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Aspen Group Acquisition of Perth Apartment Portfolio And Equity Raising

19 August 2021





Perth CBD



813 Canning Highway, Applecross

Perth Apartment Portfolio

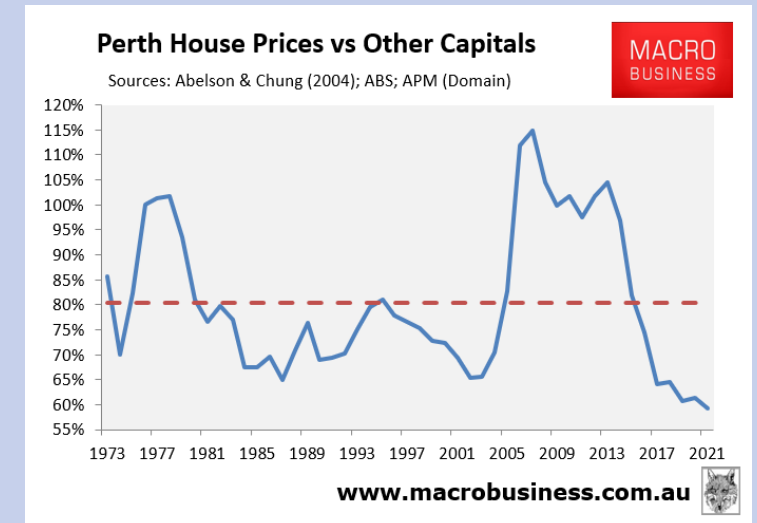
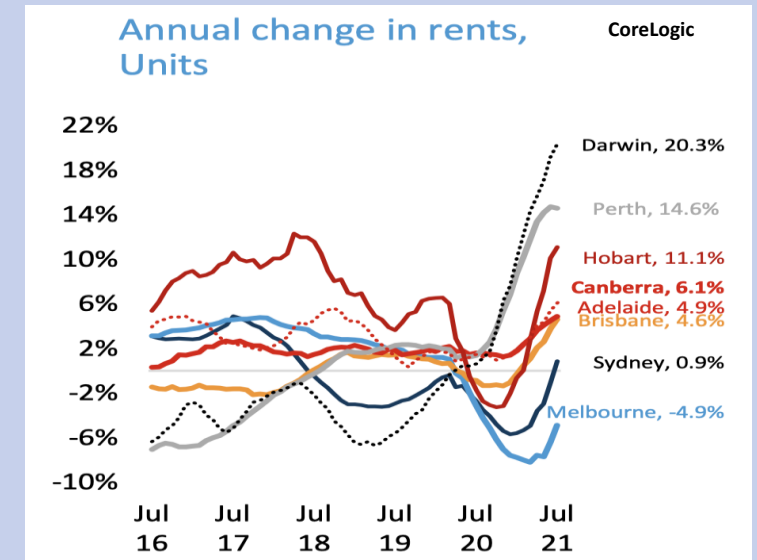


Summary

Perth Apartment Portfolio	<ul style="list-style-type: none"> Aspen Group has entered into agreements to facilitate the acquisition of a portfolio of apartments in Perth's inner-metro suburbs that are owned by associates of the Buckeridge Group of Companies (BGC)¹ The Portfolio includes 17 properties comprising 514 apartments with an average of 1.7 bedrooms Current occupancy is only 41% and average weekly rent is only \$215 reflecting the state of the apartments Perth offers an attractive lifestyle, it currently has good economic and population growth², residential vacancy rate of about 1%, and increasing residential prices and rents³, yet current price levels are generally less than 10 years ago and have lagged the eastern states⁴
Purchase Price	<ul style="list-style-type: none"> \$52m (pre transaction costs) - \$101k per apartment and \$61k per bedroom Land value is a very high component of total value
Strategy – Refurbish To Rent	<ul style="list-style-type: none"> The condition of the apartments is highly varied from uninhabitable to refurbished / relatively new We intend to refurbish the apartments where required and hold the vast majority as rental stock: <ul style="list-style-type: none"> Expect to spend around \$25m across the portfolio over 18-24 months Equating to around \$50k per apartment acquired, but ranging widely from \$0 to around \$100k depending on current condition of each building / apartment
Funding	<ul style="list-style-type: none"> Aiming to raise \$28.3m of new equity at \$1.33 per security: <ul style="list-style-type: none"> \$23.2m Placement + up to \$2.75m SPP \$2.25m Director/Employee tranche – represents 15% of current holdings - subject to securityholder approval at AGM in November Additional debt funding of \$34.4m for initial acquisition
Expected Returns	<ul style="list-style-type: none"> Expected total returns are consistent with our objective of generating 10% growth in profits / book equity over the medium term: <ul style="list-style-type: none"> Net rental yield is expected to be only 1.0-1.5% for the first 12 months depending on how many apartments are off line for refurbishment, and to increase to over 5.0% post the refurbishment and leasing program We are aiming for a valuation uplift of at least 30% on total cost post refurbishing and leasing apartments

