

Pelorus Private Equity Limited
ACN 091 209 639

TARGET'S STATEMENT

in relation to the off-market takeover bid made by BlackWall Limited to acquire all of your fully paid ordinary shares in Pelorus Private Equity Limited for 1 BlackWall Share for every 3 Pelorus Shares.

The Independent Expert has determined that the Offer is fair and reasonable to Pelorus Shareholders, as detailed in Annexure A of this Target's Statement.

This is an important document which requires your immediate attention. If you have any doubts as to what you should do, please contact your professional adviser.

The Independent Director (who is not an Interested Director) has
recommended that you
ACCEPT
the Offer in the absence of a Superior Proposal and subject to the Independent
Expert continuing to conclude that the Offer is Favourable to Pelorus
Shareholders.

Important Notices

Target's Statement

This document is a Target's Statement dated 27 September 2023 and is issued by Pelorus Private Equity Limited ACN 091 209 639 (**Pelorus**) under Part 6.5 Division 3 of the Corporations Act. This Target's Statement sets out the Pelorus Board's formal response to the Bidder's Statement lodged by BlackWall Limited ACN 146 935 131 (**BlackWall**) (**Offer**) with ASIC and served on Pelorus on 18 September 2023.

ASIC disclaimer

A copy of this Target's Statement was lodged with ASIC on 27 September 2023. Neither ASIC nor any of its officers takes any responsibility for the content of this Target's Statement.

Disclaimer as to BlackWall information

The information on BlackWall, BlackWall Shares and the BlackWall Group's business, capital structure and assets contained in this Target's Statement has been prepared by Pelorus from publicly available information and should not be considered comprehensive.

Information in this Target's Statement concerning BlackWall, BlackWall Shares and the BlackWall Group and the assets and liabilities, financial position and performance, profits and losses and prospects of the BlackWall Group have not been independently verified by Pelorus. Accordingly, neither Pelorus nor its directors, officers, employees, contractors, advisers or agents make any representation or warranty, express or implied, as to the accuracy or completeness of such information. Further information in relation to BlackWall, BlackWall Shares and the BlackWall Group is set out in the Bidder's Statement.

No account of personal circumstances

This Target's Statement does not take into account your individual investment objectives, financial situation or particular needs. It does not contain personal advice. Pelorus is not licensed to provide financial product advice in relation to Pelorus Shares or any other financial products. This Target's Statement should not be relied on as the sole basis for any investment decision in relation to Pelorus

Shares or the Offer generally. Your Directors encourage you to obtain independent legal, financial, taxation or other professional advice before deciding whether to accept the Offer. A general outline of the taxation implications for certain Pelorus Shareholders of accepting the Offer is set out in section 9 of this Target's Statement.

Forward looking statements

Some statements in this Target's Statement are in the nature of forward looking statements. You should be aware that these statements are predictions only and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to Pelorus as well as general economic conditions and conditions in the financial markets, exchange rates, interest rates and the regulatory environment, many of which are outside the control of Pelorus and its Directors. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement.

None of Pelorus, any of its officers or any person named in this Target's Statement with their consent or anyone involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on those statements.

The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement. Pelorus has no obligation to disseminate any updates or revisions to any statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any of those statements are based unless it is required to do so under Division 4 of Part 6.5 of the Corporations Act to update or correct this Target's Statement (i.e. for certain matters that are material from the point of view of a Shareholder) or under its continuous disclosure obligations under the Corporations Act.

Privacy statements

Pelorus has collected your information from the Pelorus register of members for the purpose of providing you with this Target's

Statement. The type of information Pelorus has collected about you includes your name, contact details and information on your shareholding in Pelorus. The Corporations Act requires the name and address of Shareholders to be held in a public register.

Foreign Pelorus Shareholders

The distribution of this Target's Statement may, in some countries, be restricted by law or regulation. Persons who come into possession of this Target's Statement should inform themselves of and observe those restrictions.

Shareholder enquiries

If Shareholders have any queries in relation to the Offer they may contact Pelorus (Carlos Nino) on +612 9033 8611, from Monday to Friday between 9.00am and 5.00pm (Sydney time).

Defined terms

Certain terms used in this Target's Statement have defined meanings as set out in section 11 of this Target's Statement.

No internet site is part of this Target's Statement

No internet site is part of this Target's Statement. Pelorus (www.pelorus.com.au) and BlackWall (www.blackwall.com.au) maintain internet sites. Any references in this Target's Statement to these or other internet sites are textual references only and the information contained on the sites does not form part of this Target's Statement.

Key Dates

Offer announced	24 August 2023
Date of Bidder's Statement	18 September 2023
Offer Period commences	18 September 2023
Date of Target's Statement	27 September 2023
Offer Period closes (unless Offer is extended or withdrawn)	7.00pm (Sydney time) 19 October 2023

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Independent Director's Letter

27 September 2023

Dear Pelorus Shareholder

On behalf of the Board of Pelorus Private Equity Limited, I am pleased to present you with this Target's Statement in response to BlackWall's off-market takeover offer to acquire all of the shares of Pelorus.

The Offer is an all-scrip offer under which you will receive 1 BlackWall Share for every 3 Pelorus Shares that you hold.

As an Independent Director (who is not a director of BlackWall, but holds 8,703,155 BlackWall Shares which constitutes 12.90% of the total BlackWall Shares on issue as at the date of this Target's Statement), I recommended that you accept the Offer, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offer is Favourable to Pelorus Shareholders, for the following reasons.

1. BlackWall Shares

Pelorus Shareholders who accept the Offer will become part of a larger and more diversified ASX-listed company and will benefit from ASX trading liquidity. This liquidity may enable Pelorus Shareholders to realise the value of their investment at a time of their choosing, which may not be possible for any Pelorus Shareholder who continues to hold Pelorus Shares as Pelorus Shares are not listed on a securities exchange and there is no active market or mechanism for achieving liquidity for Pelorus Shares.

2. Independent Expert

The Independent Expert engaged by Pelorus (being RSM Corporate Australia Pty Ltd), has determined that the Offer is fair and reasonable to Pelorus Shareholders, as detailed in the report produced by the Independent Expert set out in Annexure A of this Target's Statement (**Independent Expert's Report**).

I urge you to read this Target's Statement in its entirety and carefully consider the Offer having regard to your own personal risk profile, investment strategy and tax position, and to seek independent legal, financial, taxation or other professional advice on the action (if any) that you should take in relation to the Offer.

Your Directors will continue to keep you updated on all material developments with respect to the Offer and any other competing offer. In the meantime, if you have any questions in relation to this Target's Statement or your shareholding in Pelorus please call contact Pelorus (Carlos Nino) on +612 9033 8611, from Monday to Friday between 9.00am and 5.00pm (Sydney time).

Yours sincerely



Paul Tresidder
Independent Non-Executive Director

1. Frequently asked questions

The following table provides brief answers to questions you may have in relation to the Offer, but must be read in conjunction with the more detailed information included in this Target's Statement and the Bidder's Statement. You are urged to read the Bidder's Statement and this Target's Statement in its entirety.

Who is the Bidder?	BlackWall Limited ACN 146 935 131 (ASX: BWF).
What is the Offer?	BlackWall is offering to acquire all of your Pelorus Shares by way of an off-market takeover bid.
What will I receive if I accept the Offer?	<p>If you accept the Offer and the Offer becomes unconditional, you will receive 1 BlackWall Share for every 3 Pelorus Shares that you own.</p> <p>The BlackWall Shares will be issued as fully paid ordinary shares at an issue price of \$0.60 per BlackWall Share, based on adjusted net asset value and therefore \$0.20 per Pelorus share.</p>
What is the Bidder's Statement?	The Bidder's Statement is the document prepared by BlackWall which sets out the terms of the Offer. BlackWall lodged its Bidder's Statement with ASIC on 18 September 2023. The Bidder's Statement was sent to each Pelorus Shareholder registered as such on the Register Date.
What is the Target's Statement?	This Target's Statement is the Pelorus Board's formal response to the Offer, as required by the Corporations Act. Accordingly, this document has been prepared by Pelorus and contains important information to help you decide whether to accept the Offer.
What is the opinion of the Independent Expert and the main reasons for that opinion?	The Independent Expert has concluded that the Offer is fair and reasonable to Pelorus Shareholders, for the reasons set out in the Independent Expert's Report contained in Annexure A of this Target's Statement.
What choices do I have in response to the Offer?	<p>As a Pelorus Shareholder, you have the following choices in respect of your Pelorus Shares:</p> <p>(a) ACCEPT the Offer. The Independent Director (who is not an Interested Director) has recommended that you accept the Offer in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offer is Favourable to Pelorus Shareholders; or</p> <p>(b) not accept the Offer by doing nothing.</p> <p>There are implications for you in relation to each of these choices. Those implications are outlined in section 4 of this Target's Statement.</p>
What does the Independent Director recommend?	The Independent Director (who is not an Interested Director) has recommended that you ACCEPT the Offer, in the absence of a Superior Proposal and subject to the

	Independent Expert continuing to conclude that the Offer is Favourable to Pelorus Shareholders, for the reasons set out in this Target's Statement.
What do the Directors intend to do with any Pelorus Shares that they hold?	The Directors intend to procure the acceptance of Offers in respect of Pelorus Shares they own or control, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offer is Favourable to Pelorus Shareholders.
Is there an Independent Expert's Report?	<p>Yes, section 640 of the Corporations Act requires an independent expert's report to be included in a target's statement where the bidder's voting power in the target is 30% or more, or if a director of the target company is a bidder or a director of the bidder company.</p> <p>This requirement applies to the Offer because there are 4 common directors between Pelorus and BlackWall. The Independent Expert's Report is included in Annexure A of this Target's Statement.</p>
How do I accept/reject the Offer?	<p>Instructions on how to accept the Offer are set out in clause 5 of Appendix 1 of the Bidder's Statement.</p> <p>To reject the Offer, simply do nothing.</p> <p>If you decide to do nothing, you should be aware of the rights of BlackWall to compulsorily acquire your Pelorus Shares in certain circumstances. Refer to section 8.14 of this Target's Statement for more information on compulsory acquisition.</p>
How long will the Offer be open for acceptance?	The Offer is scheduled to close at 7.00pm (Sydney time) on 19 October 2023 as specified in the Bidder's Statement, unless it is extended or withdrawn in accordance with the Corporations Act and as otherwise detailed in section 8.3 of this Target's Statement.
Can the Offer be varied?	BlackWall has not declared its Offer final. Accordingly it is open to BlackWall to increase the Offer Consideration in response to any competing takeover or other similar proposal from a third party.
What happens if a Superior Proposal is made by a third party?	<p>If a Superior Proposal is made by a third party, and BlackWall improves the Offer Consideration, the Corporations Act entitles any Pelorus Shareholder who has already accepted the Offer to receive the benefit of the improved Offer Consideration.</p> <p>If a Superior Proposal is made by a third party, Pelorus Shareholders who have already accepted the Offer at such time will not receive the benefit of the Superior Proposal made by the third party unless the offer closes with Conditions that have not been satisfied or waived.</p> <p>As at the date of this Target's Statement, the Directors have not received a Superior Proposal.</p>
Is the Offer conditional?	The Offer is subject to customary conditions and other conditions including a minimum acceptance condition.

	<p>Under the minimum acceptance condition, the Offer is conditional on minimum acceptance of the Offer by Pelorus Shareholders such that, when taken together with Pelorus Shares already held by BlackWall (if applicable), BlackWall would have a Relevant Interest in at least 80% of Pelorus Shares.</p> <p>The Offer is also subject to the BlackWall Shareholders approving the Takeover Bid and associated issue of the Offer Consideration for the purposes of ASX Listing Rules 7.1, 10.1 and 10.11.</p> <p>In addition, the Offer is also subject to the WOT Members approving the acquisition of Relevant Interests in WOT Securities arising in connection with the Takeover Bid pursuant to item 7 of section 611 of the Corporations Act.</p>
What are the consequences of accepting the Offer now, while it remains conditional?	<p>Refer to sections 8.4 and 8.5 of this Target's Statement for further details of the Conditions.</p> <p>If you accept the Offer now, unless withdrawal rights are available (see below), you will give up your right to sell your Pelorus Shares or otherwise deal with your Pelorus Shares while the Offer remains open.</p>
If I accept the Offer now, can I withdraw my acceptance later?	<p>If you accept the Offer, you may only withdraw your acceptance if BlackWall varies its Offer in a way that postpones the period BlackWall is required to satisfy its obligations by more than one month and the Offer is still subject to one or more Conditions. This will occur if BlackWall extends the Offer Period by more than one month while the Offer is still subject to any Condition.</p>
Can I accept the Offer for only some of my Pelorus Shares?	<p>No. You cannot accept the Offer for only some of your Pelorus Shares. You may only accept the Offer for all of your Pelorus Shares. However, if you hold one or more parcels of Pelorus Shares as trustee or nominee, you may accept the Offer as if a separate Offer had been made in relation to each of those parcels and any parcel you hold in your own right.</p>
When do I have to make a decision?	<p>If you wish to accept the Offer, you must do so before its scheduled closing date. BlackWall has stated that its Offer remains open until 7.00pm (Sydney time) on 19 October 2023, unless extended or withdrawn in accordance with the Corporations Act.</p> <p>If you wish to reject the Offer, you do not need to do anything.</p>
When will I receive the consideration if I accept the Offer?	<p>It is important to understand that even if you validly accept the Offer, you will not receive any consideration unless all of the Conditions are satisfied or waived.</p> <p>If you validly accept the Offer and the Offer becomes unconditional then you will be provided with the Offer Consideration on or before the earlier of:</p>

	<p>(a) one month after the date the Offer is validly accepted by you or, if the Offer is subject to a defeating condition when accepted, within one month after the Offer or the contract resulting from your acceptance of the Offer becomes unconditional; and</p> <p>(b) 21 days after the end of the Offer Period.</p>
What are the consequences of the Offer becoming unconditional?	If you accept the Offer and the Offer becomes unconditional, you will be entitled to receive the Offer Consideration in respect of your Pelorus Shares.
How will I know when the Offer is unconditional?	<p>BlackWall is required to inform Pelorus and ASIC as soon as any Conditions are satisfied or waived.</p> <p>BlackWall has set 12 October 2023 as the date on which it will give Pelorus and ASIC a notice required by law on the status of the Conditions. This date may be extended if the Offer Period is extended.</p>
What happens if I do nothing?	<p>If you do nothing, you will remain a Pelorus Shareholder.</p> <p>If BlackWall acquires 90% or more of Pelorus Shares and the Offer becomes unconditional:</p> <p>(a) BlackWall has stated in the Bidder's Statement that it intends to compulsorily acquire your Pelorus Shares;</p> <p>(b) BlackWall will be required to offer to buy-out your Pelorus Shares.</p> <p>See section 8.14 of this Target's Statement for more details.</p>
Can I be forced to sell my Pelorus Shares?	<p>You cannot be forced to sell your Pelorus Shares unless BlackWall is legally allowed to proceed to compulsory acquisition of Pelorus Shares. This requires BlackWall to acquire at least 90% of all Pelorus Shares (under the Offer or otherwise).</p> <p>BlackWall has stated in the Bidder's Statement that it intends to compulsorily acquire your Pelorus Shares.</p> <p>See section 8.14 of this Target's Statement for more details.</p>
What happens if the Conditions are not satisfied or waived?	If the Conditions are not satisfied or waived by the end of the Offer Period, the Offer will lapse. You will then be free to deal with your Pelorus Shares even if you had accepted the Offer.
Are there any taxation implications of accepting the Offer?	A general outline of the taxation implications for certain Pelorus Shareholders of accepting the Offer is set out in section 9 of this Target's Statement. As that outline is general in nature and does not take into account your individual circumstances, you should not rely on that outline as advice for your particular circumstances.

	You should also seek your own independent taxation advice as to the taxation implications applicable to your specific circumstances.
Can BlackWall extend the closing date of its Offer?	Yes. BlackWall has stated that its Offer remains open until 7.00pm (Sydney time) on 19 October 2023. It is possible that BlackWall may choose to extend the Offer Period in accordance with the Corporations Act.
Is there a number I can call if I have further queries in relation to the Offer?	If you have any questions in relation to this Target's Statement or your shareholding in Pelorus please call Pelorus (Carlos Nino) on +612 9033 8611, from Monday to Friday between 9.00am and 5.00pm (Sydney time).

2. Independent Director's Recommendation

2.1 Summary of the Offer

BlackWall is offering to acquire all of your Pelorus Shares (and all Rights attaching to your Pelorus Shares) by way of an off-market takeover bid. If you accept the Offer and the Offer becomes unconditional, you will receive 1 BlackWall Share for every 3 Pelorus Shares that you own.

The BlackWall Shares will be issued as fully paid ordinary shares at an issue price of \$0.60 per New BlackWall Share (based on the adjusted net asset value of BlackWall). The implied value of the Offer Consideration will fluctuate during the Offer Period with the BlackWall share price. Accordingly, if the BlackWall share price falls, the implied value of the Offer will fall. Likewise, if the BlackWall share price increases, the implied value of the Offer Consideration will rise.

The Offer is subject to a number of conditions, refer to the Bidder's Statement and sections 8.4 and 8.5 of this Target's Statement for further details of the Conditions.

Refer to the Bidder's Statement for full particulars of the Offer.

2.2 Recommendation of the Independent Director

This Target's Statement sets out the formal response of the Directors to the Offer, including the reasons why the Independent Director (who is not an Interested Director) has recommended that you **ACCEPT** the Offer in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offer is Favourable to Pelorus Shareholders. The key reasons for the Independent Director's recommendation are set out in section 3.1 of this Target's Statement.

2.3 Intentions of the Directors

Each of the Directors intends to procure the acceptance of the Offer in respect of any Pelorus Shares that they own or control in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offer is Favourable to Pelorus Shareholders and subject to the terms of the bid.

Details of the interests of each Director in Pelorus Shares are set out in section 10.1 of this Target's Statement.

2.4 What to do next

To accept the Offer, you must follow the instructions in Appendix 1 of the Bidder's Statement. To validly accept the Offer, your acceptance must be received before 7.00pm (Sydney time) on 19 October 2023 unless the Offer Period is extended.

To reject the Offer, you do not need to take any action.

3. Reasons to accept or reject the Offer

The Independent Director has considered the advantages and disadvantages of the Offer and recommends that you accept the Offer made to you, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offer is Favourable to the Pelorus Shareholders.

Set out below are some of the reasons for this recommendation. Also set out below is a summary of some of the reasons why you may decide to reject the Offer. You should read the Bidder's Statement and this Target's Statement in their entirety and BlackWall's ASX announcements before deciding whether or not to accept the Offer.

You should particularly consider the risk factors in sections 4.3 and 7 of this Target's Statement, which apply to the information in this section 3. While the Independent Director acknowledges that there are reasons to reject the Offer, the Independent Director believe the advantages of the Offer significantly outweigh the disadvantages.

3.1 Reasons to **ACCEPT** the Offer

The Independent Director has carefully considered the Offer in the context of the Pelorus business and its future prospects in the absence of the Offer.

The Independent Director (who is not an Interested Director) has recommended that you should **ACCEPT** the Offer (in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offer is Favourable to the Pelorus Shareholders) for the following key reasons:

The Independent Director (who is not an Interested Director) has recommended accepting the Offer in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offer is Favourable to Pelorus Shareholders	<p>The Independent Director (who is not an Interested Director) has recommended that you ACCEPT the Offer, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offer is Favourable to Pelorus Shareholders.</p> <p>Each of the Directors intends to procure the acceptance of the Offer in respect of any Pelorus Shares that they own or control in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offer is Favourable to Pelorus Shareholders and subject to the terms of the Offer.</p>
The Independent Expert has determined that the Offer is fair and reasonable to Pelorus Shareholders	<p>The Independent Expert has determined that the Offer, is fair and reasonable to Pelorus Shareholders.</p> <p>The Independent Director appointed the Independent Expert to prepare the Independent Expert's Report in relation to the Offer. A copy of the Independent Expert's Report is included as Annexure A to this Target's Statement, and you are encouraged to read that report in full, including as to the underlying reasoning for the Independent Expert's determination.</p>
Pelorus Shareholders will become shareholders in BlackWall	<p>Pelorus Shareholders who accept the Offer will become part of a larger and more diversified ASX-listed company.</p> <p>Pelorus Shareholders who accept the Offer will benefit from ASX trading liquidity. This liquidity may enable Pelorus Shareholders to realise the value of their investment at a time</p>

	of their choosing, which may not be possible for any Pelorus Shareholder who continues to hold Pelorus Shares as Pelorus Shares are not listed on a securities exchange and there is no active market or mechanism for achieving liquidity for Pelorus Shares.
No Superior Proposal has emerged	<p>As at the date of this Target's Statement, Pelorus has not received any Competing Proposal from a third party, nor have any discussions occurred that the Independent Director believes are likely to lead to any Superior Proposal being made.</p> <p>If Pelorus received a Competing Proposal, the Directors would need to consider all aspects of the proposal in determining whether it is superior to the Offer.</p>

3.2 Reasons to REJECT the Offer

Notwithstanding the reasons outlined above, the Independent Director recognises that some Pelorus Shareholders may consider rejecting the Offer.

You may disagree with the recommendation of the Independent Director to accept the Offer or the Independent Expert's determination that the Offer is fair and reasonable. Some of the reasons why you may decide not to accept the Offer are provided below.

You may disagree with the conclusions of the Independent Director and the Independent Expert	<p>In the Independent Director (who is not an Interested Director) recommending acceptance of the Offer (in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude the Offer is Favourable to Pelorus Shareholders), the Independent Director is making judgements based on future events which are not predictable with certainty, and which may prove to be incorrect (either positively or negatively).</p> <p>You may believe that the Offer Price of 1 BlackWall Share for every 3 Pelorus Shares is insufficient and you may hold a different view as to the value of Pelorus Shares to that of the Independent Director and the Independent Expert.</p>
You may consider there is a possibility for a Superior Proposal to emerge in the foreseeable future	It is possible that a Superior Proposal for Pelorus could emerge in the future. However, as at the date of this Target's Statement, no Competing Proposal has been received.
You may believe that the Offer Consideration is inadequate	You may believe that the Offer Consideration is inadequate and disagree with the recommendation of the Independent Director to accept the Offer in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offer is Favourable to Pelorus Shareholders.
You may wish to remain a Shareholder in Pelorus	If you accept the Offer, you will no longer be entitled to exercise the rights of a Pelorus Shareholder, or participate in the future financial performance of Pelorus.

4. Your choices as a Pelorus Shareholder

The Independent Director (who is not an Interested Director) has recommended that you **ACCEPT** the Offer, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offer is Favourable to Pelorus Shareholders.

However, as a Pelorus Shareholder, you have the following choices available to you in response to the Offer:

4.1 Accept the Offer

Pelorus Shareholders may elect to accept the Offer. Details of the consideration that will be received by Pelorus Shareholders who accept the Offer are set out in section 8.2 of this Target's Statement and in the Bidder's Statement. You should be aware that if you choose to accept the Offer:

- (a) you will not be able to accept a Superior Proposal from any other bidder if such an offer is made;
- (b) you may only withdraw your acceptance if BlackWall varies its Offer in a way that postpones the period BlackWall is required to satisfy its obligations by more than one month and the Offer is still subject to one or more Conditions;
- (c) you will lose the opportunity to receive future benefits as a Pelorus Shareholder; and
- (d) you may incur a tax liability as a result of the sale.

The Bidder's Statement contains details of how to accept the Offer in Appendix 1.

If you accept the Offer, you may be liable for CGT or income taxes as a result of your acceptance. A general outline of the taxation implications for certain Pelorus Shareholders of accepting the Offer is set out in section 9 of this Target's Statement.

Pelorus encourages you to consider your personal risk profile, investment strategy, tax position and financial circumstances before making any decision in relation to your Pelorus Shares.

4.2 Reject the Offer

You can reject the Offer by simply doing nothing. If you reject the Offer, you will retain all of your Pelorus Shares.

You should note that if you choose to reject the Offer by simply doing nothing, and retain all of your Pelorus Shares, you may be exposed to a number of risks which have been outlined in section 4.3 of this Target's Statement.

4.3 Risks of not accepting the Offer

BlackWall's intentions for Pelorus are described in section 7 of the Bidder's Statement, but those intentions may change.

If you do not accept the Offer, maintaining your investment in Pelorus may mean that you are exposed to the risks outlined below, depending on the outcome of the Offer. The risks presented in this section are not designed to be an exhaustive list, but to highlight some of the key potential risks of not accepting the Offer.

Control of Pelorus	<p>The Offer has a minimum acceptance condition of 80%. If BlackWall acquires a minimum of 80% of Pelorus Shares pursuant to the Offer and you have not accepted the Offer, you will become a minority shareholder in a Pelorus controlled by BlackWall. In these circumstances:</p> <p>(a) Control of Pelorus: BlackWall will be in a position to cast the majority of votes at a general meeting of Pelorus and pass ordinary resolutions and special resolutions. This will enable it to control the composition of the Pelorus Board and could, among other outcomes, result in a change in the current strategic direction of Pelorus.</p> <p>(b) Reduced distributions: Once BlackWall has control, it may alter the financial policies of Pelorus which may affect the amount and frequency of distributions to minority Pelorus Shareholders.</p>
Risk if BlackWall acquires a Relevant Interest in 90% or more of Pelorus Shares	<p>Pelorus Shareholders should note that if BlackWall acquires a Relevant Interest in 90% of Pelorus Shares during or at the end of the Offer Period BlackWall will be entitled to compulsorily acquire the Pelorus Shares it does not already own. BlackWall has stated in the Bidder's Statement that it intends to compulsorily acquire your Pelorus Shares in such circumstances.</p> <p>BlackWall will be required under the Corporations Act to offer to acquire your Pelorus Shares for the Offer Consideration during, or within one month after the end of, the Offer Period.</p>

4.4 Minority shareholder protections

In the event that BlackWall has a Relevant Interest in less than 100% of all Pelorus Shares, the implementation of BlackWall's intentions as set out in section 7 of the Bidder's Statement will be subject to:

- (a) the Corporations Act (including, without limitation, those provisions intended for the protection of minority shareholders);
- (b) Pelorus' constitution and the statutory and fiduciary obligations of Pelorus' Directors at that time to act in the best interests of Pelorus and all Pelorus Shareholders;
- (c) in certain circumstances, minority shareholder approval, in respect of which BlackWall may not be able to vote as an interested party;
- (d) statutory protection regulating minority shareholder rights; and
- (e) statutory protection against oppression.

5. Information on Pelorus

5.1 Introduction

Pelorus is an unlisted public investment company. Pelorus' main asset is its holding of approximately 19% of the total WOT Securities issued in WOT. Pelorus also holds interests in other properties as well as some unlisted investments. Pelorus derives investment income.

5.2 Directors

As at the date of this Target's Statement, the Directors are:

Director	Position
Joseph (Seph) Glew	Chairman
Timothy Brown	Executive Director
Jessica (Jessie) Glew	Executive Director
Paul Tresidder	Non-Executive Director
Richard Hill	Non-Executive Director

5.3 Interested Directors

Seph Glew, Timothy Brown, Jessie Glew and Richard Hill are each also directors of BlackWall and have Relevant Interests in BlackWall Shares (**Interested Directors**).

As Interested Directors, each of Seph Glew, Timothy Brown, Jessie Glew and Richard Hill have declined to make a recommendation in relation to the Offer.

5.4 Independent Director's Recommendation

While Paul Tresidder holds 8,703,155 BlackWall Shares, which constitutes 12.90% of the total BlackWall Shares on issue as at the date of this Target's Statement, Paul Tresidder is not a director of BlackWall.

Having considered in detail the advantages, disadvantages and merits of the Offer detailed in this Target's Statement, the Bidder's Statement and the Independent Expert's Report, Paul Tresidder (**Independent Director**) has recommend that you accept the Offer, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offer is Favourable to Pelorus Shareholders for the reasons set out in section 2 of this Target's Statement.

5.5 Share capital

As at the date of this Target's Statement, Pelorus has 311,657,895 Pelorus Shares on issue.

There are no other shares or other securities (including equity securities, debt securities or convertible securities) or options or performance rights or other instruments which are convertible into securities in Pelorus nor has Pelorus offered or agreed to issue any such shares, securities, options or performance rights or other instruments to any third party.

5.6 Historical financial information of Pelorus

Pelorus' last published audited financial statements are for the year ended 30 June 2023 (**FY23**). Those statements (as extracted from Pelorus' accounts) are summarised below.

These are extracts of the accounts only and do not include all information or notes required to be included. Pelorus Shareholders should refer to the full financial statements lodged with ASIC for further information.

Consolidated income statement

	30 Jun 23 \$'000	30 Jun 22 \$'000
Distributions – WOT	1,431	925
Distributions – Other	549	288
Finance Income	61	6
Actual Realised Gains on Disposal of Assets	344	561
Other Income	4	-
Total Revenue	2,389	1,780
Operating Expenses	(571)	(495)
Finance Costs	(115)	(65)
Funds From Activities	1,703	1,220
Statutory Adjustments:		
WOT – Return of Capital	(1,431)	(925)
Revaluation Loss – WOT	(5,395)	(103)
Revaluation (Loss) / Gain – Other	(4,869)	937
Depreciation	(40)	-
Loss on Acquisition of Subsidiary	9,917	-
Statutory (Loss) / Profit Before Tax	(115)	1,129
Income Tax Benefit	3,272	108
Statutory Profit After Tax	3,157	1,237

Consolidated balance sheet

	Notes	30 Jun 23 \$'000	Adjustments \$'000	Adjusted 30 Jun 23 \$'000
Cash and Cash Equivalents		12	-	12
Trade and Other Receivables		138	-	138
Employee Loans		1,200	-	1,200
Total Current Assets		1,350	-	1,350
Non-Current Financial Assets	1	60,144	(750)	59,394
Investment Using Equity Method	2	22	478	500
Property, Plant and Equipment		68	-	68
Total Non-Current Assets		60,234	(272)	59,962
Total Assets		61,584	(272)	61,312
Trade and Other Payables	1	771	(750)	21
Provision for Tax Payable		62	-	62
Total Current Liabilities		833	(750)	83
Deferred Tax Liabilities	3	2,455	(2,455)	-
Total Non-Current Liabilities		2,455	(2,455)	-
Total Liabilities		3,288	(3,205)	83
Net Assets		58,296	2,933	61,229
Shares on Issue (No.)		311,657,895		311,657,895
NTA per Share		\$0.19		\$0.20

Notes:

Pelorus' investment in Teletrack is subject to certain option arrangements with other investors. This has been reclassified to offset against the investment.

Pelorus' investment in Indigoblock Construction is measured using the equity method. This has been adjusted to reflect an estimate of fair value.

Total net assets have been adjusted to exclude the effects of deferred taxes.

Consolidated cash flow statement

	30 Jun 23	30 Jun 22
	\$'000	\$'000
Dividends Received	564	210
Net Interest Received	60	6
Net Interest Paid	(115)	(65)
Payments to Suppliers and Employees	(668)	(968)
Net Cash Flows used in Operating Activities	(159)	(817)
Proceeds from Disposal of Investments	1,917	592
Returns of Capital from WOT Investment	1,442	925
Cash Entering Group on Acquisition of Subsidiary	7	-
Purchase of Property, Plant and Equipment	(40)	-
Investments Purchased	(434)	(1,195)
Net Cash Flows from Investing Activities	2,892	322
Net Loans (Paid) / Received	(2,733)	467
Net Cash Flows (used in) / from Financing Activities	(2,733)	467
Net Decrease in Cash and Cash Equivalents	-	(28)
Cash and Cash Equivalents at Beginning of Year	12	40
Net Decrease in Cash and Cash Equivalents	-	(28)
Cash and Cash Equivalents at End of Year	12	12

5.7 Dividend

As at the date of this Target's Statement, the Directors have no intention of declaring or paying any dividends in respect of Pelorus Shares.

5.8 Material litigation

As far as the Directors are aware, Pelorus is not involved in any ongoing litigation which is material in the context of Pelorus and its Related Bodies Corporate taken as a whole.

5.9 Publicly available information about Pelorus

Pelorus is an unlisted disclosing entity for the purposes of the Corporations Act and therefore is subject to certain continuous disclosure obligations. As a public company, Pelorus is also required to lodge various documents with ASIC.

Copies of documents lodged with ASIC by Pelorus may be obtained from or inspected at an ASIC office, via the ASIC website or on Pelorus' website at

<https://www.pelorus.com.au/about-us.php>.

The most recent audited financial statements of Pelorus, being the audited report for the financial year ending 30 June 2023, was lodged with ASIC on 8 September 2023.

6. Information on BlackWall

6.1 Important notice

The following information about BlackWall is based on public information, including information in the Bidder's Statement, and has not been independently verified. Accordingly, Pelorus does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information. The information in relation to BlackWall in this Target's Statement should not be considered comprehensive.

For more information on BlackWall, please refer to:

- (a) sections 2, 3 and 8 of the Bidder's Statement;
- (b) the website of BlackWall, www.BlackWall.com.au; and
- (c) the ASX disclosures of BlackWall available on the BlackWall website at www.blackwall.com.au and on the ASX website at www.asx.com.au (under the company code "BWF").

6.2 Overview of BlackWall

BlackWall Limited is an ASX-listed property funds management business that derives its revenue from the management, performance and transaction fees of real estate investment structures. The organisation develops and manages income-producing real estate on behalf of retail, high-net worth and institutional property investors. BlackWall's most significant source of management and performance fees is from the WOTSO property portfolio, which includes 20 locations across Australia and New Zealand. These locations in total provide approximately 1,000 offices, 65 meeting spaces and 22 event spaces. WOTSO invests in real estate, while adding value by offering flexible workspace solutions for businesses including sole traders, large corporates, healthcare professionals, artists or designers as well as storage.

6.3 Financial information

In the financial year ended 30 June 2023, BlackWall, on a consolidated basis, reported revenue of \$6.9 million, an after tax loss of \$1.0 million, total assets of \$27.0 million and total equity of \$18.3 million.

The full financial accounts for BlackWall for the financial year ended 30 June 2023, which include the notes to the accounts, can be found in the annual financial report for BlackWall for that period.

For more details on the financial information on BlackWall, including events which have occurred since 30 June 2023, refer to section 2 of the Bidder's Statement.

6.4 BlackWall directors

As at the date of this Target's Statement, the directors of BlackWall are:

Director	Position
Mr Joseph (Seph) Glew	Non-Executive Director and Chairman
Mr Timothy Brown	Joint Managing Director and CFO
Ms Jessica (Jessie) Glew	Joint Managing Director and COO

Director	Position
Mr Richard Hill	Non-Executive Director
Mr Robin Tedder	Non-Executive Director

7. Risk factors

7.1 Introduction

The risk factors presented in this section 7 and section 4.3 are not an exhaustive list of all risks and risk factors related to Pelorus, BlackWall or the Offer. Additional risks and uncertainties not currently known to Pelorus may also have an adverse impact on Pelorus or BlackWall.

This section does not take into account the investment objectives, financial situation, position or particular needs of Pelorus Shareholders. Each Pelorus Shareholder should consult their legal, financial, taxation or other professional adviser if they have any queries.

7.2 Risks associated with accepting the Offer

(a) Conditions of the Offer

The Offer is subject to a number of Conditions as described in section 8.4 of this Target's Statement and Appendix 2 of the Bidder's Statement.

If the Conditions are not satisfied or waived by the applicable date, the Offer will not be free of Conditions and therefore will not proceed.

(b) Limited withdrawal rights

If you accept the Offer, you may only withdraw your acceptance if BlackWall varies its Offer in a way that postpones the period BlackWall is required to satisfy its obligations by more than one month and the Offer is still subject to one or more Conditions. This will occur if BlackWall extends the Offer Period by more than one month while the Offer is still subject to any Condition.

(c) If a Superior Proposal is announced you will not be able to withdraw your acceptance of the Offer

If a Superior Proposal is made by a third party, Pelorus Shareholders who have already accepted the Offer at such time will not receive the benefit of the Superior Proposal made by the third party unless the offer closes with Conditions that have not been satisfied or waived.

As at the date of this Target's Statement, the Directors are not aware of any Superior Proposal.

(d) Offer Consideration

BlackWall has offered 1 BlackWall Share of each 3 Pelorus Shares held. As BlackWall Shares are listed on the ASX, the implied value of the Offer Consideration will fluctuate during the Offer Period with the BlackWall share price. Accordingly, if the BlackWall share price falls, the implied value of the Offer will fall. Likewise, if the BlackWall Share price increases, the implied value of the Offer Consideration will rise.

7.3 Risks associated with holding Pelorus Shares

(a) Pelorus Shares are illiquid

Pelorus Shares are not listed on a securities exchange and there is no active market or mechanism for achieving liquidity for Pelorus Shares.

7.4 Risks associated with being a BlackWall shareholder

There are certain risks involved in holding BlackWall Shares and those risks are outlined in section 8 of the Bidder's Statement. The Pelorus Board draws your attention to the risks set out below:

(a) General market and share price risks

Pelorus Shareholders should be aware that there are risks associated with any investment in financial products quoted on a securities exchange. Share price movements could affect the value of consideration paid under the Offer and the value of any investment in BlackWall. Furthermore, past results are not necessarily indicative of future performance. The price of BlackWall Shares (including the BlackWall Shares to be issued pursuant to the Offer) on ASX will be affected by the financial performance of BlackWall and may rise or fall due to numerous factors including:

- (i) Australian and international general economic conditions, labour costs including inflation rates, the level of economic activity, interest rates and currency exchange rates;
- (ii) general trends in the Australian and overseas equity markets;
- (iii) tension and acts of terrorism in Australia and around the world;
- (iv) investor perceptions in the local and global markets for listed securities; and
- (v) changes in the supply and demand of insurance and diversified financial securities.

