>14,462,603</u>

The Consolidated Statement of Changes in Equity is to be read in conjunction with accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the half-year ended 31 December 2021

	Note	Half-year	
		2021 \$	2020 \$
Cash flows from operating activities			
Receipts in the course of operations		2,643,158	1,666,005
Payments in the course of operations		(2,841,642)	(1,320,152)
Payments for property held for development		(4,193,303)	(582,166)
Interest received		4,265	149
Finance costs paid		(143,680)	(154,615)
Income tax paid		(4,006)	(26,003)
Net cash outflow from operating activities		(4,535,208)	(416,782)
Cash flows from investing activities			
Vendor finance provided		(1,100,000)	-
Payments for purchase of property, plant and equipment		-	(204,929)
Payments for purchase of units in the Fund	13	(2,000,000)	(2,900,000)
Proceeds from sale of units in the Fund	13	350,000	50,000
Payments for transactions with non controlling interests		(425,000)	(425,000)
Net cash outflow from investing activities		(3,175,000)	(3,479,929)
Cash flows from financing activities			
Proceeds from issue of shares	11	7,002,228	4,150,277
Payment of share issue costs		(167,589)	-
Proceeds from borrowings		5,144,350	5,458,805
Payment of transaction costs related to borrowings		(1,096,137)	-
Repayment of borrowings		(2,640,000)	(5,465,488)
Distributions paid to unitholders of the Fund		(164,068)	(275,563)
Cash allocated to term deposits		-	(15,000)
Payment of lease liabilities		(10,150)	(5,000)
Net cash inflow/(outflow from financing activities)		8,068,634	3,848,031
Net decrease in cash and cash equivalents		358,426	(48,680)
Cash and cash equivalents at the beginning of the half-year		421,449	281,321
Cash and cash equivalents at the end of the half-year		779,875	232,641

The Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 31 December 2021

1. BASIS OF PREPARATION OF INTERIM FINANCIAL REPORT

Mustera Property Group Ltd (**Mustera** or **Company**) is a public company limited by shares incorporated in Australia whose shares are quoted on the Australian Securities Exchange.

These consolidated financial statements comprise the Company and its subsidiaries (collectively the “**Group**” and individually “**Group companies**”). They were authorised for issue by the Board of Directors on 28 February 2022.

This interim financial report for the half-year period ended 31 December 2021 has been prepared in accordance with accounting standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 ‘Interim Financial Reporting’.

This interim financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this interim financial report be read in conjunction with the annual financial report for the financial period ended 30 June 2021 and considered together with any public announcements made by Mustera during the half-year ended 31 December 2021 in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the impact of the new or amended standards became applicable for the current reporting period. The Group did not have to make retrospective adjustments as a result of adopting these standards.

Going concern

For the half-year ended 31 December 2021 the Group recorded a loss of \$1,234,858 and had net cash outflows from operating activities of \$4,535,208. The Group had cash and cash equivalent of \$779,875 and net working capital deficiency of \$12,345,889 as at 31 December 2021. The working capital deficiency includes current borrowings of \$9,111,029, and a liability of \$4,057,594 relating to net assets attributable to unitholders of the Mustera Property Fund (**Fund**), which is restricted to the assets of that entity.

The Directors believe there are sufficient funds to meet the Group’s working capital requirements as at the date of this report. The financial statements have been prepared on the basis that the Group is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- the Group anticipates being able to refinance existing loan facilities of \$9,015,000, as disclosed in note 10 of the financial report, as and when the loan facilities mature and secure funding for future development opportunities;
- the Group is able to divest its units held in the Fund for liquidity;
- the Group continues to generate rental income from several of its properties;
- the quality of the Group’s diverse development portfolio is such that it will attract appropriate equity and debt financing for its successful development;
- the Group is able to divest its property inventory as and when required to augment its working capital; and
- the Group has secured funding to progress the development of its flagship Forbes project.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 31 December 2021

2. CRITICAL ACCOUNTING ESTIMATES

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2021. Critical accounting judgements, estimates and assumptions adopted by management are discussed below.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- a. Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- b. Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- c. Level 3: Unobservable inputs for the asset or liability.

Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective. The fair value of assets and liabilities classified as Level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Impairment of non-current assets

The consolidated entity assesses impairment of non-current assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. None of the consolidated entity's non-current assets indicated any impairment trigger during the year.

Classification of properties

The Group makes judgements in respect of the classification of properties as investment property or inventory depending on the Group's intended use of the property. Properties held either to earn income or for capital appreciation or both are classified as investment property. Properties held with the intention of redevelopment and sales of developed products are classified as inventory. The accounting treatments of investment property and inventory are different. Subsequent re-classification of properties may affect the carrying value of a property. There was no re-classification of properties during the reporting period.