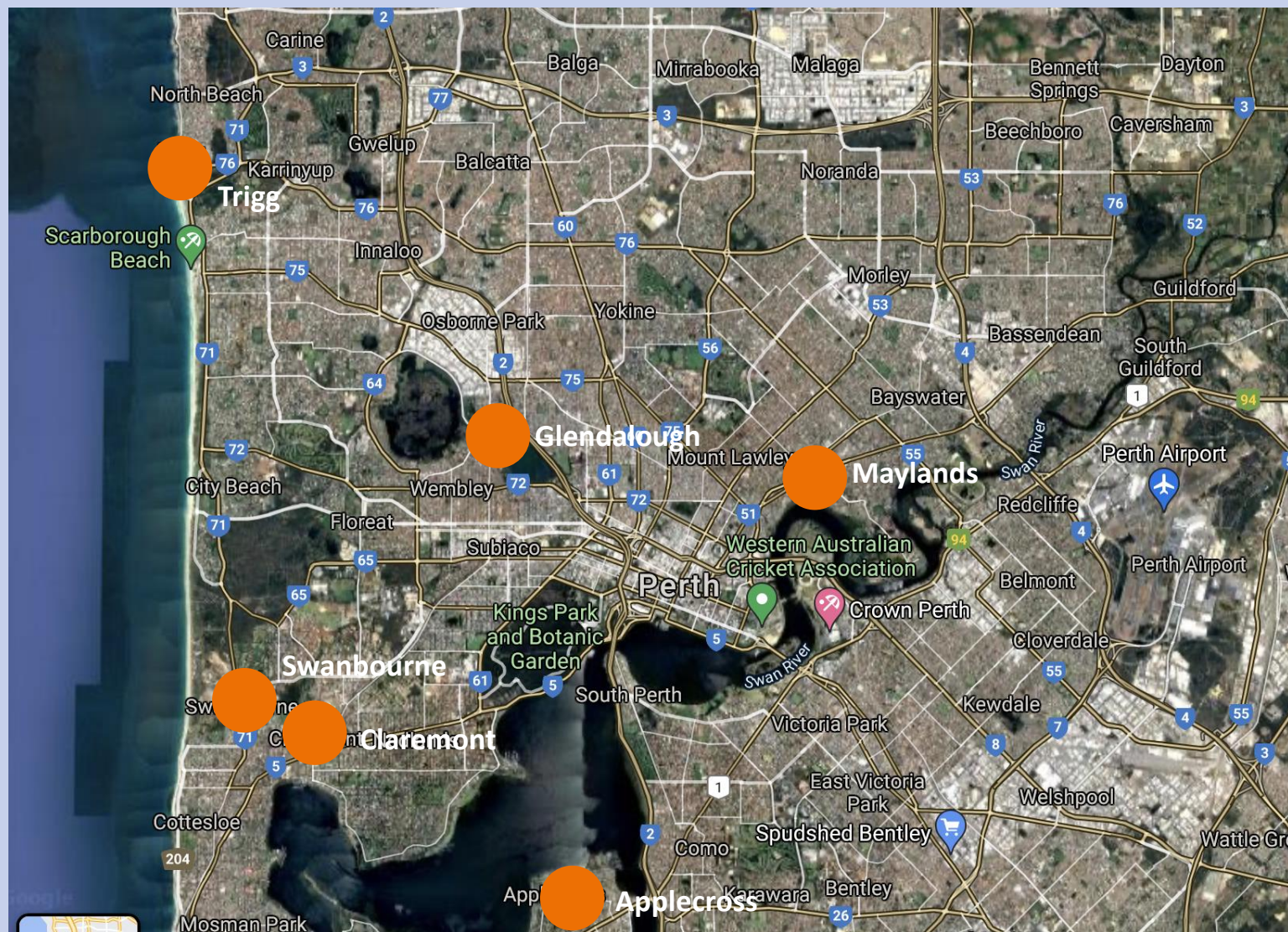
Investment Rationale

- The portfolio is very well suited to Aspen's business of providing quality accommodation on competitive terms in residential, retirement and park communities
- Perth offers an attractive lifestyle, its economy and population are growing¹, residential vacancy rate is around 1%, residential rents and prices have increased about 10-15% from the bottom², but prices are still generally less than they were 10 years ago and have lagged the eastern states³
- Attractive entry price of \$52m for the whole portfolio (pre acquisition costs) is only about:
 - \$101k per apartment – about half the median price of comparable apartments in the same suburbs (refer page 21)
 - \$1,860psm of estimated internal floorspace
 - \$1,100psm of underlying land
- Significant optionality within the portfolio:
 - Predominantly Refurbish to Rent (at well below the cost of BTR): undertake an optimal level of refurbishment to each individual building / apartment to minimise rents and maximise return on capital
 - Extend/Rebuild: some of the land is already approved for higher density and, at times, additional density can be achieved when developing affordable accommodation
 - Recycle capital: some of the apartments may be less suited to Aspen's business given their relatively high rent / price points; two buildings are already strata titled; some properties are small and would be attractive to passive investors once they are stabilised



