MUSTERA
PROPERTY GROUP LTD

ABN 13 142 375 522

INTERIM FINANCIAL REPORT

31 December 2014

CONTENTS

The Directors present their report on the consolidated entity consisting of Mustera Property Group Ltd (the **Company** or **Mustera**) and its subsidiaries (the **Group** or **Consolidated Entity**) for the half-year ended 31 December 2014 and the Auditor's Review Report thereon.

DIRECTORS

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, B.Com – appointed 10 June 2014

Mr Anthony Ho
Non-Executive Director, B.Com – appointed 3 April 2014

Mr Benjamin Young
Non-Executive Director, B.Bus – appointed 23 November 2011

Mr Jack Spencer-Cotton
Non-Executive Director - appointed 4 April 2014

REVIEW OF OPERATIONS

The Group made a net loss of $343,810 after income tax for the half-year (half-year 2013: net profit of $80,581).

In July and August 2014, the Company successfully raised $1,506,666 through the issue of 10,044,443 fully paid ordinary shares to fund the development of Lot 803 Foundry Road, Midland and to supplement its working capital.

On 24 November 2014 the Company was successfully admitted to the Official List of ASX, raising a further $2,691,167 before costs.

During the half-year, the Group continued to progress the development of Lot 803 Foundry Road, Midland. An approval to undertake development was issued by the Metropolitan Redevelopment Authority on 10 November 2014.

Since receiving the development approval the Group has progressed with the design development and progression of the marketing collateral in preparation for the marketing campaign.

The Group has also commenced due diligence on Lot 801 Helena Street, Midland and 82 Belmont Avenue, Rivervale.

SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

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 17 and forms part of the Directors' Report.

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

Nicholas Zborowski
Director
Dated at Perth this 24th day of February 2015.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2014

	Half-year 2014 $	Half-year 2013 $
Revenue and other income		
Rental income and recoverable outgoings	548,634	435,406
Interest	7,719	1,787
Total revenue and other income	556,353	437,193
Expenses		
Property expenses and outgoings	(160,287)	(88,836)
Marketing costs	(76,436)	-
Finance costs	(174,901)	(228,759)
Employee benefits expenses	(157,893)	-
Administration and overhead costs	(328,182)	(38,867)
Amortisation and depreciation	(2,464)	(149)
Total expenses	(900,163)	(356,611)
Profit/(loss) before income tax	(343,810)	80,581
Income tax benefit/(expense)	-	-
Net profit/(loss) for the period	**(343,810)**	**80,581**
Other comprehensive income		
Items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income/(loss) for the period, net of tax	-	-
Total comprehensive income for the period attributable to the ordinary equity holders of the Company	**(343,810)**	**80,581**
Basic earnings/(loss) per share (cents)	**(0.47)**	**0.18**
Diluted earnings/(loss) per share (cents)	(0.47)	0.18

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

MUSTERA PROPERTY GROUP LTD

Consolidated Statement of Financial Position

as at 31 December 2014

	Note	31 December 2014 $	30 June 2014 $
CURRENT ASSETS			
Cash and cash equivalents		2,880,986	100,999
Trade and other receivables	4	261,327	359,467
Other current assets		42,096	25,480
Total Current Assets		3,184,409	485,946
NON-CURRENT ASSETS			
Trade and other receivables	4	23,389	23,389
Inventories	5	5,483,730	4,996,518
Investment properties		6,200,000	6,200,000
Property, plant & equipment	6	14,726	11,750
Total Non-Current Assets		11,721,845	11,231,657
TOTAL ASSETS		14,906,254	11,717,603
CURRENT LIABILITIES			
Trade and other payables	7	152,650	605,319
Provisions		1,147	-
Borrowings	8	-	34,914
Total Current Liabilities		153,797	640,233
NON-CURRENT LIABILITIES			
Other payables	7	14,033	14,033
Borrowings	8	5,785,000	5,785,000
Total non-Current Liabilities		5,799,033	5,799,033
TOTAL LIABILITIES		5,952,830	6,439,266
NET ASSETS / (LIABILITIES)		**8,953,424**	**5,278,337**
EQUITY			
Contributed equity	9	9,352,382	5,333,485
Other reserves		29,228	29,228
Accumulated losses		(428,186)	(84,376)
TOTAL EQUITY		**8,953,424**	**5,278,337**