One or more of these factors may cause BlackWall Shares to trade below current prices and may adversely affect the financial position and performance of BlackWall. In addition, broader market factors affecting the price of BlackWall Shares are unpredictable and price changes may be unrelated or disproportionate to the financial or operating performance of BlackWall.

The past performance of BlackWall is not necessarily an indication as to future performance of BlackWall as the trading price of shares can go up or down. Neither BlackWall nor the BlackWall Directors represent or warrant the future performance of BlackWall, BlackWall Shares or any return on an investment in BlackWall.

7.5 Risks related to the outcome of the Offer

If you do not accept the Offer, and the Offer is successful, BlackWall will acquire control of Pelorus and will have enhanced capacity to influence the manner in which Pelorus' business is conducted. BlackWall's intentions for Pelorus are detailed in section 7 of the Bidder's Statement, but those intentions may change. See section 4.3 of this Target's Statement for further details.

8. Key features of the Offer

8.1 The Offer

BlackWall is offering to acquire all of the Pelorus Shares from Pelorus Shareholders. The Offer relates to Pelorus Shares that exist as at the Register Date.

You may only accept the Offer in respect of all (and not a part) of your Pelorus Shares.

8.2 Offer Consideration

The Offer Consideration is the issue of 1 BlackWall Share for every 3 Pelorus Share that you own.

The BlackWall Shares will be issued as fully paid ordinary shares at an issue price of \$0.60 per New BlackWall Share (based on the adjusted net asset value of BlackWall). The implied value of the Offer Consideration will fluctuate during the Offer Period with the BlackWall share price. Accordingly, if the BlackWall share price falls, the implied value of the Offer will fall. Likewise, if the BlackWall share price increases, the implied value of the Offer Consideration will rise.

8.3 Offer Period

The Offer is currently open for acceptance and will close at 7.00pm (Sydney time) on 19 October 2023 unless the Offer is extended or withdrawn in accordance with the Corporations Act.

The circumstances in which BlackWall may extend or withdraw the Offer are set out in Section 8.8 and 8.9 of this Target's Statement.

8.4 Conditions

The Offer is subject to customary conditions and other conditions including a minimum acceptance condition which are set out in full in the Bidder's Statement.

In summary, the Conditions of the Offer are:

- (a) **Minimum acceptance:** At least 80% of Pelorus Shareholders (by number of Shares) accepting the Offer. BlackWall cannot waive satisfaction of this condition without Pelorus' prior written consent (which is not to be unreasonably withheld or delayed).
- (b) **No Prescribed Occurrence:** No Prescribed Occurrence occurring in the period between the Announcement Date and the date 3 Business Days after the end of the Offer Period (both inclusive).
- (c) **BlackWall Shareholder approval:** BlackWall Shareholders approving the Takeover Bid and associated issue of the Offer Consideration for the purposes of ASX Listing Rules 7.1, 10.1 and 10.11.
- (d) **WOT Member approval:** WOT Members approving the acquisition of Relevant Interests in WOT Securities arising in connection with the Takeover Bid pursuant to item 7 of section 611 of the Corporations Act.
- (e) **No restraints:** Between the Announcement Date and the end of the Offer Period (each inclusive):
 - (i) there is not in effect any preliminary or final decision, order or decree issued by any Government Agency;

- (ii) no action or investigation is announced, commenced or threatened by any Government Agency; and
- (i) no application is made to any Government Agency (other than by BlackWall or an Associate),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially impact upon, the making of the Offers and the completion of the Offer (including, without limitation, full, lawful, timely and effectual implementation of the intentions set out in section 7 of the Bidder's Statement) or which requires the divestiture by BlackWall of any Pelorus Shares or any material assets of Pelorus or any subsidiary of Pelorus.

If any of the Conditions are not satisfied or have not been waived, BlackWall will have the option as to whether to proceed with the Offer or allow the Offer to lapse. If the Offer lapses, all acceptances of the Offer will be void and of no effect.

Refer to Appendices 1 and 2 of the Bidder's Statement for full particulars of the conditions to the Offer, the nature of the conditions and BlackWall's ability to free the Offer from the conditions.

8.5 Status of Conditions

BlackWall has set 12 October 2023 as the date on which it will give Pelorus and ASIC a notice required by law on the status of the Conditions. This date may be extended if the Offer Period is extended.

The Offer will lapse if the Conditions are not satisfied or waived by the end of the Offer Period, in which case all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation you will remain a Pelorus Shareholder.

8.6 Effect of an improvement in Offer Consideration for Shareholders who have already accepted

If BlackWall improves its Offer Consideration, all Pelorus Shareholders, whether or not they have accepted the Offer before that improvement, will be entitled to the benefit of that improved Offer Consideration.

8.7 Variation of the Offer

BlackWall may vary the Offer in any of the ways permitted by the Corporations Act, including by extending the Offer Period, provided the varied terms and conditions are not less favourable to Pelorus Shareholders than the Offer. If BlackWall varies the Offer in any of those ways, it must give written notice to ASIC and Pelorus and send you a copy of that notice (provided, however, that BlackWall will not be required to send you a copy of the notice if, at the time of the variation, you have already accepted the Offer, the Offer is unconditional and the variation merely extends the Offer Period).

8.8 Extension of Offer Period

BlackWall may extend the Offer Period at any time before giving the notice on the status of the Conditions (refer to Section 8.7 of this Target's Statement above) while the Offer is subject to the Conditions. However, if the Offer is unconditional, BlackWall may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last seven days of the Offer Period, BlackWall's voting power in Pelorus increases to more than 50% or

the Offer is varied to improve the Offer Consideration. In this case the Offer Period will be automatically extended so that it ends 14 days after the increase in BlackWall's voting power in Pelorus increases to more than 50% or the improvement in the Offer Consideration (as applicable).

8.9 Withdrawal of Offer

BlackWall may withdraw its Offer with the written consent of ASIC and subject to the conditions (if any) specified in ASIC's consent.

8.10 Effect of acceptance

If you accept the Offer then, unless withdrawal rights are available (see below) and you exercise these rights, you will give up your right to sell your Pelorus Shares to any other person that may make a takeover bid, or to otherwise deal with your Pelorus Shares in any manner.

8.11 Limited ability to withdraw your acceptance

If you accept the Offer, you may only withdraw your acceptance of the Offer if BlackWall varies its Offer in a way that postpones for more than one month the time when BlackWall needs to meet its obligations under the Offer. This will occur if BlackWall extends the Offer Period by more than one month and the Offer is still subject to Conditions.

8.12 Timing for receipt of consideration if you accept

If the Offer becomes unconditional, you will receive your consideration from BlackWall on or before the earlier of:

- (a) one month after the contract resulting from your acceptance of the Offer becoming unconditional; and
- (b) 21 days after the end of the Offer Period.

Refer to Appendix 1 of the Bidder's Statement for further details on when you will receive the consideration from BlackWall.

8.13 Consequences of BlackWall acquiring less than 90% of Pelorus

The Offer has a minimum acceptance condition of 80%. If BlackWall acquires 80% or more but less than 90% of the Pelorus Shares then, assuming all other Conditions to the Offer are satisfied or waived, BlackWall will acquire a majority shareholding in Pelorus. This would also occur where the minimum acceptance condition is waived, the other Conditions are satisfied or waived and Pelorus acquires more than 50% but less than 90% of the Pelorus Shares.

In those circumstances Pelorus Shareholders who do not accept the Offer will become minority shareholders of Pelorus. BlackWall will be in a position to cast the majority of votes at a general meeting of Pelorus. This will enable it to control the composition of the Pelorus Board and senior management and control the strategic direction of the businesses of Pelorus and its subsidiaries.

In addition, where BlackWall acquires 75% or more of the Pelorus Shares it will be able to pass a special resolution at a meeting of Pelorus Shareholders. This would enable BlackWall, among other things, to pass amendments to Pelorus' constitution.

8.14 Compulsory acquisition and buy-out

(a) Compulsory acquisition following Offer

If BlackWall acquires a Relevant Interest in 90% of Pelorus Shares during or at the end of the Offer Period, BlackWall will be entitled to compulsorily acquire the Pelorus Shares it does not already own. BlackWall has stated in the Bidder's Statement that it intends to compulsorily acquire all Pelorus Shares in such circumstances.

(b) Future compulsory acquisition by BlackWall

Even if BlackWall does not satisfy the 90% compulsory acquisition threshold referred to above, it is possible that BlackWall will, at some time after the end of the Offer Period, become the beneficial holder of 90% of the Pelorus Shares. BlackWall would then have rights to compulsorily acquire Pelorus Shares not owned by it within six months of becoming the holder of 90%. The price for compulsory acquisition under this procedure would have to be considered in a report of an independent expert.

(c) Challenging compulsory acquisition

Pelorus Shareholders have statutory rights to challenge any compulsory acquisition. However a successful challenge will require the relevant Pelorus Shareholders to establish to the satisfaction of a court that the terms of the Offer do not represent fair value for the Pelorus Shares. If Pelorus Shares are compulsorily acquired, Shareholders who have their Pelorus Shares compulsorily acquired are not likely to receive consideration from BlackWall until at least one month after the compulsory acquisition notices are dispatched to them.

9. Taxation consequences

This section does not constitute financial product advice as defined in the Corporations Act and is confined to taxation issues. Pelorus Shareholders should consider seeking advice from a licensed adviser, before making a decision about their relevant investments.

The following is a general summary of the Australian income tax (including CGT), stamp duty and Goods and Services Tax (**GST**) consequences applicable to a Pelorus Shareholder who disposes of their Pelorus Shares under the Offer. This outline is based on the current provisions of the *Income Tax Assessment Act 1936* (Cth), the *Income Tax Assessment Act 1997* (Cth), the *Taxation Administration Act 1953* (Cth) and the regulations made under those Acts and the current administrative practices of the Australian Taxation Office (**ATO**) as at the date of this Target's Statement.

The outline does not otherwise take into account or anticipate changes in the law, whether by way of judicial decision or legislative action, nor does it take into account tax legislation of countries apart from Australia.

The following outline is not exhaustive of all possible Australian income tax considerations that could apply to Pelorus Shareholders. The summary is only relevant to those Pelorus Shareholders who hold their Pelorus Shares on capital account and it does not address all tax considerations applicable to Pelorus Shareholders.

The summary does not apply to Pelorus Shareholders:

- (a) that may be subject to special tax rules, such as partnerships, banks, insurance companies, tax exempt organisations, superannuation funds, dealers in securities or entities subject to the Investment Manager Regime under Subdivision 842-I of the *Income Tax Assessment Act 1997* (Cth) in respect of their Pelorus Shares;
- (b) who do not hold their Pelorus Shares on capital account (ie hold their Pelorus Shares on revenue account or as trading stock);
- (c) who are taken for CGT purposes to have acquired their Pelorus Shares before 20 September 1985;
- (d) who hold Pelorus Shares on behalf of another person;
- (e) who acquired their Pelorus Shares or rights to Pelorus Shares as part of an employee share scheme;
- (f) who are, or have been, temporary residents of Australia for the purposes of the Australian tax legislation;
- (g) who are subject to the "taxation of financial arrangements" regime in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their Pelorus Shares; or
- (h) who are non-resident Pelorus Shareholders who have held their Pelorus Shares at any time in carrying on a business at or through a permanent establishment in Australia.

This outline does not constitute tax advice and is not intended to and should not be used or relied upon by anyone, and Pelorus accepts no duty of care to any person or entity. Each Pelorus Shareholder should consult their own tax adviser regarding the consequences of holding or disposing of their Pelorus Shares.

Pelorus Shareholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for Australian income tax

purposes) should take into account the tax consequences of the Offer under the laws of their country of residence, as well as under Australian law and any applicable double tax treaty.

9.1 Australian resident Pelorus Shareholders

(a) Pelorus Shareholders who accept the Offer

If you accept the Offer, the disposal of your Pelorus Shares will constitute a CGT event for Australian income tax purposes, provided the Conditions are satisfied or waived.

You will be taken to have disposed of your Pelorus Shares for CGT purposes when the contract to sell your Pelorus Shares is formed.

(b) Compulsory acquisition

If BlackWall becomes entitled to compulsorily acquire any outstanding Pelorus Shares under the Corporations Act and your Pelorus Shares are compulsorily acquired, you will be taken to have disposed of your Pelorus Shares for CGT purposes.

The date of disposal for CGT purposes will be the date you cease to be the owner of Pelorus Shares.

(c) CGT

(i) Calculation of capital gain or capital loss (apart from scrip for scrip rollover relief)

Pelorus Shareholders will make a capital gain to the extent that the capital proceeds from the disposal of their Pelorus Shares are more than the cost base of those Pelorus Shares. Conversely, Pelorus Shareholders will make a capital loss to the extent that the capital proceeds are less than their reduced cost base of those Pelorus Shares.

The capital proceeds for the disposal of Pelorus Shares should be equal to the Offer consideration receivable by the Pelorus Shareholder. The capital proceeds should be equal to the market value of the BlackWall Shares received by the Pelorus Shareholder, determined as at the time of the CGT event.

A CGT discount may be available on the capital gain for individual investors, trustee investors and investors that are complying superannuation entities provided the particular Pelorus Shares are held for at least 12 months prior to disposal. Any current year or carry forward capital losses should offset the capital gain first before the CGT discount can be applied.

The CGT discount for individuals and trusts is 50% and for complying superannuation entities is 33 1/3%. For trusts, the ultimate availability of the discount for a beneficiary of the trust will depend on the particular circumstances of the beneficiary. The CGT discount is not available to companies.

Pelorus Shareholders should seek specific advice on the availability of the CGT discount in their own circumstances.

(ii) CGT cost base

Generally, the CGT cost base of a Pelorus Share should be the total amount you paid for the Pelorus Share, your acquisition costs and other costs relating

to the holding and disposal of the Pelorus Share, to the extent to which you have not claimed an income tax deduction for such costs. The reduced cost base of a Pelorus Share is usually determined in a similar, but not identical, manner.

You may need to take into account prior corporate actions of Pelorus (for example, returns of capital etc.) to determine your cost base.

(iii) Net capital gain or loss

Capital losses can generally only be offset against capital gains you realise in the same income year or in later income years (subject to satisfying any applicable carry forward loss rules, where relevant).

Any net capital gain should be included in your assessable income for the income year that the date of disposal occurs for CGT purposes.

Broadly, your net capital gain in respect of an income year will be calculated by aggregating all of your capital gains realised in that income year and reducing that amount by your capital losses realised in that income year and any available net capital losses carried forward from prior years, or both. The net capital gain may be reduced by the CGT discount if eligible (discussed above). If a Pelorus Shareholder derives a net capital gain in a year, this amount is included in the Pelorus Shareholder's assessable income.

If a Pelorus Shareholder incurs a net capital loss in a year, this amount is carried forward and is available to offset against capital gains derived in subsequent years, subject in some cases to the Pelorus Shareholder satisfying certain rules relating to the recoupment of carried forward losses.

(iv) Scrip for scrip rollover

Scrip for scrip rollover relief under subdivision 124-M of the *Income Tax Assessment Act 1997* (Cth) enables a shareholder to disregard a capital gain from a share that is disposed to the extent that the shareholder receives a replacement share or similar interest in exchange.

Where BlackWall acquires 80% or more of the Pelorus Shares as part of the Offer, the Pelorus Shareholders should be eligible to claim rollover relief in relation to the scrip consideration.

If, and to the extent that scrip for scrip rollover is available and chosen, then the capital gain that would otherwise arise will be deferred until a later CGT event occurs, such as the subsequent disposal of the BlackWall shares acquired under the Offer.

In order to choose scrip-for-scrip rollover relief, Pelorus Shareholders must make an election prior to lodging their income tax return for the income year in which the CGT event occurs.

Where the 80% ownership threshold is not met **and** BlackWall waives the 80% minimum acceptance condition, scrip for scrip rollover requirements will not be satisfied, but Pelorus Shareholders who accepted the Offer will still dispose of their Pelorus Shares. In this situation, Pelorus Shareholders who accept the Offer and receive BlackWall Shares may have a CGT liability but will not be able to claim CGT scrip for scrip rollover relief in respect of the BlackWall Shares received in exchange for the Pelorus Shares.

(d) Implications of holding BlackWall Shares

As a consequence of accepting the Offer, a Pelorus Shareholder will become a shareholder of BlackWall Dividends (and any attached franking credits) received by an Australian-resident BlackWall Shareholder would generally be required to be included in the assessable income of such a shareholder. The franking credits attached to the dividend may be available as a benefit to the shareholder under the imputation regime.

(e) CGT on subsequent disposal of BlackWall Shares

A subsequent disposal of BlackWall Shares will generally result in Australian CGT implications as described above. These will differ depending upon whether scrip for scrip rollover relief was claimed in relation to the disposal of Pelorus Shares pursuant to the Offer.

(i) Where scrip for scrip rollover not claimed or available

Where scrip for scrip rollover relief was not claimed or was not available in relation to the disposal of the Pelorus Shares, the cost base of the BlackWall Shares (spread equally over those BlackWall Shares) would include the market value of the Pelorus Shares disposed of in exchange for them. Where the Offer was accepted, this market value should be determined as at the time of the CGT event for disposal of the Pelorus Shares. Where the Pelorus Shares were compulsorily acquired, this market value should be determined as at the date the BlackWall Shares were issued.

(ii) Where scrip for scrip rollover available

Where a Pelorus Shareholder can and does choose scrip for scrip rollover, the cost base (and reduced cost base) of the BlackWall Shares will reflect proportionally the cost base (and reduced cost base) that the Pelorus Shareholder had in their Pelorus Shares that were disposed of in exchange for the BlackWall Shares.

The cost base and reduced cost base of the BlackWall Shares may subsequently change, for example where incidental costs are incurred to sell the BlackWall Shares.

A Pelorus Shareholder will be taken to have acquired the BlackWall Shares at the time the Pelorus Shares exchanged for them were originally acquired for CGT purposes.

9.2 Goods and services tax

Pelorus Shareholders should not be liable to GST in respect of the disposal of their Pelorus Shares or the acquisition of BlackWall Shares under the Offer.

Pelorus Shareholders may be charged GST on costs (such as advisor fees relating to their participation in the Offer) that relate to the Offer. Pelorus Shareholders may be entitled to input tax credits or reduced input tax credits for such costs, depending on their circumstances.

9.3 Stamp duty

Pelorus Shareholders should not be liable to stamp duty in respect of the disposal of their Pelorus Shares or the acquisition of BlackWall Shares under the Offer.

10. Additional information

10.1 Directors' interests and dealings in Pelorus Shares

Details of the Pelorus Shares in which each Director has a Relevant Interest are as follows:

Director	Pelorus Shares
Joseph (Seph) Glew	128,081,497 ¹
Timothy Brown	759,894 ²
Jessica (Jessie) Glew	Nil
Paul Tresidder	121,756,672 ³
Richard Hill	36,270,256 ⁴

Notes:

1. Held through Seno Management Pty Limited <Taipa Trust>, Jagar Holdings Pty Ltd, I.P.U.T. Nominees Pty Ltd & PRSC Pty Ltd.
2. Held through Frolic Events Pty Limited <The Revelry Super Fund A/C>.
3. Held through Lymkeesh Pty Ltd, Jagar Holdings Pty Ltd, Hollia Pty Ltd, I.P.U.T. Nominees Pty Ltd, Mrs Lynne Tresidder & Ms Lynne Marie Tresidder.
4. Held through Mr Richard Hill & Mrs Evelyn Hill <Richard Hill Super Fund A/C> & Tampopo Pty Ltd <The Hill Family Trust>.

10.2 Directors' dealings in Pelorus Shares

None of the Pelorus Directors had any dealings in Pelorus Shares during the four month period ending on the date immediately before the date of this Target's Statement.

10.3 Directors' interests and dealings in BlackWall Shares

Details of the BlackWall Shares in which each Director has a Relevant Interest are as follows:

Director	BlackWall Shares
Joseph (Seph) Glew	10,613,667 ¹
Timothy Brown	2,960,000 ²
Jessica (Jessie) Glew	2,059,636 ³
Paul Tresidder	8,703,155 ⁴
Richard Hill	1,969,278 ⁵

Notes:

1. Held through Sao Investments Pty Ltd, Valview Pty Ltd, Bin24 Business Advisors Pty Limited, Freymas Project Management Ltd, Seno Management Pty Limited <Seno Super Fund A/C>, Seno Management Services Ltd & Mrs Noni Ann Glew.

2. *Held through Frolic Events Pty Ltd <Brown-Brown Family A/C> & Frolic Events Pty Ltd <The Revelry Superfund A/C>.*
3. *Held through Ms Jessica Glew, Ms Jessica Ann Glew, Seno Management Pty Limited <Seno Super Fund A/C>, Maloo Investments Pty Ltd <D Kretchmer Family A/C>.*
4. *Held through Sao Investments Pty Ltd, Valview Pty Ltd, Bin24 Business Advisors Pty Limited, Lymkeesh Pty Ltd & Lymkeesh Pty Ltd <Employees Super Fund A/C>.*
5. *Held through Mr Richard Hill & Mrs Evelyn Hill <Richard Hill Super Fund A/C>, Mr Richard Hill, Hillandip Pty Ltd & Tampopo Pty Ltd <The Hill Family A/C>.*

10.4 Directors' dealings in BlackWall Shares

None of the Pelorus Directors had any dealings in BlackWall Shares during the four month period ending on the date immediately before the date of this Target's Statement.

10.5 Benefits and agreements

(a) Benefits in connection with retirement from office

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of Pelorus or related body corporate of Pelorus.

(b) Agreements connected with or conditional on the Offer

There are no agreements made between any Director and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of Pelorus Shares.

(c) Benefits from BlackWall

No Director has agreed to receive, or is entitled to receive, any benefit from BlackWall which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Pelorus Shares.

(d) Material interests of Directors in contracts with BlackWall

None of the Directors of Pelorus has any interest in any contract entered into by BlackWall.

10.6 Substantial holders

As at the date of this Target's Statement, the following persons have substantial holdings in Pelorus:

Name of substantial holder	Number of Pelorus Shares	% of total Pelorus Shares
Stewart Young	10,488,314	3.37%
Peter Gray	4,965,676	1.60%
Jonathan Fennel	3,569,051	1.14%

Pelorus has received notice that, based on acceptances of the Offer as at 9:00am (Sydney time) on 25 September 2023, BlackWall's voting power in Pelorus is 2.73%.

10.7 Material change in financial position of Pelorus

Pelorus' last audited financial statements are for the financial year ended 30 June 2023. So far as the Directors are aware:

- (a) the financial position of Pelorus has not materially changed since the date of the annual report for the year ending 30 June 2023; and
- (b) there has not been any matter or circumstance, other than those referred to in the annual report for the year ending 30 June 2023 and this Target's Statement that has significantly affected, or may significantly affect the operations or the financial position of Pelorus, the results of operations of Pelorus or the state of affairs of Pelorus in future financial years.

10.8 Consents given

RSM Corporate Australia Pty Ltd has acted as independent expert and has prepared the Independent Expert's Report set out in Annexure A of this Target's Statement. RSM Corporate Australia Pty Ltd has given, and has not withdrawn, prior to the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as the Independent Expert to the Company in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Target's Statement of the Independent Expert's Report in the form and context in which it is included. Pelorus has paid, or agreed to pay RSM Corporate Australia Pty Ltd, approximately \$42,500.00 (excluding GST) in total (excluding disbursements) for the above services up until the date of this Target's Statement.

PriceWaterhouseCoopers has acted as tax adviser and has performed work in relation to specific tax advisory services in relation to the Offer, including preparing the summary of Australian taxation considerations for Pelorus Shareholders set out in section 9 of this Target's Statement. Pelorus has paid, or agreed to pay PriceWaterhouseCoopers, approximately \$20,000.00 (excluding GST) in total (excluding disbursements) for the above services up until the date of this Target's Statement.

Each person named in this section 10.8 of this Target's Statement as having given its consent to the inclusion of a statement or to being named in this Target's Statement:

- (a) has not authorised or caused the issue of this Target's Statement;
- (b) does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than a statement included in this Target's Statement with the consent of that person; and
- (c) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Target's Statement with the consent of that party.

10.9 Reliance on ASIC class orders

As permitted by *ASIC Class Order 13/521*, this Target's Statement contains statements which are made, or based on statements made, in documents lodged by BlackWall with ASIC or given to the ASX, or announced on the Company Announcements Platform of the ASX, by BlackWall. Pursuant to the Class Order, the consent of BlackWall is not required for the inclusion of such statements in this Target's Statement. Any Pelorus Shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting Pelorus (Carlos Nino) on +612 9033 8611, from Monday to Friday between 9.00am and 5.00pm (Sydney time).

As permitted by *ASIC Corporations (Consents to Statements) Instrument 2016/72*, this Target's Statement may include or be accompanied by certain statements:

- (a) fairly representing what purports to be a statement by an official person;
- (b) that are a correct and fair copy of, or extract from, what purports to be a public official document; or
- (c) that are a correct and fair copy of, or extract from, a statement which has already been published in a book, journal or comparable publication.

10.10 No other material information

This Target's Statement is required to include all the information that Pelorus Shareholders and their professional advisers would reasonably require to make an informed assessment whether or not to accept the Offer but:

- (a) only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in the Target's Statement; and
- (b) only if the information is known to any Director.

The Directors are of the opinion that the only information that Pelorus Shareholders and their professional advisers would reasonably require to make an informed assessment whether or not to accept the Offer is:

- (a) the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- (b) the information contained in releases by BlackWall to ASX before the date of this Target's Statement; and
- (c) the information contained in this Target's Statement.

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless expressly indicated otherwise in this Target's Statement). However the Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing in any way any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- (a) the nature of Pelorus Shares;
- (b) the matters Pelorus Shareholders may reasonably be expected to know;
- (c) the fact that certain matters may reasonably be expected to be known to the professional advisers to Pelorus Shareholders;
- (d) the nature of the Offer; and
- (e) the time available to Pelorus to prepare this Target's Statement.

11. Glossary

11.1 Definitions

In this Target's Statement, unless the contrary intention appears or the context otherwise appears, the following terms have the meanings shown below:

AEST means Australian Eastern Standard Time.

Announcement Date means 24 August 2023.

ASIC means the Australian Securities and Investments Commission.

Associate means has the same meaning as given to that term for the purposes of Chapter 6 of the Corporations Act.

ASX means ASX Limited ACN 008 624 691 or, where the context requires, a financial market operated by it.

ASX Listing Rules means the official listing rules of the ASX from time to time.

Bidder's Statement means the bidder's statement by BlackWall dated 18 September 2023 setting out the terms, Conditions and other information in relation to the Offer.

BlackWall means BlackWall Limited ACN 146 935 131.

BlackWall Group means BlackWall and its Subsidiaries.

BlackWall Shareholder means any holder of BlackWall Shares.

BlackWall Shares means fully paid ordinary shares in the capital of BlackWall.

Business Day means a day on which banks are open for business in Sydney, excluding a Saturday, Sunday or public holiday.

CGT means capital gains tax.

Competing Proposal means any bona fide agreement, arrangement, or transaction which, if entered into or completed, would mean that a third party (either alone or with any associate thereof) would:

- (a) for any person who does not have a Relevant Interest in 20% or more of the Pelorus Shares on 24 August 2023, directly or indirectly acquire a Relevant Interest in 20% or more of the Pelorus Shares;
- (b) acquire control of any member of the Pelorus Group;
- (c) otherwise directly or indirectly acquire or merge with any member of the Pelorus Group; and/or
- (d) directly or indirectly acquire or become the holder of, or otherwise acquire or have a right to acquire a legal, beneficial or economic interest in, or control of, all or substantially all of the business or assets of any member of the Pelorus Group,

whether by way of a takeover bid, scheme, shareholder approved acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets or liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement or other transaction or arrangement.

Conditions means the conditions of the Offer set out in Appendix 2 of the Bidder's Statement.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of Pelorus or any one of them, as the context requires.

Favourable means fair and reasonable, or not fair but reasonable, to Pelorus Shareholders.

Government Agency means any government or any governmental, semi governmental, statutory or judicial entity, agency or authority, whether in Australia or elsewhere, including (without limitation) any self regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions, and ASX or any other stock exchange.

GST means goods and services tax.

Independent Director has the meaning given in section 5.4 of this Target's Statement.

Independent Expert means RSM Corporate Australia Pty Ltd.

Independent Expert's Report means the report produced by the Independent Expert set out in Annexure A of this Target's Statement.

Interested Directors has the meaning given in section 5.3 of this Target's Statement.

Offer has the meaning given to that term in the Bidder's Statement.

Offer Consideration means 1 BlackWall Share in BlackWall for every 3 Pelorus Shares held, rounded up to the nearest whole number of BlackWall Shares.

Offer Period means entire period during which the Offer will remain open for acceptance in accordance with Appendix 1 of the Bidder's Statement.

Pelorus means Pelorus Private Equity Limited ACN 091 209 639.

Pelorus Board or **Board** means the board of Directors.

Pelorus Group means Pelorus and its Related Bodies Corporate.

Pelorus Share or **Share** means a fully paid ordinary share in the capital of Pelorus.

Pelorus Shareholder or **Shareholder** means a holder of Pelorus Shares.

Prescribed Occurrence means the events referred to in sections 652C(1) or 652C(2) of the Corporations Act, whereby references to "target" therein will be taken to mean Pelorus.

Register Date means the date set by BlackWall pursuant to section 633(2) of the Corporations Act, being 7.00pm (Sydney time) on 18 September 2023.

Related Bodies Corporate has the meaning given to that term in the Corporations Act.

Relevant Interest has the meaning given in section 608 and 609 of the Corporations Act.

Rights means all accreditations, rights or benefits of whatever kind attaching or arising from Pelorus Shares directly or indirectly at or after the Announcement Date (including, but not limited to, all dividends or other distributions and all rights to receive them or rights to receive or subscribe for shares, notes, bonds, options or other securities declared, paid or issued by Pelorus or any of its subsidiaries).

Subsidiary has the meaning given to that term in the Corporations Act.

Superior Proposal means a bona fide Competing Proposal which the Independent Director, acting in good faith, and after receiving written legal advice from its legal advisers, determines:

- (a) is reasonably capable of being completed taking into account all aspects of its Competing Proposal including any timing considerations, any conditions precedent, the identity of the proponent and ability to finance; and
- (b) would, if completed substantially in accordance with its terms, likely be more favourable to the Pelorus Shareholders (as a whole) than the Takeover Bid, taking into account all terms and conditions of the Competing Proposal.

Takeover Bid means the takeover bid constituted by the Offer.

Target's Statement means this document, being the statement of Pelorus under Part 6.5 Division 3 of the Corporations Act relating to the Offer.

WOT means the WOTSO Property stapled group (ASX: WOT).

WOT Member means a holder of WOT Securities.

WOT Securities means stapled securities in WOT.

11.2 Interpretation

In this Target's Statement, unless the context otherwise requires:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement;
- (b) words importing the singular include the plural and vice versa;
- (c) words denoting any gender include all genders;
- (d) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (e) where a word or phrase is defined its other grammatical forms have a corresponding meaning;
- (f) reference to a person includes any other entity recognised by law and vice versa;
- (g) a reference to a section, attachment or schedule is a reference to a section, attachment or schedule to this Target's Statement;
- (h) a reference to any statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances, or by laws amending, varying, consolidating or replacing it;
- (i) a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- (j) a reference to time is a reference to time in Sydney, New South Wales, Australia;
- (k) a reference to writing includes facsimile transmissions and email; and

- (l) a reference to dollars, A\$, \$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

12. Approval of Target's Statement

The copy of this Target's Statement that is to be lodged with ASIC has been approved by a unanimous resolution passed by the Directors.

Signed in accordance with section 351 of the Corporations Act.



Paul Tresidder
Independent Director
27 September 2023

Corporate directory

Directors	Mr Joseph (Seph) Glew, Non-Executive Director and Chairman; Mr Timothy Brown, Joint Managing Director and CFO; Ms Jessica (Jessie) Glew, Joint Managing Director and COO; Mr Richard Hill, Non-Executive Director; and Mr Paul Tresidder, Non-Executive Director
Company Secretaries	Ms Agata Ryan; and Mr Timothy Brown
Registered and principal office	Level 1 50 Yeo Street, Neutral Bay NSW 2089
Tax adviser	PricewaterhouseCoopers One International Towers Sydney Watermans Quay Barangaroo NSW 2000
Independent Expert	RSM Corporate Australia Pty Ltd Level 21 55 Collins Street, Melbourne VIC 3000

Annexure A Independent Expert's Report



PELORUS PRIVATE EQUITY LIMITED

Financial Services Guide and Independent Expert's Report

31 August 2023

FINANCIAL SERVICES GUIDE

31 August 2023

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 ("RSM" 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 ("AFSL"), 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 produce 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; Pelorus Private Equity Limited ("Pelorus" or "PPE") 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.

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 advisors. 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, PO Box R1253, Perth, WA, 6844.

If 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. If a complaint is received in advance of a shareholder meeting or other key date where shareholders or investors may be making decisions which are influenced by our report, we will make all reasonable efforts to respond to complaints prior to that date.

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 independent dispute resolution scheme that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au. You may contact AFCA directly by email, telephone or in writing at the address set out below.

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
Toll Free: 1800 931 678
Email: info@afca.org.au

Time limits may apply to make a complaint to AFCA, so you should act promptly or consult the AFCA website to determine if or when the time limit relevant to your circumstances expires.

Contact details

You may contact us using the details set out at the top of our letterhead on page 4 of this report.

INDEPENDENT EXPERT'S REPORT

31 August 2023

The Shareholders
Pelorus Private Equity Limited
Level 1, 50 Yeo Street
Neutral Bay, NSW, 2089

Dear Shareholders,

Introduction

On 24 August 2023, BlackWall Limited ("BlackWall" or "BWF") announced an off-market takeover bid to acquire 100% of the issued capital of Pelorus Private Equity Limited ("Pelorus", "PPE" or "the Company"), in exchange for newly issued fully paid ordinary shares in BWF ("the Offer"). The proposed consideration is one BlackWall share for every three Pelorus Shares on issue ("Consideration" or "Offer Consideration"). Upon completion of the Offer, Pelorus shareholders will obtain approximately 60.45% of the merged group post takeover (if all Shareholders accept the Offer).

Purpose of the report

As the Offer involves common directors across the target and bidder, in accordance with section 640 of the Corporations Act (2001), an independent expert's report is required to accompany the target's statement.

The Directors of Pelorus have requested that RSM Corporate Australia Pty Ltd ("RSM" or "we" or "us" or "ours"), being independent and qualified for the purpose, express an opinion as to whether the Offer is fair and/or reasonable to Pelorus shareholders.

Accordingly, we have prepared this independent expert's report ("the Report" or "IER") for the purposes of stating, in our opinion, whether or not the Offer is fair and reasonable to Pelorus shareholders not associated with the Offer ("Shareholders" or "Non-Associated Shareholders").

Summary of opinion

In the absence of any other relevant information and/or a superior proposal, RSM considers the Offer to be **fair and reasonable** to Shareholders.

We have formed this opinion for the reasons set out below.

THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING

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

Approach

In assessing whether the Offer is fair and reasonable to Pelorus Shareholders, we have considered Australian Securities and Investment Commission ("ASIC") Regulatory Guide 111 – Content of expert reports ("RG 111"), which provides specific guidance as to how an expert is to appraise a takeover offer.

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.

RG 111.31 states that where a scrip takeover is in effect a merger of entities of equivalent value, when control of the merged entity will be shared equally between the 'bidder' and the 'target', the expert may be justified in using an equivalent approach to valuing the securities of the 'bidder' and 'target'.

The Offer represents a reverse takeover offer for Pelorus as approval of the Offer will result in Shareholders collectively acquiring a 60.45% interest in the BWF shares on issue immediately after the Offer (assuming all Shareholders accept the Offer).

Therefore, consistent with the guidance set out in RG 111, we have considered whether the Offer is "fair" to Shareholders by assessing and comparing:

- the Fair Market Value of a share in Pelorus on a non-controlling basis prior to the Offer; with
- the Fair Market Value of the Offer Consideration, also on a non-controlling basis.

Our assessment of the Fair Market Value of a Share in Pelorus has been prepared on the following basis:

"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".

In accordance with RG 111, we have considered whether the Offer is "reasonable" to Pelorus Shareholders by undertaking an analysis of the other factors relating to the Offer which are likely to be relevant to Shareholders, in their decision as to whether or not to accept the Offer.

Further information on the approach we have employed in assessing whether the Offer is fair and reasonable to Shareholders is set out in Sections 10 and 11 of this report.

Fairness opinion

In assessing whether we consider the Offer to be fair to Non-Associated Shareholders, we have valued a Share in Pelorus prior to the Offer and compared it to the value of the consideration offered per Pelorus Share ("Offer Consideration" or "the Consideration"), to determine whether a Shareholder would be better or worse off should the Offer be approved. The Consideration offered represents the value of the equivalent ownership interest per Pelorus Share in the Merged Group.

Our assessment is set out in the table below.