Portfolio Summary

- Perth inner metro locations
- Typically, large land lots that could accommodate higher density over time (in some cases would require FSR changes) – total of 4.74 hectares of land
- 17 properties mainly built in the 1970s
- Most buildings / apartments require refurbishment to improve efficiency and safety, and to maximise occupancy and rents
- 514 residential apartments with an estimated internal floorspace of about 55sqms on average
- Mixture of mainly 1 and 2 bedrooms - 855 bedrooms in total and average of 1.7 bedrooms per unit
- Very affordable rent and price points – lower end of their local markets



Portfolio Summary

- About half the portfolio by value is in the premium suburbs of Applecross, Claremont, Swanbourne and Trigg where median house prices are \$1.5-2.0m and median apartment prices are \$650-700k
- The other half is in Maylands which is a gentrifying, trendy, inner-city location with a relatively high proportion of younger people renting apartments

Perth Apartment Portfolio	Total	Maylands	Applecross	Swanbourne & Claremont	Glendalough	Trigg
Valuation - \$m	\$52.0	\$27.4	\$9.7	\$10.6	\$1.7	\$2.7
Land Area - Hectares	4.74	3.11	0.65	0.58	0.20	0.20
Properties	17	9	4	2	1	1
Apartments	514	392	43	55	14	10
Bedrooms	855	674	92	55	14	20
Bedrooms per Apartment	1.7	1.7	2.1	1.0	1.0	2.0
Value per Apartment	\$101,167	\$69,770	\$225,581	\$192,727	\$121,429	\$265,000
Current Occupancy	41%	37%	60%	38%	71%	100%
Average Weekly Rent	\$215	\$207	\$285	\$200	\$194	\$208
Comparable:						
Suburb Used for Analysis		Maylands	Applecross	Claremont	Wembly	North Beach
Apartment - Bedrooms		1	2	1	1	2
Median Sales Price ¹		\$225,000	\$470,000	\$435,000	\$200,000	\$500,500
Median Rent Per Week ¹		\$230	\$380	\$335	\$250	\$415

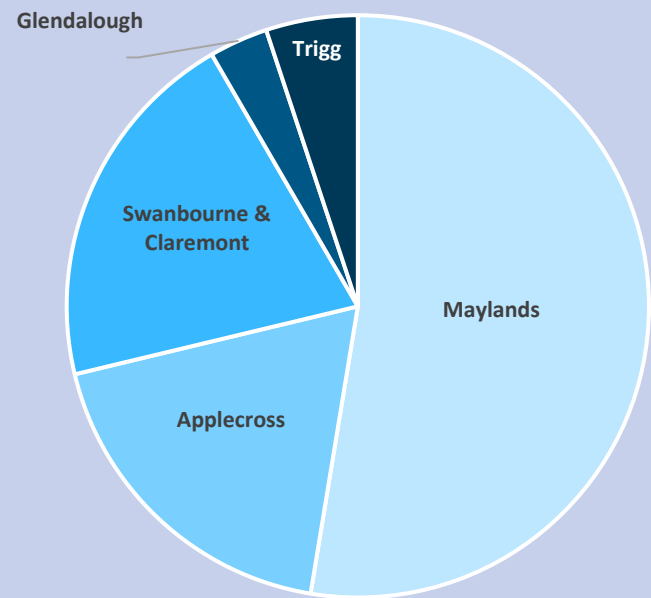
1. Source: Domain.com.au except North Beach from Realestate.com.au

All properties are owned outright, except for one in Maylands which is 50% owned (24/48 strata units)