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 2014

	Contributed Equity $	Other Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2014	5,333,485	29,228	(84,376)	5,278,337
Loss for the half-year	-	-	(343,810)	(343,810)
Total comprehensive income for the half-year	-	-	(343,810)	(343,810)
Transactions with equity holders in their capacity as equity holders:				
Issue of ordinary shares, net of transaction costs	4,018,897	-	-	4,018,897
Balance at 31 December 2014	**9,352,382**	**29,228**	**(428,186)**	**8,953,424**
Balance at 1 July 2013	152	-	(92,601)	(92,449)
Profit for the half-year	-	-	80,581	80,581
Other comprehensive income	-	-	-	-
Total comprehensive income for the half-year	-	-	80,581	80,581
Transactions with equity holders in their capacity as equity holders:				
Issue of ordinary shares, net of transaction costs	3,333,333	-	-	3,333,333
Balance at 31 December 2013	**3,333,485**	**-**	**(12,020)**	**3,321,465**

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 2014

	Note	Half-year 2014 $	2013 $
Cash flows from operating activities			
Receipts in the course of operations		396,774	238,395
Payments in the course of operations		(1,125,851)	(279,552)
Interest received		7,719	1,787
Finance costs paid		(174,901)	(296,259)
Net cash outflow from operating activities		(896,259)	(335,629)
Cash flows from investing activities			
Payments for purchase of investment properties		-	(6,230,094)
Payments for property, plant and equipment		(5,441)	(2,677)
Net cash outflow from investing activities		(5,441)	(6,232,771)
Cash flows from financing activities			
Proceeds from the issue of share capital	9	3,847,833	3,333,333
Share issue costs		(131,232)	-
Proceeds from borrowings		-	4,591,457
Repayment of borrowings		(34,914)	(3,200,000)
Net cash inflow from financing activities		3,681,687	4,724,790
Net increase/(decrease) in cash and cash equivalents		2,779,987	(1,843,610)
Cash and cash equivalents at the beginning of the half-year		100,999	1,844,644
Cash and cash equivalents at the end of the half-year		**2,880,986**	**1,034**

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

1. REPORTING ENTITY

Mustera Property Group Ltd (**Mustera** or **Parent Entity**) is a public company limited by shares incorporated in Australia whose shares are traded 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 24 February 2015.

The annual financial report of the Group as at and for the financial period ended 30 June 2014 is available upon request from the Company's registered office or may be viewed on the Company's website, www.mustera.com.au.

2. BASIS OF PREPARATION

This interim financial report for the half-year reporting period ended 31 December 2014 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 2014 and considered together with any public announcements made by Mustera during the half-year ended 31 December 2014 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. However, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 30 June 2015 annual report as a consequence of these amendments.

Critical accounting judgements, estimates and assumptions

The preparation of the interim financial report requires management to make judgments, 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 judgments 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 2014. Critical accounting judgements, estimates and assumptions adopted by management are discussed below.

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. They key assumptions are the variables affecting the estimated costs to develop and sell and the expected selling price. Any reassessment of cost to develop and sell or selling price in a particular year will affect the cost of goods sold.

3. 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 period ended 30 June 2014.

	31 Dec 2014 $	30 Jun 14 $
4. TRADE AND OTHER RECEIVABLES		
Current		
Trade debtors	259,354	37,811
Sundry debtors	1,973	285,236
Accrued rental income	-	36,420
	261,327	359,467
Non-current		
Security deposit – office lease	23,389	23,389

Trade and other receivables are reviewed for impairment on regular basis. Loss recognised by the consolidated entity in respect of impairment of receivables for the period ended 31 December 2014 was nil (2013: nil).