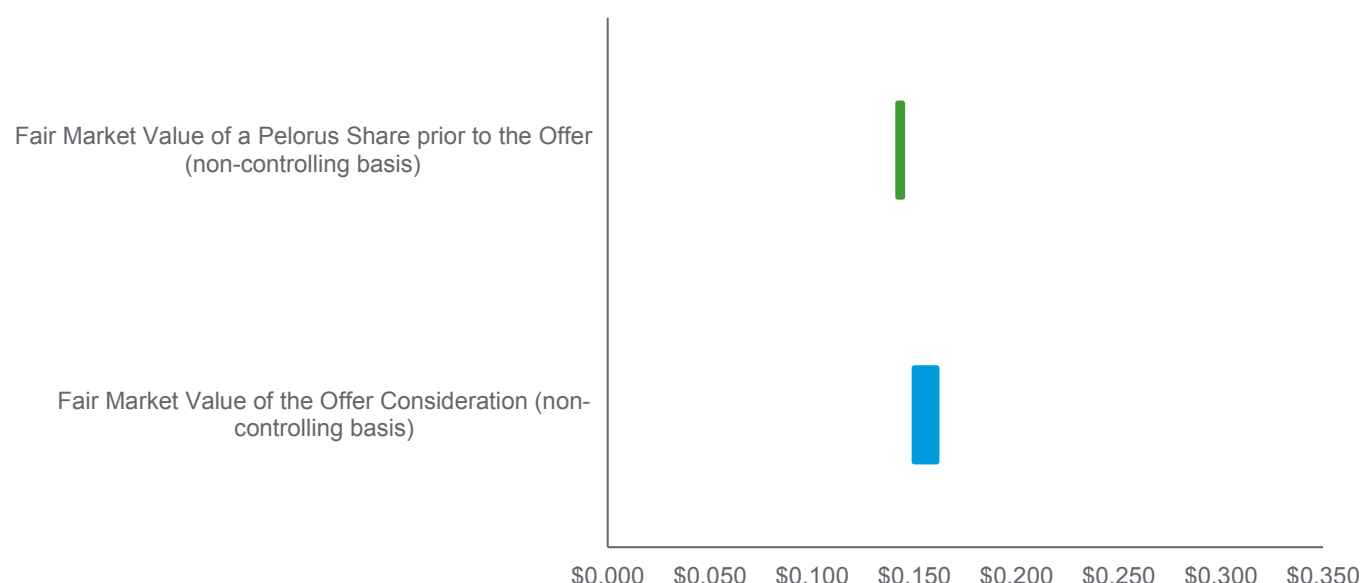
Table 1 Assessed Fair Market Value of a Pelorus Share prior to the Offer and the Offer Consideration

	Low	High	Preferred
Fair Market Value of a Pelorus Share prior to the Offer (non-controlling basis)	\$0.142	\$0.144	\$0.143
Fair Market Value of the Offer Consideration (non-controlling basis)	\$0.150	\$0.161	\$0.155

Source: RSM analysis

The above comparison is depicted graphically on the next page.

Figure 1 Assessed Fair Market Value of a Pelorus Share prior to the Offer and the Offer Consideration



In our opinion, as the Fair Market Value of the Consideration offered per Pelorus Share (on a non-controlling basis) is more than the Fair Market Value of a Pelorus Share prior to the Offer (on a non-controlling basis), and in the absence of any other relevant information, the Offer is **fair** to Non-Associated Shareholders.

As set out in Section 9.2 (Table 43), we have assessed the Fair Market Value of a BWF share (on a Merged Group basis) post the Offer to be in the range of \$0.449 to \$0.482. Shareholders should be aware that our assessment of the value per BWF share (on a Merged Group basis) post acceptance of the Offer does not necessarily reflect the price at which BWF shares will trade if the Offer is accepted. The price at which BWF shares will ultimately trade depends on a range of factors including the liquidity of BWF shares, macroeconomic conditions, the underlying performance of the BWF business and the supply and demand for BWF shares.

Reasonableness opinion

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 Offer:

- the future prospects of Pelorus if the Offer does not proceed;
- other commercial advantages and disadvantages to the Pelorus Shareholders as a consequence of the Offer proceeding;
- BWF's pre-existing shareholding in Pelorus, as well as investments in common financial assets;
- any special value of the target to the bidder;
- the liquidity the Offer provides; and
- alternative proposals to the Offer.

Future prospects of Pelorus if the Offer does not proceed

If the Offer does not proceed, we have been advised that the objective of the Pelorus directors will be to continue to manage, operate and grow the business as they have done historically.

Advantages and disadvantages of approving the Offer

The key advantages of the Offer are outlined in the table below:

Table 2 Advantages of the Offer

Advantage	Details
The Offer is fair	The Offer is fair to Non-Associated Shareholders
Ability to block special resolutions	Completion of the Offer will result in the Merged Group becoming a significant minority investor in WOTSO. Following completion of the Offer the Merged Group will hold an equity interest in WOTSO in excess of 25.0%, granting the Merged Group the ability to block proposed special resolutions in WOTSO.
Synergies and streamlining of operations	The acquisition will enable BlackWall to leverage its existing resources and expertise in order to create synergies and streamline operations for Pelorus Shareholders. The acquisition will also align the ownership interests that both BlackWall and Pelorus have in the construction company, IndigoBlack Constructions Pty Ltd ("IndigoBlack").
Vertical integration	Acceptance of the Offer will result in the consolidation of Pelorus and BlackWall's operations, including the removal of inter-entity property fund management fees which BlackWall charges Pelorus, as well as cost savings in head office functions.
Diversification of business	The consolidation of Pelorus and BlackWall will provide diversification benefits to Shareholders by reducing reliance on single market segments whilst also providing opportunities to reach a broader customer base.
Increased liquidity for Pelorus Shareholders	If the Offer is accepted, Shareholders will be exchanging unlisted Pelorus Shares for listed BWF shares which may provide a more liquid and efficient market for Shareholders to realise their investment.
Avoid the risk of becoming a minority shareholder of an unlisted subsidiary company	Acceptance of the Offer allows Shareholders to avoid the risk of becoming a minority shareholder in an unlisted subsidiary of a listed company with limited opportunities to realise their investment (should 80% or more of other Shareholders accept the Offer).

The key disadvantages of the Offer are:

Table 3 Disadvantages of the Offer

Disadvantage	Details
Dilutionary impact	Shareholders will, collectively have a 60.45% interest in the Merged Group immediately after the Offer closes (on a fully diluted basis). Whilst Shareholders will, collectively, still hold a controlling interest in the Merged Group, the dilution will reduce Shareholders' collective ability to influence decisions such as the acquisition and disposal of assets, noting however, that the composition of the Board will remain relatively unchanged due to the related party nature of the proposed merger. Further, as the Offer is conditional only upon a minimum 80% acceptance by Pelorus Shareholders, Shareholders will collectively be further diluted to a 55.0% interest (on a fully diluted basis) in the Merged Group if only 80% of Pelorus Shareholders accept the Offer.
Potential tax considerations	Acceptance of the Offer and the disposal of Pelorus Shares will trigger capital gains tax events. Shareholders may choose to apply for scrip for scrip rollover relief. It should be noted that the benefit of choosing scrip for scrip rollover relief, if available (or otherwise) will depend upon the individual circumstances of each Shareholder.

Disadvantage	Details
Change in nature and scale of operations	The change in the nature and scale of the operations of the Merged Group may not fit the risk or investment profile of Shareholders.

Alternative proposals to the Offer

We are not aware of any alternative proposals which may provide a greater benefit to the Non-Associated Shareholders of Pelorus at this time.

Conclusion on Reasonableness

As the Offer is fair, the Offer is also reasonable. However, ignoring our assessment of fairness, we consider that the position of the Non-Associated Shareholders of Pelorus if the Offer is approved is more advantageous than if the Offer is not approved.

Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Offer is reasonable for the Non-Associated Shareholders of Pelorus.

An individual Shareholder's decision in relation to the Offer may be influenced by their individual circumstances. If in doubt, Shareholders should consult an independent advisor.

General

This Report represents general financial product advice only and has been prepared without taking into consideration the individual circumstances of the Non-Associated Shareholders. The ultimate decision whether to accept the Offer should be based on Non-Associated Shareholders' assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. Shareholders should read and have regard to the contents of the Target's Statement which has been prepared by the Directors and Management of Pelorus. Non-Associated Shareholders who are in doubt as to the action they should take with regard to the Offer and/or the matters dealt with in this Report, should seek independent professional advice. This summary should be considered in conjunction with the detail contained in the following sections of this Report.

Yours faithfully,

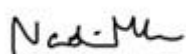
RSM CORPORATE AUSTRALIA PTY LTD

Andrew Clifford



Director

Nadine Marke



Director

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1. Summary of the Offer

1.1 Overview

BlackWall is proposing to acquire up to 100% of the Shares in Pelorus, with the Offer Consideration comprising one new BlackWall ordinary share in exchange for every three Pelorus Shares (“Offer Consideration” or “Consideration”).

Completion of the Offer includes BlackWall conducting due diligence prior to completion of the Offer with Pelorus allowing access to various due diligence materials, including but not limited to its properties, operating and financial data, records, agreements and other relevant information.

The period that the Offer will open for acceptance is expected to commence on 27 September 2023 and will remain open until 27 October 2023, unless extended subject to BlackWall’s right to extend it in accordance with the provisions of the Corporations Act (“Offer Period”).

1.2 Key conditions of the Offer

The completion of the Offer is subject to and conditional upon a number of conditions, including:

- no prescribed occurrences;
- minimum relevant interest owned by BWF at the end of the Offer Period of 80% of all Pelorus Shares (on a fully diluted basis);
- WOTSO Property (“WOTSO”) securityholders approving the “downstream acquisition” of relevant interests in WOTSO securities arising in connection with the takeover bid; and
- no regulatory actions that may materially impact upon the making of the Offer.

1.3 Transaction costs

Management has estimated that, if the Offer completes, total one-off transaction costs in relation to the Offer is expected to be circa \$250k, with the estimated costs primarily relating to financial advisers, legal, accounting and expert fees, and other costs associated with the Offer.

1.4 Impact of Offer on the Merged Group’s Capital Structure

At the date of this Report, Pelorus had 311.7m Shares on issue and BlackWall had 67.5m shares on issue. Completion of the Offer would result in the issue of 103.9m new BlackWall shares to Shareholders, with Pelorus Shareholders holding a 60.45% interest in the Merged Group immediately after the completion of the Offer (on a fully diluted basis).

2. Scope of the Report

2.1 Purpose of this Report

The Directors of Pelorus have requested RSM, being independent and qualified for the purpose, to express an opinion as to whether the Offer is fair and reasonable to Non-Associated Shareholders. Accordingly, this Report has been prepared to accompany the Target's Statement which will be provided to Pelorus Shareholders in relation to the Offer.

2.2 Regulatory guidance

As the Offer involves common directors across the target and bidder, in accordance with Section 640 of the Corporations Act ("the Act"), an independent expert's report is required to accompany the target's statement.

In assessing whether the Offer is "fair" and "reasonable", we have given regard to the views expressed by Australian Securities and Investments Commission ("ASIC") in RG 111.

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.

RG 111 states that the expert's 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.

RG 111 applied the "fair and reasonable" test as two distinct criteria in the circumstance of a takeover offer, 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 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.

RG 111.31 also states where a scrip takeover is in effect a merger of entities of equivalent value when control of the merged entity will be shared equally between the 'bidder' and the 'target', the expert may be justified in using an equivalent approach to valuing the securities of the 'bidder' and the 'target'.

The Offer represents a reverse takeover offer for Pelorus as acceptance of the Offer will result in Pelorus Shareholders collectively acquiring a 60.45% in the BlackWall shares on issue (on a fully diluted basis) immediately post completion of the Offer (assuming all Pelorus Shares are acquired).

In line with the guidance provided in RG 111, we have also had regard to whether the relative value contributed by each of the entities to the value of the Merged Group is consistent with the terms of the transaction proposed under the Offer.

It is our opinion that the Offer should be assessed using an equivalent approach in valuing the securities of Pelorus and BlackWall, rather than a change of control transaction (consistent with a takeover bid).

Our opinion is based on the following:

- the Pelorus Shareholders' collective interest in the Merged Group will be 60.45% immediately post completion of the Offer (on a fully diluted basis);
- the relative value contributed by Pelorus to the value of the Merged Group is circa 55% (assessed on a non-controlling basis); and

- Pelorus directors Joseph (Seph) Glew, Jessica Glew, Timothy Brown and Richard Hill are also directors of BWF.

2.3 Adopted basis of evaluation

Consistent with the guidelines in RG 111 as summarised above, we have considered whether the Offer is “fair” to Shareholders by assessing and comparing:

- the Fair Market Value of a share in Pelorus on a non-controlling basis prior to the Offer; with
- the Fair Market Value of the Offer Consideration, also on a non-controlling basis.

Our assessment of the Fair Market Value of a Share in Pelorus has been prepared on the following basis:

“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”.

In accordance with RG 111, we have considered whether the Offer is “reasonable” to Pelorus Shareholders by undertaking an analysis of the other factors relating to the Offer which are likely to be relevant to Shareholders, in their decision as to whether or not to accept the Offer.

We have also considered whether the Offer is “reasonable” by undertaking an analysis of the following factors:

- the potential advantages and disadvantages of the Offer;
- BlackWall’s pre-existing shareholding in Pelorus, as well as investments in common financial assets;
- any special value of the target to the bidder;
- the likelihood of an alternative takeover offer emerging;
- the future prospects of Pelorus if the Offer is not accepted; and
- the liquidity the Offer provides.

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

3. Profile of Pelorus Private Equity Limited

3.1 Background

Pelorus is an unlisted public investment company which primarily holds interests in commercial real estate. Following a demerger, the then Pelorus Group was delisted from the ASX on 7 January 2011 and changed its name to Pelorus Private Equity Limited. The demerger split Pelorus into its operational parts comprising:

- Pelorus Property Group Limited (renamed Pelorus Private Equity Limited);
- BlackWall Limited – an ASX listed property funds under management and development business; and
- BQF (ARSN 153 458 489) – a managed investment scheme with an interest in the development of a large-scale mixed-use property in Sydney.

Pelorus is a significant investor in ASX-listed entity WOTSO Property (“WOTSO”) and BlackWall. Pelorus also holds investments in other direct property funds and also periodically invests in start-up businesses and other related investments.

During the financial year ended 30 June 2023, Pelorus acquired 100% of the issued capital in Harold Investors Pty Ltd (formerly Kirela-C Unit Trust) (“Harold Investors”), Tidy Harold Pty Ltd (“Tidy Harold”) and SAO Investments Pty

Ltd (“SAO”) (collectively “Acquired Entities”). The Acquired Entities are separate investment vehicles with interests in three commercial properties, as well as significant holdings in BWF and WOTSO.

3.2 Directors and management

The directors and key management of Pelorus are summarised in the table below.

Table 4 Pelorus Directors and Key Management Personnel

Name	Title	Experience
Joseph (Seph) Glew	Executive Chairman	<p>Seph has worked in the commercial property industry in New Zealand, the United States and Australia. Seph has driven large scale property development and financial structuring for real estate for over 40 years. Since the early 1990s, Seph has run many “turnaround” processes in relation to distressed properties and property structures for both private and institutional property owners.</p> <p>Seph qualified is a registered property valuer and holds a Bachelor of Commerce. He previously served as an Executive Director with New Zealand based property group Chase Corporation and as a Non-Executive Director with a number of other listed companies in New Zealand and Australia.</p>
Paul Tresidder	Non-Executive Director	<p>Paul has experience in retail management, leasing, development and strategic planning. He spent eight years with Lend Lease where he held a number of roles, including National Leasing Manager, before being appointed to the position of Divisional Manager which involved responsibility for half of the General Property Trust retail portfolio.</p> <p>Paul was a co-founder of a property management company which was subsequently acquired by Baillieu Knight Frank. In 1993, Paul joined Seph Glew in the development business that would ultimately become ASX listed company BlackWall Limited.</p>
Richard Hill	Non-Executive Director	<p>Richard has extensive investment banking experience and was the founding partner of the corporate advisory firm Hill Young & Associates.</p> <p>Richard has invested in BlackWall’s projects since the early 1990s. Prior to forming Hill Young, Richard held a number of Senior Executive positions in Hong Kong and New York with HSBC. He was admitted as an attorney in New York State and was registered by the US Securities & Exchange Commission and the Ontario Securities Commission.</p> <p>Richard has served as a director (Chairman) of the Westmead Institute of Medical Research and director (Chairman) of Sirtex Medical Limited, formerly listed on the ASX.</p>
Jessica Glew	Executive Director	<p>Jessie is also Joint Managing Director and Chief Operating Officer (“COO”) for the BlackWall group and its funds.</p> <p>Jessie joined the BlackWall group in early 2011. She was made COO in early 2018 and took on the Joint Managing Director role with Timothy Brown in late 2019.</p> <p>Jessie holds a Bachelor of International Communication from Macquarie University and is currently finalising a Bachelor of Property Economics at the University of Technology, Sydney. Jessica is also a Board Member of The Kids’ Cancer Project.</p>
Timothy Brown	Executive Director	<p>Tim is also Joint Managing Director and Chief Financial Officer for the BlackWall Group and its funds. With over 20 years’ experience in the financial services and property industries, he started his career with Deloitte and joined Lend Lease Corporation in 2002. Tim joined BlackWall in 2008 as Financial Controller and became Chief Financial Officer in 2009. He also become Joint Managing Director in 2019.</p> <p>Tim has a Bachelor of Commerce from the University of New South Wales and is a member of Chartered Accountants of Australia and New Zealand. Tim is also on the board of Eastern Suburbs Cricket Club and Coogee Boy’s Preparatory School.</p>

Source: Pelorus financial statements

3.3 Financial information

The information in the following section provides a summary of the financial performance of Pelorus for the financial years ended 30 June 2020 (“FY20”), 30 June 2021 (“FY21”) and 30 June 2022 (“FY22”) and the half-year ended 31 December 2022 (“PE23”), extracted from the audited and reviewed financial statements of Pelorus, as well as PPE’s unaudited management accounts for the financial year ended 30 June 2023 (“FY23”).

The auditor of Pelorus, ESV, expressed their opinion that the consolidated financial reports of Pelorus for FY20, FY21 and FY22, were prepared in accordance with the *Corporations Act 2001*, except for the matters disclosed in the Basis for Qualified Opinion section of the audit report. ESV stated that Pelorus has departed from Australian Accounting Standards in relation to the:

- recognition of changes in fair value of investments designated as held for trading financial assets;
- recognition of changes in fair value of investment properties; and
- recognition of deferred tax assets and liabilities on revaluation of investments.

ESV stated that as a result of PPE’s departure from Australian Accounting Standards in relation to AASB 9 *Financial Instruments*, AASB 140 *Investment Properties*, and AASB 112 *Income Taxes*, Pelorus’ other comprehensive income totalling \$6.3m and \$0.7m disclosed in FY21 and FY22, respectively, was overstated by these amounts, as these amounts should have been recognised in the profit or loss statement rather than in other comprehensive income.

The auditor’s report also stated that AASB 101 *Presentation of Financial Statements* mandates that a company include in its financial statements a summary of the departures from Accounting Standards, including the financial effect of the departures for each period presented, this had not been presented.

PPE’s reviewed financial statements for PE23 were unqualified following the adoption of the accounting policies in accordance with AASB 9, AASB 101 and AASB 112 as referenced above with retrospective application. Accordingly, the balance sheet at 30 June 2022 presented for comparative purposes in the reviewed financial statements for PE23 included the restated balance sheet at 30 June 2022.

3.4 Financial performance

The following table sets out a summary of the financial performance of Pelorus for FY20, FY21, FY22, PE23 and FY23.

Table 5 Pelorus historical financial performance

Pelorus Private Equity Limited Historical Financial Performance (\$'000)	FY20 Audited	FY21 Audited	FY22 Audited	PE23 Reviewed	FY23 Unaudited
Revenue					
Investment income	167	367	294	71	614
Gain on acquisition	-	395	-	-	-
Other income	3	138	-	-	-
Gain on disposal of assets	3	-	561	92	-
Unrealised gain on revaluation of financial assets	-	-	-	3,085	-
Total revenue	173	900	855	3,248	614
Expenses					
Business operating expenses	(521)	(625)	(480)	(249)	(571)
Other expenses	(9)	(22)	(15)	(10)	-
Loss on disposal of assets	-	(54)	-	-	(224)
Loss on acquisition of subsidiary	-	-	-	(194)	(369)
Unrealised loss on revaluation of financial assets	-	-	-	-	(7,645)
Impairment	(303)	-	-	-	-
Total operating expenses	(833)	(701)	(495)	(453)	(8,809)
Operating profit	(660)	199	360	2,795	(8,195)
Finance costs	(34)	(37)	(65)	(67)	(115)
Depreciation	-	-	-	-	(40)
Profit / (loss) before income tax	(694)	162	295	2,728	(8,350)
Income tax expense	-	(1,607)	199	(4)	3,687
Profit / (loss) from continuing operations	(694)	(1,445)	494	2,724	(4,663)
Profit/(loss) from discontinued operations	(328)	(1,731)	-	-	-
Profit / loss for the year	(1,022)	(3,176)	494	2,724	(4,663)
Other Comprehensive Income / (Loss)					
<i>Items that may be reclassified to profit or loss</i>					
Unrealised gain on revaluation of financial assets	1,905	3,606	834	-	-
Deferred tax	68	(994)	(91)	-	-
Other Comprehensive Income from continuing operations	1,973	2,612	743	-	-
Other Comprehensive Income from discontinuing operations	1,793	3,675	-	-	-
Total Other Comprehensive Income	3,766	6,287	743	-	-
Total Comprehensive Income	2,744	3,111	1,237	2,724	(4,663)

Source: Audited and reviewed financial statements, and unaudited management accounts

We note the following in relation to Pelorus' historical financial performance:

- Investment income is comprised of dividends and finance income received. Investment income increased from \$167k to \$367k in FY21, before declining to \$294k in FY22 and \$71k in PE23. Distributions received from WOTSO are treated as a return of capital and are therefore not included within investment income above. A summary of distributions received from WOTSO/BlackWall Property Trust ("BWR") is set out below.

Table 6 Pelorus historical distributions received

Pelorus Private Equity Limited Historical Distributions Received	FY20 Audited	FY21 Audited	FY22 Audited	PE23 Reviewed	FY23 Draft
WOTSO/BWR distributions received	770	791	925	479	1,431

Source: Audited financial statements for FY22 and FY23 draft profit and loss statement

- During FY21, Pelorus acquired 71% of Narraweena Pty Ltd ("Narraweena"), resulting in Pelorus obtaining an ownership interest of 100%. Narraweena is an investment holding company which at the time of acquisition, held 18% of Pelorus shares on issue. The shares were subsequently cancelled as part of the acquisition. The gain on acquisition of \$395k was comprised of the revaluation of Pelorus' previously held investment in Narraweena to (resulting in a \$243k gain on investment) and, the gain on bargain purchase of \$152k in relation to the acquisition of the remaining interest.
- The gain on disposal in FY22 is primarily comprised of the disposal of Li-S Energy Limited, a lithium battery developer which listed on the ASX on 28 September 2021. Pelorus unwound a portion of their position in Li-S Energy Limited at an average sales price of \$2.23 per share. The gain on disposal of \$740k in FY23 includes the disposal of Pelorus' interest in the Waratah Hotel Group.
- On 14 November 2022, Pelorus acquired 100% of the issued and outstanding share capital of Harold Investors Pty Ltd, Tidy Harold Pty Ltd and SAO Investments Pty Ltd (Acquired Entities). As part of the acquisition, Pelorus issued 178.7m Shares to the previous investors of the Acquired Entities. A loss on acquisition of \$194k was recognised in PE23 being the revaluation loss on Harold Investors at acquisition date of \$1.5m net of the excess of net assets acquired over the assessed fair value consideration issued of \$1.3m.
- The loss on acquisition of \$369k recognised for FY23 related to additional loss recognised on the acquisition of the Acquired Entities subsequent to the finalisation of the Acquired Entities' tax returns for FY22 in April 2023. The effect of finalising these tax returns was an adjustment to reduce the acquisition date net assets, resulting in an increase to the loss recognised on acquisition.
- Pelorus disclosed business operating expenses of \$521k, \$625k, \$480k, \$249k and \$571k in FY20, FY21, FY22, PE23 and FY23, respectively.
- The unrealised gain on revaluation of financial assets of \$3.1m recognised in revenue for PE23 reflects the change in accounting policy adopted by the Company in accordance with AASB 9, AASB 101 and AASB 112 (refer section 3.3). Conversely, the unrealised loss on revaluation of financial assets at 30 June 2023 of \$7.6m has been recognised in expenses for FY23.
- The impairment expense of \$303k recognised in FY20 relates to the goodwill arising from the acquisition of a 100% interest in Bin 24 Pty Ltd, which was written off as impaired upon acquisition.
- The losses from discontinued operations recognised during FY20 and FY21 relate to the operations of Planloc Limited ("Planloc"), formerly a wholly owned subsidiary of Pelorus. In early 2021, WOTSO, BlackWall Property Trust (BWR) and Planloc merged under a scheme of arrangement. As part of the scheme of arrangement, Pelorus divested its shares in Planloc.

3.5 Financial position

The table below sets out a summary of the financial position of Pelorus as at 30 June 2021, 30 June 2022, 31 December 2022 and 30 June 2023.

Table 7 Pelorus historical financial position

Pelorus Private Equity Limited Historical Financial Position (\$'000)	30-Jun-21 Audited	Restated* 30-Jun-22 Audited	31-Dec-22 Reviewed	30-Jun-23 Unaudited
Current assets				
Cash and cash equivalents	40	12	20	12
Trade and other receivables	27	572	221	138
Financial assets	2,624	554	293	-
Loans receivable	185	240	1,302	1,200
Total current assets	2,876	1,378	1,836	1,350
Non-current assets				
Financial assets	28,702	32,755	74,367	60,202
Property, plant and equipment	68	68	68	68
Total non-current assets	28,770	32,823	74,435	60,270
Total assets	31,646	34,201	76,271	61,620
Current liabilities				
Trade and other payables	22	1,515	906	771
Borrowings	2,875	3,397	3,543	-
Tax payable	652	62	62	62
Total current liabilities	3,549	4,974	4,511	833
Non-current liabilities				
Deferred tax liabilities	4,370	4,263	13,808	10,207
Total non-current liabilities	4,370	4,263	13,808	10,207
Total liabilities	7,919	9,237	18,319	11,040
Net assets	23,727	24,964	57,952	50,580
Share capital	11,658	5,543	35,807	35,822
Reserves - Planloc	-	-	-	-
Asset revaluation reserve	10,047	-	-	-
Treasury shares reserve	(6,115)	-	-	-
Retained earnings	8,137	19,421	22,145	14,758
Total equity	23,727	24,964	57,952	50,580

Source: Audited and reviewed financial statements, and unaudited management accounts for FY23

We note the following in relation to Pelorus' financial position:

- Pelorus disclosed net assets of \$23.7m, \$25.0m and \$58.0m at 30 June 2021, 30 June 2022 and 31 December 2022, respectively. The significant increase in net assets at 31 December 2022 compared to 30 June 2022 was due primarily to the acquisition of a 100% interest in the Acquired Entities and the subsequent recognition of the Company's interests in three commercial properties (refer below for further detail), as well as an increase in the Company's overall direct interest in WOTSO (19.47% interest at the date of this Report). The Company disclosed net assets of \$50.6m at 30 June 2023.
- Current assets comprise cash and cash equivalents, trade and other receivables and loans receivable. Loans receivable as at 30 June 2023 included amounts receivable from BlackWall employees.
- Financial assets are classified as current assets on the basis that they are held for trading, and non-current, on the basis that they are held as long-term investments. A significant portion of non-current financial assets relate to investments in listed WOTSO securities. Other non-current financial assets include listed and unlisted interests in various property investments and start-up companies. The table below sets out a summary of Pelorus' financial assets as at 30 June 2022, 31 December 2022 and 30 June 2023.

Table 8 Pelorus summary of financial assets

Pelorus Private Equity Limited Financial assets (\$'000)	30-Jun-22 Audited	31-Dec-22 Reviewed	30-Jun-23 Unaudited
Other listed investments	554	293	-
Total current financial assets	554	293	-
Listed - WOTSO Property	22,204	45,668	36,154
Unlisted – Pymont Bridge Property	-	8,010	6,075
Unlisted – Alerik Unit Trust	-	6,343	6,200
Unlisted – Mosman Branch Unit Trust	-	4,076	3,062
Listed – BlackWall Limited	1,316	2,672	2,255
Unlisted – Pymont Bridge Road Mortgage Fund	-	2,356	2,356
Unlisted – Pymont Bridge Convertible Notes	-	1,694	1,694
Unlisted – Waratah Hotel Group	394	1,455	-
Unlisted Startup – Teletrack	1,000	1,000	1,000
Unlisted Startup – Linqto	1,000	860	1,128
Latner	-	-	100
Unifii	-	-	8
*Unlisted – Harold Investors Pty Ltd	6,701	-	-
Other unlisted investments	140	233	170
Total non-current financial assets	32,755	74,367	60,202
Total financial assets	33,309	74,660	60,202

Source: Audited financial statements for FY22 and draft balance sheet as at 30 June 2023

* Relevant interests in the Pymont Bridge Property, Pymont Bridge Mortgage Fund, Pymont Bridge Convertible Notes, Alerik Unit Trust and the Mosman Branch Unit Trust are disclosed separately subsequent to the acquisitions of SAO, Harold Investors and Tidy Harold

- We make the following comments regarding the financial assets disclosed at 30 June 2023:
 - further details on the investments in the Pymont Bridge Property, Pymont Bridge Mortgage Fund and Pymont Bridge Convertible Notes, Alerik Unit Trust and Mosman Branch Unit Trust are set out in Section 7.1 and Appendix H;
 - Pelorus disposed of its investment in the Waratah Hotel Group in the second half of FY23;
 - further details on the investments in unlisted start-up companies Teletrack, Linqto, Latner and Unifii are set out in Appendix I. Further details on other unlisted investments held at \$170k, comprising investments in construction company IndigoBlack Constructions Pty Ltd (IndigoBlack) and technology company Thinxtra are also set out in Appendix I; and

- we note that Pelorus has an ownership interest in excess of 20.0% of the issued capital in Mosman Branch Unit Trust and does not employ equity accounting for the investment on the basis that Pelorus does not exercise significant influence or control over this entity.
- Current liabilities comprise trade and other payables, borrowings and tax payable.
- Non-current liabilities comprise deferred tax liabilities. Deferred tax liabilities of \$13.8m at 31 December 2022 comprised a \$4.3m balance brought forward plus \$9.5m acquired through the acquisition of SAO. Management has estimated deferred tax liabilities at 30 June 2023 to be \$10.2m.

3.6 Capital structure

Pelorus has 311,657,895 ordinary shares on issue as at the date of this Report. The top 20 shareholders of Pelorus as at 29 August 2023 are set out below.

Table 9 Pelorus top 20 shareholders

Shareholder	Number	%
SENO MANAGEMENT PTY LIMITED	109,725,435	35.21%
LYMKEESH PTY LTD	93,868,012	30.12%
MR RICHARD HILL & MRS EVELYN HILL	28,729,438	9.22%
JAGAR HOLDINGS PTY LTD	12,534,528	4.02%
HOLLIA PTY LTD	10,914,622	3.50%
PINNATUS PTY LTD	8,071,657	2.59%
TAMPOPO PTY LTD	7,540,818	2.42%
I.P.U.T. NOMINEES PTY LTD	4,383,301	1.41%
OYAMA PTY LIMITED	3,569,051	1.15%
MR PETER JOHN GRAY	3,479,667	1.12%
THOMSON THOMSON & ASSOCIATES PTY LTD	2,618,295	0.84%
MR STEWART YOUNG	2,416,657	0.78%
PLANE SAILING TRAILS PTY LIMITED	1,486,009	0.48%
PRSC PTY LTD	1,438,233	0.46%
MR SIMON ROBERT EVANS & MRS KATHRYN MARGARET EVANS	1,250,000	0.40%
JODIE KATRINA SMITH	1,181,666	0.38%
ONMELL PTY LIMITED	1,109,444	0.36%
KALAM ENTERPRISES PTY LTD	1,000,000	0.32%
FROLIC EVENTS PTY LIMITED	759,894	0.24%
BURNS BAY PTY LTD	659,161	0.21%
	296,735,888	95.21%
Other shareholders	14,922,007	4.79%
Total	311,657,895	100.00%

Source: Pelorus shareholder register

4. Profile of BlackWall Limited

4.1 Background

Overview

BlackWall is an ASX-listed property funds management business that derives its revenue from the management, performance and transaction fees of real estate investment structures. The company develops and manages income-producing real estate on behalf of retail, high-net worth and institutional property investors. BlackWall's most significant source of management and performance fees is from the WOTSO property portfolio, which includes 16 owned properties with a mixture of flexspace and standard leased tenants. WOTSO also operates the WOTSO Flexspace business comprising over 5,000 members across its 24 spaces. WOTSO invests in real estate, while adding value by offering flexible workspace solutions for businesses including sole traders, large corporates, health care professionals, artists or designers as well as storage.

Strategy

BlackWall's strategy is focused on¹:

- providing an integrated service across investment asset, development and property management in order to assist in identifying opportunities which other firms may not;
- aligning management's interests with shareholders objectives of maximising firm value through management holding positions in the funds managed by the firm;
- maintaining a cohesive and diverse team of individuals with an entrepreneurial mindset in order to grow the BlackWall business and brand;
- offering flexibility and choice for both new and existing investors through their listed and unlisted structures; and
- expanding BlackWall's market share and maintaining brand reputation.

Operating Structure and Operating Businesses

An overview of BlackWall's current company structure is set out below:

Table 10 BlackWall company structure

	Country of incorporation	Percentage owned (%)
Parent entity:		
BlackWall Limited	Australia	n/a
Subsidiaries of parent entity:		
BlackWall Management Services Pty Ltd	Australia	100
BlackWall Fund Services Limited	Australia	100
BlackWall Management (NZ) Limited	New Zealand	100
Bakehouse Management Pty Ltd	Australia	100
Bakehouse Quarter Trust	Australia	100

Source: BlackWall FY22 Annual Report

¹ BlackWall FY22 Annual Report

BlackWall Fund Services Limited ("BFSL") holds an Australian Financial Services Licence ("AFSL") and together with BlackWall Management Services Pty Ltd provides property and fund management services and derives revenue from management, performance and transactions fees earned on real estate investment structures, predominantly related to the ASX-listed entity WOTSO. BFSL also acts as responsible entity for any unlisted funds, which currently comprises the Pymont Bridge Road Mortgage Fund.

The Pymont Bridge Road Mortgage Fund is a single-asset, closed-end, unlisted mortgage fund, which derives income from funds lent to the property owner. The fund invests in a second mortgage over the property located at 55 Pymont Bridge Road, Pymont NSW. The fund aims to provide a 6.0% per annum ("p.a.") return to investors, net of fees. The term of the investment is five years commencing on 1 July 2022. The management fee is 0.5% p.a. of the gross asset value of the fund with no performance fee.

In addition to the above ownership interests, BlackWall holds a 10.3% interest in WOTSO.

Investment management business

BlackWall's funds under management across the Historical Period is outlined in the table below.

Table 11 BlackWall's funds under management

Description	30-Jun-21	30-Jun-22	30-Jun-23
WOTSO – Property assets	\$250.3m	\$297.1m	\$309.0m
WOTSO – Flexspace operating business	\$22.0m	\$19.0m	\$18.4m
Pymont debt funds	\$34.4m	\$34.3m	\$34.0m
55 Pymont Bridge Road, Pymont, NSW	\$150.1m	\$148.0m	\$134.3m
11-13 George Street, North Strathfield, NSW	\$41.3m	\$50.0m	\$46.5m
Total funds under management	\$498.1m	\$548.4m	\$542.2m

Source: BlackWall Management

4.2 Directors and management

The directors and key management of BlackWall are summarised in the table below.

Table 12 BlackWall's Directors and Management

Name	Title	Experience
Joseph (Seph) Glew	Non-Executive Director and Chairman	<p>Seph has worked in the commercial property industry in New Zealand, the United States and Australia. Seph has driven large scale property development and financial structuring for real estate for over 40 years. Since the early 1990s, Seph has run many "turnaround" processes in relation to distressed properties and property structures for both private and institutional property owners.</p> <p>Seph qualified is a registered property valuer and holds a Bachelor of Commerce. He previously served as an Executive Director with New Zealand based property group Chase Corporation and as a Non-Executive Director with a number of other listed companies in New Zealand and Australia.</p>
Timothy Brown	Joint Managing Director and CFO	<p>Tim is also Joint Managing Director and Chief Financial Officer for the BlackWall Group and its funds. With over 20 years' experience in the financial services and property industries, he started his career with Deloitte and joined Lend Lease Corporation in 2002. Tim joined BlackWall in 2008 as Financial Controller and became Chief Financial Officer in 2009. He also become Joint Managing Director in 2019.</p> <p>Tim has a Bachelor of Commerce from the University of New South Wales and is a member of Chartered Accountants of Australia and New Zealand. Tim is also on the board of Eastern Suburbs Cricket Club and Coogee Boy's Preparatory School.</p>
Jessica Glew	Joint Managing Director and COO	<p>Jessie is also Joint Managing Director and Chief Operating Officer (COO) for the BlackWall group and its funds.</p> <p>Jessie joined the BlackWall group in early 2011. She was made COO in early 2018 and took on the Joint Managing Director role with Timothy Brown in late 2019.</p> <p>Jessie holds a Bachelor of International Communication from Macquarie University and is currently finalising a Bachelor of Property Economics at the University of Technology, Sydney. Jessica is also a Board Member of The Kids' Cancer Project.</p>
Richard Hill	Non-Executive Director	<p>Richard has extensive investment banking experience and was the founding partner of the corporate advisory firm Hill Young & Associates.</p> <p>Richard has invested in BlackWall's projects since the early 1990s. Prior to forming Hill Young, Richard held a number of Senior Executive positions in Hong Kong and New York with HSBC. He was admitted as an attorney in New York State and was registered by the US Securities & Exchange Commission and the Ontario Securities Commission.</p> <p>Richard has served as a director (Chairman) of the Westmead Institute of Medical Research and director (Chairman) of Sirtex Medical Limited, formerly listed on the ASX.</p>
Robin Tedder	Non-Executive Director	<p>Robin began his career on the dealing desk of a merchant bank in 1976. He founded Hatmax Capital Markets in 1981 which merged with Australian Gilt Securities in 1988.</p> <p>In 1995 Robin established Vintage Capital which became an active investor in funds management, commercial property, retailing, healthcare and logistics. He has been an investor in BlackWall's projects since 1997 and has served on various boards of both listed and private companies since 1984.</p> <p>He is the Chairman of BlackWall's Audit Committee.</p>

Source: BlackWall Financial Statements & S&P Capital IQ

4.3 Financial information

The information in the following section provides a summary of the financial performance of BlackWall for the financial years ended 30 June 2020 ("FY20"), 30 June 2021 ("FY21"), 30 June 2022 ("FY22") and 30 June 2023 ("FY23"), extracted from the audited financial statements of the company.