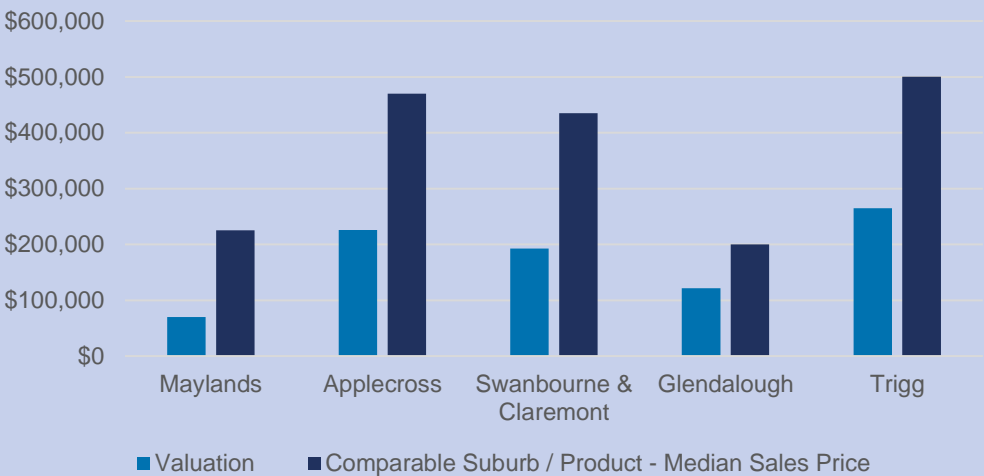
Attractive Purchase Price and Rents

- Aspen’s entry price is roughly half the median prices of sales of comparable apartments in the same suburbs
- Current average rents are closer to the suburb medians despite the poor condition of the apartments – this is indicative of the lack of options for tenants at these low rents