Valuation of investment properties held at fair value

The Group makes judgements in respect of the fair value of investment properties. The fair value of these properties are reviewed regularly by management with reference to external independent property valuations and market conditions existing at reporting date, using generally accepted market practices. The assumptions underlying estimated fair values are those relating to the receipt of contractual rents, expected future market rentals, maintenance requirements, capitalisation rates and discount rates that reflect current market conditions and current or recent property investment prices. If there is any material change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may differ and may need to be re-estimated.

Inventories

The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell which approximates fair value less costs to sell. The key assumptions require the use of management judgement and are reviewed annually. The key assumptions are the variables affecting the estimated costs to develop and sell and the expected selling price, including but not limited to the fluctuations in the property market. Any reassessment of cost to develop and sell or selling price in a particular year will affect the cost of goods sold when the properties are sold.

Control of subsidiaries and other entities

The Group has previously amended the trust deed to provide clarity on the clauses which result in Mustera Property Group Limited controlling the Mustera Property Fund and therefore consolidating this entity into the group. These amendments have removed a number of provisions relating to unit holder rights and the criteria for controlling the types of relevant activities to be undertaken by the trust. While these amendments would result in the deconsolidation of the Fund from the accounts, as the Group hold 44.38% of the units in the Fund as at 31 December 2021, the Directors have determined that the Group still has the ability to control the Fund and has continued to include it in the consolidated accounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 31 December 2021

2. CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

Performance rights and share based payment expense

The fair value of performance rights is estimated by taking the market price of the Company's shares on the grant date and amortised over the vesting period. The performance rights are assumed to be vested as the conditions are assumed to be met, and only forfeited when conditions have failed to be met.

3. CHANGES IN ACCOUNTING STANDARDS

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2021, except for the adoption of new and revised standards effective as of 1 July 2021. The adoption of the following new and revised standards and interpretations has not resulted in a significant or material change to the Group's accounting policies. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the financial year ended 30 June 2021.

5. DIVIDENDS

Dividend Reinvestment Plan ("DRP")

The Company's DRP is currently active and available to all eligible shareholders. The Directors have not recommended, declared or paid dividends during the period.

6. REVENUE	31 Dec 2021	31 Dec 2020
	\$	\$
Disaggregation of revenue		
The disaggregation of revenue from customers is as follows:		
Revenue from customers		
Rental income and recovery of outgoings	1,167,186	1,236,241
Other income	-	57,439
Sale of property	1,388,229	332,403
	<u>2,555,415</u>	<u>1,626,083</u>
Other revenue		
Interest income	124	485
	<u>2,555,539</u>	<u>1,626,568</u>
	31 Dec 2021	30 Jun 2021
	\$	\$
7. TRADE & OTHER RECEIVABLES		
Current		
Trade debtors	113,910	192,592
Sundry debtors	113,032	85,377
Term deposits	95,025	99,166
Security deposits	12,180	10,000
Vendor finance loan (a)	200,000	-
	<u>534,147</u>	<u>387,135</u>
Non-current		
Security deposit	2,500	2,500
Vendor finance loan (a)	900,000	-
	<u>902,500</u>	<u>2,500</u>

(a) A vendor finance loan was entered between Sterlink Development Pty Ltd and Spectra (WA) Pty Ltd during the half year ended 31 December 2021. A loan of \$1,100,000 was provided to Spectra (WA) Pty Ltd for the acquisition of the Victoria Quarter apartments. Interest and principal repayments will be made in accordance to the loan repayment schedule over a period of 6 years with the loan fully repaid by 15 December 2027. The applicable interest rate for the loan is 4.9% per annum. The loan is secured by second registered mortgage over the apartments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 31 December 2021

	31 Dec 2021 \$	30 Jun 2021 \$
8. INVENTORIES		
<i>Current</i>		
Land and property held for development and resale (at cost)	-	1,189,419
<i>Non-current</i>		
Land and property held for development and resale (at cost)	26,405,805	22,253,488
Total	26,405,805	23,442,907
	2021	2020
	\$	\$
Movement in inventories for the half-year		
Balance at 1 July	23,442,907	25,620,299
Additions at cost	-	-
Capitalised development costs	4,152,317	582,166
Capitalised borrowing costs	40,986	-
Sale of inventory	(1,189,419)	(297,355)
Write down of inventory to net realisable value	-	-
Balance at 31 December	26,446,791	25,905,110

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 31 December 2021

	31 Dec 2021 \$	30 Jun 2021 \$
9. INVESTMENT PROPERTY		
Investment property at fair value	<u>17,425,091</u>	<u>17,425,091</u>
(a) Movement in investment property		
Balance at 1 July	17,425,091	17,359,827
Additions	-	65,264
Balance at 31 December	<u>17,425,091</u>	<u>17,425,091</u>

	2021 \$	2020 \$
(i) Amounts recognised in profit and loss for investment properties		
Rental income	791,436	782,877
Direct operating expenses from property that generated rental income	405,102	383,242

(ii) Investment property, principally land and buildings, is held for long-term rental yields and are not occupied by the entity. They are carried at fair value. Changes in fair value are presented in the profit or loss as part of other income.