4.4 Financial performance

The table below sets out a summary of the financial performance of BlackWall for FY20, FY21, FY22 and FY23.

Table 13 BlackWall's Historical Financial Performance

BlackWall Limited Historical Financial Performance (\$'000)	FY20 Audited	FY21 Audited	FY22 Audited	FY23 Audited
Revenue				
Management fees	4,725	5,396	5,739	6,597
Performance and transaction fees	598	325	616	352
Staff payroll recovery	737	-	-	-
Government COVID stimulus	225	504	223	37
Unrealised gain/(loss)	4,308	1,567	(237)	(3,209)
Share of net (loss) / profit of equity accounted investment	72	-	-	(39)
Total revenue	10,680	7,792	6,341	3,738
Expenses				
Employee and consultant expenses	(3,369)	(2,806)	(3,330)	(3,567)
Other operating expenses	(1,225)	(893)	(947)	(1,137)
Total operating expenses	(4,594)	(3,699)	(4,277)	(4,704)
Operating profit	6,086	4,093	2,064	(966)
Depreciation - right of use asset	(73)	(118)	(138)	(136)
Depreciation - property, plant and equipment	(107)	(51)	(44)	(177)
Finance costs - lease liability interest	(16)	(21)	(20)	(15)
Finance costs - interest expense	(8)	(4)	(6)	(55)
Profit / (loss) before income tax	5,882	3,899	1,856	(1,349)
Income tax expense	(1,590)	(845)	(210)	343
Profit / (loss) from continuing operations	4,292	3,054	1,646	(1,006)
Profit/(loss) from discontinued operations	244	(25)	-	-
Profit / loss for the year	4,536	3,029	1,646	(1,006)

Source: Audited financial statements

We note the following in relation to BlackWall's financial performance:

- Revenue declined from \$10.7m in FY20 to \$6.3m in FY22 which was largely driven by a reduction in unrealised gains on financial assets. Unrealised gains / (losses) in FY21, FY22 and FY23 solely relate to investments held in WOTSO. Rent relief provided by WOTSO to tenants in the form of rent waivers and deferrals during the COVID-19 lockdowns, led to substantial declines in revenues earned by WOTSO.
- Unrealised gains / (losses) on investments include distributions received as returns of capital as well as mark to market valuation adjustments of BWF's investment in WOTSO.
- Management fee income has increased by 15.0% in FY23 relative to FY22 and has been driven by the continued growth of WOTSO, with WOTSO's Flexspace business generating strong revenue growth as occupancy continues to increase in its near to home flexible office locations.
- A summary of management fees generated over the Historical Period is set out in the table below.

Table 14 BlackWall's Management Fees

BlackWall Limited Management fees	30-Jun-20 Audited	30-Jun-21 Audited	30-Jun-22 Audited	30-Jun-23 Audited
Fund management fees	3,096	3,176	3,161	3,840
Property management fees	747	633	693	741
Project management fees	226	287	762	611
Leasing fees	310	505	214	475
Expense recovery and other fees	346	795	909	930
Total management fees	4,725	5,396	5,739	6,597

Source: Audited financial statements

- Government COVID stimulus packages included JobKeeper and Cash Flow Boost payments. BWF employed between 20 and 22 employees during FY20 and FY22.
- BlackWall incurred employee and consultant expenses of \$3.4m, \$2.8m, \$3.3m and 3.6m in FY20, FY21, FY22 and FY23, respectively.

4.5 Financial position

The table below sets out a summary of the financial position of BlackWall as at 30 June 2021, 30 June 2022, and 30 June 2023.

Table 15 BlackWall historical financial position

BlackWall Limited Historical Financial Position	30-Jun-21 Audited	30-Jun-22 Audited	30-Jun-23 Audited
Current assets			
Cash and cash equivalents	3,133	1,166	5,788
Trade and other receivables	332	1,293	539
Total current assets	3,465	2,459	6,327
Non-current assets			
Investments	22,602	23,412	19,266
Employee loans	-	1,056	1,027
Investment using equity method	58	40	21
Right of use lease asset	579	444	308
Property, plant and equipment	141	122	15
Total non-current assets	23,380	25,074	20,637
Total assets	26,845	27,533	26,964
Current liabilities			
Trade and other payables	482	916	697
Right of use lease liability	132	137	140
Provision for employee benefits	493	701	806
Provision for tax payable	396	273	60
Borrowings	-	-	5,000
Total current liabilities	1,503	2,027	6,703
Non-current liabilities			
Deferred tax liabilities	2,870	2,592	1,710
Right of use lease liability	464	329	189
Provision for employee benefits	11	25	106
Total non-current liabilities	3,345	2,946	2,005
Total liabilities	4,848	4,973	8,708
Net assets	21,997	22,560	18,256
Share capital	14,080	16,447	16,455
Reserves	73	73	73
Retained earnings	7,844	6,040	1,728
Total equity	21,997	22,560	18,256

Source: Audited financial statements

We note the following in respect to BlackWall's financial position:

- BWF disclosed net assets of \$22.0m, \$22.6m and \$18.3m as at 30 June 2021, 30 June 2022 and 30 June 2023, respectively.
- Investments for the period under review relate to the company's investment in WOTSO units which have been adjusted for returns of capital, purchase of additional units and mark to market valuation adjustments. BWF obtained a return of capital of \$1.0m for FY23 in respect of its investment in WOTSO. The decline in BlackWall's investment in WOTSO was primarily due to a decrease in WOTSO's share price at 30 June 2023 (\$1.14) compared to 30 June 2022 (\$1.39).
- Employee loans of \$1.06m and \$1.03m as at 30 June 2022 and 30 June 2023, respectively, relate to loans made to directors and employees to acquire shares under an employee share scheme. The loans attract interest at a rate equivalent to the deemed ATO loan interest rate and are secured against shares.
- The right of use lease asset (and corresponding lease liabilities) relates to the lease of BWF's head office in Neutral Bay, NSW.
- The investment accounted for under the equity method as at 30 June 2023 (and in prior periods) relates to BlackWall's 25.0% equity interest in IndigoBlack.
- Current liabilities as at 30 June 2023 comprised trade and other payables, right of use lease liability, provision for employee benefits and provision for tax payable, as well as a \$5.0m related party loan due to the Alerik Unit Trust.
- Non-current liabilities comprise deferred tax liabilities, right of use lease liabilities and provision for employee benefits.

4.6 Capital Structure

As at the date of this report, BlackWall had 67.5m ordinary shares on issue. The top 20 shareholders of BlackWall as at 30 August 2023 are set out below.

Table 16 BlackWall top 20 shareholders

Shareholder	Number	%
SENO MANAGEMENT PTY LTD	6,272,366	9.30%
VINTAGE CAPITAL PTY LIMITED	5,759,943	8.54%
LYMKEESH PTY LTD	4,351,488	6.45%
FROGSTORM PTY LTD	4,000,000	5.93%
NATIONAL NOMINEES LIMITED	3,165,000	4.69%
FROLIC EVENTS PTY LTD	2,960,000	4.39%
SANDHURST TRUSTEES LTD	2,762,000	4.09%
KOONTA PTY LTD	2,744,218	4.07%
GLENAHILTY PTY LTD	2,724,515	4.04%
SAO INVESTMENTS PTY LTD	2,225,000	3.30%
KIUT INVESTMENTS PTY LTD	1,976,175	2.93%
BIN24 BUSINESS ADVISORS PTY LIMITED	1,950,000	2.89%
MALOO INVESTMENTS PTY LTD <D KRETCHMER FAMILY A/C>	1,464,370	2.17%
PINNATUS PTY LTD	1,178,434	1.75%
MR RICHARD HILL & MRS EVELYN HILL	1,183,295	1.75%
OYAMA PTY LIMITED <FENNEL FAMILY SUPER FUND A/C>	1,000,000	1.48%
MR ARCHIBALD GEOFFREY LOUDON	986,973	1.46%
TAMPOPO PTY LTD <THE HILL FAMILY A/C>	777,983	1.15%
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	655,185	0.97%
BALPINA PTY LTD	600,000	0.89%
	48,736,945	72.22%
Other shareholders	18,743,292	27.78%
Total	67,480,237	100.00%

Source: BWF Shareholder Register

We note that Pelorus currently holds 4,175,000 BWF shares (6.19% interest) via the shares held by subsidiary companies Bin24 Business Advisors Pty Ltd ("Bin24") and SAO.

We also note the crossover of shareholding in the top 20 shareholders disclosed by Pelorus and BWF, whereby the following shareholders in BWF are also part of the top 20 shareholders in Pelorus (refer [Table 9](#)):

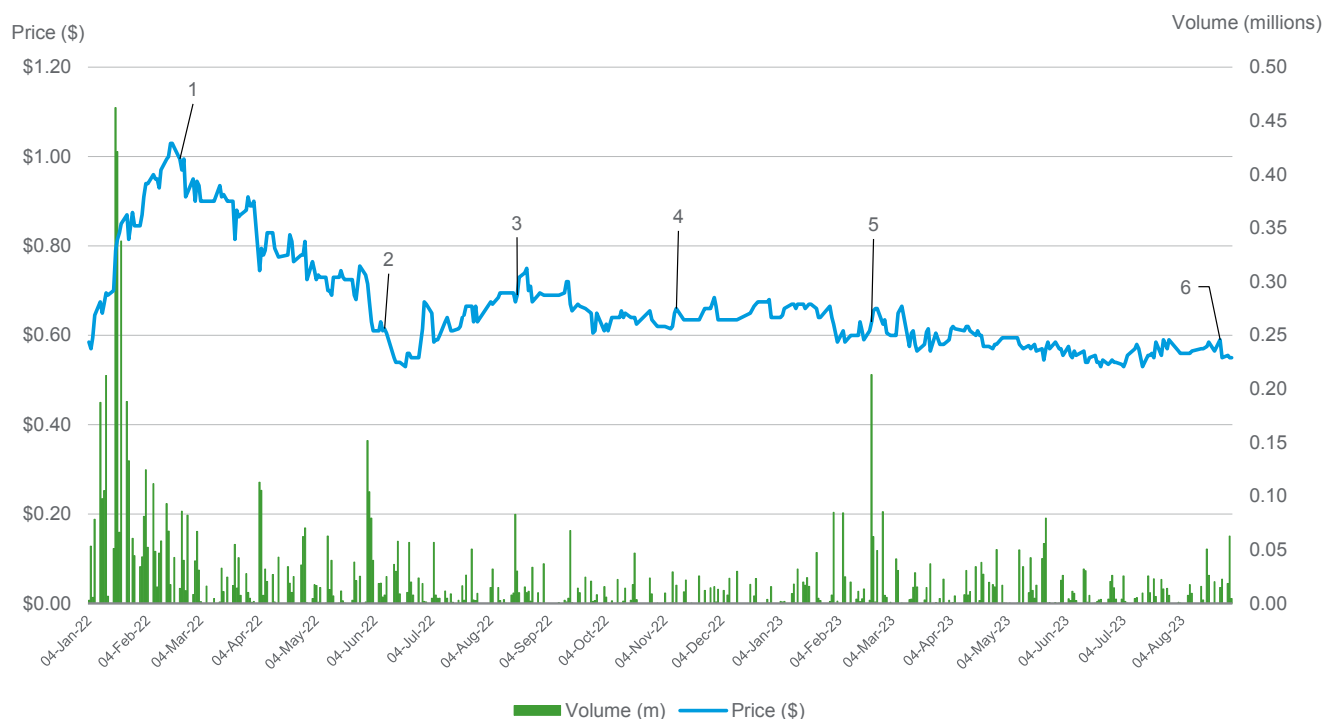
- Seno Management Pty Ltd;
- Lymkeesh Pty Ltd;
- Frolic Events Pty Ltd;
- Pinnatus Pty Ltd;
- Mr Richard Hill & Mrs Evelyn Hill (Mr Richard Hill is also a director and shareholder of Tampopo Pty Ltd listed below);
- Oyama Pty Ltd; and
- Tampopo Pty Ltd.

As at the date of this Report, BWF also had 475,000 unlisted options on issue, exercisable at \$0.55 cents per share option and expiring on 5 October 2023. These options are issued to employees and directors of BlackWall.

4.7 Share Price Performance

A summary of BlackWall's share price movement from 1 January 2022 to 30 August 2023 is set out in the figure below.

Figure 2 Historical share price performance of BlackWall



Over the period 1 January 2022 to 30 August 2023, BWF shares traded at a low of \$0.53 to a high of \$1.03.

We note that BWF made the following selected announcements between 1 January 2022 and the date of this Report.

Table 17 BlackWall selected announcements

Ref	Date	Commentary
1	22-Feb-22	BlackWall releases its FY22 half-year report and accounts, announcing half-year revenues of \$3.8m and net profit after tax ("NPAT") from continuing operations of \$1.3m. The Company declared a dividend of \$0.026 per share.
2	9-Jun-22	BlackWall announces WOTSO's acquisition of a 1,400 square metre office-based property located at 9 Huron Street, Takapuna, Auckland for \$10.5m NZD. It represents WOTSO's first acquisition of property in New Zealand.
3	17-Aug-22	BlackWall releases the FY22 Annual Report, announcing annual revenues of \$6.4m, representing 11% revenue growth from the prior year. The Company announced a profit before tax ("PBT") of \$1.9m and declared a dividend of \$0.024 per share.
4	11-Nov-22	BlackWall provides a business update to the market, announcing that WOTSO's annualised turnover has grown to \$26 million, representing an increase of 9% over the annualised turnover reported at June 2022.
5	21-Feb-23	BlackWall releases its FY23 half-year report, announcing half-year revenues of \$3.5m and NPAT of \$1.9m. It also declared a dividend of \$0.025 per share.
6	24-Aug-24	BlackWall announced the terms of the Offer to Pelorus Shareholders.

5. Profile of WOTSO Property

5.1 Background

In February 2021, WOTSO Limited, BlackWall Property Trust (BWR) and Planloc Limited (Planloc) merged under a scheme of arrangement with the stapled securities of WOTSO, Planloc and BWR (units) listed on the ASX in 2021.

WOTSO has an investment property portfolio which includes 16 owned properties with a mixture of flexspace and standard leased tenants. It also operates the WOTSO Flexspace business comprising over 5,000 members across its now 24 spaces.

5.2 Strategy

The strategy of WOTSO includes:

- to acquire and repurpose distressed real estate in the suburbs or regions of Australia and New Zealand;
- to produce higher returns, on average, compared to traditional leases on commercial real estate; and
- to develop and build a network of WOTSO locations, including leasing properties with third party landlords.

5.3 Ownership Structure

At the date of this Report, WOTSO had 162.8m fully paid ordinary units/stapled securities on issue.

Based on information collated by Capital IQ and provided by Management, the ownership summary of WOTSO is set out in the table below:

Table 18 WOTSO Ownership Structure

Type	Common stock equivalent held	% of total units outstanding
Institutions	32,250,000	19.81%
Corporations (private)	71,890,710	44.16%
Individuals/Insiders	26,639,688	16.36%
Public and Other	32,032,621	19.67%
Total	162,813,019	100.00%

Source: Shareholder register

As outlined in the table above, 19.81% of the total units outstanding are owned by institutions comprising Pelorus, BlackWall and BlackWall Fund Services Limited, with private corporations holding a 42.16% interest. However, we note that SAO remains listed separately under private corporations despite its acquisition by Pelorus in November 2022 as set out in the table below.

Table 19 WOTSO Private corporations' ownership

Holder	Common stock equivalent held	% of total units outstanding
Jagar Holdings Pty Ltd	19,550,000	12.01%
Sao Investments Pty Ltd	15,725,000	9.66%
Hollia Pty Limited	13,814,865	8.49%
Vintage Capital Pty Ltd	11,576,011	7.11%
PRSC Pty Ltd	3,100,000	1.90%
Castle Bay Pty Limited	2,755,258	1.69%
HSBC Custody Nominees	1,916,845	1.18%
Glenahilty Pty Ltd	1,366,134	0.84%
Frogstorm	1,106,501	0.68%
Pinnatus Pty Ltd	980,096	0.60%
Total	71,890,710	44.16%

Source: Shareholder register

A breakdown of the units held by individuals and/or related parties is set out in the table below:

Table 20 WOTSO individual ownership

Holder	Common stock equivalent held	% of total units outstanding
Joseph Glew	7,626,211	4.68%
Richard Hill	6,671,245	4.10%
Archibald Loudon	3,959,803	2.43%
Gia Ravazzotti	2,700,000	1.66%
Paul Tresidder	2,558,632	1.57%
Robin Tedder	1,780,034	1.09%
Timothy Brown	887,717	0.55%
Jessica Glew	456,046	0.28%
Total	26,639,688	16.36%

Source: Shareholder register

An estimated 19.67% WOTSO's units are publicly owned.

5.4 Financial Performance

The table below sets out a summary of the financial performance of WOTSO over the period FY20, FY21, FY22, PE23 and FY23.

Table 21 WOTSO Historical Financial Performance

WOTSO Property Historical Financial Performance (\$'000)	FY20 Comparatives	FY21 Audited	FY22 Audited	PE23 Reviewed	FY23 Audited
Revenue	24,020	30,391	40,185	23,670	48,523
Direct costs	(7,294)	(12,387)	(19,176)	(12,197)	(25,442)
Net Rental Income	16,726	18,004	21,009	11,473	23,081
Net rental income margin %	69.6%	59.2%	52.3%	48.5%	47.6%
Administration Expenses	(3,355)	(4,512)	(6,995)	(4,162)	(8,114)
Trading profit	13,371	13,492	14,014	7,311	14,967
Net gain/(loss) on fair value of assets	19,313	8,462	32,078	6,983	(5,410)
Operating profit	32,684	21,954	46,092	14,294	9,557

Source: WOTSO audited and reviewed financial statements

The financial performance of WOTSO for both FY20 and FY21 was negatively impacted by the lockdowns arising from the COVID-19 pandemic. During this period, WOTSO provided rent waivers and deferrals to some property tenants on leases. However, this was partially offset by government assistance and rent waivers received from third party landlords.

The net rental income performance of WOTSO over the period FY20 to PE23 is outlined in the table below (breakdown for FY23 unavailable at the date of this Report):

Table 22 WOTSO Historical Net Rental Income

WOTSO Property (\$'000)	FY20 Comparatives	FY21 Audited	FY22 Audited	PE23 Reviewed
Property lease income	24,020	22,475	22,198	11,228
COVID-19 rent waivers given	-	(253)	(441)	(53)
Flexspace income	-	8,047	20,891	12,493
Flexspace COVID-19 waivers given	-	-	(2,830)	(4)
Other income	-	-	100	-
Government assistance	-	122	267	6
Total revenue	24,020	30,391	40,185	23,670
Property outgoings	(7,294)	(7,342)	(7,394)	(5,267)
External WOTSO rent expense	-	(1,340)	(6,045)	(3,343)
External COVID-19 rent waivers received	-	5	745	38
WOTSO site staff costs	-	(1,146)	(2,598)	(1,532)
WOTSO operating expenses	-	(1,995)	(4,421)	(1,910)
Total operating expenses	(7,294)	(11,818)	(19,713)	(12,014)
Net rental income	16,726	18,573	20,472	11,656

Source: WOTSO Audited Financial Statements for FY21 and FY22 and reviewed financial statements for PE23

The FY20 results only comprise performance related to BWR. The results of WOTSO, Planloc and BWR are combined from the date of the completion of the scheme on 8 February 2021. The inclusion of WOTSO contributed to an additional \$945k in net rental income for FY21. The net rental income of WOTSO increased from \$18.6m in FY21 to \$20.5m in FY22, which is primarily due to a full 12 months of operations as a stapled group in FY22 compared to 5 months in FY21.

Flexspace income is generated from both WOTSO owned properties and properties leased from third parties. WOTSO's Flexspace offering expanded to 20 sites in FY22 compared to 18 in FY21, with occupancy rates of 68% and 73% as at June 2021 and June 2022 respectively.

The net gain on fair value of assets comprises unrealised gains/(losses) on the owned properties held by WOTSO. A breakdown of the gain/(loss) by property over the period FY20 to FY22 is outlined in the table below (breakdown for FY23 not announced at the date of this Report).

Table 23 WOTSO Unrealised gain/(loss) on fair value of assets

WOTSO Property (\$'000)	FY20 Comparatives	FY21 Audited	FY22 Audited
Dickson, ACT	143	706	(433)
Symonston, ACT	(119)	297	(683)
Pymont, NSW	22,703	3,633	(3,092)
Villawood, NSW	3,114	(95)	6,363
Penrith, NSW	-	131	4,805
Newcastle, NSW	-	35	184
Brookvale, NSW	-	(5)	251
Cremorne, NSW	-	-	18
Sunshine Coast, QLD	(3,675)	1,738	4,928
Yandina, QLD	18	127	2,509
Gold Coast, QLD	509	916	6,955
Fortitude Valley, QLD	(1,130)	206	1,960
Toowomba, QLD	(997)	(102)	-
Adelaide, SA	(927)	447	258
Hobart, TAS	(608)	428	5,452
Mandurah, WA	-	-	40
Takapuna, NZ	-	-	30
Total net gain / (loss) on fair value of property	19,031	8,462	29,545
Net gain / (loss) on fair value of interest rate hedges	282	-	2,533
Total net gain / (loss) on fair value of assets	19,313	8,462	32,078

Source: WOTSO Audited Financial Statements for FY21 and FY22

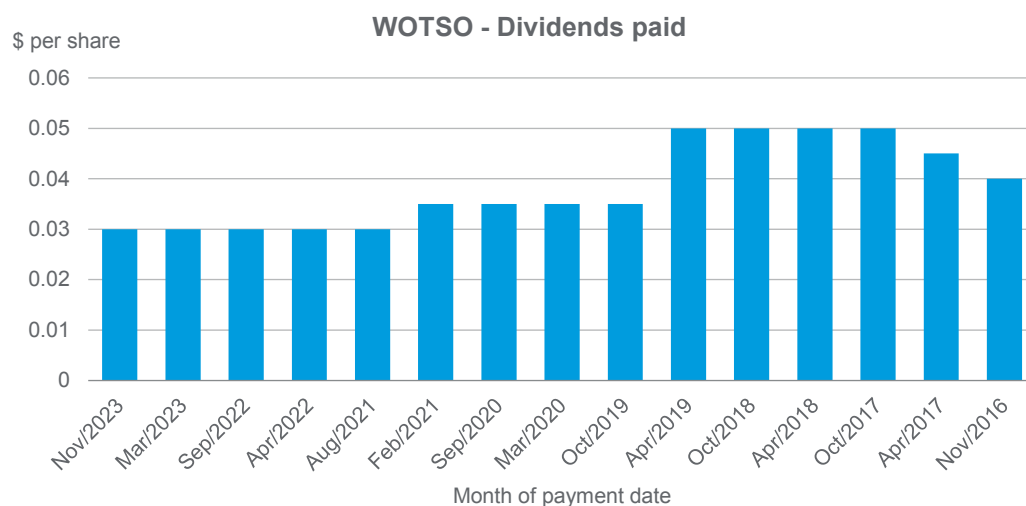
The movement in net unrealised gains on properties in both FY20 and FY21 was predominantly driven by the change in fair value of two properties, comprising Pymont NSW and Sunshine Coast QLD. In FY20, Pymont increased in value by \$22.7m which was offset by a decrease in the value for Sunshine Coast of \$3.7m. The overall net unrealised gain was more subdued in FY21 driven by a gain in value for Pymont of \$3.6m and Sunshine Coast of \$1.7m. The net unrealised gain increased significantly to \$32.1m in FY22 with the movement arising from an increase in the value of several properties.

Administration expenses include management fees payable to BlackWall Fund Services Limited (a wholly owned subsidiary of BWF). BWR and Planloc pay a fee of 0.75% of gross assets p.a. Additionally, WOTSO pays a 2% management fee of all sales up to \$20m p.a. and 5% on sales above \$20m p.a.

5.5 Distribution history

The figure below sets out the distribution paid per unit to WOTSO shareholders since November 2016 (paid to BWR shareholders prior to the stapling transaction in February 2021), with dividends typically averaging \$0.03 per unit.

Figure 3 WOTSO dividends paid per unit



5.6 Financial position

The table below sets out the financial position of WOTSO as at 30 June 2021, 30 June 2022, 31 December 2022 and 30 June 2023.

Table 24 WOTSO historical financial position

WOTSO Property Historical Financial Position (\$'000)	30-Jun-21 Audited	30-Jun-22 Audited	31-Dec-22 Reviewed	30-Jun-23 Audited
Current assets				
Cash and cash equivalents	7,473	2,514	7,556	7,450
Trade and other receivables	899	1,213	912	801
Loan portfolio	8,753	3,904	1,692	196
Rental deposits	2,078	4,126	101	354
Property held for sale	3,500	-	-	-
Total current assets	22,703	11,757	10,261	8,801
Non-current assets				
Investment properties	331,600	385,200	403,481	392,324
Contract to purchase property	-	9,500	-	-
Property, plant and equipment	14,173	12,854	12,002	13,929
Right of use assets	20,068	33,605	33,692	34,615
Goodwill	26,150	26,150	26,150	26,150
Loan portfolio	-	1,618	1,523	1,425
WOTSO software development asset	695	840	877	896
Hedge asset	-	2,533	2,666	2,604
Rental deposits	4,575	575	709	749
Investment in associate	-	-	54	162
Other receivables	305	390	422	207
Total non-current assets	397,566	473,265	481,576	473,061
Total assets	420,269	485,022	491,837	481,862
Current liabilities				
Trade and other payables	2,527	7,505	4,711	5,210
Property settlement payable	-	8,509	-	-
Employee provisions	226	295	364	377
Borrowings	-	10,000	-	126,000
Make good provisions	-	-	-	392
Lease liabilities	3,960	4,786	5,129	5,461
Total current liabilities	6,713	31,095	10,204	137,440
Non-current liabilities				
Trade and other payables	214	375	248	201
Tenant bonds	625	604	816	567
Employee provisions	5	17	18	66
Make good provisions	1,353	1,412	1,637	1,436
Borrowings	117,000	117,000	146,015	27,151
Deferred tax liabilities	2,104	4,696	5,092	5,195
Lease liabilities	19,725	32,957	32,594	33,195
Total non-current liabilities	141,026	157,061	186,420	67,811
Total liabilities	147,739	188,156	196,624	205,251
Net assets	272,530	296,866	295,213	276,611
Issued capital	257,519	258,133	258,132	257,499
Accumulated losses	(23,353)	(2,561)	(827)	(11,646)
Reserves	-	-	267	133
Equity holders of WOTSO	234,166	255,572	257,572	245,986
Non-controlling interests in BWR	38,364	41,294	37,641	30,625
Total equity	272,530	296,866	295,213	276,611

Source: Audited and reviewed financial statements

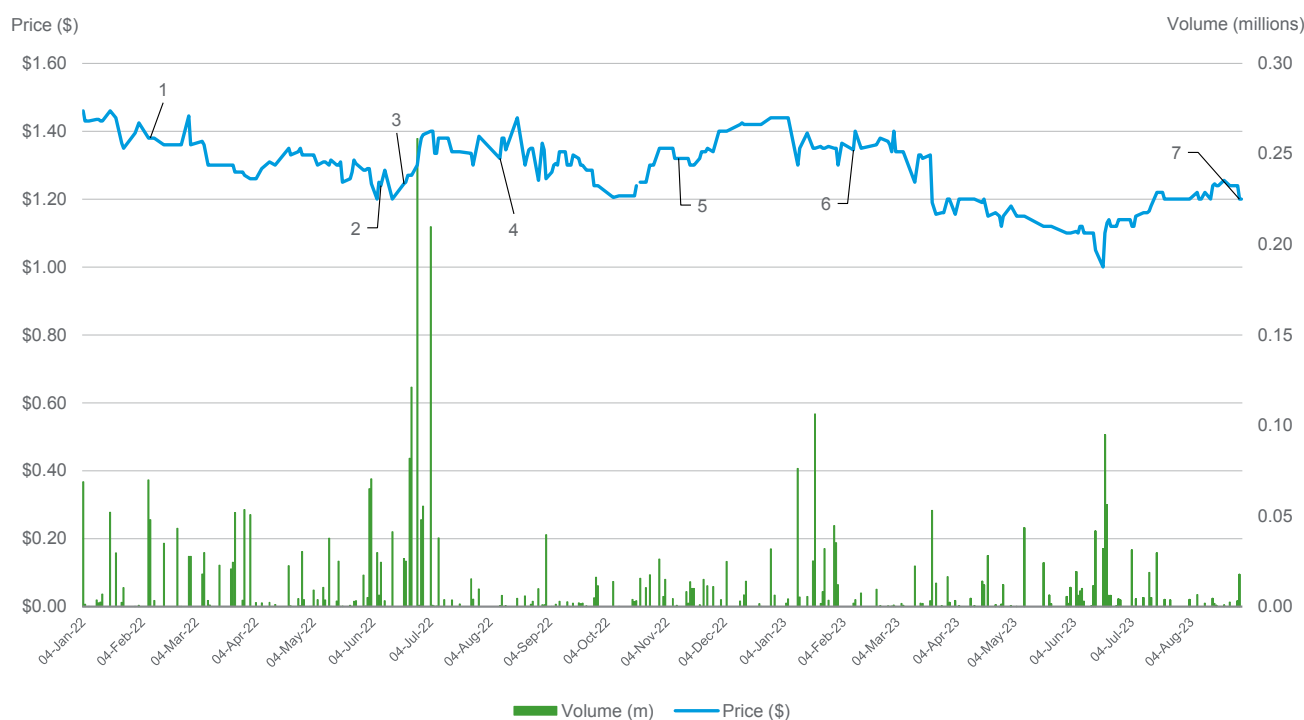
We note the following in relation to WOTSO's financial position:

- WOTSO disclosed net assets of \$272.5m, \$296.9m and \$295.2m and \$276.6m as at 30 June 2021, 30 June 2022, 31 December 2022 and 30 June 2023, respectively.
- Rental deposits primarily related to bonds held on WOTSO's leased sites.
- The property held for sale of \$3.5m as at 30 June 2021 relates to the carrying value of WOTSO's Toowoomba property which was sold in September 2021 through a vendor finance agreement for \$1.5m upfront and \$2.0m via a secured loan, to be repaid over a 10-year period at a 4% p.a. fixed interest rate.
- Investment properties relate to WOTSO's investment property portfolio with carrying values based on the most recent independent valuations conducted for each property, adjusted for capital expenditure spent since the valuation of each property. As at 31 December 2022, the largest reported carrying amount for a property was the Pymont site which was recorded at \$148m.
- The contract to purchase property and property settlement payable as at 30 June 2022 relates to WOTSO's purchase of the property at 9 Huron Street, Takapuna, New Zealand, representing the WOTSO group's first investment into the New Zealand market.
- Other non-current assets include software development and hedge assets.
- Right of use lease assets and lease liabilities relate to third party leases held by WOTSO, which are used by WOTSO to house its flexibility workspace product under agreements of 5 to 10 years, with some leases containing options to extend.
- Trade and other payables include trade payables, related party payables, tenant incentives, deferred revenue, COVID-19 deferred rent and tenant deposits.
- WOTSO's current and non-current borrowings relate to loans priced off the bank bill swap rate (BBSR), which are secured against a number of WOTSO's properties. In August 2021, WOTSO entered into an interest rate swap agreement with the National Australia Bank (NAB) on \$30m of the \$60m loan secured by the Pymont Property. The hedge asset was modified and exercised in early May 2023. The modified hedge fixes interest at a rate of 1.73% four years to May 2027.

5.7 Share Price Performance

A summary of WOTSO's share price movement from 1 January 2022 to 30 August 2023 is set out below.

Figure 4 WOTSO historical share price performance



Over the period 1 January 2022 to 30 August 2023, WOTSO shares traded at a high of \$1.46 and a low of \$1.00.

We note that WOTSO made the following selected announcements between 1 January 2022 and the date of this Report.

Table 25 WOTSO selected announcements

Ref	Date	Commentary
1	8-Feb-22	WOTSO releases its FY22 half yearly report, announcing half-year revenues for the six months to 31 December 2021 of \$18.2m. The company declared an interim cash distribution of 3.0 cents per share.
2	9-Jun-22	WOTSO announces the acquisition of 9 Huron Street, Takapuna, New Zealand, a building with office space of 1,400 square metres across two floors. The acquisition was made for \$10.5m NZD and marked WOTSO's first NZ property acquisition.
3	20-Jun-22	WOTSO announced an on-market buy-back of units on 20 June 2022. At the date of the announcement, WOTSO had 163.0m units on issue with a maximum of 16,297,136 (10%) proposed to be bought back over a year commencing 5 July 2022 and ending 4 July 2023.
4	8-Aug-22	WOTSO releases its FY22 annual report, announcing full year operating income of \$40.2m and asset revaluations of \$32.1m. WOTSO also declared a final cash distribution of 3.0 cents per share.
5	11-Nov-23	WOTSO provides a business update to the market, announcing that WOTSO's annualised turnover has grown to \$26.0 million, representing an increase of 9% over the annualised turnover reported at June 2022.
6	8-Feb-23	WOTSO releases its FY23 half yearly report, announcing half year revenues of \$23.7m and \$7.3m profit before tax. The Company declared an interim cash distribution of 3.0 cents per share.
7	28-Aug-23	WOTSO releases its FY23 preliminary final report.

6. Valuation Approach

6.1 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 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.

We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

Market based methods

Market based methods estimate the fair 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.

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.

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.

Income based methods

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:

- discounted cash flow;
- capitalisation of future maintainable earnings.

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.

The capitalisation of future maintainable earnings 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 listed companies.

Asset based methods

Asset based methodologies estimate the fair 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.

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.

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. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method and is appropriate for companies in financial distress or where a company is not valued on a going concern basis.

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.

6.2 Valuation of relevant interests in properties

M3 Property Pty Ltd ("M3 Property") has prepared independent property valuation reports in relation to properties that Pelorus holds a relevant interest in. The property interests are held by Pelorus via interests in special purpose vehicles ("SPVs") that own the commercial properties. For the purposes of this Report, we have relied upon the Market Value of these properties provided by M3 Property in our assessment of the Fair Market Value of Pelorus. Summaries of M3 reports are set out in Appendix K.

In accordance with RG 111.102, to avoid the inclusion of extraneous information, and to ensure that our report is clear and concise, we have not included full copies of each of these independent valuations in the Report. However, should Shareholders require a full copy of M3 Property's independent valuations, these can be obtained from the Company on request, free of charge.

6.3 Selection of valuation methodologies

Valuation of Pelorus prior to the Offer

In assessing the value of a Share in Pelorus prior to the Offer, we have utilised the net assets on a going concern methodology and relied upon the net book value of assets and liabilities set out in Pelorus's unaudited statement of financial position at 30 June 2023, together with the assessed market value of the properties valued by M3 Property as set out in Appendix K in our assessment of the Fair Market Value of Pelorus's relevant interest in the SPVs which have ownership of the respective properties.

We have adopted this methodology on the basis that Pelorus operates as an investment vehicle with investments in listed equities, property asset vehicles and private equity investments.

We have also adjusted the balance sheet as at 30 June 2023 for our assessment of the Fair Market Value of Pelorus's investment in BWF and WOTSO.

As we have assessed the Fair Market Value prior to the Offer on a non-controlling basis, we have applied a discount for minority interest (lack of control) in our assessment of the Fair Market Value of a Pelorus Share using the Net Assets on a Going Concern methodology.

Valuation of BWF

In order to assess the Fair Market Value of the Offer Consideration, it is also necessary to assess the Fair Market Value of a 100% equity interest in BWF.

In valuing a 100% equity interest in BWF, we have utilised a sum of parts methodology, employing both the net assets on a going concern methodology and the capitalisation of future maintainable earnings methodology.

As BlackWall generates revenue through property funds under management fees, we have valued the property funds under management component of BWF using a capitalisation of earnings. Noting that BWF holds significant property assets, we have then utilised the net assets on a going concern methodology to value the investment holdings in property, as well as other relevant assets and liabilities that do not form part of the funds under management business.

In utilising the net assets on a going concern basis, we have also adjusted the balance sheet as at 30 June 2023 for our assessment of the Fair Market Value of BWF's investment in WOTSO.

As we consider that the Offer should be assessed using an equivalent approach in valuing the securities of Pelorus and BWF, we have also applied a discount for minority interest in our valuation of a BWF share using the sum of parts methodology.

