

# ASX ANNOUNCEMENT

5<sup>th</sup> APRIL 2019

ASX CODE: MPX

## DIRECTORS

**Mr Nicholas Zborowski**  
 Executive Director

**Mr Anthony Ho**  
 Non-Executive Director

**Mr Benjamin Young**  
 Non-Executive Director

**Mr Jack Spencer-Cotton**  
 Non-Executive Director

## CAPITAL STRUCTURE

Ordinary Shares: 99.6M  
 Options: 5.5M

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## ASX SUSPENSION OF SECURITIES

Mustera Property Group Limited (Mustera or Company) refers to the suspension of its securities from quotation by ASX on 20 March 2019 under Listing Rule 17.3, in relation to a related party transaction.

The matter relates to disclosures made by the Company in its Interim Financial Report for the period ended 31 December 2018 (HY Report), which referred to transactions that occurred in the financial year ended 30 June 2018.

During the year ended 30 June 2018, the Company's wholly owned subsidiary, Sterlink Development Pty Ltd (Sterlink), entered into contracts to sell the following apartments in its Victoria Quarter development in Midland WA to Spectra (WA) Pty Ltd (Spectra):

<u>Contract date</u>	<u>Settlement date</u>	<u>No. of apartments</u>	<u>Value (excl. GST)</u>	<u>Fees/ commission</u>
17 Oct 2017	2 Jan 2018	1	355,041	-
5 Apr 2018	7 Jun 2018	17	6,780,657	177,008
14 May 2018	29 Jun 2018	4	1,738,607	45,425

At the time of the sales to Spectra, the apartments were being offered for sale on the open market. Spectra approached Sterlink directly with the proposals for the two larger transactions as shown above, and Sterlink agreed as part of the sale negotiations to pay Spectra a fee equal to the prevailing fees for selling agents engaged for the Victoria Quarter development.

In addition to the sales transactions, vendor finance facilities were negotiated with independent legal representation and entered into in June 2018 between Sterlink and Spectra. Two loans, of \$4,056,180 and \$1,090,200 respectively, were provided to Spectra as vendor finance in respect of the acquisition of 20 of the aforementioned apartments. Vendor finance was approved by the Company as it realised sales for the Group, at the asking market prices, as well as providing a return on the vendor finance, in line with the Company's objectives. The loan terms were negotiated on commercial terms including regular principal repayments and monthly interest payments calculated at 4.9% per annum. In addition adequate security was put in place including a provision for Spectra to maintain a loan to value ratio (LVR) of not more than 60% for the duration of the loan and the loans being secured by a first registered mortgage over the subject apartments. None of the apartments have been on-sold by Spectra.

The contracts for sale of six of the apartments sold to Spectra included 24-month rental guarantees. The guarantees provide for a minimum annual return on investment to Spectra based on the selling price of the apartments in the event rental income earned during the year falls

below the guaranteed amounts. The guarantees are structured so that monthly shortfall payments are made to Spectra, with reconciliations for each apartment carried out at the end of each year. To be entitled to the rental guarantees, Spectra must at all times be a party to a valid property management agreement with an independent real estate agent, and abide by other conditions that seek to ensure the apartments are leased wherever reasonably possible. Sterlink has entered into similar rental guarantee arrangements with other buyers of Victoria Quarter apartments. Rental guarantees are an effective incentive to buyers who are purchasing apartments for investment purposes. The offer of rental guarantees is common in residential apartment sales and is considered a standard industry practice.

One of the Company's Directors, Mr Benjamin Young, held an indirect shareholding interest in two of Spectra's three shareholders at the time the transactions were entered into. The indirect interest of Mr Young accounted for approximately 26.3% of the total shares of Spectra at the respective contract dates shown above. That indirect interest subsequently reduced to approximately 12.2% on 22 May 2018. However, Mr Young was not a director of any of the shareholders of Spectra, and in all the circumstances the Board of Mustera formed the view that Mr Young did not control Spectra and that Spectra was therefore not a related party of the Company.

Subsequently, a review of the Company's 2018 Annual Report was undertaken by ASIC, and ASIC raised its concern over the Company's disclosures around the Spectra transactions. The Company conveyed its view that it did not consider Spectra to be a related party of the Company. The ASIC review ran over several months and was not concluded until after the Company lodged its HY Report on 28 February 2019. The Company elected to include a note regarding the Spectra transactions in the HY Report to ensure full disclosure of the Spectra transactions.

As at 30 June 2018, the Company's equity interests were \$14.37 million, and the value of two of the Spectra transactions listed above exceeded 5% of this value (\$718,500). Listing Rule 10.1 states that an entity must not dispose of a substantial asset to a related party without obtaining shareholder approval. "Substantial asset" is defined by Listing Rule 10.2 as an asset whose value, or the value of the consideration for it, is 5% or more of the equity interests of the entity. In the event Listing Rule 10.1 is breached, ASX may require an entity to take corrective action, either through cancelling the transaction or obtaining shareholder approval of the transaction.

The Company intends to seek shareholder approval of the transactions, and anticipates that a shareholder meeting will be held in the second half of May 2019 for this purpose.

Should shareholder approval not be obtained, the Company will be required to arrange for cancellation of the transaction.

Nicholas Zborowski  
**Executive Director**

**Company Enquiries:**

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