(iii) *Assets pledged as security*

Some of the Group's Borrowings (refer Note 10) are secured by registered mortgage over properties classified as investment property plus fixed and floating charges over all the assets and undertakings held by the Group.

	31 Dec 2021 \$	30 Jun 2021 \$
10. BORROWINGS		
Current		
Loans from financial & non-financial institutions (refer Note (a))	9,015,000	11,665,000
Insurance Premium Funding	96,029	-
	<u>9,111,029</u>	<u>11,665,000</u>
Non-current		
Loans from financial & non-financial institutions (refer Note (a))	15,044,350	9,900,000
Less amortised borrowing costs	(1,096,137)	-
	<u>13,948,213</u>	<u>9,900,000</u>

(a) Loans

Facility	Secured	Maturity Date	Facility limit 31 Dec 2021 \$	Utilised 31 Dec 2021 \$	Facility limit 30 Jun 2021 \$	Utilised 30 Jun 2021 \$
Current						
McCabe St Facility ¹	Yes	February 2022	2,700,000	2,700,000	2,700,000	2,700,000
Haig Park Cir Facility ¹	Yes	May 2022	2,331,000	2,331,000	2,331,000	2,331,000
Forbes Facility	Yes	November 2021	-	-	2,640,000	2,640,000
Helena St Facility ¹	Yes	March 2022	484,000	484,000	484,000	484,000
Anrinza loan ³	No	May 2022	3,500,000	3,500,000	3,500,000	3,500,000
			<u>9,015,000</u>	<u>9,015,000</u>	11,655,000	11,655,000
Non-current						
Forbes Facility ⁴	Yes	August 2023	51,300,000	5,144,350	-	-
Shoalwater Facility ²	Yes	February 2024	9,900,000	9,900,000	9,900,000	9,900,000
			<u>61,200,000</u>	<u>15,044,350</u>	9,900,000	9,900,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 31 December 2021

10. BORROWINGS (CONTINUED)

- 1) The Group is in the process of refinancing the facilities. The Group does not anticipate any issues with securing extensions to the loans.
- 2) This facility expires in February 2024. The facility is secured by first registered mortgages over the investment property (Shoalwater Shopping Centre) held by the Fund and first ranking charge over all assets and undertakings of the Fund.
- 3) This facility is provided by a major shareholder of the Group and is unsecured and interest free.
- 4) This facility expires in August 2023. The facility is secured by first registered mortgages over the project. The facility has an interest rate of 4.90% per annum and line fee of 1.90% per annum.

(b) Fair Value

The fair values of the Group's borrowings are not materially different to their carrying amounts since the interest rates attributable to those borrowings are close to current market rates.

	31 Dec 2021	30 Jun 2021
	\$	\$
11. EQUITY – ISSUED CAPITAL		
144,235,132 (30 June 2021: 116,226,221) fully paid ordinary shares	22,965,710	16,131,071

(a) Ordinary shares

The following movements in ordinary share capital occurred during the half-year:

	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
	Number	Number	\$	\$
Balance at beginning of the half-year	116,226,221	99,625,115	16,131,071	11,980,795
Rights issue	28,008,911	16,601,106	7,002,228	4,150,276
Share issue costs	-	-	(167,589)	-
Balance at the end of the half-year net of costs	<u>144,235,132</u>	<u>116,226,221</u>	<u>22,965,710</u>	<u>16,131,071</u>

On 20 July 2021 the Company issued 22,008,911 shares at an issue price of \$0.25 per share and 11,004,449 free attaching options exercisable at \$0.30 on or before 20 July 2023 from the non renounceable rights offer.

On 13 October 2021 the Company issued 6,000,000 shares at an issue price of \$0.25 per share and 3,000,000 free attaching options exercisable at \$0.30 on or before 20 July 2023 as shortfall from the non renounceable rights offer.

