

ANGAS ASSET MANAGEMENT FUND

ARSN 633 454 832

Angas Securities Limited ACN 091 942 728 AGSL 232479 ("Angas")
As Responsible Entity for the Angas Asset Management Fund ("AAMF")

PORTFOLIO OVERVIEW AS AT 30 JUNE 2020

Implementation of the Scheme of Arrangement

This commenced on 3rd June 2019. A high level overview has been provided to investors in Quarterly Reports dated 30 September 2019, 31 December 2019 and 31 March 2020. A similar high level overview will be included in the succeeding three Quarterly Reports. This narrative overview covers the period from implementation of the Scheme to 30 June 2020.

AAMF entered into several conditional sale contracts for large land assets but most did not proceed and none of these contracts settled during the period. There was a large Bio Credit sale which permitted a unit redemption to be made to investors on 26 August 2019. There have been multiple smaller land sales, bio credit sales and recoveries from miscellaneous assets. These inflows have been applied by the Responsible Entity to repay Trustee fees, reduce statutory liabilities for land tax and council rates, pay marketing expenses, undertake the Fernhill Western Precinct subdivision, meet Bio Banking responsibilities, pursue the Wellard Odour Buffer removal, meet legal fees for litigation by and against the Fund and to pay the administrative costs of the Fund including investor communication and AFSL expenses.

The opening liability to the Trustee was \$3,358,497.96 of which \$2,133,171.49 has been paid to date with \$1,225,301.47 still payable. Most of the other outgoings during the period were as anticipated and have enhanced the Fund's position either through reducing statutory liabilities or seeking to add value to major assets like land at Fernhill and Wellard. Regrettably, investors will not see the benefit of these outflows until sales are achieved and settled. Steps are being actively taken by Angas to realise land and all other assets of the Fund.

Fernhill Bio Credits

Fernhill Bio Credits together with the Western Precinct land together comprise approximately 40% of AAMF's assets. Bio Credits have been a valuable source of inflows but sales are demand driven. The Fund's Bio Credit Manager reports: -

- Western Sydney continues to have more development projects in the planning phase which are 'pushing' into more sandstone influenced vegetation types as development pressure extends across the broader Western Sydney basin. This has the potential to increase sales associated with these vegetation types. (These are the Bio Credits held by AAMF).
- Several large infrastructure projects are planned to support predicted residential growth including the Western Sydney Airport and associated road and public transport network.
- There may be the potential for further increases to Bio Credit prices as the take up of Biodiversity Stewardship sites under the new system continues to be slow. (AAMF's Bio Credits were issued under the old system which is better understood by the market).

Meanwhile, the Biodiversity Conservation Trust (BCT) has completed the first annual site inspection and audit report for BA411 and BA412 on the Western Precinct. There have not been any bio credit sales to date in BA411, therefore this Biobanking Agreement only requires 'passive management' at this stage. It appears that one of the neighbours has taken upon himself to slash around his immediate boundary. Angas will write to the perpetrator requesting that this activity cease immediately.

BA412 is under 'active management' due to bio credit sales during the period. The management activities in this area are predominantly carried out by Greening Australia (weeding, native bush regeneration etc). However, in year 1 extensive fence works were also carried out, plus periodical feral animal control and other actions as required under the Biobanking Agreement.

Ultimately, the BCT was satisfied with the management actions under both agreements, and therefore it has now released the year 2 Part A payment for BA412. These funds will be unitized by AAMF to continue to carry out the biobanking management actions required under the agreement over the next 12-month period. Until bio credit sales occur in BA411 it will remain under passive management only.

Western Precinct Subdivision

Prior to the Scheme implementation, Angas obtained approval to split the Western Precinct at Fernhill into two titles and obtain a Biobanking Agreement for each. This process will deliver a higher return for AAMF unit holders. Much professional and physical work and co-ordination has been required. The Biobanking has gone very smoothly as set out above. Each of the proposed new lots has its own Biobanking Agreement. Physical separation has been achieved with survey work completed and fencing in place.