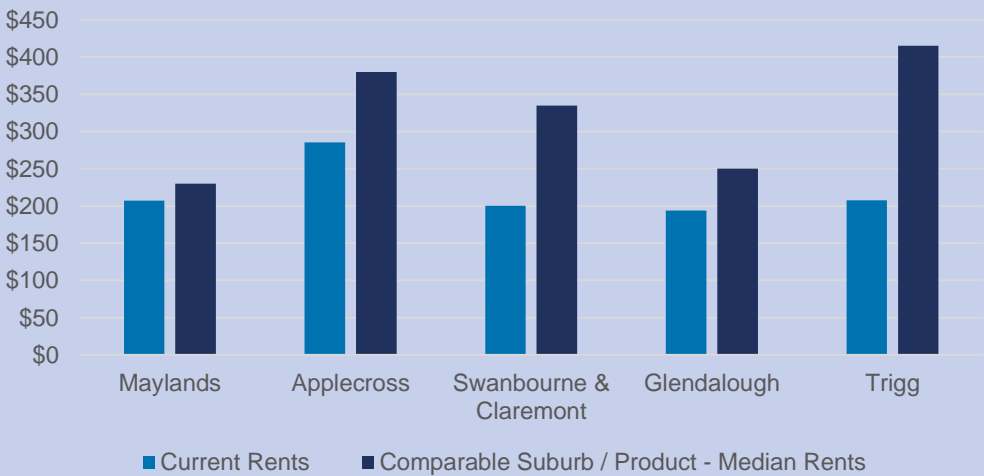
Valuation Split



Prices



Weekly Rents



Photos - Some of the Properties



Photos - Maylands Aggregation

13-15 Kathleen Avenue



17-31 Kathleen Avenue



126 Peninsular Road



1.65 hectares of land

10 individual buildings

167 apartments



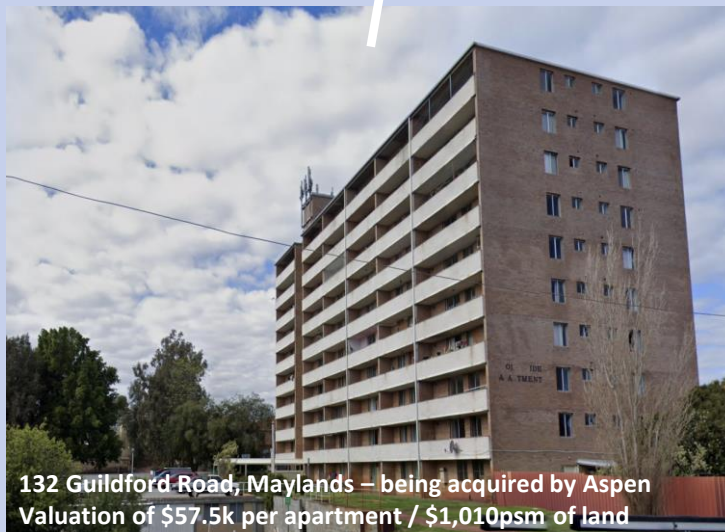
Valuation \$12.6m -
\$763psm of land



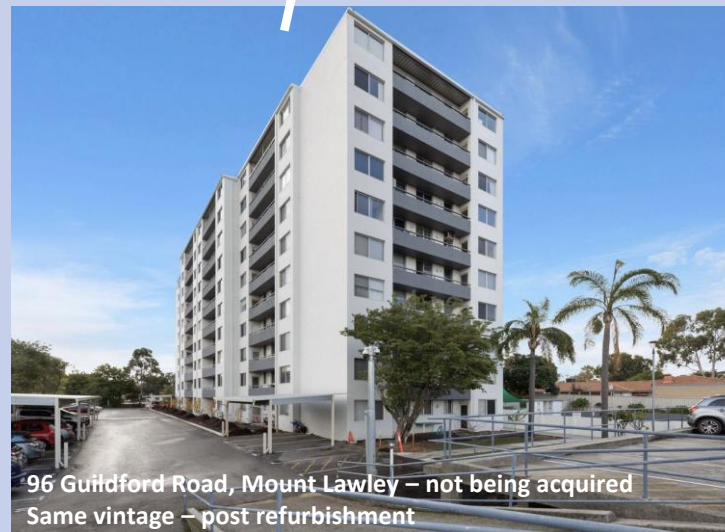
SOLD ON 18 FEB 2020
\$1,160,000
3 Kathleen Avenue,
Maylands

\$758psm of land

Example of Comparable Refurbishment Project – 96 Guildford Road*



132 Guildford Road, Maylands – being acquired by Aspen
Valuation of \$57.5k per apartment / \$1,010psm of land



96 Guildford Road, Mount Lawley – not being acquired
Same vintage – post refurbishment



73/96 Guildford Road, Mount Lawley:

- 2 bed + 1 bath + 1 car space
- Basic refurbishment for rental purposes
- Asking rent of \$350 per week



47/96 Guildford Road, Mount Lawley:

- 2 bed + 1 bath + 1 car space
- Moderate refurbishment for selling purposes
- Asking price of c.\$300k

*Aspen is not acquiring 96 Guildford Road



Financials



Sources & Application of Funds

Assumptions:

- Includes post 30 June 2021 acquisitions of Wodonga Gardens and the Perth Apartment Portfolio
- Total equity raised of \$28.3m via the Placements and SPP and additional debt funding of \$34.4m to fund initial acquisition
- Subsequent planned refurbishment of the Perth Apartments at total cost of \$25.0m funded with debt

Note: The refurbishment program is expected to take 18-24 months to complete and may ultimately be funded by sources other than debt including through recycling capital from the Perth Apartment Portfolio or other parts of Aspen's portfolio

	Pre Refurbishment	Post Refurbishment
\$'000	Amount	Amount
Acquisition of Wodonga Gardens	\$19,535	\$19,535
Acquisition of Perth Apartment Portfolio	\$52,000	\$52,000
Refurbish Perth Apartment Portfolio	\$0	\$25,000
Property acquisition costs	\$3,481	\$3,481
Capital raising fees and expenses	\$1,131	\$1,131
Total Applications	\$76,146	\$101,146
Equity	\$28,269	\$28,269
Financial debt	\$34,352	\$59,352
Wodonga Gardens resident loans	\$13,525	\$13,525
Total Sources	\$76,146	\$101,146

Pro Forma Balance Sheet

Assumptions:

- New APZ equity raised at \$1.33 per Security
- All transaction costs written off
- Entire Perth Apartment Portfolio is retained post refurbishment and leasing, and valuation uplift of 30% on total cost (implies average final valuation of \$203k per unit)

Note: These financials are presented for illustrative purposes only and on a pro-forma FY21 basis assuming the new properties were held for a full 12 months. This is not a forecast for FY22 or any other period. The planned refurbishment program is expected to take 18-24 months to complete, it may ultimately be funded by sources other than debt, including from recycling capital both pre and post refurbishment

	Pro Forma Balance Sheet					
	Pre Refurbishment Program			Post Refurbishment Program		
\$'000	30-Jun-21	Changes	Pro Forma	30-Jun-21	Changes	Pro Forma
Investment properties	\$228,654	\$71,535	\$300,189	\$228,654	\$120,571	\$349,225
Cash and equivalents	\$8,277	\$0	\$8,277	\$8,277	\$0	\$8,277
Other assets	\$10,020	\$0	\$10,020	\$10,020	\$0	\$10,020
Total assets	\$246,951	\$71,535	\$318,486	\$246,951	\$120,571	\$367,522
Interest bearing loans and borrowings	\$74,652	\$34,352	\$109,004	\$74,652	\$59,352	\$134,004
Resident loans	\$6,420	\$13,525	\$19,945	\$6,420	\$13,525	\$19,945
Other liabilities	\$13,328	\$0	\$13,328	\$13,328	\$0	\$13,328
Total liabilities	\$94,400	\$47,877	\$142,277	\$94,400	\$72,877	\$167,277
Net asset value	\$152,551	\$23,658	\$176,209	\$152,551	\$47,694	\$200,245
Securities	116,368	21,255	137,623	\$116,368	21,255	137,623
NAV per security	\$1.31		\$1.28	\$1.31		\$1.46
Gearing*	29%		35%	29%		37%

* Reflects Aspen's equity position in the Retirement Village assets (ie. Investment properties is reduced by the amount of the Resident obligations)