Prices at which a company's shares have been traded on the ASX can, in the absence of low liquidity or unusual circumstances, provide an objective measure of the value of the company, excluding a premium for control. We have utilised the quoted market price of listed securities methodology as a secondary methodology in our valuation of BWF.

Valuation of the Merged Group

To assess the fairness of the Offer, we have assessed the Fair Market Value of a share of the Merged Group on the basis that the Offer completes. The Fair Market Value of the Merged Group is based on the combined Fair Market Values of Pelorus and BlackWall immediately following the completion of the Offer.

On the basis that Shareholders are being offered 1 BWF share for every 3 ordinary Pelorus Shares, the assessed value per share in the Merged Group has been adjusted by this Offer Ratio in the calculation of the Fair Market Value of the Offer Consideration.

7. Valuation of Pelorus prior to the Offer

As stated in Section 6 of this Report, we have adopted the Net Assets on a Going Concern methodology to assess the Fair Market Value of a Pelorus Share prior to the Offer.

7.1 Net assets on a Going Concern Basis methodology

Our assessment of the Fair Market Value of PPE's net assets prior to the Offer is shown in the table below, based on the unaudited statement of financial position of Pelorus as at 30 June 2023.

Table 26 Assessed Value of Pelorus on a Net Assets Basis (prior to the Offer) (controlling basis)

Pelorus Private Equity Limited Balance Sheet	As at 30-Jun-23 \$'000	Adjustments \$'000	Assessed Value prior to the Offer \$'000
Current assets			
Cash and cash equivalents	12	-	12
Trade and other receivables	138	-	138
Loans receivable	1,200	-	1,200
Total current assets	1,350	-	1,350
Non-current assets			
Financial assets	60,202	32	60,234
Property, plant and equipment	68	-	68
Total non-current assets	60,270	32	60,302
Total assets	61,620	32	61,652
Current liabilities			
Trade and other payables	771	-	771
Tax payable	62	-	62
Total current liabilities	833	-	833
Non-current liabilities			
Deferred tax liabilities	10,207	-	10,207
Total non-current liabilities	10,207	-	10,207
Total liabilities	11,040	-	11,040
Assessed Fair Market Value of Net Assets	50,580	32	50,612
Number of shares on issue	311,658	-	311,658
Assessed Fair Market Value per Share (controlling basis)	\$0.162		\$0.162

Source: Unaudited management accounts and RSM analysis

In order to calculate the Fair Market Value of PPE's Shares, we have made a number of adjustments to the carrying values of Pelorus included in the statement of financial position. These adjustments are set out below.

1. Financial Assets

The table below sets out our assessed Fair Market Value of the Financial assets held by Pelorus based on the draft balance sheet of Pelorus as at 30 June 2023.

Table 27 Assessed Value of Pelorus financial assets

Assessed Fair Market Value of financial assets	As at 30-Jun-23 \$'000	Ref	Net adjustment \$'000	Units/shares held	Price per unit/share \$	Assessed Fair Market Value Prior to the Offer \$'000
WOTSO (direct interests held)	36,154	Appendix G	2,220	31,714,000	1.21	38,374
Unlisted – Pyrmont Bridge Property	6,075	Appendix H	(729)			5,346
Unlisted – Alerik Unit Trust	6,200	Appendix H	(691)			5,509
Unlisted – Mosman Branch Unit Trust	3,062	Appendix H	(851)			2,211
Listed – BlackWall Limited	2,255	Section 8	83	4,175,000	0.56	2,338
Unlisted – Pyrmont Bridge Road Mortgage Fund	2,356	Item 2	-			2,356
Unlisted – Pyrmont Bridge Convertible Notes	1,694	Item 2	-			1,694
Unlisted Startup – Teletrack	1,000	Appendix I	-			1,000
Unlisted Startup – Lingto	1,128	Appendix I	-	212,919	5.30	1,128
IndigoBlack	20	Appendix I	-			20
Latner	100	Appendix I	-			100
Thinextra	150	Appendix I	-			150
Unifii	8	Appendix I	-			8
Total non-current financial assets	60,202		32	36,101,919		60,234
Fair Market Value of financial assets	60,202		32			60,234

Source: Unaudited management accounts and RSM analysis

As outlined in Table 27, Pelorus holds several investments in property-based vehicles, as well as a number of listed and unlisted entities.

As set out in further detail in Appendix G, we have valued a WOTSO share to be in the range of \$1.20 to \$1.22, with a preferred value of \$1.21 (on a non-controlling basis). At the date of this Report, Pelorus holds a direct 19.5% interest in WOTSO (31,714,000 units). Accordingly, we have assessed the Fair Market Value of Pelorus's interest in WOTSO to be \$38.4m utilising the preferred value of \$1.21 per unit.

Further detail on our assessment of the Fair Market Value of Pelorus's other unlisted investments in Teletrack, Lingto, IndigoBlack, Latner, Thinextra and Unifii are set out in Appendix I. However, we note that we consider the carrying value of these other investments at 30 June 2023 to be reasonably reflective of Fair Market Value and accordingly, no further adjustments have been made in our assessment of Fair Market Value.

Our assessment of the Fair Market Value of the investments in the SPVs comprising Pyrmont Bridge Property Pty Ltd ("Pyrmont Bridge Property"), the Alerik Unit Trust and the Mosman Branch Unit Trust is set out in further detail in Appendix H. Each of the SPVs holds a 100% interest in a commercial property as follows:

- 55 Pyrmont Bridge Road, Pyrmont, NSW (Pyrmont Bridge property);
- 11-13 George Street, North Strathfield, NSW (Alerik Unit Trust); and
- 743 Military Road, Mosman, NSW (Mosman Branch Unit Trust).

The three commercial properties were valued by M3 Property (refer Appendix K).

2. Pymont Bridge Mortgage Fund and Pymont Bridge Convertible Notes

In addition to a minority interest in Pymont Bridge Property, Pelorus also holds 2,356,000 units in the Pymont Bridge Road Mortgage Fund and 1,694,000 Pymont Bridge Convertible Notes, both held at carrying value at 30 June 2023 at \$1 per unit/note. These interests represent an 11.8% and 12.1% interest in the Mortgage Fund and the Convertible Notes, respectively.

The Pymont Bridge Road Mortgage Fund provides distributions of 6.0% per annum, payable on a quarterly basis, in return for a mortgage secured against the Pymont Bridge Road Property and the Pymont Bridge Convertible Notes provides a variable rate of return of 3% above the cash rate for convertible debt issued to Pymont Bridge Property, also payable on a quarterly basis.

The Pymont Bridge Road Mortgage Fund and Convertible Notes collectively replaced the Pymont Bridge Trust ("PBT") investment on 1 July 2022. PBT was established in 2014 as part of the debt restructure and acquisition of the Pymont Bridge Road Property. Investors in the PBT received circa \$0.90 per unit of capital returns from an initial investment of \$1.00 per unit as well as quarterly interest distributions which were circa 4.8% per annum in 2022.

The Pymont Bridge Mortgage Fund has a total fund size of \$20m and expires on 30 June 2027 with no right to withdraw invested funds during the term.

The Pymont Bridge Convertible notes also has a similar term and expires on 30 June 2027. Where possible, the notes will be repaid over the term. At the end of the term, any amounts not repaid will automatically convert to equity in Pymont Bridge Property Pty Ltd at a price of \$0.65 per share, with no rights to withdraw during the term.

Having regard to the short-term nature of the Mortgage Fund and Convertible Notes, and current cash rates disclosed by the RBA at the date of this Report, we consider the carrying value of the Mortgage Fund and Convertible Notes to be reasonably reflective of Fair Market Value.

Based on the above and as set out in Table 26, our assessed value of a Pelorus Share prior to the Offer (on a controlling basis) utilising the net assets on a going concern methodology is \$0.162.

7.2 Valuation summary and conclusion

Premium for control

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.

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. 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).

As we do not consider the Offer to represent a control transaction, in assessing the value of a Share in Pelorus we have applied a discount for minority interest.

RSM has conducted a study on 605 takeovers and schemes of arrangements involving companies listed on the ASX over the 15.5 years ended 31 December 2020. In determining the control premium, we compared the offer price to

the closing trading price of the target company 20, 5 and 2 trading days pre the date of the announcement of the offer.

The table below sets out a summary of average control premiums of the RSM Control Premium Study.

Table 28 RSM Control Premium Study

	Number of transactions	20 days pre	5 days pre	2 days pre
Average control premium - all industries	605	34.7%	29.2%	27.1%
Average - Real Estate	39	14.4%	13.7%	12.6%

Source: RSM Control Premium Study 2021

A discount to reflect a minority interest in an entity is the inverse of a control premium. In valuing an ordinary Pelorus Share prior to the Offer, and having regard to the Company gearing structure, we consider that a premium for control in the range of 12.5% to 14.5% would be reflective of the Company's operations.

Accordingly, we have applied a discount for minority interest in the range of 11.1% to 12.7%, being the inverse of our assessed control premium in the range of 12.5% to 14.5%.

The table below sets out our assessment of the value of a Pelorus Share on a non-controlling basis utilising the net assets on a going concern methodology.

Table 29 Assessed Value of Pelorus on a Net Assets Basis (prior to the Offer) (non-controlling basis)

	Low	High	Preferred
Net assets on a going concern method (controlling basis)	\$0.162	\$0.162	\$0.162
Discount for minority interest	(12.7%)	(11.1%)	(11.9%)
Assessed Fair Market Value per Pelorus Share (non-controlling interest)	\$0.142	\$0.144	\$0.143

Source: RSM analysis

As set out above, our assessed value of a Pelorus Share prior to the Offer (on a non-controlling basis) derived under the net assets on a going concern valuation methodology is in the range of \$0.142 to \$0.144, with a preferred value of \$0.143.

8. Valuation of BlackWall Limited

In order to determine our assessment of the Fair Market Value of Pelorus prior to the Offer, as well as the Fair Market Value of the Offer Consideration, we have undertaken a valuation of a BlackWall share utilising a sum of parts methodology, employing the capitalisation of future maintainable earnings ("CFME") methodology to value BWF's property funds under management business, and the Net Assets on a Going Concern methodology to value BWF's other assets and liabilities. In our assessment of the Fair Market Value of BWF's other assets and liabilities, we have relied upon the net book value of assets and liabilities as set out in BlackWall's audited statement of financial position as at 30 June 2023. We have also adjusted the balance sheet as at 30 June 2023 for our assessment of the Fair Market Value of BWF's investment in WOTSO.

As a secondary method of valuing a BlackWall share prior to the Offer, we have also considered the quoted price for listed securities method.

8.1 Valuation of a BWF Share (Sum of Parts Methodology)

Estimation of Future Maintainable Earnings

In determining the future maintainable earnings ("FME") of a business, in this case, the future maintainable property funds under management earnings for BWF, we have assessed which periods are appropriate to include as a guide to future performance.

We have been advised that the majority of the operating expenses (90.0%) incurred by BWF relate to the property funds under management segment of the business.

The table below outlines the historical EBIT performance of BlackWall's property funds under management segment from FY20 to FY23:

Table 30 BlackWall's property fund management segment historical performance

Blackwall Property Funds Under Management Segment				
Future Maintainable EBIT (\$'000)	FY20	FY21	FY22	FY23
Management Fee Revenue	4,725	5,396	5,739	6,597
Blackwall Overheads (Including Depreciation & Amortisation)	(4,774)	(3,868)	(4,459)	(5,017)
Estimated Overhead Margin Percentage Attributable	90.0%	90.0%	90.0%	90.0%
Estimated Overhead Margin Dollar Attributable	(4,297)	(3,481)	(4,013)	(4,515)
Estimated Management Fees EBIT	428	1,915	1,726	2,082

Source: RSM analysis

Source: BlackWall audited financial statements

We have had regard to the actual property funds under management EBIT of BWF for FY20, FY21, FY22 and FY23 in estimating the FME of this business segment. We note the property funds management fees for BWF have trended upwards from FY20 to FY23 (FY20 - \$4.7m, FY21 - \$5.4m, FY22 - \$5.7m and FY23 - \$6.6m). Due to this trend, we are of the opinion that the most recent period comprising FY23 property funds management EBIT of \$2.0m is the most relevant historical period in assessing the FME.

We have therefore adopted an FME for the property funds under management segment of BWF to be in the range of \$1.7m to \$2.0m.

Assessment of Earnings Capitalisation Multiple

The earnings multiple applied in a valuation based on future maintainable earnings must reflect, as a minimum, the risks of the business, the future growth prospects of the business and the time value of money. Different multiples are used for application to different measures of earnings.

The information available for valuation of entities in general is limited to public company data (share prices and earnings multiples). As such we have assessed the appropriate earnings multiple by reference to an equivalent EBIT multiple from the public arena and after consideration of the differences between the public companies and BWF's property funds under management segment.

In selecting an appropriate capitalisation multiple to value BWF's property funds under management segment, we have reviewed trading multiples for equities of companies which are listed on the ASX and are operating in the same or similar industry sectors as BlackWall. Based on our analysis, we screened on S&P Capital IQ for ASX listed companies that primarily operate as property or share fund managers.

We also cross checked our assessed multiple range to other available sources of EBIT multiples, which included comparable merger & acquisition ("M&A") transactions sourced from S&P Capital IQ and Mergermarket.

Listed Comparable Company Analysis

There are various market observed earnings multiples, however in this case we have focused on the multiple derived from the ratio of the company's Enterprise Value ("EV") to EBIT. We have performed an analysis of implied EV/EBIT multiples of companies listed on the ASX whose operations are comparable to BWF's property funds under management segment. A business description of the selected comparable listed companies is set out in Appendix D of this Report.

The table below sets out the implied EBIT multiples of the comparable listed companies, which is based on the EV of the companies as at the Valuation Date and their last twelve months ("LTM") and next twelve months ("NTM") EBIT respectively.

Table 31 Comparable listed company trading multiples

Ticker	Company Name	Revenue LTM \$'M	Market Capitalisation \$'M	Enterprise Value \$'M	EV/EBIT Multiple LTM	EV/EBIT Multiple NTM	Selected
ASX:BWF	BlackWall Limited	6.9	37.1	36.7	19.5x	ND	Yes
ASX:CHC	Charter Hall Group	787.5	5,060.9	5,170.0	14.8x	10.9x	Yes
ASX:CMW	Cromwell Property Group	463.9	1,296.3	3,220.6	12.1x	14.4x	Yes
ASX:CNI	Centuria Capital Group	370.1	1,203.6	1,486.4	8.7x	10.6x	Yes
ASX:GDI	GDI Property Group	64.1	334.9	1,416.4	41.2x	27.8x	No
Selected	Minimum	6.9	37.1	36.7	8.7x	10.6x	n/a
	Maximum	787.5	5,060.9	5,170.0	19.5x	14.4x	n/a
	Average	407.1	1,899.5	2,478.4	13.8x	12.0x	n/a
	Median	417.0	1,250.0	2,353.5	13.5x	10.9x	n/a

Source: S&P Capital IQ and RSM analysis

* GDI Property Group considered an outlier

In assessing the EBIT multiple to be applied to BlackWall's FME, we have considered the following:

- the comparable listed company historical multiples (on a minority interest basis), excluding the outlier, range from 8.7x to 19.5x, with an average EBIT multiple of 13.8x and a median EBITDA multiple of 13.5x; and
- the comparable listed company forecast multiples (on a minority interest basis), excluding the outlier, range from 10.6x to 14.4x, with an average EBIT multiple of 12.0x and a median EBITDA multiple of 10.9x.

We note based on the financial metrics above, there appears to be no size premium, which would be normally reflected in a higher multiple for the larger listed companies. As a result, we have not applied a size discount to the implied multiple when determining the EBIT multiple to derive BWF's value.

Based on the above, we have adopted a comparable listed companies forecast EBIT multiple in the range of 10.8x to 11.2x (on a minority interest basis).

In our assessment of an EBIT multiple inclusive of a control premium, we consider that a premium for control in the range of 12.5% to 14.5% would be reflective of BlackWall's operations, consistent with the control premium assessed in relation to Pelorus.

The table below sets out a summary of our EBIT multiple calculation.

Table 32 Assessed EBIT multiple (controlling basis)

Blackwall Property Funds Under Management Segment			
Assessed EBIT multiple	Low	High	Preferred
Comparable listed multiple	10.8x	11.2x	11.0x
Control premium	12.5%	14.5%	13.5%
Assessed EBIT multiple (controlling basis)	12.2x	12.8x	12.5x

Source: RSM analysis

Multiple Cross Checks

Comparable M&A Transactions

Due to the limited number of directly comparable public entities, we have also searched for comparable M&A transactions which we consider are most comparable to BWF's property funds under management segment to determine the implied EBIT multiple.

The comparable M&A transactions and their EBIT multiples that we have used as a basis for cross checking the EBIT multiple applied to BWF's FME are outlined in the table below.

Table 33 Comparable M&A transactions

Announcement Date	Target Company	Acquirer	Revenue LTM \$M	Transaction Value \$M	% Sought	Implied Enterprise Value \$M	Implied EV/Revenue Multiple LTM	Implied EV/EBIT Multiple LTM	Implied EV/EBIT Multiple NTM	Selected
23/06/2022 ¹	Aims Property Securities Fund (ASX:APW)	Great World Financial Group Holdings Pty Ltd	10.8	55.7	100.0%	53.8	5.0x	5.7x	ND	Yes
11/05/2021	APN Property Group Limited	DEXUS (ASX:DXS)	26.2	314.7	100.0%	329.2	12.6x	25.0x	22.9x	No
3/11/2022	Perpetual Ltd	Regal Partners Ltd	749.6	2,046.5	100.0%	2,046.5	2.7x	14.0x	ND	Yes
4/04/2022	Pendal Group Ltd	Perpetual Ltd	683.3	2,082.2	100.0%	1,960.1	2.9x	8.4x	ND	Yes
4/02/2022	WAM Active Limited	Keybridge Capital Ltd	12.1	89.6	100.0%	11.3	0.9x	1.3x	ND	No
2/11/2021	Praemium Limited	Netwealth Group Limited	64.9	770.3	100.0%	760.0	11.7x	295.4x	ND	No
28/09/2021	Fund Ltd.	WAM Capital Limited	16.2	64.7	100.0%	64.7	4.0x	ND	ND	Yes
15/09/2021	PM Capital Asian Opportunities Fund Ltd.	PM Capital Global Opportunities Fund	16.2	58.3	80.1%	72.8	4.5x	ND	ND	Yes
19/04/2021	Primewest Group Limited	Limited	32.2	560.8	70.2%	560.8	17.4x	29.6x	137.7x	No
22/08/2018	Folkestone Limited	Charter Hall Group	32.7	214.0	100.0%	214.0	6.5x	10.6x	10.3x	Yes
		Minimum	10.8	55.7	80.1%	53.8	2.7x	5.7x	10.3	n/a
		Maximum	749.6	2082.2	100.0%	2046.5	6.5x	14.0x	10.3	n/a
		Average	251.5	753.6	96.7%	735.3	4.3x	9.7x	10.3	n/a
		Median	24.5	139.4	100.0%	143.4	4.2x	9.5x	10.3	n/a

Source: S&P Capital IQ, Mergermarket & RSM Analysis

The listed companies and their trading multiples highlighted in grey have been deemed to be outliers and have been excluded from our selected multiple metrics above.

¹ This transaction did not proceed

A business description of each target of the comparable transactions considered is outlined in Appendix E of this report.

In assessing the EBIT multiple to be applied to BWF's FME, we have considered the comparable transaction historical multiples (on a controlling interest basis) excluding outliers, ranging from 5.7x to 14.0x, with an average EBIT multiple of 9.7x and a median EBIT multiple of 9.5x.

We consider that the comparable transactions identified disclosed implied EBIT multiples reasonably reflective of our assessed EBIT multiple (controlling basis) in the range of 12.2x to 12.8x.

Valuation of Funds Under Management business – Enterprise Value

We have assessed the Enterprise Value for the BWF property funds under management segment to be in the range of \$20.7m to \$25.6m, with a preferred value of \$23.1m as outlined in the table below.

Table 34 BWF Property Funds Under Management assessed Enterprise Value

Blackwall Property Funds Under Management Segment			
Enterprise Value (\$'000)	Low	High	Preferred
Future Maintainable EBIT	1,700	2,000	1,850
Implied EBIT Multiple	12.2x	12.8x	12.5x
Enterprise Value (controlling basis)	20,740	25,600	23,125

Source: RSM analysis

Implied Revenue Multiple Cross-Check

The table below sets out the implied revenue multiple for BlackWall based on our assessed enterprise value range above.

Table 35 BWF Implied revenue multiple cross-check

Blackwall Property Funds Under Management Segment			
Implied Revenue Multiple Cross-Check (\$'000)	Low	High	Preferred
Assessed Enterprise Value	20,740	25,600	23,125
FY23 Blackwall Management Fee Revenue	6,597	6,597	6,597
Implied Revenue Multiple	3.1x	3.9x	3.5x

Source: RSM analysis

As set out above, the implied revenue multiple is in the range of 3.3x to 3.9x, with a midpoint multiple of 3.5x.

The revenue multiple metrics in relation to the comparable M&A transactions ranged from 2.7x to 6.5x, with an average and median of 4.3x and 4.2x respectively, reasonably consistent with our implied revenue multiples derived above.

Assessed Fair Market Value of BlackWall's other assets and liabilities – Net Assets on a Going Concern basis

We have valued BlackWall using a sum of parts methodology which includes the CFME method to value the property funds under management segment, and net assets on a going concern basis to value BlackWall's other assets and liabilities as set out in the table below.

Table 36 Assessed Value of BWF on a sum of parts basis (controlling basis)

\$'000	Low	High	Preferred
Enterprise Value of the property funds under management segment	20,740	25,600	23,125
Assessed Fair Market Value of WOTSO investment	20,449	20,449	20,449
Other liabilities (net)	(989)	(989)	(989)
Dilutionary impact of options on issue	(18)	(18)	(18)
Valuation of BWF under the sum of parts methodology (controlling basis)	40,182	45,042	42,567
Number of BWF shares on issue	67,480	67,480	67,480
Assessed Fair Market Value per BWF share (controlling basis)	\$0.60	\$0.67	\$0.63

Source: RSM analysis

As set out in Appendix G and section 7 we have valued a WOTSO share to be in the range of \$1.20 to \$1.22, with a preferred value of \$1.21 (on a non-controlling basis). At the date of this Report, BlackWall holds a direct 10.4% interest in WOTSO (16,900,000 units). Accordingly, we have assessed the Fair Market Value of BlackWall's interest in WOTSO to be \$20.4m utilising the preferred value of \$1.21 per unit.

We are not aware of any other indicators that the book value of the other assets and liabilities of BWF differ materially from their Fair Market Value. Other net liabilities of \$989k comprised current assets of \$6.3m, non-current employee loans receivable of \$1.0m and property, plant and equipment of \$15k, offset by trade and other payables, provision for employee benefits, provision for tax payable and related party borrowings of \$697k, \$806k, \$60k and \$5.0m, respectively, as well as non-current provision for employee benefits and deferred tax liabilities of \$106k and \$1.7m, respectively.

We have excluded right-of-use assets and liabilities in our computation of other net liabilities. We consider that, absent of any impairment of the right-of-use assets, or leases being at non-market rates, a market participant would value the right-of-use assets and corresponding lease liabilities at the same value.

At the date of this Report, BWF had 475,000 unlisted options on issue. We have included the dilutionary impact of the options in our assessment of the Fair Market Value of a BWF share prior to the Offer. Details of the assumptions and inputs we have used to value the potential dilutionary impact of the options is set out in Appendix F.

Assessment of surplus or deficiency of assets

Based on our assessment of BlackWall's working capital levels, net cash and a review of BWF's balance sheet at 30 June 2021, 30 June 2022 and 30 June 2023, we do not consider there to be assets surplus to the company's operations, or conversely, a deficiency of assets.

As outlined in the table above, we have assessed the value of a BlackWall share (on a controlling basis), using a sum of parts approach including the net assets on a going concern methodology and the CFME methodology to be in the range of \$0.60 to \$0.67, with a preferred value of \$0.63.

The table below sets out our assessment of the value in BWF on a non-controlling basis utilising the sum of parts methodology.

Table 37 Assessed Value of BlackWall on a sum of parts basis (non-controlling basis)

	Low	High	Preferred
Sum of parts method (controlling basis)	\$0.60	\$0.67	\$0.63
Discount for minority interest	(12.7%)	(11.1%)	(11.9%)
Assessed Fair Market Value per BWF share (non-controlling interest)	\$0.52	\$0.60	\$0.56

Source: RSM analysis

We have applied a discount for lack of control in the range of 11.1% to 12.7%, being the inverse of our assessed control premium of 12.5% to 14.5% as set out in Table 32.

As set out above, our assessed value of a BlackWall share prior to the Offer (non a non-controlling basis,) derived under the sum of parts methodology is in the range of \$0.52 to \$0.60, with a preferred value of \$0.56.

8.2 Valuation of a BWF share (Quoted Price of Listed Securities Methodology)

As a secondary methodology to our valuation of a BWF share under the sum of parts methodology, we have also assessed the Fair Market Value of a BWF share based on the quoted market price of listed securities method.

The assessment only reflects trading prior to the announcement of the Offer in order to avoid the influence of any movement in price that may occur as a result of the announcement.

RG 111.62 indicates that in order for the quoted market share price methodology to represent a reliable indicator of Fair 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 share price.

To provide further analysis of the quoted market prices for BWF's shares, we have considered the Volume Weighted Average Price ("VWAP") for the 5, 10, 30, 60, 90, 120, and 180 calendar days prior to the announcement of the Offer on 24 August 2023, as summarised in the table below.

Table 38 VWAP of BWF shares

Calendar days	Share price Low \$	Share price High \$	No. of days traded	Volume traded	Value traded \$	VWAP \$	Percentage of issued capital %
5 days	0.57	0.59	1	20,290	11,464	0.565	0.03%
10 days	0.57	0.59	5	116,420	66,905	0.575	0.17%
30 days	0.56	0.59	13	187,650	107,619	0.574	0.28%
60 days	0.53	0.59	32	397,590	222,503	0.560	0.59%
90 days	0.53	0.59	50	559,020	312,234	0.559	0.83%
120 days	0.53	0.60	69	1,008,920	568,984	0.564	1.50%
180 days	0.53	0.67	100	1,522,370	878,088	0.577	2.26%

Source: Capital IQ and RSM analysis

As set out in the table above, BWF's shares traded at between \$0.53 and \$0.67 per share over the 180-day period before the announcement of the Offer.

We note the following:

- during the 180 days leading up to 23 August 2023, 2.26% of the issued capital of BWF was traded, and in the 60 days leading up to 23 August 2023, 0.59% of the issued outstanding share capital of BWF was traded;
- the bid/ask spread is often used to measure efficiency. For the 180-day period, the closing bid/ask spread of BWF averaged 6.1% of the midpoint price. On the basis that, over a comparable period, all stocks trading on the ASX had an effective average bid-ask spread of 0.1725%², we consider the bid/ask spread of BlackWall to be comparatively large; and
- notwithstanding the low levels of liquidity, BlackWall complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of BWF.

² Equity market data for the quarter ended 31 March 2023 - ASIC

Value of a BWF Share on a Minority Interest Basis

Based on the analysis of the recent trading in BWF's shares, we have assessed the value of a BWF Share on a minority interest basis to be in the range of \$0.56 to \$0.58.

8.3 Valuation Summary and Conclusion

A summary of our assessed values of a BlackWall share on a minority interest basis prior to the Offer, derived under the two methodologies, is set out in the table below.

Table 39 BlackWall Valuation Summary

	Low	High	Preferred
Sum of parts - primary methodology	\$0.52	\$0.59	\$0.56
Quoted price of listed securities - secondary method	\$0.56	\$0.58	\$0.57

Source: RSM analysis

We have relied upon the sum of parts methodology as our primary valuation methodology, and accordingly, have assessed the Fair Market Value of a BWF share on a non-controlling basis prior to the Offer to be in the range of \$0.52 to \$0.59, with a preferred value of \$0.56.

Notwithstanding our conclusion, we consider the valuation derived under the quoted listed price of securities methodology to be supportive of the valuation derived under our primary methodology.

9. Valuation of the Consideration offered per Pelorus Share immediately after the Offer

As required by RG 111, in order to provide an indication of the value to Pelorus Shareholders immediately after the Offer, we have calculated the theoretical value of BWF, including Pelorus as a wholly owned subsidiary, immediately after the implementation of the Offer (the Merged Group).

9.1 Valuation of Pelorus excluding interest held in BlackWall

As set out in Section 7.1 and Table 27, Pelorus holds 4,175,000 BlackWall shares (6.19% interest) with an assessed Fair Market Value of \$2.3m. Accordingly, we have excluded the value of the BWF shares in our assessment of the Fair Market Value of a Pelorus Share as part of the Merged Group as set out in the table below.

Table 40 Assessed Fair Market Value of a Pelorus Share prior to the Offer excluding interest in BWF (non-controlling interest)

	Ref	Low	High	Preferred
Assessed Fair Market Value of Pelorus (net assets on a going concern basis)	Table 26	50,612	50,612	50,612
Less interest in BWF shares		(2,338)	(2,338)	(2,338)
Assessed Fair Market Value of Pelorus (excluding BWF interest)		48,274	48,274	48,274
Number of Shares on issue ('000)		311,658	311,658	311,658
Net assets on a going concern method (controlling basis)		\$0.155	\$0.155	\$0.155
Discount for minority interest		(12.7%)	(11.1%)	(11.9%)
Assessed Fair Market Value per Pelorus Share excluding interest in BWF (non-controlling interest)		\$0.135	\$0.138	\$0.136

Source: RSM analysis

9.2 Valuation of the Merged Group and Offer Consideration

The table below sets out our assessment of the Fair Market Value per share of the Merged Group (on a non-controlling interest basis) and has been calculated based on the combined Fair Market Values of BWF (as set out in Section 8) and Pelorus (refer above) immediately following the Offer.

Table 41 Assessed Fair Market Value of the Merged Group immediately post the Offer

	Low	High	Preferred
Assessed Fair Market Value per PPE Share excluding interest held in BWF (non-controlling basis) (\$)	\$0.135	\$0.138	\$0.136
Number of Shares on issue ('000)	311,658	311,658	311,658
Total Equity Value of PPE (non-controlling basis) (\$'000) (excluding interest held in BWF)	42,074	43,009	42,385
Assessed Fair Market Value per BWF share (non-controlling basis) (\$)	\$0.520	\$0.590	\$0.560
Number of shares on issue ('000)	67,480	67,480	67,480
Total Equity Value of BWF (non-controlling basis) (\$'000)	35,090	39,813	37,452
Less: Estimated costs of the Offer (\$'000)	(250)	(250)	(250)
Total Equity Value of Merged Group (non-controlling basis) (\$'000)	76,914	82,572	79,587
Number of Shares			
BWF shares on issue	67,480	67,480	67,480
New BWF shares to be issued to Pelorus Shareholders	103,886	103,886	103,886
Total number of shares on issue in the Merged Group ('000)	171,366	171,366	171,366
Assessed Fair Market Value per share in the Merged Group (non-controlling interest) (\$)	\$0.449	\$0.482	\$0.464

Source: RSM analysis

As referenced above, Pelorus currently holds 4,175,000 BWF shares (6.19% interest). We have been advised that these shares held by Pelorus will be disposed of within the time frame required under the Corporations Act. Accordingly, no adjustment for these shares has been made in our assessment of the Fair Market Value of the Merged Group immediately post the Offer.

The table below sets out our calculation of the BWF shares that will be issued to Pelorus Shareholders based on the number of Pelorus Shares currently on issue and the Offer Ratio of 1 BlackWall share for every 3 Pelorus Shares.

Table 42 Calculation of new BlackWall shares to be issued to Shareholders

	No ('000)
Total Pelorus Shares on issue prior to the Offer	311,658
Offer Ratio 1 BWF Share: 3 Pelorus Shares	0.333
Total New BWF shares issued to Pelorus Shareholders	103,886

Source: RSM analysis

The table below sets out our assessment of the value of a share in the Merged Group on a minority interest basis immediately after the Offer, and the Consideration offered per Pelorus Share.

Table 43 Fair Market Value of the Offer Consideration (non-controlling basis)

	Low	High	Preferred
Fair Market Value per share in the Merged Group (non-controlling interest)	\$0.449	\$0.482	\$0.464
Multiplied by Offer Ratio	0.333	0.333	0.333
Fair Market Value of the Offer Consideration	\$0.150	\$0.161	\$0.155

Source: RSM analysis

Based on the above, our assessed value of the Consideration offered per Pelorus Share immediately post the Offer (on a non-controlling basis) is in the range of \$0.150 to \$0.161, with a preferred value of \$0.155.

As set out in the table above, we have assessed the Fair Market Value of a BWF share (on a Merged Group basis) post the Offer to be in the range of \$0.449 to \$0.482. Shareholders should be aware that our assessment of the value per BWF share (on a Merged Group basis) post acceptance of the Offer does not necessarily reflect the price at which BWF shares will trade if the Offer is accepted. The price at which BWF shares will ultimately trade depends on a range of factors including the liquidity of BWF shares, macroeconomic conditions, the underlying performance of the BWF business and the supply and demand for BWF shares.

10. Is the Offer Fair to Pelorus Shareholders

RG 111 defines a takeover offer as being fair if the value of the consideration offered under the takeover offer is equal to or greater than the value of the securities being the subject of the offer.

In assessing whether we consider the Offer to be fair to Non-Associated Shareholders, we have valued a Share in Pelorus prior to the Offer and compared it to the value of the Offer Consideration immediately post the Offer to determine if a Shareholder would be better or worse off should the Offer be accepted. The consideration offered represents the value of the equivalent ownership interest per Pelorus Share in the Merged Group.

Our assessed values are summarised in the table below.

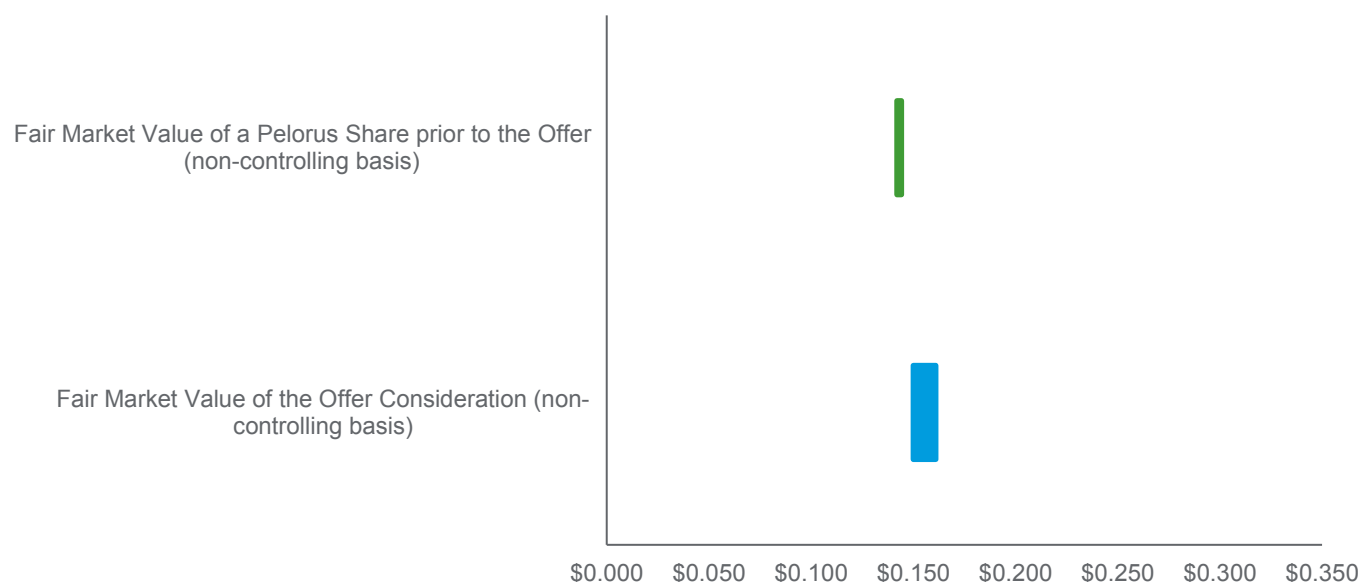
Table 44 Assessed Fair Market Value of a Pelorus Share prior to the Offer and the Offer Consideration

	Low	High	Preferred
Fair Market Value of a Pelorus Share prior to the Offer (non-controlling basis)	\$0.142	\$0.144	\$0.143
Fair Market Value of the Offer Consideration (non-controlling basis)	\$0.150	\$0.161	\$0.155

Source: RSM analysis

The above comparison is depicted graphically below.

Figure 5 Assessed Fair Market Value of a Pelorus Share prior to the Offer and the Offer Consideration



In our opinion, as the Fair Market Value of the Offer Consideration (on a non-controlling basis), is more than the Fair Market Value of a Pelorus Share (on a non-controlling basis) prior to the Offer, we consider the Offer is **fair** to the Non-Associated Shareholders of Pelorus.

As set out in Section 9.2 (Table 43), we have assessed the Fair Market Value of a BWF share (on a Merged Group basis) post the Offer to be in the range of \$0.449 to \$0.482. Shareholders should be aware that our assessment of the value per BWF share (on a Merged Group basis) post acceptance of the Offer does not necessarily reflect the price at which BWF shares will trade if the Offer is accepted. The price at which BWF shares will ultimately trade depends on a range of factors including the liquidity of BWF shares, macroeconomic conditions, the underlying performance of the BWF business and the supply and demand for BWF shares.