The land subdivision has taken much longer than expected. Penrith City Council required hydrological studies for once in a hundred year flooding and road works from Nepean Gorge Drive to the boundary of the new lot. That has all now been completed. This year, negotiations have been underway to provide power access to the land which requires a neighbour to grant consent for an electricity easement. Once all requirements of the subdivision are met, two new titles will issue and marketing will commence. Two large blocks at Mulgoa in Western Sydney with a housing site on each surrounded by native vegetation may prove attractive to buyers following the coronavirus home isolation episode.

Fernhill Central Sale Retention Sum

The sale of Fernhill Central was subject to three post-settlement conditions required by the purchaser. Portion of the sale price was held back to meet the cost of these three remediation projects. All were completed by Angas within budget. There was a surplus from the contract retention sum which was released to AAMF.

York Land Holdings Pty Ltd

This is one of the three development sites owned by companies formerly controlled by Perth builders and developers Joseph and Peter Tilli which are AAMF assets for sale. Both directors are now bankrupt. This asset is a parcel of four adjoining land holdings (58.73 hectares) within the Daliak Local Structure Plan located on the outskirts of York, a picturesque township 95 kilometres east of Perth. The borrower had obtained approval for an Outline Development Plan but it added no value to the market price as

there is no demand for additional residential land in or near York. The property was widely advertised. A conditional sale for \$900,000 plus GST failed to settle earlier this year. On being re-submitted to the market, a sale has been negotiated for \$600,000 plus GST which was due to settle by 30 June 2020 but was delayed by the lodgement of a caveat.

Project Developments Pty Ltd

This is another Tillii project. The site at Dayton within metropolitan Perth received development approval for 5,615 sqm of retail and has been actively marketed as a local shopping centre site for several years. AAMF obtained an extension of the development approval earlier this year. The borrower company, which is in liquidation, was convicted last year of illegally dumping building waste on the site, despite the perimeter having been fenced by AAMF. A contamination notice has now been attached to the title so any purchaser must allow for the cost of remediation. After several conditional sales contracts negotiated over recent years failed to settle, AAMF advertised the property for sale by auction to be held on 2 April 2020 which did not proceed due to COVID-19 restrictions. The campaign did elicit interest from several interested parties. The property is once again under conditional contract.

Como Residential Pty Ltd

This land at Wellard is the third Tilli development site within the AAMF portfolio. Angas has applied to remove the Odour Buffer from the zoning which restricts residential development of the whole site. The Livestock Holding Facility (“LHF”) one kilometre away is on land recently acquired by Stockland as part of a Master Planned future community. The LHF has been leased in the meantime. The Western Australian Planning Commission (“WAPC”) has disputed the methodology and implementation of AAMF’s scientific studies which support removal of the odour buffer. A trial listed in the State Administrative Tribunal for 15 April 2020 did not proceed due to COVID-19 restrictions. Meanwhile, a recent DWER inspection of the LHF discloses improved management practices by Stockland’s new operator which may have further abated the odour. A new scientific assessment methodology has been agreed with WAPC. Further testing is now being undertaken. Subject to the results for the further testing, it might be possible to obtain a re-consideration of the application by WAPC without proceeding to a contested hearing.

434 Safety Bay Road

This development site of 13,130sqm sits on the beachfront at Safety Bay in metropolitan Perth. The original developer had multiple pre-sales for a proposed apartment building but the project did not proceed when the WA property market collapsed. The local council then re-zoned the site to require a hotel or tavern as part of any future development. Several conditional contracts have failed to settle because the proposed buyers could not obtain satisfactory development approval on items that would deliver a profitable project. A recent conditional sale to a syndicate for \$5.0M did not proceed. That syndicate is now seeking to negotiate a purchase with the site being sub-divided into four (4) lots. This party has pre-commitment from an established publican but the COVID-19 restrictions have impacted negotiations due to closure of the publican’s five (5) existing licensed businesses.

Augusta Developments

This development site within St Eyre Estate forms part of an eight (8) stage project undertaken by the borrower in accordance with the Master Plan for Port Augusta West. Stages 1 & 2 sold out. The

borrower went into liquidation following BHP's decision to scale down its Olympic Dam mine re-development followed by demolition of the Power Station. Sales of individual allotments have stagnated for several years since then. The Council recently sealed 900 metres of road leading to the Estate. Recent projects announced in the Port Augusta region include doubling of the armed forces training facility at Cultanna Defence Precinct and a 320 megawatt wind and solar plant to be built by Iberdrola, a Spanish energy company. The AAMF site is being actively marketed. AAMF has applied for a Regional Development Grant to construct some retention ponds, footpaths and other infrastructure left incomplete by the borrower.