Pro Forma FY21 Earnings

Assumptions:

- Entire Perth Apartment Portfolio is retained until completion of the refurbishment and leasing program, then generates stabilised net rental income yield of 5%
 - The current net rental income yield is only around 1.25% due to current 41% occupancy and average rents of only \$215 per week, given the state of the apartments
- Development profits of \$0.60m from sale of new houses at Wodonga Gardens
- Total interest cost of 2.50% - 59% of interest is capitalised into refurbishment project costs (59% is the proportion of apartments currently vacant that could be refurbished, consistent with the other assumption that 41% are occupied and income producing)

Note: These financials are presented for illustrative purposes only and on a pro-forma FY21 basis assuming the new properties were held for a full 12 months. This is not a forecast for FY22 or any other period. The planned Perth Apartment Portfolio refurbishment program is expected to take 18-24 months to complete, it may ultimately be funded from sources other than debt, including recycling capital which may generate development and trading income in addition to net rental income

The way we go about operating and developing the portfolio will have regard to achieving EPS-neutrality as soon as practicable

	Pro Forma FY21 Earnings					
	Pre Refurbishment Program			Post Refurbishment Program		
	FY21	Changes	Pro Forma	FY21	Changes	Pro Forma
\$'000						
Net operating income	\$12,679	\$650	\$13,329	\$12,679	\$4,081	\$16,760
Net development & trading income	\$2,160	\$601	\$2,761	\$2,160	\$601	\$2,761
Operating and development & trading net income	\$14,839	\$1,251	\$16,090	\$14,839	\$4,682	\$19,521
Net corporate overheads	-\$4,499	\$0	-\$4,499	-\$4,499	\$0	-\$4,499
EBITDA	\$10,340	\$1,251	\$11,591	\$10,340	\$4,682	\$15,022
Net finance expense	-\$1,344	-\$352	-\$1,696	-\$1,344	-\$1,484	-\$2,828
Tax expense	\$0	\$0	\$0	\$0	\$0	\$0
Operating profit¹	\$8,996	\$899	\$9,895	\$8,996	\$3,198	\$12,194
Securities	116,368	21,255	137,623	116,368	21,255	137,623
Operating profit per security - cents	7.73		7.19	7.73		8.86
ICR	7.7x		6.8x	7.7x		5.3x

1. Non-IFRS measure used by management to assess the underlying performance of Aspen - excludes depreciation and amortisation, revaluations, and one-off and non-operating items. Refer to definition in financial statements.



Benefits of the Transaction



Benefits

Consolidates Aspen's Leadership Position in Truly Affordable Accommodation	<ul style="list-style-type: none"> ▪ 3,433 dwellings / sites - 25% increase on 30 June 2021 ▪ Expected total property value of over \$350m post refurbishment – c.50% increase on 30 June 2021 ▪ Aspen portfolio value still only c.\$100k per dwelling / site post refurbishment
High Optionality	<ul style="list-style-type: none"> ▪ Decisions will be made on each of the 514 apartments: <ul style="list-style-type: none"> - Retain Existing Leases / Refurbish & Increase Rent / Extend-Rebuild / Land Bank ▪ Can optimise profits / risks / funding requirements by dealing with individual land titles / buildings / apartments
Highly Competitive Product	<ul style="list-style-type: none"> ▪ Currently expecting total cost post refurbishment of c.\$156k on average and weekly rent of c.\$275 on average – aiming to create refurbished apartments for at least 30% below the cost of comparable new BTR and at the lowest end of local competition in these locations
Attractive Returns and Risk Profile in our Opinion	<ul style="list-style-type: none"> ▪ Expected total returns from the Perth Apartment Portfolio are consistent with our objective of generating 10% growth in profits / book equity over the medium term ▪ Expected net income yield of 5% on total cost (average weekly rent of \$275 and 55% margin) ▪ Expected valuation uplift of 30% on completion of refurbishment and leasing ▪ Strong long term growth prospects due to high component of land value and attractive, inner-metro locations that are densifying ▪ Continued reduction in risk through portfolio diversification – increased weighting to the strong WA economy, inner-metro locations, and the non-seasonal / non-discretionary residential sector ▪ Risks of refurbishing existing apartments are lower than building new, in our opinion
Increased Relevance on ASX	<ul style="list-style-type: none"> ▪ Increased market capitalisation ▪ Expected increase in stock liquidity and relevance