11. Is the Offer Reasonable to Shareholders

RG111 establishes that an offer is reasonable if it is fair. If an offer is not fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Offer, we have considered:

- the future prospects of Pelorus if the Offer does not proceed;
- other commercial advantages and disadvantages to Non-Associated Shareholders as a consequence of the Offer proceeding;
- BWF's pre-existing shareholding in Pelorus, as well as investments in common financial assets;
- any special value of the target to the bidder;
- the liquidity the Offer provides; and
- alternative proposals to the Offer.

11.1 Future prospects of Pelorus if the Offer does not proceed

If the Offer does not proceed, we have been advised that the objective of the Pelorus directors will be to continue to manage, operate and grow the business as they have done historically.

11.2 Advantages and disadvantages

In assessing whether the Non-Associated Shareholders are likely to be better off if the Offer proceeds, than if it does not, we have also considered various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

11.3 Advantages of approving the Offer

The advantages of approving the Offer are:

Table 45 Advantages of the Offer

Advantage	Details
The Offer is fair	The Offer is fair to Non-Associated Shareholders
Ability to block special resolutions	Completion of the Offer will result in the Merged Group becoming a significant minority investor in WOTSO, which will hold an equity interest in WOTSO in excess of 25%, granting the Merged Group the ability to block proposed special resolutions in WOTSO.
Synergies and streamlining of operations	The acquisition will enable BlackWall to leverage its existing resources and expertise in order to create synergies and streamline operations for Pelorus Shareholders. The acquisition will also align the ownership interests that both BlackWall and Pelorus have in the construction company, IndigoBlack.
Vertical integration	Acceptance of the Offer will result in the consolidation of Pelorus and BlackWall's operations, including the removal of inter-entity property fund management fees which BlackWall charges Pelorus, as well as cost savings in head office function.
Diversification of business	The consolidation of Pelorus and BlackWall will provide diversification benefits Shareholders by reducing the Company's reliance on single market segments whilst also providing opportunities to reach a broader customer base.
Increased liquidity for Pelorus Shareholders	If the Offer is accepted, Shareholders will be exchanging unlisted Pelorus Shares for listed BWF shares which may provide a more liquid and efficient market for Shareholders to realise their investment.

Advantage	Details
Avoid the risk of becoming a minority shareholder of an unlisted subsidiary company	Acceptance of the Offer allows Shareholders to avoid the risk of becoming a minority shareholder in an unlisted subsidiary of a listed company with limited opportunities to realise their investment (should 80% or more of other Shareholders accept the Offer).

11.4 Disadvantages of approving the Offer

The disadvantages of approving the Offer are:

Table 46 Disadvantages of the Offer

Disadvantage	Details
Dilutionary impact	Shareholders will, collectively have a 60.45% interest in the Merged Group immediately after the Offer closes (on a fully diluted basis). Whilst Shareholders will, collectively, still hold a controlling interest in the Merged Group, the dilution will reduce Shareholders' collective ability to influence decisions such as the acquisition and disposal of assets, noting however, that the composition of the Board will remain relatively unchanged due to the related party nature of the proposed merger. Further, as the Offer is conditional only upon a minimum 80% acceptance by Pelorus Shareholders, Shareholders will collectively be further diluted to a 55.0% interest (on a fully diluted basis) in the Merged Group if only 80% of Pelorus Shareholders accept the Offer.
Potential tax considerations	Acceptance of the Offer and the disposal of Pelorus Shares will trigger capital gains tax events. Shareholders may choose to apply for scrip for scrip rollover relief. It should be noted that the benefit of choosing scrip for scrip rollover relief, if available (or otherwise) will depend upon the individual circumstances of each Shareholder.
Change in nature and scale of operations	The change in the nature and scale of the operations of the Merged Group may not fit the risk or investment profile of Shareholders.

11.5 Alternative proposals

We are not aware of any alternative proposal at the current time which might offer the Non-Associated Shareholders of Pelorus a greater benefit than the Offer.

11.6 Conclusion on Reasonableness

As the Offer is fair, the Offer is also reasonable. However, ignoring our assessment of fairness, we consider that the position of the Non-Associated Shareholders of Pelorus if the Offer is approved is more advantageous than if the Offer is not approved.

Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Offer is reasonable for the Non-Associated Shareholders of Pelorus.

An individual Shareholder's decision in relation to the Offer may be influenced by their individual circumstances. If in doubt, Shareholders should consult an independent advisor.



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.

Andrew Clifford and Nadine Marke are directors of RSM Corporate Australia Pty Ltd. Both Andrew Clifford and Nadine Marke have 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 Pelorus in considering the Offer. 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 Pelorus and BlackWall 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, Andrew Clifford, Nadine Marke, nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM has any interest in the outcome of the Offer, except that RSM Corporate Australia Pty Ltd are expected to receive a fee in the range of \$37,500 to \$42,500 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether Pelorus receives Shareholder approval for the Offer, 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 Target's Statement to be issued to Shareholders. Other than this report, none of RSM Corporate Australia Pty Ltd or RSM Australia Pty Ltd has been involved in the preparation of the Target's Statement. Accordingly, we take no responsibility for the content of the Target's Statement.

B. SOURCES OF INFORMATION

In preparing this report we have relied upon the following principal sources of information:

- Drafts and final copies of the Bidder's Statement and the Target's Statement;
- Audited financial statements for Pelorus, BlackWall and WOTSO for the years ended 30 June 2020, 30 June 2021 and 30 June 2022;
- Reviewed financial statements for Pelorus, BlackWall and WOTSO for the half-year ended 31 December 2022;
- Property valuations prepared by M3 Property Pty Ltd;
- Shareholder/unitholder registers for Pelorus (29 August 2023), BlackWall (30 August 2023) and WOTSO (16 August 2023);
- ASX announcements;
- IBISWorld;
- S&P Capital IQ;
- Mergermarket; and
- Discussions with Directors and Management of Pelorus and BlackWall.

C. GLOSSARY OF TERMS AND ABBREVIATIONS

Term or Abbreviation	Definition
\$ or AUD	Australian dollar
Act or Corporations Act	Corporations Act 2001 (Cth)
Acquired Entities	Harold Investors Pty Ltd (formerly Kirela-C Unit Trust), Tidy Harold Pty Ltd and SAO Investments Pty Ltd.
AFCA	Australian Financial Complaints Authority
AFSL	Australian Financial Services Licence
APES	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules	The listing rules of ASX as amended from time to time
BlackWall or BWF	BlackWall Limited
BWR	BlackWall Property Trust
CFME	Capitalisation of future maintainable earnings
Control Basis	As assessment of the Fair Market Value of an equity interest, which assumes the holder or holders have control of the entity in which the equity is held
Directors	Directors of Pelorus Private Equity Limited
EBIT	Earnings before interest and tax
Enterprise Value or EV	The market value of a business on a cash free and debt free basis
Equity Value	The owner's interest in a company after the addition of all non-operating or surplus assets and the deduction of all non-operating or excess liabilities from the enterprise value.
Fair Market Value, Market Value or Fair 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.
FME	Future Maintainable Earnings
FSG	Financial Services Guide
FY	Financial year ended 30 June 20xx
Harold Investors	Harold Investors Pty Ltd (formerly Kirela-C Unit Trust)
LTM	Last twelve month
k	Thousands
m	Millions
M&A	Merger & acquisition
Management	The management of Pelorus Private Equity Limited
Minority or Non-Controlling Interest	A non-controlling ownership interest, generally less than 50.0% of a company's voting shares
Non-Associated Shareholders or Shareholders	Shareholders who are not a party, or associated to a party, of the Offer
NPAT	Net profit after tax
NTM	Next twelve month
the Offer	BlackWall Limited to acquire of all of the issued capital in Pelorus Private Equity Limited through an off-market script bid, in exchange for newly issued fully paid ordinary shares in BlackWall Limited. The offer ratio is one new share in BlackWall Limited for every three Pelorus shares.
Offer Consideration or Consideration	The proposed consideration is one BlackWall share for every three Pelorus Shares on issue.
Offer Period	The period the Offer is expected to open for acceptance commencing on 27 September 2023 and remaining open until 27 October 2023, unless extended subject to BlackWall's right to extend it in accordance with the provisions of the Corporations Act.
Option or Options	Unlisted options to acquire shares with varying vesting conditions
PBT	Profit before tax
PE23	Half-year ended 31 December 2022

Pelorus or PPE	Pelorus Private Equity Limited
RBA	Reserve Bank of Australia
the Report or IER	This Independent Expert's Report prepared by RSM Corporate Australia Pty Ltd
RG 111	ASIC Regulatory Guide 111 Content of expert reports
RG 112	ASIC Regulatory Guide 112 Independence of experts
RSM or We or Us or Ours	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
SAO	SAO Investments Pty Ltd
Share or Pelorus Share	Ordinary fully paid share in the capital of Pelorus Private Equity Limited
Shareholder	A holder of shares
Target's Statement	The Target's Statement issued to Pelorus Shareholders to which this Report is attached
Tidy Harold	Tidy Harold Pty Ltd
VWAP	Volume weighted average share price
WOTSO	WOTSO Property

D. BWF COMPARABLE COMPANY DESCRIPTIONS

Ticker	Company	Business Description
ASX:BWF	BlackWall Limited	BlackWall Limited, conducts a vertically integrated property funds management business. The firm manages, develops and finances income-producing real estate on behalf of retail, high net worth and institutional property investors. It operates BlackWall Property Funds and WOTSO. BlackWall Property Funds is a property development and funds management business that acquires income-producing property to increase rental returns. WOTSO secures conventional office space while adding value through contemporary fit out, high-speed connections, concierge and secretarial services and community engagement. It also offers project space, function areas and meeting rooms available for hire. BlackWall Limited is based in Australia.
ASX:CHC	Charter Hall Group	Charter Hall is a fully integrated property investment and funds management groups. The company uses expertise to access, deploy, manage and invest equity to create value and generate superior returns for investors. The company has a diverse portfolio of high-quality properties across core sectors, including office, industrial & logistics, retail and social infrastructure.
ASX:CMW	Cromwell Property Group	Cromwell Property Group is a real estate investor and fund manager with operations on three continents and a global investor base. Cromwell is included in the S&P/ASX200. As at 30 June 2022, Cromwell had a market capitalisation of \$2.0 billion, an Australian investment portfolio valued at \$3.0 billion and total assets under management of \$12.0 billion across Australia, New Zealand and Europe.
ASX:CNI	Centuria Capital Group	Centuria Capital Group, an investment manager, which markets and manages investment products primarily in Australia. It operates through Property Funds Management, Co-Investments, Developments, Property and Development Finance, Investment Bonds Management, and Corporate segments. The Property Funds Management segment manages listed and unlisted property funds. The Co-Investments segment holds interests in property funds, properties held for sale, and other liquid investments. The Developments segment engages in the management of development projects and structured property developments for the commercial office, industrial, and health segments through residential mixed use. The Property and Development Finance segment provide real estate secured non-bank finance for land sub-division, bridging finance, development projects, and residual stock. The Investment Bonds Management segment manages benefit funds, which include a range of financial products, such as single and multi-premium investments. The Corporate segment manages reverse mortgage lending portfolio. The company was incorporated in 2000 and is headquartered in Sydney, Australia.
ASX:GDI	GDI Property Group	GDI Property Group is a fully integrated, internally managed property and funds management group with capabilities in ownership, management, refurbishment, leasing and syndication of properties. GDI was established in 1993, originally operating as Grosvenor Direct Investments. The company listed on the ASX in 2013.

Source: S&P Capital IQ

E. BWF COMPARABLE TRANSACTION DESCRIPTIONS

Target	Target Business Description
Aims Property Securities Fund (ASX:APW)	Aims Property Securities Fund is a close-ended fund of funds launched by MacArthurCook Ltd. The fund is managed by MacarthurCook Fund Management Limited. It invests in the funds investing in the real estate sector including unlisted property trusts/syndicates, wholesale property funds, listed property trust, listed property-related companies, and cash and fixed interest securities. The fund employs a fundamental analysis with a bottom-up stock picking approach focusing on factors such as skills of manager, quality of fund, quality of properties, debt management skills and commitment to income growth, financial strength, proven management, and business model strength to create its portfolio. It benchmarks the performance of its portfolio against the S&P/ASX200 Property Trust Accumulation Index. The fund conducts in-house research to make its investments. It was formerly known as MacArthurCook Property Securities Fund. Aims Property Securities Fund is domiciled in Australia.
APN Property Group Limited	APN Property Group Limited operates as a real estate investment fund manager in Australia and internationally. It operates through Real Estate Securities Funds, Industrial Real Estate Fund, Direct Real Estate Funds and Investment Revenue segments. The company manages open ended properties securities funds, listed property trusts, fixed term Australian funds, and wholesale funds. It manages direct property and listed funds, and managed investment schemes. The company provides its products to institutional and retail investors directly, as well as through independent financial planner networks and financial institutions. APN Property Group Limited was founded in 1996 and is headquartered in Melbourne, Australia. As of 13 August 2021, APN Property Group Limited operates as a subsidiary of Dexus.
Perpetual Ltd	Perpetual Ltd is a financial services group operating in funds management, financial advisory, fiduciary, portfolio management and trustee services.
Pendal Group Ltd	Pendal Group Ltd is a provider of fund and investment management services.
WAM Active Limited	WAM Active Limited, an Australia-based company headquartered in Sydney, NSW, is engaged in investment management.
Praemium Limited	Praemium Limited, an Australia-based company headquartered in Melbourne, Victoria, is engaged in provision of investment administration and portfolio management solutions.
PM Capital Asian Opportunities Fund Ltd.	PM Capital Asian Opportunities Fund Ltd., an Australia-based company headquartered in Sydney, New South Wales, is engaged in fund management.
Primewest Group Limited	The target acquired was Australia-based stapled group comprising Primewest Group Limited and Primewest Property Fund mainly engaged in the real estate funds management business.
Folkestone Limited	Folkestone Limited is an Australia-based real estate investment, development and funds management company.

Source: S&P Capital IQ

F. ASSESSMENT OF IMPACT ON FAIR MARKET VALUE OF THE POTENTIAL DILUTIVE IMPACT OF BWF OPTIONS

Unlisted Options – Prior to the Offer

At the date of this Report, BWF has 475,000 unlisted options on issue. As the options are American Options (may be exercised at any time before the expiration date), we have utilised the binomial options valuation model to enable expected early exercise of the unlisted Options to be factored into the valuation.

The binomial model uses either a binomial or a trinomial distribution process to derive value by separating the total maturity period of the option into discrete periods. When progressing from one time period, or node, to another, the underlying common stock price is assumed to have an equal probability of increasing and/or decreasing by upward and downward price movements.

The key inputs and assumptions we have used in the binomial model to value the potential dilutionary impact of the unlisted options are set out in the table below.

Table 47 Key inputs in the valuation of the BWF options

Inputs	BWF Options
Number of options	475,000
Valuation date	30-Aug-23
Expiry date	5-Oct-23
Exercise price	\$0.55
Initial share price	\$0.56
Maximum option life in years	0.10
Assessed volatility	50%
Risk free rate	4.00%
Dividend yield	8.67%
Vesting period (years)	0
Early exercise factor	2.50

Source: BlackWall management and RSM analysis

Valuation date and option life – we have valued the options as at the date of this Report (or as close as practically possible) and accordingly, have calculated remaining option life in years based on the date of this Report to the expiry date under the terms of each of the options on issue.

Exercise price – the Options have an exercise price of \$0.55 per share.

Initial share price – we have adopted a share price of \$0.56, being our assessment of the Fair Market Value of a BWF Share prior to the Offer on a non-controlling basis (applying a similar discount for minority interest as that applied in our assessment of the value of a share in the Merged Group on a non-controlling basis).

Volatility – the volatility of the share price is a measure of the uncertainty about the returns provided by BWF shares. Generally, it is possible to predict future volatility of a stock by reference to its historical volatility. A share with a greater volatility has a greater time component of the total value.

Our assumption is predicated on the fact that historical volatility is representative of expected future volatility.

Based on the above, and, having regard to the liquidity and historical volatility of BWF's shares, we have included a volatility of 50% for BWF in our assessment, based on the average daily and weekly share price volatility of BWF for the preceding two years.

Risk free rate – we have determined the risk-free rate based on the yield of 2-year Commonwealth bond rates as at 30 August 2023 that cover the period that best match the life of the options as at the respective valuation date as set out above.

Dividend yield – we have utilised a dividend yield of 8.67% based on current market assessed yields.

Early exercise factor – Expected early exercise is factored into the valuation by our application of the binomial model. The model incorporates an exercise factor, which determines the conditions under which an option holder is expected to exercise their options. It is defined as a multiple of the exercise price (e.g., 2.5 would mean that on average option holders tend to exercise their options when the stock price reaches 2.5 times the exercise price).

This is considered more reliable than trying to guess the average time to exercise. For example, trying to estimate an average time after which option holders exercise is likely to be inaccurate as during periods when the market is high option holders are more likely to exercise early as opposed to times when the market is low. Using an exercise multiple, which is based on a robust theory of stock price behaviour/distribution overcomes these problems.

We have assumed that the exercise factor for these options is 2.5. There have been a number of historical studies that indicate that option holders early exercise options generally at between 2 to 3 times the exercise price, with the higher multiples generally attributable to more senior employees within the company.

Based on the inputs and assumptions above, our assessed value of the potential dilutionary impact of the unlisted BWF options prior to the Offer based on our valuation of BWF utilising the sum of parts methodology is set out in the table below.

Table 48 Dilutionary impact of BWF options

Options	Number	Exercise price (\$)	Value of one instrument (\$)	Total dilutionary impact (\$)
BWF options	475,000	\$0.55	\$0.0383	\$18,212

Source: RSM analysis

G. VALUATION OF WOTSO

In assessing the value of WOTSO, we have utilised the quoted market price of listed securities methodology as our primary valuation approach.

Prices at which a company's shares have been traded on the stock exchange can, in the absence of low liquidity or unusual circumstances, provide an objective measure of the value of the company, excluding a premium for control.

In valuing a 100.0% equity interest in WOTSO, we have utilised the net assets on a going concern valuation methodology as a cross-check to the primary valuation approach.

Primary methodology – Quoted price of listed securities methodology

In assessing the Fair Market Value of WOTSO prior to the Offer, we have utilised the quoted market price of listed securities methodology.

To provide further analysis of the quoted market prices for WOTSO's shares, we have considered the VWAP for the 5, 10, 30, 60, 90, 120, and 180 calendar days prior to 30 August 2023, as summarised in the table below.

Table 49 WOTSO VWAP summary

Calendar days	Unit price Low \$	Unit price High \$	No. of days traded	Volume traded	Value traded \$	VWAP \$	Percentage of issued capital %
5 days	1.200	1.240	2	21,010	25,340	1.206	0.01%
10 days	1.200	1.255	4	24,320	29,457	1.211	0.01%
30 days	1.200	1.255	11	44,820	54,511	1.216	0.03%
60 days	1.120	1.255	20	146,610	173,572	1.184	0.09%
90 days	1.000	1.255	38	463,610	519,838	1.121	0.28%
120 days	1.000	1.255	45	545,540	612,830	1.123	0.33%
180 days	1.000	1.340	68	740,120	845,073	1.142	0.45%

Source: Capital IQ and RSM analysis

As set out in the table above, WOTSO's shares traded between \$1.00 and \$1.34 per share over the 180-day period prior to 30 August 2023.

We note the following:

- during the 180 days leading up to 30 August 2023, 0.45% of the issued capital of WOTSO was traded, and in the 60 days leading up to 30 August 2023, 0.09% of the issued outstanding share capital of WOTSO was traded;
- the bid/ask spread is often used to measure efficiency. For the 180-day period, the closing bid/ask spread of WOTSO averaged 3.9% of the midpoint price. On the basis that, over a comparable period, all stocks trading on the ASX had an effective average bid-ask spread of 0.1725%³, we consider the bid/ask spread of WOTSO to be comparatively large, albeit with a lower spread than BWF; and
- notwithstanding the lower levels of liquidity, WOTSO complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of WOTSO.

³ Equity market data for the quarter ended 31 March 2023 - ASIC

Value of a WOTSO share on a Minority Interest Basis

Based on the analysis of the recent trading in WOTSO's shares, we have assessed the value of a WOTSO share on a minority interest basis, to be in the range of \$1.20 to \$1.22.

Secondary Valuation Approach – Net Assets on Going Concern Methodology

The table below sets out our assessment of the Fair Market Value of WOTSO, based on the audited statement of financial position of WOTSO as at 30 June 2023. The table below outlines our assessed Fair Market Value in WOTSO on a controlling interest basis.

Table 50 Assessed Value of WOTSO (net assets basis)

WOTSO Property	As at 30-Jun-23 \$'000	Adjustments \$'000	Assessed Value prior to the Offer \$'000
Current assets			
Cash and cash equivalents	7,450	-	7,450
Trade and other receivables	801	-	801
Loan portfolio	196	-	196
Rental deposits	354	-	354
Total current assets	8,801	-	8,801
Non-current assets			
Investment properties	392,324	-	392,324
Property, plant and equipment	13,929	-	13,929
Right of use assets	34,615	(34,615)	-
Goodwill	26,150	(26,150)	-
Loan portfolio	1,425	-	1,425
WOTSO software development asset	896	-	896
Hedge asset	2,604	-	2,604
Rental deposits	749	-	749
Investment in associate	162	-	162
Other receivables	207	-	207
Total non-current assets	473,061	(60,765)	412,296
Total assets	481,862	(60,765)	421,097
Current liabilities			
Trade and other payables	5,210	-	5,210
Employee provisions	377	-	377
Borrowings	126,000	-	126,000
Make good provisions	392	(392)	-
Lease liabilities	5,461	(5,461)	-
Total current liabilities	137,440	(5,853)	131,587
Non-current liabilities			
Trade and other payables	201	-	201
Tenant bonds	567	-	567
Employee provisions	66	-	66
Make good provisions	1,436	(1,436)	-
Borrowings	27,151	-	27,151
Deferred tax liabilities	5,195	-	5,195
Lease liabilities	33,195	(33,195)	-
Total non-current liabilities	67,811	(34,631)	33,180
Total liabilities	205,251	(40,484)	164,767
Adjusted net assets	276,611	(20,281)	256,330
Less: non-controlling interests in BWR	(30,625)	-	(30,625)
Assessed Fair Value of Net Assets	245,986	(20,281)	225,705
Number of shares on issue	163,360	(549)	162,811
Assessed Fair Value per share (controlling basis)	\$1.51		\$1.39

Source: Reviewed financial statements and RSM calculations

We have assumed that the book value of all assets and liabilities as at 30 June 2023 equals their Fair Market Value as of 30 June 2023. However, in our assessment of value in WOTSO, we have excluded the goodwill, and right-of-use assets and the corresponding lease and make good liabilities in our computation of net asset value. We consider that a market participant would not attribute additional value to the goodwill of \$26.2m recognised as part of the stapling transaction effected under a scheme of arrangement in 2021 under a net assets on a going concern valuation basis.

We consider that, absent of any impairment of the right-of-use assets, or leases being at non-market rates, a market participant would value the right-of-use assets and corresponding lease liabilities at the same value.

As outlined in the table above, we have assessed the Fair Market Value in a WOTSO share to be \$1.39 on a controlling interest basis. As Pelorus and BlackWall hold minority interests in WOTSO, we have applied a minority interest discount to our assessed value of WOTSO.

We have applied a discount for lack of control in the range of 11.1% to 12.7, representing the inverse of a premium for control of 12.5% to 14.5%, consistent with that assessed for BlackWall and Pelorus.

The table below sets out our assessed Fair Market Value of a WOTSO share on a minority interest basis.

Table 51 Assessed Fair Market Value of WOTSO (non-controlling basis) using the net assets methodology

	Low	High	Preferred
Net assets on a going concern method (controlling basis)	\$1.39	\$1.39	\$1.39
Discount for minority interest	(12.7%)	(11.1%)	(11.9%)
Assessed Fair Market Value per Wotso unit (non-controlling interest)	\$1.21	\$1.24	\$1.22

Source: RSM analysis

We have therefore determined the Fair Market Value of a WOTSO share on a minority interest basis to be in the range of \$1.21 to \$1.24 with a preferred value of \$1.22.

A summary of our assessed values of a WOTSO share on a minority interest basis prior to the Offer derived under the two methodologies, is set out in the table below.

Table 52 WOTSO Valuation Summary

	Low	High	Preferred
Quoted price of listed securities - primary method	\$1.20	\$1.22	\$1.21
Net assets on a going concern basis - secondary method	\$1.21	\$1.24	\$1.22

Source: RSM analysis

We have relied upon the quoted price of listed securities methodology, and accordingly, have assessed the Fair Market Value of a WOTSO share on a non-controlling basis prior to the Offer to be in the range of \$1.20 to \$1.22, with a preferred value of \$1.21.

Notwithstanding our conclusion, we consider that the valuation derived under the net assets on a going concern methodology to be reasonably supportive of the valuation derived under our primary methodology.

H. VALUATION OF SPECIAL PURPOSE VEHICLES

The following section sets out our assessment of the Fair Market Value of the Special Purpose Vehicles (SPVs) held by Pelorus.

Pymont Bridge Property Pty Ltd

On 14 November 2022, Pelorus acquired 100% of the issued and outstanding share capital of Harold Investors, Tidy Harold and SAO which resulted in Pelorus acquiring a 14.5% stake in Pymont Bridge Property, a special purpose vehicle holding a 100% interest in 55 Pymont Bridge Rd, Pymont. The mixed-use property is located on the outskirts of the Sydney CBD with the major tenants including Verizon, IAG and WOTSO.

In assessing the value of Pymont Bridge Property Pty Ltd, we have adopted the net assets on a going concern methodology.

Our assessment of the Fair Market Value of Pymont Bridge Property's net assets is shown in the table below, based on the unaudited statement of financial position of Pymont Bridge Property as at 30 June 2023.

Table 53 Pymont Bridge Property financial position

Pymont Bridge Property Pty Ltd Balance Sheet	As at 30-Jun-23 \$'000
Assets	
Cash and cash equivalents	82
Accounts receivable	114
Hedge asset	2,604
Commercial properties	134,300
Total assets	137,100
Liabilities	
Borrowings	60,000
Mortgage Fund	20,000
Convertible note liability	14,000
Accounts payable	1,076
Tenant bonds	222
Total liabilities	95,298
Assessed Fair Market Value of Net Assets	41,802

Source: Pymont Bridge Property draft balance sheet

Pymont Bridge holds a 100% interest in 55 Pymont Bridge Road, a seven-level office building incorporating a basement parking level, ground floor foyer, commercial tenancies and parking area, and six upper office floors. M3 Property has assessed the Market Value of the Pymont Bridge property to be \$134.3m, consistent with that disclosed in the balance sheet set out above.

We are not aware of any indicators that the book value of all other assets and liabilities of Pymont Bridge differ materially from their Fair Market Value.

Based on the above, our assessed value of Pymont Bridge, on a controlling basis is \$41.8m.

Valuation of Pymont Bridge – Minority Interest basis

Pelorus holds a 14.5% interest in Pymont Bridge Property and consequently, we have applied a discount for minority interest to Pelorus's pro-rata 14.5% interest in Pymont Bridge Property.

A minority interest discount is generally regarded as being the inverse of a premium for control. We also have had regard to the ownership structure of Pymont Bridge Property in our assessment of a suitable minority interest discount.

We consider that Pelorus holds a strategic interest in Pymont Bridge Property on the basis that the Company holds a 14.52% interest and is the second largest shareholder after BlackWall Property Trust (BWR) (which holds a 46.2% interest), and the third largest shareholder holds a 6.5% interest.

Having regard to the strategic interest held as well as average control premiums in the real estate industry, we have applied a discount for minority interest in the range of 11.1% to 12.7%, being the inverse of an assessed control premium of 12.5% to 14.5%, consistent with the premium assessed for Pelorus, BWF and WOTSO.

The table below sets out our assessment of the Fair Market Value of Pelorus' investment in Pymont Bridge Property.

Table 54 Assessed Value of Pymont Bridge Property (non-controlling interest)

Value of Pelorus' investment in Pymont Bridge Property (\$'000)	Low	High	Preferred
Assessed Equity Value (100% interest)	41,802	41,802	41,802
Assessed Equity Value (14.52% pro forma interest)	6,068	6,068	6,068
Less discount for lack of control	(12.7%)	(11.1%)	(11.9%)
Assessed Equity Value (14.52% minority interest)	5,297	5,394	5,346

Source: RSM analysis

We have therefore assessed the Fair Market Value of Pelorus' investment in Pymont Bridge to be in the range of \$5.30m to \$5.39m, with a preferred value of \$5.35m.

Alerik Unit Trust

In assessing the value of Alerik Unit Trust, we have also adopted the net assets on a going concern methodology.

Our assessment of the Fair Market Value of Alerik Unit Trust's net assets is shown in the table below, based on the unaudited statement of financial position of Alerik Unit Trust as at 30 June 2023.

Table 55 Alerik Unit Trust financial position

Alerik Unit Trust Balance Sheet	As at 30-Jun-23 \$'000	Adjustments \$'000	Assessed Value prior to the Offer \$'000
Assets			
Cash and cash equivalents	662	-	662
Accounts receivable	40	-	40
Rent deferments	63	-	63
Loans receivable	5,000	-	5,000
Commercial properties	46,500	-	46,500
Financial assets	4,684	280	4,964
Total assets	56,949	280	57,229
Liabilities			
Accounts payable	478	-	478
Tenant bonds	119	-	119
Borrowings	24,000	-	24,000
Total liabilities	24,597	-	24,597
Assessed Fair Market Value of Net Assets	32,352	280	32,632

Source: Alerik Unit Trust FY23 management accounts and RSM analysis

Alerik Unit Trust holds a 100% interest in 11a-13 George Street, North Strathfield (collectively, "the North Strathfield property"). 11a George Street consists of a six-level car park and a number of retail suites. 13 George Street consists of a three-storey commercial building. M3 Property has assessed the Fair Market Value of the North Strathfield property to be \$46.5m, consistent with that included in the balance sheet above.

Alerik Unit Trust's financial assets comprise 4.0m units in WOTSO. We have adopted a price per share of \$1.21 for WOTSO shares, representing the assessed value per share on a minority basis, as derived under the quoted market price of listed securities methodology (refer to Appendix G). We have therefore adjusted the carrying amount of financial assets accordingly.

We are not aware of any indicators that the book value of all other assets and liabilities of Alerik Unit Trust differ materially from their Fair Market Value.

Based on the above, our assessed value of Alerik Unit Trust, on a controlling interest basis is \$32.6m.

Valuation of Alerik Unit Trust – Minority Interest Basis

As Pelorus holds a 19.16% interest in Alerik Unit Trust and consequently, for reasons set out previously in this report, the assessed Fair Market Value of a unit in Alerik Unit Trust needs to be adjusted to reflect a minority interest holding.

We consider that Pelorus holds a strategic interest in Alerik Unit Trust on the basis that the Company is the second largest shareholder with a 19.16% interest, with the largest shareholder holding a 42.69% interest, and the third largest shareholder holding a 2.65% interest.

Having regard to the strategic interest held as well as average control premiums in the real estate industry, we have applied a discount for minority interest in the range of 11.1% to 12.7%, consistent with that applied for Pyrmont Bridge Property.

The table below sets out our assessment of the Fair Market Value of Pelorus' investment in Alerik Unit Trust (on a minority interest basis).

Table 56 Assessed Value of Alerik Unit Trust (non-controlling interest)

Value of Pelorus' investment in Alerik Unit Trust (\$'000)	Low	High	Preferred
Assessed Equity Value (100% interest)	32,632	32,632	32,632
Assessed Equity Value (19.16% pro forma interest)	6,253	6,253	6,253
Less discount for lack of control	(12.7%)	(11.1%)	(11.9%)
Assessed Equity Value (19.16% minority interest)	5,459	5,559	5,509

Source: RSM analysis

We have therefore assessed the Fair Market Value of Pelorus' investment in Alerik Unit Trust to be in the range of \$5.46m to \$5.56m, with a preferred value of \$5.51m.

Mosman Branch Unit Trust

In assessing the value of Mosman Branch Unit Trust, we have adopted the net assets on a going concern valuation methodology.

Our assessment of the Fair Market Value of Mosman Branch's net assets is shown in the table below, based on the unaudited statement of financial position of Mosman Branch Unit Trust as at 30 June 2023.

Table 57 Mosman Branch Unit Trust financial position

Mosman Branch Unit Trust Balance Sheet	As at 30-Jun-23 \$'000	Adjustments \$'000	Assessed Value prior to the Offer \$'000
Assets			
Loans receivable	810	-	810
Commercial properties	9,400	-	9,400
Financial assets	5,120	(16)	5,104
Total assets	15,330	(16)	15,314
Liabilities			
Accounts payable	18	-	18
Tenant deposits	45	-	45
Total liabilities	63	-	63
Assessed Fair Market Value of Net Assets	15,267	(16)	15,251

Source: Mosman Branch Unit Trust draft FY23 management accounts and RSM calculations

Mosman Branch holds a 100% interest in 743 Military Road, Mosman NSW a two-storey commercial building consisting of two tenancies and on-grade car parking. M3 Property has assessed the Fair Market Value of the Mosman Branch property to be \$9.4m, consistent with that included in the balance sheet above.

The financial assets of Mosman Branch comprise:

- a wholly owned subsidiary, PRSC Pty Ltd (“PRSC”); and
- 2,968 shares in Superloop Limited (ASX: SLC) (“SLC”), a telecommunications and internet service provider.

Valuation of PRSC (excluding investment in Pelorus)

The table below sets out our assessment of the Fair Market Value of PRSC Pty Ltd, based on the draft statement of financial position of PRSC as at 30 June 2023.

Table 58 PRSC Pty Ltd financial position

PRSC Pty Ltd Balance Sheet	As at 30-Jun-23 \$'000	Adjustments \$'000	Assessed Value prior to the Offer \$'000
Assets			
Cash and cash equivalents	1	-	1
Financial assets	3,767	(16)	3,751
Loans receivable	1,350	-	1,350
Total assets	5,118	(16)	5,102
Total liabilities	-	-	-
Assessed Fair Value of Net Assets	5,118	(16)	5,102
Number of shares on issue	50,000		50,000
Assessed Fair Market Value per share (controlling basis)	\$102.36		\$102.04

Source: PRSC Pty Ltd FY23 management accounts and RSM calculations

Financial assets comprised investments in WOTSO and Pelorus. The table below sets out the reported carrying amount and adjusted Fair Market Value of PRSC's financial assets.

Table 59 Adjustment to the value of PRSC

Financial Assets ('000)	Shares held	Reported carrying amount ('\$000)	Adjusted Fair Market Value ('\$000)
WOTSO	3,100	3,534	3,751
Pelorus	1,438	233	-
		3,767	3,751

Source: RSM analysis

For the purpose of assessing the Fair Market Value of Pelorus in Section 7, we have eliminated PRSC's investment in Pelorus.

In our assessment of the Fair Market Value of PRSC's investment in WOTSO, we have adopted a price per share of \$1.21 for WOTSO shares, representing the assessed value per share on a minority basis, as derived under the quoted market price of listed securities methodology (refer to Appendix G). We have therefore adjusted the carrying amount of financial assets accordingly.

For the purpose of assessing the Fair Market Value of Pelorus, we have assessed the Fair Market Value of PRSC to be \$5.1m.

Valuation of SLC

SLC is an Australian telecommunications and internet services provider.

In assessing the value of SLC, we have utilised the quoted market price of listed securities methodology.

Prices at which a company's shares have been traded on the ASX can, in the absence of low liquidity or unusual circumstances, provide an objective measure of the value of the company, excluding a premium for control.

To provide further analysis of the quoted market prices for SLC shares, we have considered the VWAP for the 5, 10, 30, 60, 90, 120, and 180 calendar days prior 30 August 2023, as summarised in the table below.

Table 60 SLC VWAP

Calendar days	Share price Low \$	Share price High \$	No. of days traded	Volume traded	Value traded \$	VWAP \$	Percentage of issued capital %
5 days	0.695	0.700	3	806,910	563,646	0.699	0.16%
10 days	0.675	0.700	7	2,087,800	1,452,221	0.696	0.43%
30 days	0.650	0.700	22	7,097,810	4,849,255	0.683	1.45%
60 days	0.570	0.700	42	15,423,280	10,186,890	0.660	3.14%
90 days	0.570	0.700	63	26,757,370	17,323,155	0.647	5.45%
120 days	0.570	0.700	85	38,835,340	25,186,094	0.649	7.91%
180 days	0.560	0.700	124	89,353,240	57,299,354	0.641	18.19%

Source: Capital IQ and RSM analysis

Based on the above, our assessed value of a share in SLC on a non-controlling interest basis is \$0.68 per share.

We have therefore assessed the Fair Market Value of PRSC's investment in SLC to be \$2k, consistent with the carrying value disclosed in Mosman Branch Unit Trust's balance sheet at 30 June 2023.

Valuation of Mosman Branch – Minority Interest basis

As Pelorus holds a 20.0% interest in Mosman Branch Unit Trust, we have also applied a minority interest discount in assessing the Fair Market Value of the Company's interest in the Mosman Branch Unit Trust.

We consider that Pelorus holds a strategic interest in Mosman Branch Unit Trust, however, is only one of two shareholders, with the other holding an 80% interest in Mosman Branch Unit Trust.

Having regard to discount rates typically applied to strategic investment holdings where one shareholder is in control we have assessed a suitable discount as being in the range of 25% to 30%.

The table below sets out our assessment of the Fair Market Value of Pelorus' investment in Mosman Branch.