	31 Dec 2014 $	30 Jun 14 $
5. INVENTORIES		
Land and property held for development and resale (at cost)	5,483,730	4,996,518

	2014 $	2013 $
(a) Movement in inventories		
Balance at 1 July	4,996,518	3,155,125
Additions at cost	487,212	159,508
Balance at 31 December	5,483,730	3,314,633

(b) Assets pledged as security

Borrowings (refer Note 8) are secured by registered mortgage over property plus fixed and floating charges over all the assets and undertakings held by the Company.

6. PROPERTY, PLANT & EQUIPMENT

	Furniture & Fittings $	Office Equipment $	Total $
At 30 June 2014			
Cost	10,432	2,677	13,109
Accumulated depreciation	(318)	(1,041)	(1,359)
Net book amount	10,114	1,636	11,750
Half-year ended 31 December 2014			
Opening net book amount	10,114	1,636	11,750
Additions	580	4,860	5,440
Depreciation charges	(986)	(1,478)	(2,464)
Closing et book amount	9,708	5,018	14,726
At 31 December 2014			
Cost	11,012	7,537	18,549
Accumulated depreciation	(1,304)	(2,519)	(3,823)
Net book amount	**9,708**	**5,018**	**14,726**

		31 Dec 2014 $	30 Jun 14 $
7. TRADE AND OTHER PAYABLES			
Current			
Trade creditors and accruals		152,650	255,319
Capital raising received in advance		-	350,000
		152,650	**605,319**
Non-current			
Tenant security deposits		**14,033**	**14,033**
8. LOANS & BORROWINGS	**Note**		
Current			
Loan from related party - unsecured	(a)	-	34,914
		-	34,914
Non-current			
Loans – financial institutions - secured	(b)	5,785,000	5,785,000

(a) Loan from related party

For terms and conditions of loans from related parties refer to Note 11(b).

(b) Loans from financial institutions

Facility	Secured	Maturity Date	Facility limit Dec 2014 $	Utilised Dec 2014 $	Facility limit Jun 2014 $	Utilised Jun 2014 $
Belmont Facility	Yes	July 2017	1,950,000	1,950,000	1,950,000	1,950,000
Smithfield Facility	Yes	July 2018	3,835,000	3,835,000	3,835,000	3,835,000

Both facilities are secured by registered mortgages over the Belmont and Smithfield properties held by the Group and a registered fixed and floating charge over the assets of the Company. Interest is payable monthly in arrears at variable rates based on a fixed commitment fee plus a variable yield.

	31 Dec 2014 $	30 Jun 2014 $
9. EQUITY – ISSUED CAPITAL		
85,166,942 fully paid ordinary shares	**9,352,382**	**5,333,485**

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

	2014 Number	2013 Number	2014 $	2013 $
Balance at beginning of the half-year	61,666,665	15,000,002	5,333,485	152
Share placement at $0.15 each on 24 July 2014*	4,733,332	-	710,000	-
Share placement at $0.15 each on 22 August 2014	5,311,111	-	796,667	-
Share placement at $0.20 each on 21 November 2014	13,455,834	-	2,691,167	-
Share issue costs	-	-	(178,937)	-
Share placement at $0.10 each on 22 July 2013	-	33,333,330	-	3,333,333
Balance at end of the half-year	85,166,942	48,333,332	9,352,382	3,333,485

**$350,000 of the placement funds was received before 30 June 2014 (refer Note 7).*

10. COMMITMENTS AND CONTINGENCIES

The changes to the commitments and contingencies disclosed in the most recent annual report are specified below. Other than the changes mentioned below, all other commitments and contingencies remain consistent with those disclosed in the 2014 annual report.

The Group has entered into a service agreement with Townshend York Pty Ltd (**Townshend York**), a company associated with Mr Ho, to provide company secretarial services in connection with the operations of the Group, under which Townshend York receives $36,000 per annum as remuneration.