Equity Raising



Equity Raising Summary

Placement of APZ Securities	<ul style="list-style-type: none"> Placement to eligible investors of 17.455m new fully paid ordinary APZ securities (Securities) at \$1.33 each, totalling \$23.2m: <ul style="list-style-type: none"> represents 15% of existing APZ securities on issue
Securityholder Purchase Plan (SPP)	<ul style="list-style-type: none"> Aspen will offer eligible security holders in Australia and New Zealand an opportunity to participate in a SPP to raise up to \$2.75m Eligible security holders will be invited to subscribe for up to a maximum of \$30,000 of additional Securities, free of transaction and brokerage costs The issue price will be the same as the Placement price of \$1.33 per security Aspen may (in its absolute discretion), in a situation where total demand exceeds \$2.75 million, decide to increase the amount to be raised under the SPP or apply a scale back The SPP will not be underwritten
Conditional Placement to Directors/Employees	<ul style="list-style-type: none"> Conditional Placement to Directors/Employees of 1.7m Securities at \$1.33 each, totalling \$2.25m <ul style="list-style-type: none"> Participation is equal to 15% of their current securityholdings Subject to securityholder approval at the upcoming AGM in November 2021
Ranking	<ul style="list-style-type: none"> New Securities issued pursuant to the Placements and SPP will rank equally with existing APZ securities and will be entitled to the distribution for the six months ending 31 December 2021
Pricing Metrics	<ul style="list-style-type: none"> Issue price of \$1.33 per security represents: <ul style="list-style-type: none"> 11.9% discount to last close of \$1.51 on 18 August 2021 1.5% premium to 30 June 2021 NAV of \$1.31 5.0% distribution yield (based on FY21 distributions of 6.60cps)
Broker	<ul style="list-style-type: none"> UBS AG, Australia Branch is acting as Lead Manager, Bookrunner and Underwriter in relation to the Placement

Timetable

Key Event	Date
Record date for SPP	18-Aug-21
Trading halt and announcement of the Annual Results and Equity Raising	19-Aug-21
Placement bookbuild	19-Aug-21
Trading halt lifted	20-Aug-21
Settlement of Securities issued under the Placement	24-Aug-21
Normal trading of Securities issued under the Placement	25-Aug-21
SPP offer opens	26-Aug-21
SPP offer closes	8-Sep-21
Issue of Securities under the SPP	15-Sep-21
Normal trading of Securities issued under the SPP	16-Sep-21

This timetable is indicative only and subject to change. The Directors may vary these dates, in consultation with the Lead Manager, subject to the Listing Rules. An extension of the Closing Date would delay the anticipated date for issue of the new Securities.



Appendices



Appendix 1: International Offer Restrictions

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- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Appendix 1: International Offer Restrictions

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Appendix 2: Risks

General Risks

This section discusses some of the key risks associated with an investment in Aspen. A number of risks and uncertainties may adversely affect the operating and financial performance or position of Aspen and in turn affect the value of Aspen securities. These include specific risks associated with an investment in Aspen and general risks associated with any investment in listed securities. The risks and uncertainties described below are not an exhaustive list of the risks facing Aspen. Potential investors should carefully consider whether the new Securities offered are a suitable investment having regard to their own personal investment objectives and financial circumstances and the risks set out below.

Impact of COVID-19	Events relating to COVID-19 have at times resulted in significant disruption and volatility, including material declines in the prices of securities trading on the Australian Securities Exchange (ASX) (including the price of Aspen's securities) and on other foreign securities exchanges. There is continuing uncertainty as to the further impact of COVID-19, including in relation to government responses, work stoppages, lockdowns, quarantines, travel restrictions and unemployment and on what affect such factors may have on Aspen, the Australian economy and share markets. Given the high degree of uncertainty surrounding the extent and duration of the COVID-19 pandemic, it is not possible to assess the full impact of COVID-19 on Aspen's business. Further it is possible that any adverse economic impact of COVID-19 may continue beyond the duration of the pandemic.
General Investment Risks	<p>There are risks associated with any stock market investment, including:</p> <ul style="list-style-type: none"> ▪ The demand for Aspen securities may increase or decrease and Aspen securities may trade above or below the issue price on the ASX; ▪ If Aspen issues new securities, an existing Securityholder's proportional interest in Aspen may be reduced; and ▪ The market price of the securities may be affected by factors unrelated to the operating performance of Aspen such as stock market fluctuations and volatility and other factors that affect the market as a whole.
Macro-economic Risks	Changes to economic conditions in Australia and internationally, investor sentiment and international and local stock market conditions, changes in fiscal, monetary and regulatory policies which may impact economic conditions such as interest rates and inflation and consequently the performance of Aspen.
Liquidity and Dilution	<p>Turnover of Aspen securities can be limited and it may be difficult for investors to buy or sell lines of securities at market prices.</p> <p>In response to market conditions or for other reasons, ASX may amend temporarily or permanently, rules relating to the issue or trading of securities, which may affect the liquidity a securities.</p> <p>Aspen may issue further new securities in the future. This may be on terms which may result in the securityholder being ineligible to participate pro rata or at all. As a result, the percentage interest in Aspen that a security holder may hold, may be diluted in the future.</p>
Legislative and Regulatory Risks	Changes in laws, regulation and government policy may affect Aspen's business and therefore the returns Aspen is able to generate.