Table 61 Assessed Value of Mosman Branch Unit Trust (non-controlling interest)

Value of Pelorus' investment in Mosman Branch Unit Trust (\$'000)			
	Low	High	Preferred
Assessed Equity Value (100% interest)	15,251	15,251	15,251
Assessed Equity Value (20% pro forma interest)	3,050	3,050	3,050
Less discount for lack of control	(30.0%)	(25.0%)	(27.5%)
Assessed Equity Value (20% minority interest)	2,135	2,288	2,211

Source: RSM analysis

We have therefore assessed the Fair Market Value of Pelorus' investment in Mosman Branch Unit Trust to be in the range of \$2.1m to \$2.3m, with a preferred value of \$2.2m.

I. VALUATION OF OTHER INVESTMENTS HELD BY PELORUS

The following sections set out our assessment of the Fair Market Value of the Other Investments held by Pelorus.

Teletrack

Teletrack Pty Ltd (“Teletrack”) is a telematic solutions provider for the freight and heavy machinery industries.

Pelorus purchased shares in Teletrack for \$1.0m in FY21 and also entered into arrangements with various other investments which grant the investors the option to acquire up to \$750k of Pelorus’ Teletrack investment at cost, with the option agreements expiring on 1 August 2025. Such options have been exercised, resulting in Pelorus holding 3,000 shares in Teletrack as at 30 June 2023.

Teletrack is currently reported in Pelorus accounts at cost with the investment recorded at \$1.0m, offset by the liability of \$750k included in trade and other payables.

Based on enquiry with Management, we do not consider the Fair Market Value assessment of Pelorus’ investment in Teletrack at cost to be unreasonable. On this basis, we have assessed the Fair Market Value of Pelorus’ investment in Teletrack to be \$1.0m.

Linqto

Linqto operates a private equity investing platform, providing an opportunity for individual investors to have accessibility to engage in the private equity market.

We have been provided with an investor update stating that the fair market value of a share in Linqto determined by independent analysis, was US\$3.53 per share. We applied the US\$ spot rate at 30 June 2023 of \$1:US\$0.6661 with our assessment of Fair Market Value of \$1.1m consistent with the carrying value disclosed at 30 June 2023.

Latner

Latner Software (“Latner”) is a company planning to build the next generation of equipment rental software.

Pelorus acquired 100 shares in Latner on the 16 February 2023 at \$1,000 per share. We consider the carrying value of \$100k to be reasonably reflective of Fair Market Value.

Other Investments

In relation to other investments, comprising investments in IndigoBlack (\$20k), Thinextra (\$150k) and Unifii (\$8k), based on our review of management accounts provided and discussions with Management regarding the early-stage nature of the entities’ operations, we are not aware of any indicators that the book value of these investments differs materially from Fair Market Value.

Thinextra is a start-up company that provides internet of things (IoT) solutions to allow customers to track the location of their assets or monitor conditions in real time.

Unifii (previously Tilt & Co) is a start-up technology company that provides cloud based operational risk management services.

IndigoBlack is a residential construction company. Pelorus holds a 25% interest in IndigoBlack (BWF also holds a 25% interest). The \$20k carrying value is based on equity accounting at 30 June 2023.

J. INDUSTRY OVERVIEWS

In evaluating the industries in which Pelorus and BlackWall operate, we have had regard to the following industries:

- Commercial Property Management in Australia; and
- Office Property Operators in Australia.

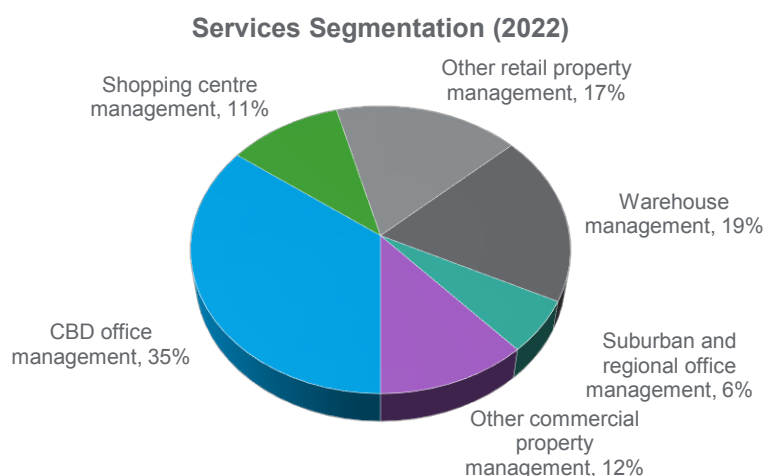
Commercial Property Management in Australia¹

The following industry information has been extracted from IBISWorld report “OD5433 Commercial Property Management in Australia” (“the Property Management industry”). Industry firms manage commercial real estate on behalf of their clients. Responsibilities consist of tenant management and rent collection. Firms may also assist with managing a property’s accounting. Operations concerning property transactions or real estate investments are not included in this industry.

Over the past five years, working from home mandates and sporadic lockdown measures have constrained industry performance. Although an increase in the number of businesses over the past five years has proven beneficial to the Property Management industry. Operators have increased their focus on operational efficiencies to conserve margins due to mounting wage costs over the past five years. In FY23, employees returning to work and shoppers returning to retail stores have boosted demand from key downstream markets.

IBISWorld projects competition in the industry to remain high as low barriers to entry and forecasted profitability increases are expected to attract new industry players over the next five years. Recoveries in demand from downstream markets such as retail and office property operators are expected to contribute to revenue growth. Industry demand is expected to benefit from Australia’s transition to a service-based economy and the increased prevalence of online shopping, which requires warehousing and distribution centres. IBISWorld expects forecasted increases in interest rates to limit the expansion of downstream businesses, however, IBISWORLD estimates industry revenue to grow at an annualised 2.1% over the five years through 2027-28 to \$1.7 billion.

The chart below sets out the industry’s products and services segmentation by total revenue contribution:



The key external drivers which can influence the Property Management Industry include:

- demand from office property operators;
- number of businesses;
- business confidence index; and

- demand from retail property operators.

According to IBISWorld, the Property Management Industry has:

- medium and steady levels of globalisation;
- medium and increasing levels of regulation;
- high and increasing levels of competition; and
- low and steady barriers to entry.
- The key success factors which can influence the Property Management Industry are:
 - ability to effectively communicate and negotiate;
 - market research and understanding;
 - having a loyal customer base;
 - having a wide and expanding product range; and
 - proximity to key markets.

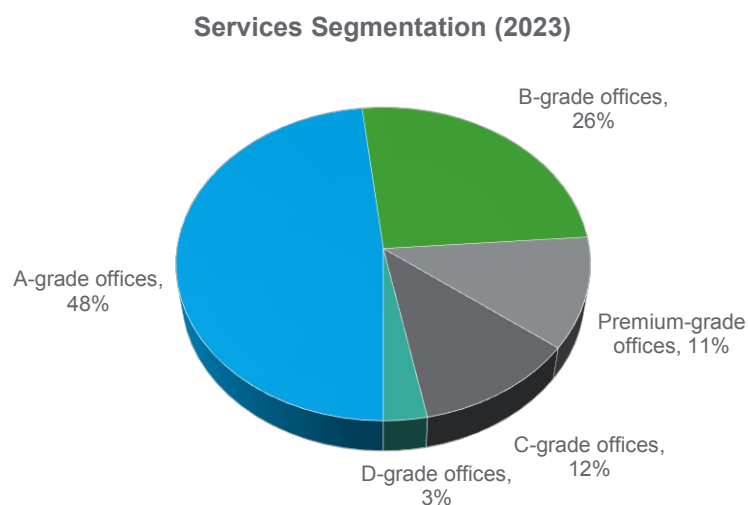
Office Property Operators in Australia²

The following industry information has been extracted from IBISWorld report L6712A “Office Property Operators in Australia” (“the Office Property Operator Industry”). Industry firms predominantly lease or rent office property.

The COVID-19 pandemic significantly impacted the industry. Work from home measures and lockdowns resulted in businesses seeking to ease cost pressures by downsizing their offices to reduce rental costs. The measures introduced dulled demand for office space, elevated vacancy rates and reduced rental yields, causing profits to decline. IBISWorld expects workers to continue to return to offices and some businesses are adopting permanent hybrid models, therefore performance is recovering but revenue remains to be constrained.

IBISWorld projects industry revenue to increase at an annualised rate of 2.6% to \$29.8 billion over the five years through 2027-2028. IBISWorld notes that tenants will likely be seeking short-term lease agreements, which will increase rental yields despite higher risks to office property operators’ long-term performance. IBISWorld expects profit margins to remain on a downward trajectory as a result of an expected high cash rate and continuing hybrid working preferences. However, demand for office space, particularly high-value premium space in CBD locations is expected to remain strong.

The chart below sets out the industry's services segmentation by total revenue contribution:



The key external drivers which can influence the Office Property Operator Industry are:

- capital expenditure by the private sector;
- business confidence index;
- cash rate;
- total number of non-manual employees in the workforce; and
- demand from superannuation funds.

According to IBISWorld, the Office Property Operator Industry has:

- low and increasing levels of globalisation;
- medium and increasing levels of regulation;
- high and steady levels of competition; and
- medium and increasing barriers to entry.

The key success factors which can influence the Office Property Operator Industry are:

- leverage the company's financial structure;
- manage a high-quality assets portfolio;
- effectively communicate and negotiate;
- develop strong project management skills; and
- maintain excellent customer relations.

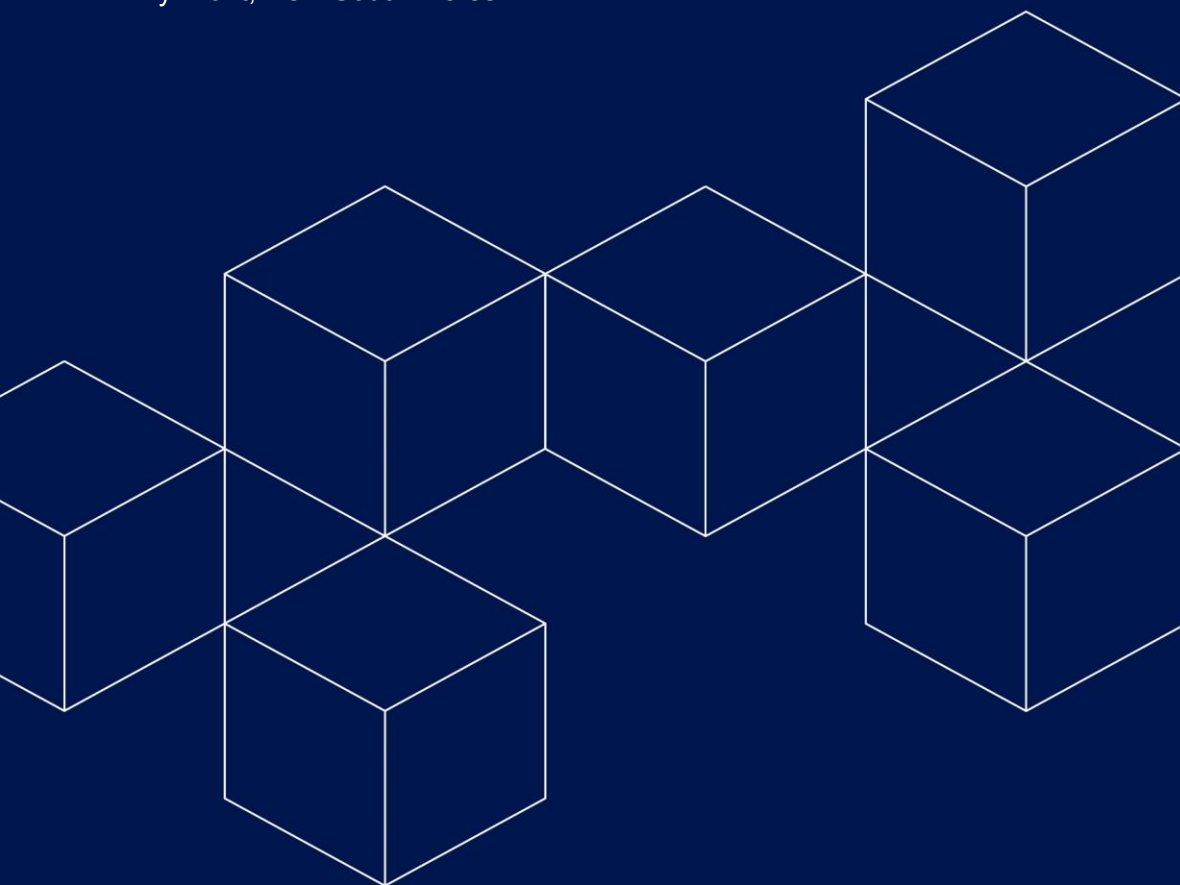
K. SUMMARY OF INDEPENDENT PROPERTY VALUATIONS PREPARED BY M3 PROPERTY PTY LTD⁴

⁴ In accordance with RG 111.102, to avoid the inclusion of extraneous information, and to ensure that our report is clear and concise, we have not included full copies of each of these independent valuations in the Report. However, should Shareholders require a full copy of M3 Property's independent valuations, these can be obtained from the Company on request, free of charge.

Date of Valuation: 26 June 2023

VALUATION REPORT

55 Pyrmont Bridge Road,
Pyrmont, New South Wales





Source: Six Maps

Executive Summary

Instructions

Prepared for	BlackWall.
Reliant Parties and Purposes	RSM Corporate Australia Pty Ltd (RSM) for inclusion in the Independent Experts Report in relation to the proposed acquisition of a 100% interest in Pelorus Private Equity Limited by BlackWall Limited.
Interest Valued	Fee simple subject to the existing leases.

Property Details

Address	55 Pyrmont Bridge Road, Pyrmont, New South Wales.
Registered Proprietor	Pyrmont Bridge Property Pty Ltd.
Site Area	3,155 m ² .
Planning	'MU1: Mixed Use' pursuant to Sydney Local Environmental Plan 2012
Description	<p>The subject property consists of a modern seven-storey office building which was completed in 1990 and has been periodically refurbished. It incorporates one basement parking level, ground floor foyer and commercial tenancies and six upper office floors. The office accommodation generally presents in good order and benefits from an outlook across Blackwattle Bay and Anzac Bridge to the west and north.</p> <p>The property occupies a prominent corner site, fronting Pyrmont Bridge Road, with additional frontages to Bulwara Road and Ada Place along the western and eastern boundaries respectively, within a mixed-use location at the western City fringe.</p>
Environmental Performance	0 Star NABERS Energy rating expiring 24 January 2024.
Net Lettable Area	14,531.3m ² .
Car Spaces	78.
Vacancy	1,260 m ² or 8.7%.
Lease Expiry	4.41 years – income weighted. 4.27 years – area weighted.

Valuation

Valuation Approaches	Discounted Cash Flow, Income Capitalisation and Comparable Transactions.
Date of Inspection	26 June 2023.
Date of Valuation	26 June 2023.
Market Value	\$134,300,000 exclusive of GST.

Prepared By

Valuer	Andrew Duguid AAPI B.Bus Prop F.Fin Certified Practising Valuer Managing Director Primary Signatory
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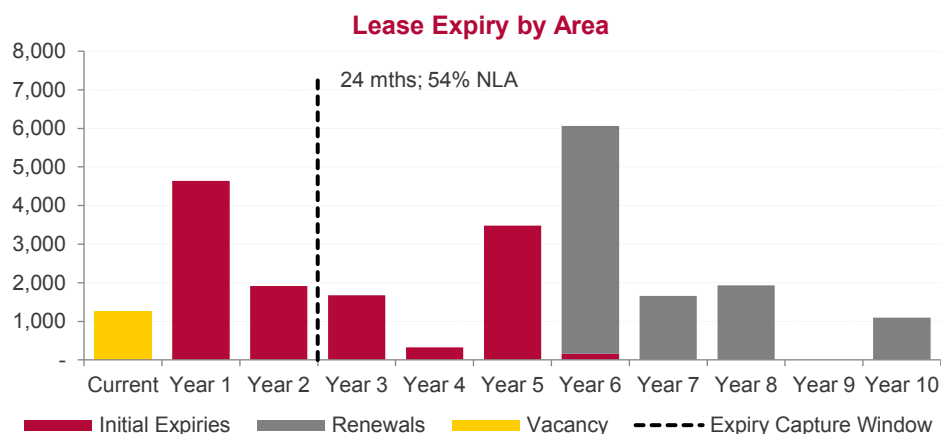
This valuation report is prepared subject to the [Critical Assumptions and Qualifications](#) and [Definitions and Disclaimers](#) detailed within this report.

This is a summary only and is not to be relied upon for any purpose. The valuation assessment for this property is subject to the assumptions, conditions and limitations as set out in the accompanying full valuation report.

The Valuer/Firm (in addition to the principal valuer) has no Potential Conflict of Interest or Pecuniary Interest (real or perceived) relating to the subject property.

Valuation Summary

Valuation Details				
Date of Valuation	30 June 2023			
Date of Cash Flow Model	1 July 2023			
Purpose of Valuation	Financial Reporting & First Mortgage Security			
Interest Valued	100% Freehold			
Income Assessment	Net	\$/m ²	Gross	\$/m ²
Passing Income	7,396,617	509	9,637,993	663
Passing Income (fully leased)	8,220,077	566	10,461,453	720
Market Income	8,963,787	617	11,205,164	771
Outgoings \$ pa.	(2,241,377)	(154)	(2,241,377)	(154)
Vacancy Factor	-	-	-	-
Office Passing Income	6,892,024	520	8,490,285	641
Office Market Income	8,275,628	625	10,068,238	760
Area & Occupancy Details				
Total NLA	14,531.30			
Occupied NLA	91.3% 13,271.30			
Vacant NLA	8.7% 1,260.00			
Weighted Lease Duration By Area	4.39 Years			
Weighted Lease Duration By Gross Passing Income	4.26 Years			



Valuation Conclusion and Metrics	
Capitalisation Approach	134,800,000
DCF Approach	133,700,000
Adopted Market Value	134,300,000
Initial Yield	5.51%
Initial Yield (After Abatements)	5.51%
Initial Yield (Fully Leased)	6.12%
Equated Market Yield	6.02%
Capital Value \$/m ² - NLA	9,242
10 Year IRR	6.44%

Capitalisation Approach						
Gross Market Income		11,205,164				
Outgoings		2,241,377				
Net Market Income		8,963,787				
Capitalisation rate	6.25%	6.00%	5.75%			
Core Capital Value (fully leased)	143,420,592	149,396,450	155,891,948			
Adjustments	(14,510,102)	(14,559,669)	(14,609,709)			
Capitalisation Value	128,910,490	134,836,781	141,282,239			
Capitalisation Value, Rounded	128,900,000	134,800,000	141,300,000			
Expiry Allowances for Tenancies expiring before	1-Jul-25	24 capturing 54% of NLA				
Capital Expenditure	\$	\$/m²	% of Value			
Capital Expenditure adopted In Cap Val (24 months)	2,077,014	143	1.55%			
Capital Expenditure (10 years, inflated)	7,258,028	499	5.40%			
Capital Expenditure (10 years, PV)	5,617,548	387	4.18%			
Capex (10 yrs incl. terminal value allowances, inflated)	9,526,296	656	7.09%			
Capex (10 yrs incl. terminal value allowances, PV)	8,466,394	583	6.30%			
Discounted Cash Flow Approach						
Cash Flow period	10					
Discount Rate	6.50%					
Terminal Capitalisation Rate	6.25% + 25.0 bp spread					
Terminal Allowance for Tenancies expiring before	1-Jul-35	24 capturing 66% of NLA				
Assumed WALE By Area (as at 1-Jul-33)	1.37 Years					
Assumed WALE By Gross Passing Income (as at 1-Jul-33)	1.34 Years					
Sum of Discounted Cash Flows	43,564,620	30.82%				
Present Value of Terminal Value	97,809,803	69.18%				
NPV (before acquisition costs)	141,374,424					
Acquisition Costs	(7,687,025)					
NPV (after acquisition costs)	133,687,398					
Rounded NPV	133,700,000					
10 Year DCF Sensitivity Matrix						
TerminalYield	Discount rate					
		7.00%	6.75%	6.50%	6.25%	6.00%
	6.75%	121,221,172	123,628,778	126,095,510	128,623,001	131,212,937
	6.50%	124,703,811	127,193,842	129,745,150	132,359,430	135,038,431
	6.25%	128,465,668	131,044,733	133,687,398	136,395,426	139,170,631
	6.00%	132,541,653	135,217,187	137,958,838	140,768,441	143,647,885
	5.75%	136,972,748	139,753,155	142,602,416	145,522,444	148,515,208
10 Year IRR Sensitivity Matrix						
TerminalYield	Adopted Value					
		136,986,000	135,643,000	134,300,000	132,957,000	131,614,000
	6.75%	5.46%	5.58%	5.71%	5.83%	5.96%
	6.50%	5.82%	5.94%	6.06%	6.19%	6.32%
	6.25%	6.19%	6.31%	6.44%	6.56%	6.69%
	6.00%	6.58%	6.71%	6.83%	6.96%	7.08%
	5.75%	6.99%	7.12%	7.24%	7.37%	7.49%

Capital Expenditure Summary			10 Year Total	Year 1 1-Jul-23 30-Jun-24	Year 2 1-Jul-24 30-Jun-25	Year 3 1-Jul-25 30-Jun-26	Year 4 1-Jul-26 30-Jun-27	Year 5 1-Jul-27 30-Jun-28	Year 6 1-Jul-28 30-Jun-29	Year 7 1-Jul-29 30-Jun-30	Year 8 1-Jul-30 30-Jun-31	Year 9 1-Jul-31 30-Jun-32	Year 10 1-Jul-32 30-Jun-33
Total Budgeted Capex		-	-	-	-	-	-	-	-	-	-	-	-
Total Sinking Fund		2,541,435	217,970	231,012	239,515	245,695	251,731	257,933	264,362	270,992	277,711	284,514	
Total Refurbishment Allowances		4,716,593	712,331	1,110,134	276,874	55,961	615,223	1,058,110	307,450	362,988	-	217,523	
Total Capital Expenditure		7,258,028	930,300	1,341,145	516,389	301,657	866,954	1,316,043	571,811	633,980	277,711	502,038	
Terminal Capital Expenditure Allowance		2,268,268										2,268,268	
Total Capital Expenditure (Incl. Allowances)		9,526,296	930,300	1,341,145	516,389	301,657	866,954	1,316,043	571,811	633,980	277,711	2,770,306	
Leasing Allowances			10 Year Total	Year 1 1-Jul-23 30-Jun-24	Year 2 1-Jul-24 30-Jun-25	Year 3 1-Jul-25 30-Jun-26	Year 4 1-Jul-26 30-Jun-27	Year 5 1-Jul-27 30-Jun-28	Year 6 1-Jul-28 30-Jun-29	Year 7 1-Jul-29 30-Jun-30	Year 8 1-Jul-30 30-Jun-31	Year 9 1-Jul-31 30-Jun-32	Year 10 1-Jul-32 30-Jun-33
Downtime		6,806,241	734,421	564,127	539,800	48,584	264,415	2,959,613	642,173	443,125	406,952	203,031	
Incentives		22,135,763	3,115,409	1,683,515	1,842,528	981,112	1,496,660	4,943,004	1,878,496	2,434,114	2,230,724	1,530,202	
Secured Incentives		-	-	-	-	-	-	-	-	-	-	-	
Renewal Incentives		22,135,763	3,115,409	1,683,515	1,842,528	981,112	1,496,660	4,943,004	1,878,496	2,434,114	2,230,724	1,530,202	
Leasing Costs		2,551,389	522,843	179,982	195,968	-	106,346	914,463	127,457	259,437	207,014	37,878	
Total Leasing Allowances		31,493,394	4,372,673	2,427,624	2,578,296	1,029,695	1,867,421	8,817,080	2,648,126	3,136,677	2,844,690	1,771,112	
Expense Growth			10 Year CAGR	Year 1 1-Jul-23 30-Jun-24	Year 2 1-Jul-24 30-Jun-25	Year 3 1-Jul-25 30-Jun-26	Year 4 1-Jul-26 30-Jun-27	Year 5 1-Jul-27 30-Jun-28	Year 6 1-Jul-28 30-Jun-29	Year 7 1-Jul-29 30-Jun-30	Year 8 1-Jul-30 30-Jun-31	Year 9 1-Jul-31 30-Jun-32	Year 10 1-Jul-32 30-Jun-33
CPI		2.95%	5.98%	3.68%	2.58%	2.46%	2.46%	2.46%	2.49%	2.51%	2.48%	2.45%	2.45%
Statutory Expenses		3.71%	5.67%	3.70%	3.46%	3.45%	3.48%	3.51%	3.51%	3.51%	3.45%	3.45%	3.45%
Operating Expenses		2.71%	4.67%	2.70%	2.46%	2.45%	2.48%	2.51%	2.51%	2.51%	2.45%	2.45%	2.45%
Building Capex		2.76%	4.09%	3.68%	2.58%	2.46%	2.46%	2.46%	2.49%	2.51%	2.48%	2.45%	2.45%
Adopted Outgoings		3.11%	5.06%	3.09%	2.85%	2.84%	2.87%	2.90%	2.91%	2.85%	2.86%	2.86%	2.86%
Income Growth			10 Year CAGR	Year 1 1-Jul-23 30-Jun-24	Year 2 1-Jul-24 30-Jun-25	Year 3 1-Jul-25 30-Jun-26	Year 4 1-Jul-26 30-Jun-27	Year 5 1-Jul-27 30-Jun-28	Year 6 1-Jul-28 30-Jun-29	Year 7 1-Jul-29 30-Jun-30	Year 8 1-Jul-30 30-Jun-31	Year 9 1-Jul-31 30-Jun-32	Year 10 1-Jul-32 30-Jun-33
Office Market Rent Growth - Net		3.70%	0.88%	2.82%	3.99%	4.39%	4.50%	4.37%	4.12%	4.00%	4.00%	4.00%	4.00%
Office Market Rent Growth - Gross		3.60%	1.50%	3.05%	3.80%	4.10%	4.20%	4.10%	3.90%	3.80%	3.80%	3.80%	3.80%
Childcare Market Rent Growth - Net		3.28%	4.36%	4.22%	3.12%	3.00%	3.00%	3.03%	3.05%	3.02%	2.99%	2.99%	2.99%
Childcare Market Rent Growth - Gross		3.24%	4.33%	4.18%	3.08%	2.96%	2.96%	2.99%	3.01%	2.98%	2.95%	2.95%	2.95%
Car Parking Market Rent Growth - Net		3.24%	4.33%	4.18%	3.08%	2.96%	2.96%	2.99%	3.01%	2.98%	2.95%	2.95%	2.95%
Car Parking Market Rent Growth - Gross		3.24%	4.33%	4.18%	3.08%	2.96%	2.96%	2.99%	3.01%	2.98%	2.95%	2.95%	2.95%
Pool Market Rent Growth - Net		3.28%	4.36%	4.22%	3.12%	3.00%	3.00%	3.03%	3.05%	3.02%	2.99%	2.99%	2.99%
Pool Market Rent Growth - Gross		3.24%	4.33%	4.18%	3.08%	2.96%	2.96%	2.99%	3.01%	2.98%	2.95%	2.95%	2.95%
Retail Market Rent Growth - Net		3.03%	1.98%	4.22%	3.12%	2.99%	3.00%	3.03%	3.04%	3.01%	2.98%	2.98%	2.98%
Retail Market Rent Growth - Gross		3.06%	2.55%	4.18%	3.08%	2.96%	2.96%	2.99%	3.01%	2.98%	2.95%	2.95%	2.95%
Storage Market Rent Growth - Net		3.06%	2.55%	4.18%	3.08%	2.96%	2.96%	2.99%	3.01%	2.98%	2.95%	2.95%	2.95%
Storage Market Rent Growth - Gross		3.06%	2.55%	4.18%	3.08%	2.96%	2.96%	2.99%	3.01%	2.98%	2.95%	2.95%	2.95%
Office			Vacancies	Year 1 1-Jul-23 30-Jun-24	Year 2 1-Jul-24 30-Jun-25	Year 3 1-Jul-25 30-Jun-26	Year 4 1-Jul-26 30-Jun-27	Year 5 1-Jul-27 30-Jun-28	Year 6 1-Jul-28 30-Jun-29	Year 7 1-Jul-29 30-Jun-30	Year 8 1-Jul-30 30-Jun-31	Year 9 1-Jul-31 30-Jun-32	Year 10 1-Jul-32 30-Jun-33
Expiry Profile	m²	1,260		4,642	1,912	1,628	325	3,482	5,902	1,662	1,878	-	1,094
Renewal Probability	%			50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Downtime	months	9.0		9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Applied Downtime	months	9.0		4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Lease term	years	5		5	5	5	5	5	5	5	5	5	5
Commencement Profile	m²	-		8,765	1,662	1,878	-	1,094	7,355	1,260	1,912	1,628	325
Gross Incentives - New Leases	%	32.0%		32.0%	32.0%	30.0%	26.5%	24.5%	23.0%	22.0%	22.0%	22.0%	22.0%
Gross Incentives - Renewals	%			32.0%	32.0%	30.0%	26.5%	24.5%	23.0%	22.0%	22.0%	22.0%	22.0%
Gross Incentives	%	32.0%		32.0%	32.0%	30.0%	26.5%	24.5%	23.0%	22.0%	22.0%	22.0%	22.0%
Incentive Probability	%	100%		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Applied Gross Incentives	%	32.0%		32.0%	32.0%	30.0%	26.5%	24.5%	23.0%	22.0%	22.0%	22.0%	22.0%
Applied Incentives	months	19.2		19.2	19.2	18.0	15.9	14.7	13.8	13.2	13.2	13.2	13.2
Leasing Costs - New Leases	%	15.0%		15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Leasing Costs - Renewals	%			10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Applied Leasing Costs	%	15.0%		12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
Refurbishment on Expiry - New Leases	\$/m²	150.00		150.00	158.98	164.83	169.08	173.23	177.50	181.93	186.49	191.11	195.79
Refurbishment on Expiry - Renewals	\$/m²			150.00	158.98	164.83	169.08	173.23	177.50	181.93	186.49	191.11	195.79
Applied Refurbishment Expiry Allowance	\$/m²			150.00	158.98	164.83	169.08	173.23	177.50	181.93	186.49	191.11	195.79
Net Market Rent (start of period)	\$/m²			625	630	648	674	703	735	767	799	831	864
Gross Market Rent (start of period)	\$/m²			760	771	795	825	859	895	932	968	1,005	1,043
Occupancy Rate (Weighted by Area)	%			92.4%	95.0%	95.1%	99.5%	97.4%	76.8%	95.1%	96.7%	96.9%	98.4%
Childcare			Vacancies	Year 1 1-Jul-23 30-Jun-24	Year 2 1-Jul-24 30-Jun-25	Year 3 1-Jul-25 30-Jun-26	Year 4 1-Jul-26 30-Jun-27	Year 5 1-Jul-27 30-Jun-28	Year 6 1-Jul-28 30-Jun-29	Year 7 1-Jul-29 30-Jun-30	Year 8 1-Jul-30 30-Jun-31	Year 9 1-Jul-31 30-Jun-32	Year 10 1-Jul-32 30-Jun-33
Expiry Profile	m²	-		-	-	-	-	-	-	-	-	-	-
Renewal Probability	%			50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Downtime	months	6.0		6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Applied Downtime	months	6.0		3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Lease term	years	5		5	5	5	5	5	5	5	5	5	5
Net Market Rent (start of period)	\$/m²			405	422	440	454	467	481	496	511	527	542
Gross Market Rent (start of period)	\$/m²			559	583	607	626	645	664	684	704	725	747
Occupancy Rate (Weighted by Area)	%			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Car Parking			Vacancies	Year 1 1-Jul-23 30-Jun-24	Year 2 1-Jul-24 30-Jun-25	Year 3 1-Jul-25 30-Jun-26	Year 4 1-Jul-26 30-Jun-27	Year 5 1-Jul-27 30-Jun-28	Year 6 1-Jul-28 30-Jun-29	Year 7 1-Jul-29 30-Jun-30	Year 8 1-Jul-30 30-Jun-31	Year 9 1-Jul-31 30-Jun-32	Year 10 1-Jul-32 30-Jun-33
Expiry Profile	m²	-		-	-	-	-	-	-	-	-	-	-
Renewal Probability	%			50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Downtime	months	6.0		9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Applied Downtime	months	6.0		4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Lease term	years	5		5	5	5	5	5	5	5	5	5	5
Incentive Probability	%	100%		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Leasing Costs - New Leases	%	15.0%		15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Leasing Costs - Renewals	%			10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Applied Leasing Costs	%	15.0%		12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%

Property Specific Assumptions

Assumptions

- We note that one of the major tenants, WOTSO Workspace Pty Ltd is a subsidiary of WOTSO Limited. WOTSO Limited is stapled to BlackWall Property Trust to form the ASX listed, WOTSO Property. We are advised that the registered proprietor of the subject property, Pyrmont Bridge Property Pty Ltd is 46% owned by WOTSO Property.
 - Whilst acknowledging the above relationship, as WOTSO Property owns less than 50% of the subject property we have undertaken our valuation on the basis that WOTSO Workspace Pty Ltd is an independent business and the leases are “arm’s length”. If this is not the case our valuation may be affected and should be returned to us for review.
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- We have reviewed a Lease Proposal for Verizon Australia Pty Limited to renew its existing lease and correspondence between the Landlord and the Tenants agent, confirming terms have been agreed. We have adopted the terms of the Lease Proposal and have assumed that a lease will be executed, embracing these terms, in due course. If this is not the case our valuation may be affected and should be returned to us for review.
-

The above property specific assumptions are provided in addition to the [Critical Assumptions and Qualifications](#) and [Definitions and Disclaimers](#) detailed within this report.

Risk Assessment

Market

Investment

- In response to inflationary pressures, the Reserve Bank of Australia (RBA) started a period of monetary policy tightening in May 2022, incrementally raising the cash rate from 0.10 to 4.10 per cent. There remains a degree of uncertainty in the market surrounding when, and at what level, the cash rate will peak. At its June meeting, the RBA signalled that further rate rises might be needed to curb inflation and several of the major banks are now forecasting at least one more rate rise this year. The rising interest rate environment and higher bond yields and cost of capital has resulted in an easing of investment yields over the past 6 to 12 months. Further interest rate rises could lead to a further softening in yields.
- Investment demand is currently moderate for CBD and metropolitan office assets. If offered to the market the property should demonstrate moderate demand.
- The likely buyer profile is private investors, investment syndicates, local and offshore listed and wholesale funds.
- The estimated selling period is six months in the current investment environment.
- Overall investment risk is **medium**.

Tenant

- Leasing demand in the Sydney CBD fringe markets is steady at the current time and recent activity in the building has been good.
- Two office tenancy areas totalling 1,260m² are currently vacant, consisting of part floor suites on Levels 1 and 2.
- The tenancy profile is varied and includes a large child care facility, large areas of co-working space, general offices and a data centre component.
- Gross passing rents vary from \$425 to \$921/m² for the commercial tenancy areas. We note several leasing deals have recently been agreed on an effective basis, reducing the passing rent and incentives. The average gross passing rent for the commercial tenancies is \$641/m² which is below the assessed average gross market rent (\$760/m²), indicating good prospects for passing income growth and rent reversions.
- Overall tenant/leasing risk is **moderate to high**.

Asset

- Components of the building have been refurbished over recent years and it generally presents in good order throughout.
- Floor plates are relatively large and range between 1,662 to 2,713 m².
- Levels 4 and 6 include external terraces.
- With three street frontages, the office floors have good natural light provisions and enjoy attractive views to the north and west across Blackwattle Bay, Anzac Bridge and the neighbouring district.
- Parking provisions are moderate for this location.
- The location is reasonably well serviced by public transport with regular light rail and bus services in close proximity.
- A Metro station is proposed to be developed nearby at corner Pyrmont Bridge Road and Union Street and is scheduled for completion in 2028.
- Immediate capital expenditure requirements are limited. We have incorporated an annual capital expenditure allowance equivalent to \$15/m² plus an average \$150/m² refurbishment allowance at each lease expiry, escalated by CPI.
- Building services include a generator to power essential building services during periods of mains power interruption.

- The property occupies a large generally regular site, with 3 street frontages which is zoned B4 Mixed Use. Whilst the existing use is considered to be the highest and best use at the current time, the physical attributes of the site and the planning provisions provide scope for redevelopment longer term.
- Overall asset related risk is **moderate**.

Cash Flow Profile

- The property is leased to 10 commercial tenants.
- The tenancy profile is generally considered to be of good calibre.
- The lease expiry is short to medium term at 4.26 years (income weighted).
- The adopted building outgoings represent \$154.24/m² which is considered reasonable for an office building of this size and nature.
- Approximately 54% of the NLA is either vacant or subject to leases which expire in the 24 months from the date of valuation. Renewing and/or re-leasing these tenancy areas will need to be a management focus and exposes the asset to potential income risk.
- Overall cashflow risk is **moderate to high**.