	31 Dec 2021	30 Jun 2021
	\$	\$
12. OTHER RESERVES		
Options Reserve	94,188	94,188
Performance Rights	577,000	577,000
Transactions with Non-Controlling Interest Reserve	-	16,306
	<u>671,188</u>	<u>687,494</u>

(a) Performance rights

	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
	Number	Number	\$	\$
Balance at beginning of the half-year	2,000,000	2,000,000	577,000	16,971
Vesting of performance rights	-	-	-	560,029
Balance at the end of the half-year	<u>2,000,000</u>	<u>2,000,000</u>	<u>577,000</u>	<u>577,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 31 December 2021

(b) The following changes to the options on issue and the attributed value during the periods

	31 Dec 2021 Number	30 Jun 2021 Number	31 Dec 2021 \$	30 Jun 2021 \$
Balance at beginning of the half-year	5,500,000	5,500,000	94,188	94,188
Free attaching options issued (20 Jul)	11,004,449	-	-	-
Options expired (30 Sep)	(3,000,000)	-	-	-
Free attaching options issued (13 Oct)	3,000,000	-	-	-
Balance at the end of the half-year	<u>16,504,449</u>	<u>5,500,000</u>	<u>94,188</u>	<u>94,188</u>

On 20 July and 13 October 2021 the Company issued 14,004,449 free attaching options from the non renounceable rights offer with an exercise price of \$0.30 expiry on 20 July 2023.

13. NET ASSETS ATTRIBUTABLE TO FUND UNITHOLDERS

	31 Dec 2021 \$	30 Jun 2021 \$
Opening balance	5,441,692	7,017,669
Net (Acquisition)/disposal of units in the Fund by Mustera Property Group ¹	(1,650,000)	(1,650,000)
Distributions paid and payable to non-controlling interest	(164,069)	(417,430)
Profit/(loss) for the period attributable to non-controlling interest	130,808	491,453
(Gain)/loss for the period attributable acquisition/disposal of units in the fund	299,163	-
	<u>4,057,594</u>	<u>5,441,692</u>

Mustera acquired 3,000,000 units and disposed of 1,350,000 units in the Fund during the period. As at 31 December 2021 Mustera held 44.38% of the units outstanding in the Fund.

14. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies remain consistent with those disclosed in the 2021 annual report.

Contingencies

The consolidated entity does not have any contingent liabilities at balance and reporting dates.

15. RELATED PARTY TRANSACTIONS

The following transactions occurred with related parties during the reporting period:

Director	Entity	Transaction	Transaction value for the half-year ended		Balance outstanding as at	
			31 Dec 2021 \$	31 Dec 2020 \$	31 Dec 2021 \$	30 Jun 2021 \$
Benjamin Young	Townshend Capital Pty Ltd	Corporate Advisory Fees	N/A	8,944	N/A	N/A

a. The above transactions were made on normal commercial terms and conditions and at market rates.

b. Mustera acquired 2,000,000 units and disposed of 350,000 units in the Fund during the period, holding 3,550,000 units as at 31 December 2021. Refer to Note 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 31 December 2021

16. SEGMENT INFORMATION

Identification of reportable operating segments

The consolidated entity has identified two reportable segments, being property investment and property development. The identification of reportable segments is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers) in assessing performance and in determining the allocation of resources.

Segment information

	Property Investment \$	Property Development \$	Other¹ \$	Group \$
<i>Half-year ended 31 December 2021</i>				
Segment revenue and other income	791,437	1,764,102	-	2,555,539
Segment result	277,606	(1,254,247)	(255,648)	<u>(1,232,289)</u>
<i>As at 31 December 2021</i>				
Segment assets	17,359,827	27,623,839	1,469,123	<u>46,452,789</u>
Segment liabilities	13,957,594	9,243,530	4,554,618	<u>27,755,742</u>
<i>Half-year ended 31 December 2020</i>				
Segment revenue and other income	782,883	786,246	57,439	1,626,568
Segment result	296,770	(990,518)	(249,636)	<u>(943,384)</u>
<i>As at 30 June 2021</i>				
Segment assets	17,359,827	22,405,209	2,269,560	<u>42,034,596</u>
Segment liabilities	15,341,692	11,908,676	1,261,963	<u>28,512,331</u>

1. This column includes head office and group services which are not allocated to any reportable segment.

17. EVENTS SUBSEQUENT TO REPORTING DATE

No matters or events have arisen since 31 December 2021 which have significantly affected, or may significantly affect, the operations of the Group, the results of the operations, or the state of affairs of the Group in future financial periods.

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 17 are in accordance with the Corporations Act 2001, including:
 - i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - ii. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Nicholas Zborowski
Executive Director

Perth, Western Australia
28 February 2022

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Mustera Property Group Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Mustera Property Group Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

BDO
A handwritten signature in black ink, appearing to read 'P. Murdoch', is written over a horizontal line.

Phillip Murdoch

Director

Perth, 28 February 2022

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DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF MUSTERA PROPERTY GROUP LTD

As lead auditor for the review of Mustera Property Group Ltd for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Mustera Property Group Ltd and the entities it controlled during the period.



Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 28 February 2022

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