VFE Investments Pty Ltd

This 90 lot rural residential lifestyle development known as Valentine Falls Estate set adjacent to the Ord River at Kunnunurra in the Kimberly Region sold very well upon establishment. About half of the vacant residential blocks sold within expectations. When public sector employment dropped with the end of "Royalties for the Regions", house prices collapsed in Kunnunurra along with residential demand. Issues over land tax and council rates remain as these have been based on historical sale prices. Since the borrower was put into liquidation by the State Revenue Office in 2016, there have been only two sales with all proceeds being applied to land tax. AAMF is undertaking an auction in three stages commencing early July 2020 before the on-set of the wet season. Prior to the current auction process, despite extensive national marketing, all sales to date have been made to Kunnunurra locals. There have no investor sales yet.

Garden Estates Hackham & Garden Estates Christies

These two senior living estates were acquired by the borrower comprising 90 and 50 units respectively. Sales have been made predominantly to investors, both by the borrower and more recently by AAMF. Changes to bank credit policies now prevent these units being accepted as mortgage security so sales for the last three or four years have been restricted to cash buyers only which greatly limits the pool of purchasers. Nevertheless sales continue at a subdued but steady pace. Since implementation, AAMF has settled 2 Hackham and 4 Christies units. 5 Hackham units and 6 Christies units remain for sale plus there is a seventh Christies unit that's been identified as an "off the books" transaction by the borrower which AAMF is seeking to clawback.

In addition, AAMF has an outstanding claim against SCV Manager Pty Ltd arising from deficiencies alleged in the management of both Estates. AAMF has served an expert report substantiating the quantum of its loss together with a Calderbank Settlement Offer. The matter returns to the SA District Court for directions on 9 September 2020.

Greenbase Pty Ltd

Both remaining land parcels at Timber Brook Estate at Mundaring have been sold by AAMF and all proceeds have been received in line with projections.

Red Boxer Investments Pty Ltd

All loan principal has been recovered. Interest remains outstanding with payment arrangements in place.



434 Safety Bay Road-Guarantor Claim

There was pleadings hearing listed for 30 April 2020 in the WA Supreme Court which was heard on the papers due to COVID-19 restrictions. This protracted the process due to the filing of written submissions with judgment having been reserved.

Mannum Green Shopping Centre

AAMF is negotiating to improve the tenancy profile with a proposed lease of two shops for a liquor store. Recent changes to legislation will enable the tenant (who already operates an existing tenancy in the shopping centre) to apply for a liquor licence. Negotiations are underway with existing tenants for additional retail and fast food outlets reflecting confidence in the centre. Mannum is a regional town on the River Murray little more than an hour by road from Adelaide. The main street is tourist aligned whereas AAMF's shopping centre is for residents. COVID-19 restrictions ended day trips to Mannum and the hotels in the main street could not open for several months. Mannum Green Shopping Centre boomed when a lot of families relocated to work off-site from their river homes and shacks. It is possible that the shopping habits of permanent residents changed as Mannum Green is a modern centre with convenient parking and a superior range to equivalent shops in the Main Street. AAMF will seek to sell the asset in the next 12 months. Meanwhile, the FY21 budget from existing tenancies projects a strong profit. Trading cash will be utilised to reduce bank debt and increase investor equity.

Chantelle Circuit, Coral Cove

AAMF is offering this 1.28ha development site for sale by tender with offers closing on 13 July 2020. Lot 71 Chantelle Circuit is located within the Coral Cove 18 hole golf estate. AAMF obtained development approval for 28 lots but the site could potentially be reconfigured for less intensive land use.

Advance Investment Finance

AAMF sold its equity in this wholly owned subsidiary with settlement effected on 30 June 2020. The purchaser assumes the defence of proceedings brought by a disgruntled borrower in the Supreme Court of Queensland.