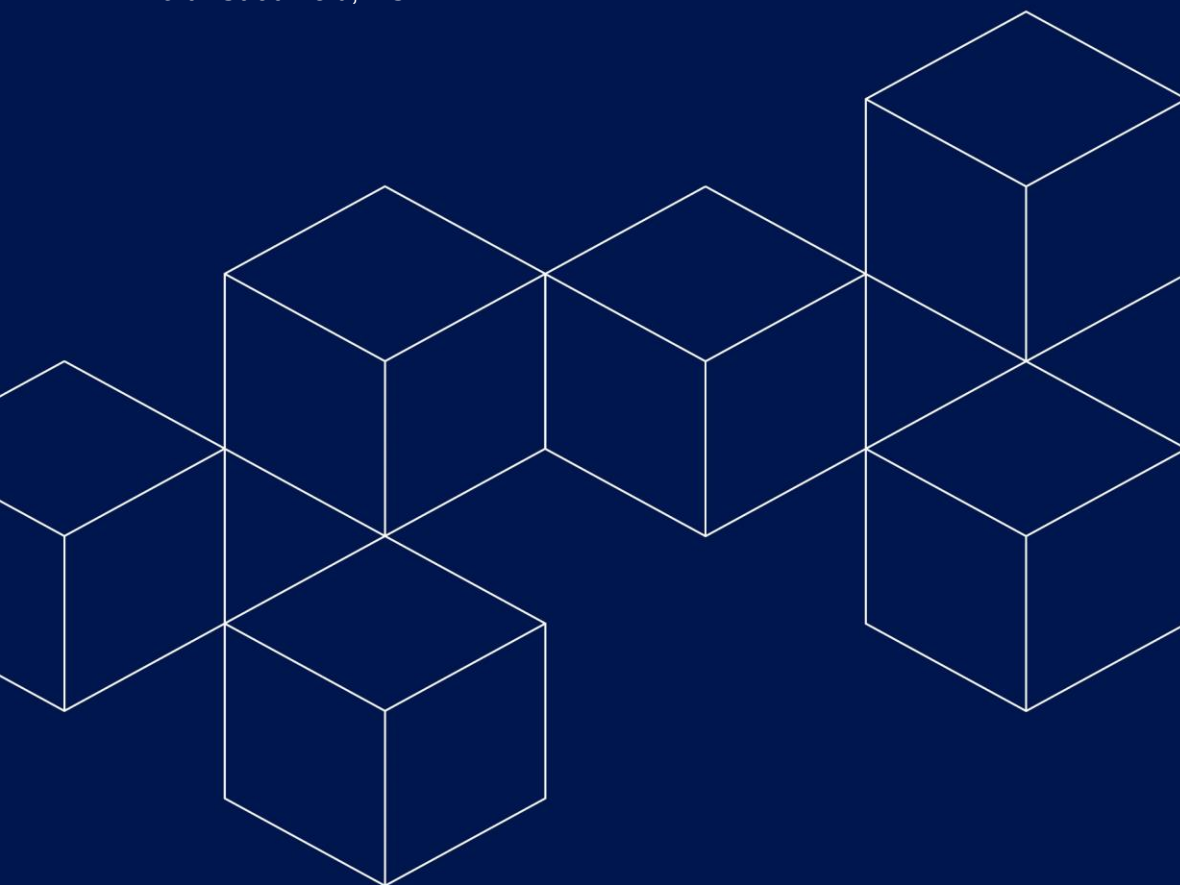
Asset Management

- The property comprises a multi tenanted office building which has average management requirements. It appears to be well managed.
- Active asset management will be required to lease the two vacant tenancies and maintain occupancy and performance.

Date of Valuation: 14 July 2023

VALUATION REPORT

11a-13 George Street,
North Strathfield, NSW





Source: Six Maps

Executive Summary

Instructions

Prepared for	Blackwall Property. Jessie Glew.
Reliant Parties and Purpose	RSM Corporate Australia Pty Ltd (RSM) for inclusion in the Independent Experts Report in relation to the proposed acquisition of a 100% interest in the Pelorus Equity Limited by BlackWall Limited.
Interest Valued	Fee simple subject to the existing leases.

Property Details

Address	11a-13 George Street, North Strathfield, NSW.
Registered Proprietor	Alerik Pty Limited.
Site Area	11a George Street – 3,359 square metres. 13 George Street – 4,553 square metres. Total Land Area – 7,912 square metres.
Planning	'E2 – Commercial Centre' pursuant to the Canada Bay Local Environmental Plan 2013
Description	<p>The subject property comprises two contiguous lots, improved with a mixed commercial building and a carpark, known as 11a George Street (Building L) and 13 George Street (Building M). As per instruction, we have assessed the properties In One Line.</p> <p>11a George Street (Building L) –</p> <p>Comprises a six-level commercial car park, forming part of the Bakehouse Quarter commercial precinct in Strathfield. The car park provides 471 single marked bays of which 220 are currently occupied under lease or on a monthly basis.</p> <p>The ground floor of the car park accommodates twelve retail/commercial tenancies, of which, nine are currently occupied. Furthermore, we note that an additional first floor office (420m²) is approved for use and may be activated, subject to appropriate approvals and capital works.</p> <p>13 George Street (Building M) –</p> <p>Comprises a three-storey commercial building. It provides two childcare facilities, a retail tenancy, and gymnasium over the ground and first floor. Level 2 comprises a basic foyer and three office tenancies.</p> <p>The Ground Floor component includes a retail tenancy which is currently utilised as a café.</p> <p>Level 1 comprises two childcare facilities which are positioned within the northern and southern wings of the subject property. These child care centres incorporate smaller ancillary areas located on the Ground Floor. Each facility incorporates extensive outdoor play areas. Level 1 also incorporates a gym tenancy.</p> <p>Level 2 comprises a basic foyer area, lift and commercial offices which are currently configured to provide three office tenancies.</p> <p>Undercroft parking is provided for 18 single marked bays. An additional 18 spaces are provided to the car park adjoining the subject property's southern boundary by virtue of cross easements benefiting the subject property.</p> <p>Furthermore, we note that an additional ground floor office (302m²) is approved and may be activated, subject to appropriate approvals and capital works.</p>
Environmental Performance	N/A.
Net Lettable Area	11a George Street - 1,644 square metres. 13 George Street – 4,059 square metres.
Car Spaces	11a George Street - 471. 13 George Street – 18.

Vacancy	14.7% or 836* square metres. *We note that the above vacant area is primarily relating to the approved commercial spaces noted above. Disregarding the areas that are currently in the process of fit out, or proposed for fit out, the vacancy rate decreases to <2% of NLA.
Lease Expiry	4.40 years – income weighted. 4.17 years – area weighted.

Valuation

Valuation Approaches	Discounted Cash Flow, Income Capitalisation and Comparable Transactions.
Date of Inspection	14 July 2023.
Date of Valuation	14 July 2023.
Market Value	\$46,500,000 exclusive of GST.

Prepared By

Valuer	Josh Marks GradDip (PropDev) AAPI Certified Practising Valuer Director Primary Signatory
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This valuation report is prepared subject to the [Critical Assumptions and Qualifications](#) and [Definitions and Disclaimers](#) detailed within this report.

This is a summary only and is not to be relied upon for any purpose. The valuation assessment for this property is subject to the assumptions, conditions and limitations as set out in the accompanying full valuation report.

Valuation Summary

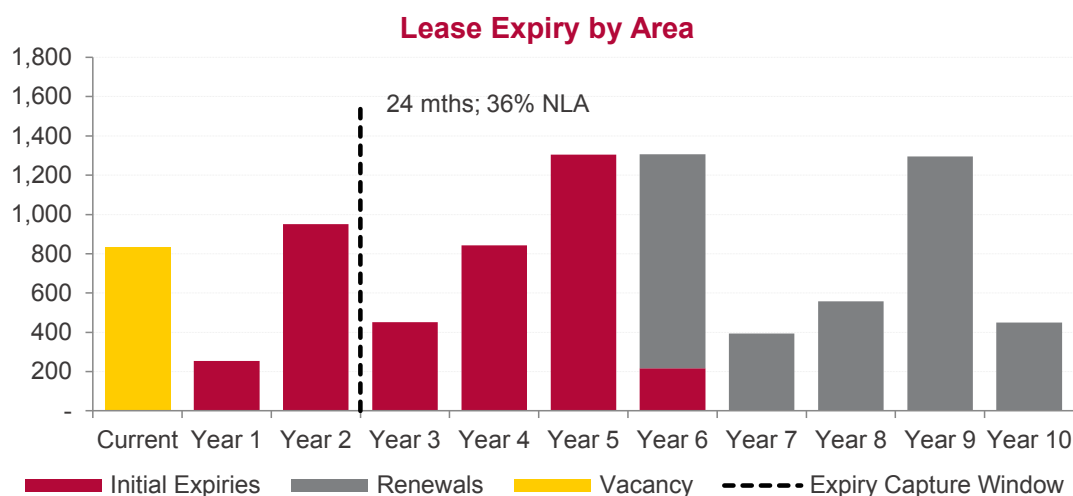
Valuation Details

Date of Valuation	14 July 2023
Purpose of Valuation	First Mortgage Security
Interest Valued	100% Freehold

Income Assessment	Net	\$/m ²	Gross	\$/m ²
Passing Income	2,578,224	452	3,199,168	561
Passing Income (fully leased)	3,269,124	573	3,890,068	682
Market Income	3,203,010	562	3,869,134	678
Outgoings \$ pa.	(620,944)	(109)	(620,944)	(109)
Vacancy Factor	-	-	-	-
Office Passing Income	698,462	262	910,343	341
Office Market Income	985,751	369	1,276,243	478

Area & Occupancy Details

Total NLA	5,703.00
Occupied NLA	85.3% 4,867.00
Vacant NLA	14.7% 836.00
Weighted Lease Duration By Area	4.17 Years
Weighted Lease Duration By Gross Passing Income	4.40 Years



Valuation Conclusion and Metrics

Capitalisation Approach	46,500,000
DCF Approach	46,500,000
Adopted Market Value	46,500,000
Initial Yield	5.54%
Initial Yield (After Abatements)	5.54%
Initial Yield (Fully Leased)	7.03%
Equated Market Yield	6.29%
Capital Value \$/m² - NLA	8,154
10 Year IRR	7.01%

Capitalisation Approach

Gross Market Income		3,869,134	
Outgoings		620,944	
Net Market Income		3,203,010	
Capitalisation rate	6.54%	6.29%	6.04%
Core Capital Value (fully leased)	49,008,351	50,957,569	53,068,263
Adjustments	(4,437,188)	(4,443,745)	(4,450,116)
Capitalisation Value	44,571,163	46,513,824	48,618,147
Capitalisation Value, Rounded	44,500,000	46,500,000	48,500,000

Expiry Allowances for Tenancies expiring before 14-Jul-25 24 capturing 36% of NLA

Capital Expenditure

	\$	\$/m ²	% of Value
Capital Expenditure adopted In Cap Val (24 months)	2,387,812	419	5.14%
Capital Expenditure (10 years, inflated)	4,367,243	766	9.39%
Capital Expenditure (10 years, PV)	3,635,990	638	7.82%
Capex (10 yrs incl. terminal value allowances, inflated)	4,993,932	876	10.74%
Capex (10 yrs incl. terminal value allowances, PV)	4,685,820	822	10.08%

Discounted Cash Flow Approach

Cash Flow period	10
Discount Rate	7.00%
Terminal Capitalisation Rate	6.79% + 50.0 bp spread
Terminal Allowance for Tenancies expiring before	14-Jul-35 24 capturing 45% of NLA

Assumed WALE By Area (as at 14-Jul-33)	2.30 Years
Assumed WALE By Gross Passing Income (as at 14-Jul-33)	2.11 Years

Sum of Discounted Cash Flows	17,943,886	36.45%
Present Value of Terminal Value	31,282,014	63.55%
NPV (before acquisition costs)	49,225,900	
Acquisition Costs	(2,676,586)	
NPV (after acquisition costs)	46,549,314	
Rounded NPV	46,500,000	

10 Year DCF Sensitivity Matrix

TerminalYield	Discount rate					
	7.50%	7.25%	7.00%	6.75%	6.50%	
	7.29%	42,781,931	43,601,318	44,440,315	45,299,454	46,179,285
	7.04%	43,752,550	44,594,802	45,457,257	46,340,464	47,244,992
	6.79%	44,794,865	45,661,669	46,549,314	47,458,368	48,389,417
	6.54%	45,917,103	46,810,343	47,725,110	48,661,993	49,621,596
	6.29%	47,128,804	48,050,587	48,994,638	49,961,567	50,952,001

10 Year IRR Sensitivity Matrix

TerminalYield	Adopted Value				
	47,500,000	47,000,000	46,500,000	46,000,000	45,500,000
	7.29%	6.13%	6.27%	6.41%	6.55%
	7.04%	6.43%	6.56%	6.70%	6.84%
	6.79%	6.73%	6.87%	7.01%	7.15%
	6.54%	7.06%	7.19%	7.33%	7.47%
	6.29%	7.39%	7.53%	7.67%	7.81%

Office		Vacancies	Year 1 14-Jul-23 13-Jul-24	Year 2 14-Jul-24 13-Jul-25	Year 3 14-Jul-25 13-Jul-26	Year 4 14-Jul-26 13-Jul-27	Year 5 14-Jul-27 13-Jul-28	Year 6 14-Jul-28 13-Jul-29	Year 7 14-Jul-29 13-Jul-30	Year 8 14-Jul-30 13-Jul-31	Year 9 14-Jul-31 13-Jul-32	Year 10 14-Jul-32 13-Jul-33
Expiry Profile	m ²	722	-	807	452	687	-	722	250	557	1,139	-
Renewal Probability	%		50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Downtime	months	12.0	6.0	6.0	9.0	6.0	6.0	6.0	9.0	9.0	6.0	9.0
Applied Downtime	months	12.0	3.0	3.0	4.5	3.0	3.0	3.0	4.5	4.5	3.0	4.5
Lease term	years	5	5	5	5	5	5	5	5	5	5	5
Commencement Profile	m ²	-	-	972	557	1,139	-	-	972	557	452	687
Gross Incentives - New Leases	%	32.0%	30.0%	29.0%	28.0%	26.0%	24.0%	23.0%	22.0%	21.0%	20.0%	20.0%
Gross Incentives - Renewals	%		30.0%	29.0%	28.0%	26.0%	24.0%	23.0%	22.0%	21.0%	20.0%	20.0%
Gross Incentives	%	32.0%	30.0%	29.0%	28.0%	26.0%	24.0%	23.0%	22.0%	21.0%	20.0%	20.0%
Incentive Probability	%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Applied Gross Incentives	%	32.0%	30.0%	29.0%	28.0%	26.0%	24.0%	23.0%	22.0%	21.0%	20.0%	20.0%
Applied Incentives	months	19.2	18.0	17.4	16.8	15.6	14.4	13.8	13.2	12.6	12.0	12.0
Leasing Costs - New Leases	%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Leasing Costs - Renewals	%		10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Applied Leasing Costs	%	15.0%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
Refurbishment on Expiry - New Leases	\$/m ²	150.00	150.00	157.08	161.93	166.25	170.35	174.57	178.95	183.43	188.01	192.71
Refurbishment on Expiry - Renewals	\$/m ²		150.00	157.08	161.93	166.25	170.35	174.57	178.95	183.43	188.01	192.71
Applied Refurbishment Expiry Allowance	\$/m ²		150.00	157.08	161.93	166.25	170.35	174.57	178.95	183.43	188.01	192.71
Net Market Rent (start of period)	\$/m ²		369	364	366	375	388	402	418	435	454	474
Gross Market Rent (start of period)	\$/m ²		478	481	489	502	518	536	556	577	599	624
Occupancy Rate (Weighted by Area)	%		72.9%	95.1%	94.1%	90.0%	100.0%	100.0%	86.3%	92.2%	87.3%	98.8%

Childcare		Vacancies	Year 1 14-Jul-23 13-Jul-24	Year 2 14-Jul-24 13-Jul-25	Year 3 14-Jul-25 13-Jul-26	Year 4 14-Jul-26 13-Jul-27	Year 5 14-Jul-27 13-Jul-28	Year 6 14-Jul-28 13-Jul-29	Year 7 14-Jul-29 13-Jul-30	Year 8 14-Jul-30 13-Jul-31	Year 9 14-Jul-31 13-Jul-32	Year 10 14-Jul-32 13-Jul-33
Expiry Profile	m ²	-	-	-	-	-	854	-	-	-	-	-
Renewal Probability	%		50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Downtime	months	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Applied Downtime	months	6.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Lease term	years	5	5	5	5	5	5	5	5	5	5	5
Commencement Profile	m ²	-	-	-	-	-	-	854	-	-	-	-
Gross Incentives - New Leases	%	-	-	-	-	-	-	-	-	-	-	-
Gross Incentives - Renewals	%		-	-	-	-	-	-	-	-	-	-
Gross Incentives	%	-	-	-	-	-	-	-	-	-	-	-
Incentive Probability	%	100%	-	-	-	-	-	-	-	-	-	-
Applied Gross Incentives	%	-	-	-	-	-	-	-	-	-	-	-
Applied Incentives	months	-	-	-	-	-	-	-	-	-	-	-
Leasing Costs - New Leases	%	-	-	-	-	-	-	-	-	-	-	-
Leasing Costs - Renewals	%	-	-	-	-	-	-	-	-	-	-	-
Applied Leasing Costs	%	-	-	-	-	-	-	-	-	-	-	-
Refurbishment on Expiry - New Leases	\$/m ²	150.00	150.00	157.08	161.93	166.25	170.35	174.57	178.95	183.43	188.01	192.71
Refurbishment on Expiry - Renewals	\$/m ²		150.00	157.08	161.93	166.25	170.35	174.57	178.95	183.43	188.01	192.71
Applied Refurbishment Expiry Allowance	\$/m ²		150.00	157.08	161.93	166.25	170.35	174.57	178.95	183.43	188.01	192.71
Net Market Rent (start of period)	\$/m ²		595	620	637	654	669	685	702	719	737	755
Gross Market Rent (start of period)	\$/m ²		704	737	760	780	799	819	839	860	882	904
Occupancy Rate (Weighted by Area)	%		100.0%	100.0%	100.0%	100.0%	91.1%	96.3%	100.0%	100.0%	100.0%	100.0%

Car Parking		Vacancies	Year 1 14-Jul-23 13-Jul-24	Year 2 14-Jul-24 13-Jul-25	Year 3 14-Jul-25 13-Jul-26	Year 4 14-Jul-26 13-Jul-27	Year 5 14-Jul-27 13-Jul-28	Year 6 14-Jul-28 13-Jul-29	Year 7 14-Jul-29 13-Jul-30	Year 8 14-Jul-30 13-Jul-31	Year 9 14-Jul-31 13-Jul-32	Year 10 14-Jul-32 13-Jul-33
Expiry Profile	m ²	-	-	-	-	-	-	-	-	-	-	-
Renewal Probability	%		50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Downtime	months	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Applied Downtime	months	6.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Lease term	years	5	5	5	5	5	5	5	5	5	5	5
Commencement Profile	m ²	-	-	-	-	-	-	-	-	-	-	-
Gross Incentives - New Leases	%	-	-	-	-	-	-	-	-	-	-	-
Gross Incentives - Renewals	%		-	-	-	-	-	-	-	-	-	-
Gross Incentives	%	-	-	-	-	-	-	-	-	-	-	-
Incentive Probability	%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Applied Gross Incentives	%	-	-	-	-	-	-	-	-	-	-	-
Applied Incentives	months	-	-	-	-	-	-	-	-	-	-	-
Leasing Costs - New Leases	%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Leasing Costs - Renewals	%		10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Applied Leasing Costs	%	15.0%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
Refurbishment on Expiry - New Leases	\$/m ²	-	-	-	-	-	-	-	-	-	-	-
Refurbishment on Expiry - Renewals	\$/m ²		-	-	-	-	-	-	-	-	-	-
Applied Refurbishment Expiry Allowance	\$/m ²		-	-	-	-	-	-	-	-	-	-
Net Market Rent (start of period)	\$/m ²		-	-	-	-	-	-	-	-	-	-
Gross Market Rent (start of period)	\$/m ²		-	-	-	-	-	-	-	-	-	-
Occupancy Rate (Weighted by Area)	%		-	-	-	-	-	-	-	-	-	-

Property Specific Assumptions

Critical Assumptions

- The lease to Leaseplan Pty Ltd has nil make good. We have allowed for \$400/m² upon renewal to make good the office space.
 - The lease provided for Shape Personal Training was not executed. The tenant was in occupation at time of inspection, and we are advised that they are paying rent and the solicitors are digitally signing the lease imminently. For the purpose of this report, we have assumed that the formal lease documentation will be executed as per the details provided in this report. Should the lease not proceed for any reason, we recommend the lender return the report for review and amendment.
-

The above property specific assumptions are provided in addition to the [Critical Assumptions and Qualifications](#) and [Definitions and Disclaimers](#) detailed within this report.

Risk Assessment

Market

Investment

- The property should demonstrate moderate demand if offered to the market at the current time.
- The estimated selling period is six months in the current investment environment.
- Likely buyer profile is private investors, investment syndicates and/or adjoining owners and developers.
- Leasing demand for childcare centres is largely generated by the local catchment. Overall, the demand within the catchment is considered to be average with 2.50 (0 – 5 year old) children per available place, representing an average level of competition of competing childcare centres. That said, we note the two centres within the subject are directly competing. Conversations with the centre managers at time of inspection suggested that the centres were between 90 – 100% capacity.
- Leasing demand for the commercial and retail suites has been positive, with the majority of newly completed shops leasing up well.

Key positive attributes include:

- Moderate to long term WALE of 4.17 years by area and 4.40 years by income.
- Newly constructed ground floor commercial/retail suites present well and have seen good levels of leasing demand.
- Minimal vacancy when excluding the areas currently approved and being configured for commercial use.
- Located within an area that continues to undergo significant gentrification.
- Large site area.
- Corner site position with wide frontage.

Key negatives include:

- Average office condition.
- Secondary office market.
- In response to inflationary pressures, the Reserve Bank of Australia (RBA) started a period of monetary policy tightening in May 2022, incrementally raising the cash rate from 0.10 to 4.10 per cent. There remains a degree of uncertainty in the market surrounding when, and at what level, the cash rate will peak. At its June meeting, the RBA signalled that further rate rises might be needed to curb inflation and several of the major banks are now forecasting at least one more rate rise this year.
- Further cash rate increases are expected to increase investment yield hurdle rates.

Market

Tenant

11a George Street

- Comprises 12 ground floor commercial/retail tenancies, of which 89% (1,115m²) of lettable area is leased and 11% (109m²) is on a month to month lease or vacant. The passing market is considered to align with market levels.
- Most of the tenants occupy the parking spaces on a monthly basis, although Total Construction directly lease 11 parking spaces in the building and 3 George Street Pty Ltd occupy 120 parking spaces (and an additional 89 on a monthly basis). These tenants occupy other office accommodation within buildings in the Bakehouse Quarter precinct. The lease arrangements for these spaces are not specific to Building L and technically these tenants could be relocated within the broader Bakehouse Quarter precinct if the landlord of this property (not the subject property) required them to do so. Accordingly there is some degree of risk that existing occupants re-locate from the subject building.
- Demand for parking will continue to be generated by tenants and business's within the neighbouring commercial buildings. Demand may vary with commercial occupancy within the precinct.
- Additional demand and revenue could be generated if an operator were engaged to manage the car park (subject to appropriate approvals), potentially supplementing monthly parking revenue with casual parking.
- We have applied a 15% vacancy factor to the vacant portion of the car park.

13 George Street

- As at the date of valuation the property was fully leased to seven tenants.
- Lighthouse Childcare and Fiona Childcare Centre are the major tenants, occupying 42% of total NLA, contributing 55% of the total gross market income, and expiring in May 2028 and March 2036 respectively.
- There is no vacancy within the building with the exception of the additional ground floor commercial suite currently being fitted out.

Asset

11a George Street

- The building is a well-designed car park building and presents in good order with modern shopfronts at the ground level.
- The car spaces are well proportioned, and access and manoeuvrability within the car park is good.
- The property forms part of an established commercial precinct, known as Bakehouse Quarter, which includes approximately 45,000m² of retail and commercial accommodation within 12 buildings along George Street, from Parramatta Road to Hamilton Street East. The total number of parking spaces within the precinct is approximately 1,850, indicating an overall parking provision of 4.11 spaces per 100 m² of lettable area.
- The subject property provides 471 spaces or approximately 25% of the total parking provision in the precinct.
- Potential changes to planning controls in the precinct may result in changes of use which may impact on parking requirements.
- The potential retail and commercial tenancies formed part of the Section 96 (2) Application No: 177/2006 approval. Activation and fit out of these areas may require further approval.
- Capital expenditure requirements relate to the activation of the potential retail and commercial tenancy areas.

13 George Street

- The subject property was constructed approximately 35 years ago and has been refurbished at various intervals since to provide medium standard childcare and office accommodation.
- The locality has undergone significant gentrification over the last 20 years, with residential uses replacing former industrial sites.
- Works are currently under way to create further commercial office accommodation within the building, totalling an NLA of 302m². The proposed tenancy area is currently a bare shell and will require fit out works and glass frontage to the car park facing side. We have applied a rate of \$2,500/m² in capital allowances to complete works that have been approved for commercial use.
- The potential commercial tenancies form part of DA/2020/0278 approval.
- No NABERS rating.

Cash Flow Profile

- Medium calibre tenancy profile overall, with long term tenants that have occupied the building for 5+ years.
- Medium term lease expiry profile of 4.17 years by area and 4.40 years by income.
- The car park occupants/tenants are invariably tenants or customers to the adjoining Bakehouse Quarter precinct or individuals employed nearby.
- Parking occupancy and revenue will likely vary with commercial occupancy within the neighbouring commercial precinct. Accordingly, there may be some volatility associated with cash flow.
- Passing rents within the buildings are generally within market parameters, with the exception of Civium.
- We are advised that there are currently no outstanding incentives.

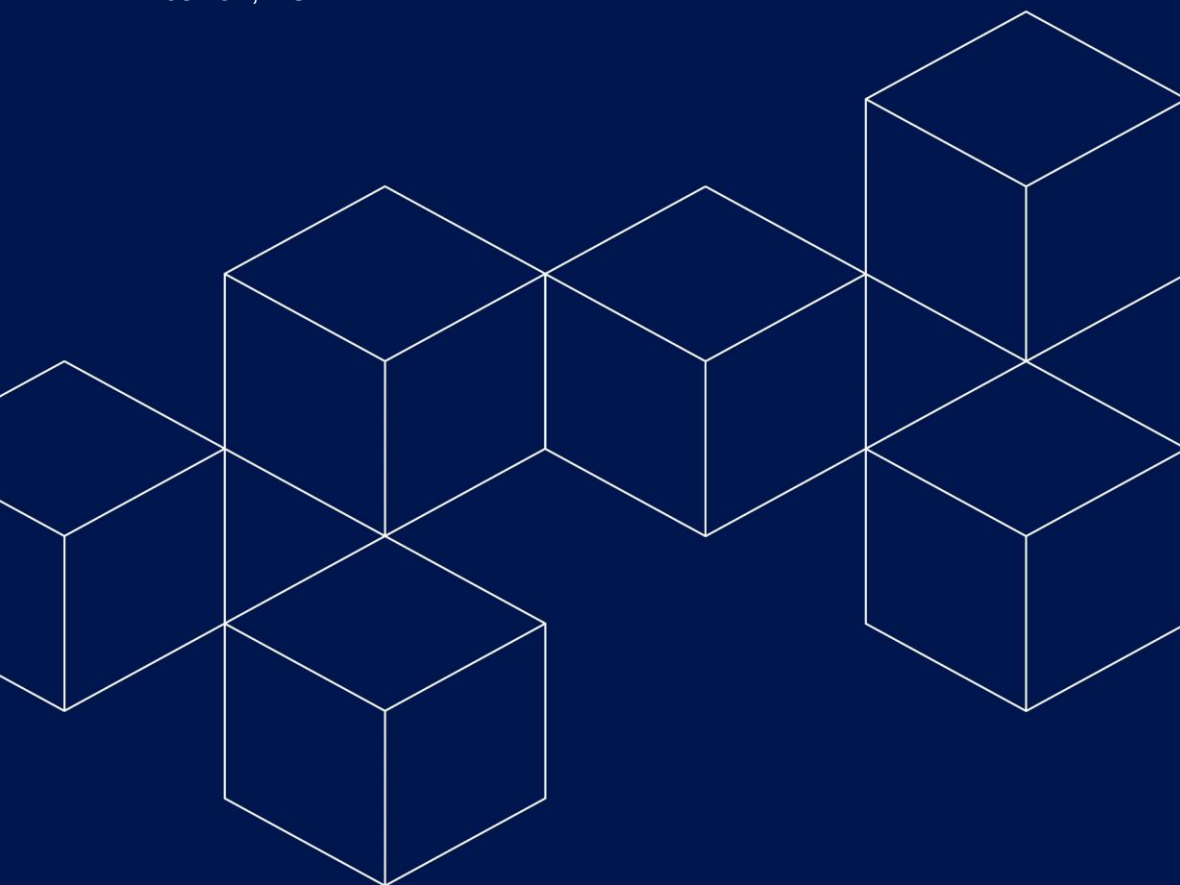
Asset Management

- The properties comprise complex management and professional management is recommended. They are currently actively managed by the owner.

Date of Valuation: 14 July 2023

VALUATION REPORT

743 Military Road,
Mosman, NSW





Source: Six Maps

Executive Summary

Instructions

Prepared for	Blackwall Property. Jessie Glew.
Reliant Parties and Purpose	RSM Corporate Australia Pty Ltd (RSM) for inclusion in the Independent Experts Report in relation to the proposed acquisition of a 100% interest in the Pelorus Equity Limited by BlackWall Limited.
Interest Valued	Fee simple subject to the existing leases.

Property Details

Address	743 Military Road, Mosman, NSW.
Registered Proprietor	Mosman Branch Pty Limited.
Site Area	486.9 square metres.
Planning	'E1 Local Centre' pursuant to the Mosman Local Environmental Plan 2012.
Description	The subject property is improved with a circa 1950's, rendered masonry, two storey commercial building comprising two tenancies, which are configured as a ground floor tenancy and a part ground floor and first floor tenancy. On-grade car parking is located at the rear of the property with parking for 4-5 vehicles in a tandem formation.
Environmental Performance	Not rated.
Net Lettable Area	431.3 square metres.
Car Spaces	Five (5) car spaces.
Vacancy	Nil.
Lease Expiry	3.55 years – income weighted. 3.22 years – area weighted.

Valuation

Valuation Approaches	Discounted Cash Flow, Income Capitalisation and Comparable Transactions.
Date of Inspection	14 July 2023.
Date of Valuation	14 July 2023.
Market Value	\$9,400,000 exclusive of GST.

Prepared By

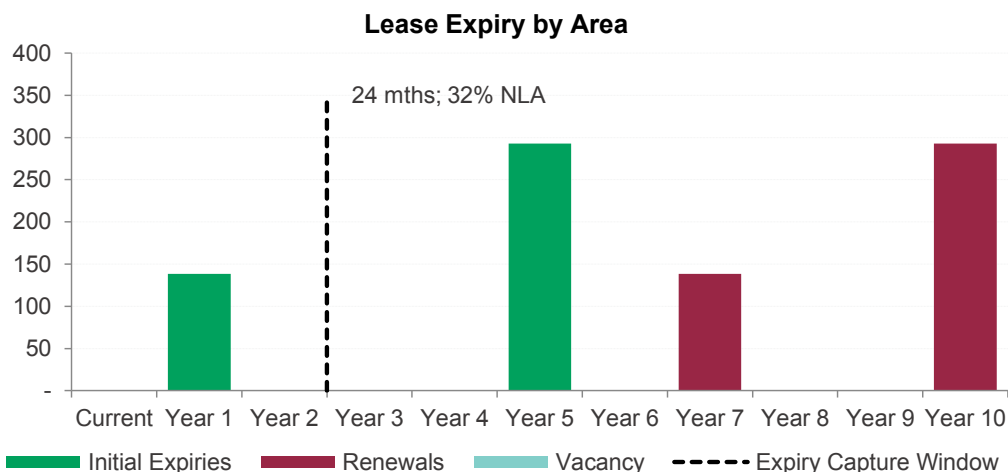
Valuer	Josh Marks GradDip (PropDev) AAPI Certified Practising Valuer Director Primary Signatory
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This valuation report is prepared subject to the [Critical Assumptions and Qualifications](#) and [Definitions and Disclaimers](#) detailed within this report.

This is a summary only and is not to be relied upon for any purpose. The valuation assessment for this property is subject to the assumptions, conditions and limitations as set out in the accompanying full valuation report.

Valuation Summary

Valuation Details				
Date of Valuation	14 July 2023			
Purpose of Valuation	Internal Purposes			
Interest Valued	100% Freehold			
Income Assessment	Net	\$/m ²	Gross	\$/m ²
Passing Income	426,109	988	540,200	1,252
Passing Income (fully leased)	426,109	988	540,200	1,252
Market Income	426,109	988	540,200	1,252
Outgoings \$ pa.	(114,091)	(265)	(114,091)	(265)
Vacancy Factor	-	-	-	-
Retail Passing Income	342,493	1,169	420,000	1,433
Retail Market Income	342,493	1,169	420,000	1,433
Area & Occupancy Details				
Total NLA				431.30
Occupied NLA	100.0%			431.30
Vacant NLA				-
Weighted Lease Duration By Area				3.22 Years
Weighted Lease Duration By Gross Passing Income				3.55 Years



Valuation Conclusion and Metrics	
Capitalisation Approach	9,400,000
Direct Comparison Approach	9,500,000
Adopted Market Value	9,400,000
Initial Yield	4.53%
Initial Yield (After Abatements)	4.53%
Initial Yield (Fully Leased)	4.53%
Equated Market Yield	4.48%
Capital Value \$/m² - NLA	21,795

Capitalisation Approach			
Expiry Allowances for Tenancies expiring before	3-Apr-25	24 months capturing 32% of NLA	
Market Capitalisation rate	4.75%	4.50%	4.25%
Market Capitalisation Value	8,805,968	9,299,760	9,851,698
Rounded Market Capitalisation Value	8,800,000	9,300,000	9,900,000

Direct Comparison Approach				
		Low	Mid	High
Net Lettable Area	m ²		431	
Value of Net Lettable Area	\$/m ²	21,500	22,000	22,500
Direct Comparison - Net Lettable Area	\$	9,272,950	9,488,600	9,704,250
Adopt	\$		9,500,000	

Property Specific Assumptions

Critical Assumptions

- We have researched the NSW Valuer General land value search, the survey provided by Bee & Lethbridge Pty Ltd, dated 17 March 2004, as well as calculating the length and width provided on the Deposited Plan. We note that there is an inconsistency between the specified area (487m²) and calculated area (507m²) using the stated width and length on the Deposited Plan. Noting the sum of the Deposited Plan length and width (507m²), the formal survey (508m²) and NSW Valuer General land value search area (505m²) for the purpose of this valuation, we have adopted 505m² as the total site area. We have assessed the property based on this assumption, and should any further investigations prove this to be incorrect we reserve the right to review and amend our valuation.
-

The above property specific assumptions are provided in addition to the [Critical Assumptions and Qualifications](#) and [Definitions and Disclaimers](#) detailed within this report.

Risk Assessment

Market

Investment

- In response to inflationary pressures, the Reserve Bank of Australia (RBA) started a period of monetary policy tightening in May 2022, incrementally raising the cash rate from 0.10 to 4.10 per cent. There remains a degree of uncertainty in the market surrounding when, and at what level, the cash rate will peak. At its July meeting, the RBA signalled that further rate rises might be needed to curb inflation and several of the major banks are now forecasting at least one or two more rate increases this year. A higher cash rate will likely increase required investment yields.
- Broadly, market interest and demand remain moderate within the commercial/retail sector, however, the subject is located in an established prominent and desired retail position on Military Road in Mosman. Investor demand would likely be higher than average as a result.
- The estimated selling period is up to six months in the current investment market.
- Overall, investment risk is considered **moderate**.

Tenant

- The property is leased to Westpac Banking Corporation until October 2027, and CompetencyBook until June 2024.
- The passing rent is considered to align with market rent.
- Leasing demand for commercial accommodation in this location is largely generated by retail operators, as well as commercial occupants.
- Overall, tenancy risk is considered **low to moderate**.

Asset

- Circa 1950's refurbished retail and office improvements presenting in good condition.
- The property is situated on a corner site in an established retail location fronting Military Road and Belmont Road within the highly regarded Mosman retail strip and provides good exposure to passing vehicular and pedestrian traffic.
- Access is available from Belmont Road to five (5) on-grade, tandem parking spaces.
- Pedestrian access to the building is directly off Military Road.
- Overall, asset risk is considered **low to moderate**.

Cash Flow Profile

- Fully leased, with a medium term WALE of 3.55 years by income, and 3.22 years by area.
- The passing rents are considered to be within acceptable market parameters.
- Building outgoings are assessed at \$264.53 per square metre which is considered at the upper end of market parameters for a building of this quality.

Asset Management

- The property is multi-tenanted with moderate management requirements and is currently managed by the owner. Due to the size of the asset, professional asset management is recommended.

SWOT Analysis

Strengths

- Desirable location situated within a prominent retail position on the corner of Military Road and Belmont Road in Mosman.
- Good quality commercial improvements appearing to be in good condition throughout.
- On-grade parking for five (5) vehicles in tandem formation.
- Benefits from full glass frontage to both Military Road and Belmont Road.

Weaknesses

- No weaknesses identified.

Opportunities

- Potential to increase lettable area or redevelop subject to council approval.

Threats

- Cost of debt placing upward pressure on capitalisation rates.
 - In response to inflationary pressures, the Reserve Bank of Australia (RBA) started a period of monetary policy tightening in May 2022, incrementally raising the cash rate from 0.10 to 4.10 per cent. There remains a degree of uncertainty in the market surrounding when, and at what level, the cash rate will peak. At its July meeting, the RBA signalled that further rate rises might be needed to curb inflation and several of the major banks are now forecasting at least one or two more rate increases this year. A higher cash rate will likely increase required investment yields.
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