Future payables arising from the above service agreement as at balance date are as follow:

	31 Dec 2014 $	30 Jun 2014 $
Within one year	36,000	-
After one year but not more than five years	69,000	-
	105,000	**-**

The group has also leased a sales office for its Midland Property Development under a non-cancellable operating lease. Commitments for minimum lease payments in relation to this non-cancellable operating lease are payable as follows:

	31 Dec 2014 $	30 Jun 2014 $
Within one year	6,667	-
After one year but not more than five years	-	-
	6,667	**-**

Contingencies

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

11. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Transactions value for the half-year ended 31 Dec 2014 $	Balance outstanding as at 31 Dec 2014 $
Payment for secretarial and accounting services from Anthony Ho & Associates (director-related entity of Anthony Ho)	41,213	3,300
Payment for IPO related consulting services from Anthony Ho & Associates (director-related entity of Anthony Ho)	16,950	-

(b) Loans from related parties

Mutual Street Pty Ltd, a company associated with Mr Benjamin Young, provided loans to the Company during the previous financial years for the purposes of funding its working capital (**Working Capital Loan**). The Working Capital Loan is interest free, unsecured and has no specified repayment date. The Working Capital Loan has been repaid in full during the reporting period resulting in a nil balance as at 31 December 2014 (30 June 2014: $34,914).

(c) Terms and conditions

Unless otherwise stated, all transactions were made on normal commercial terms and conditions and at market rates.

12. FAIR VALUE MEASUREMENT

Fair value hierarchy

The following table detailed the consolidated entity's assets and liabilities, measured or disclosed 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:

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

31 December 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	$	$	$
Assets				
Investment property	-	-	6,200,000	6,200,000
Total assets	-	-	6,200,000	6,200,000

30 June 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	$	$	$
Assets				
Investment property	-	-	6,200,000	6,200,000
Total assets	-	-	6,200,000	6,200,000

Valuation techniques for fair value measurements categorised within level 2 and level 3

The valuation method of the Company's investment property has not changed from the previous reporting period, being via reconciliation between the capitalisation of net income and direct comparison methods based on similar assets, location and market conditions.

The best evidence of fair value is considered to be current prices in an active market for similar properties. Where sufficient market information is not available, or to supplement this information, management considers other relevant information including:

- Current prices for properties of a different nature, condition or location, adjusted to reflect those differences;
- Recent prices of similar properties in a less active market, with adjustments to reflect changes in economic conditions or other factors; and
- Capitalised income calculations based on an assessment of current net market income for that property or other similar properties, a capitalisation rate taking into account market evidence for similar properties and adjustment for any differences between market rents and contracted rents over the term of existing leases and deductions for short term vacancy or lease expiries, incentive costs and capital expenditure requirements.

The fair value for the investment property is supported by an independent external valuation of that property, usually undertaken within the past 12 months. The most recent valuation was conducted on 5 August 2014.

The significant inputs associated with the valuation of the Group's investment property (which are unchanged from 30 June 2014) are as follows:

Annual net property income	$526,098
Capitalisation rate	9.24%
Net present value of Rental Reversions	$593,123
Current Vacancy Allowances	(84,069)

Estimates of fair value take into account factors and market conditions evident at balance date. Uncertainty and changes in global market conditions in the future may impact fair values in the future.

Financial instruments

The Group does not have any financial instruments measured at fair value. The carrying amounts of the Group's financial assets and financial liabilities, including the secured bank loans of $5.785 million, are considered a reasonable approximation of their fair values.

13. EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 5 to 14 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 2014 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
24 February 2015

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Mustera Property Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mustera Property Group Limited, which comprises the consolidated statement of financial position as at 31 December 2014, 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, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mustera Property Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of Mustera Property Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO Audit (WA) Pty Ltd

BDO

C Burton

Chris Burton

Director

Perth, 24 February 2015

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DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF MUSTERA PROPERTY GROUP LIMITED

As lead auditor for the review of Mustera Property Group Limited for the half-year ended 31 December 2014, 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 Limited and the entities it controlled during the period.

C Burton

Chris Burton
Director

BDO Audit (WA) Pty Ltd

Perth, 24 February 2015