Appendix 2: Risks

Environmental Risk	Aspen's properties are subject to environmental risks including loss of property and profits due to bushfires, floods, cyclones, erosion of waterways and other events. These risks and potential losses may increase in future as the climate continues to change. Aspen carries insurance for some of these events, however insurance may not cover all or any of the losses incurred, insurance may prove increasingly difficult to obtain or the cost may become prohibitive.
Tax Implications	Future tax liabilities may be impacted by changes to the Australian taxation law including changes in interpretation or application of the law by the courts or taxation authorities in Australia. This in turn could impact the value or trading price of Aspen securities, the taxation treatment of an investment in Aspen or the holding costs or disposal of its securities.
Litigation	Aspen may, in the ordinary course of business, be involved in possible litigation disputes (such as environmental and workplace health and safety, industrial disputes and other legal claims). A material legal action may adversely affect the operational and financial results of Aspen.
Business Strategy Risk	Aspen's business strategy is focused on growing its portfolio through acquisition, development and increasing occupancy and income across its key business segments. A key element of Aspen's strategy and earnings is attributable to development and letting of new dwellings in various sectors. Aspen's future growth is dependent on the successful execution of this strategy. Any change or impediment to implementing this strategy may adversely impact on Aspen's operations and future financial performance.
Development Risk	<p>Aspen undertakes property development. Such projects have a number of risks including (but not limited to): delays or issues around planning, application and regulatory approvals; development cost overruns; environmental costs; project delays; issues with building and supply contracts; expected sales prices and leasing rates or timing of expected sales and leasing not being achieved.</p> <p>A sustained downturn in the residential property markets due to deterioration in the economic climate could result in reduced development profits through lower selling / leasing prices, lower selling / leasing volumes and delayed settlements / leasing.</p>
Tourism	Aspen derives income from tourism and tourism related services. The income derived from this business may be seasonal and vary due to weather conditions, changes in demand for current and new alternate tourism destinations, the international and domestic tourism market and general consumer discretionary spending. Due to COVID-19 governments have been enacting restrictions on the movement of people and to whom we can offer our short stay products to. This has impacted revenues from our short stay products and it is not known how long this will continue.

Appendix 2: Risks

Increased Competition	Aspen operates in a variety of markets and offers various accommodation types within its residential, retirement and park communities. While there are barriers to entry for new operators, future developments that directly or indirectly compete with Aspen's existing portfolio could impact Aspen's current business and financial performance.
Government Assistance	Governments and other authorities provide rental assistance and other subsidies for many residents in Aspen's portfolio. Any change to legislation could result in a reduction in resident demand for leases in the properties and therefore impact Aspen's business. Reductions in subsidies for residential tenants could result in loss in rent or increased arrears.
Income and Expense Growth Rates	Higher than expected inflation rates could lead to greater development and/or operating costs. While resident leases are subject to rental rate increases, the ability to raise future rents and maintain or grow occupancy may be impacted by residents' income levels and a change in government subsidies. Aspen's future financial performance could be impacted where the inflation in operating and development costs exceeds the growth in rental income.
Distributions	Future distributions for Aspen securities will be determined by the Directors having regard to the operating results, future capital requirements, bank debt covenants and the financial position of Aspen. There can be no guarantee that Aspen will continue to pay distributions at the current level or at all.
Asset Impairment Risk	Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Factors affecting property valuations include capitalisation and discount rates, the economic growth outlook, land resumptions and releases and major infrastructure projects. Such impacts on property valuations may lead to variations in the valuation of Aspen securities.
Funding Risk	<p>Aspen currently has bank debt which contains certain financial and operational covenants. Any breach of these covenants could result in the early enforced repayment of debt. Such repayment could incur capital losses if assets need to be sold in a short period or securityholders may be diluted if equity needs to be raised at a large discount.</p> <p>Aspen currently has a single debt maturity in April 2024. At the maturity of this loan, there is no certainty it will be refinanced on the same terms currently in place. Aspen is exposed to fluctuating interest rates. While Aspen currently hedges part of its variable rate interest expense, Aspen does retain a portion of interest rate fluctuation exposure.</p>
Personnel Risk	The ability of Aspen to successfully deliver on its business strategy is dependent on retaining key employees of Aspen. The loss of senior management or other key personnel could adversely impact on Aspen's business and financial performance.

Appendix 2: Risks

Accounting Standards	Changes to accounting standards may affect the reported earnings of Aspen from time to time.
Acquisition Risks	The Placement is not conditional on deploying the proceeds into the specified acquisition of assets. There is a risk that acquisitions may not occur and the timing, consideration paid and investment return on any acquisition made may vary from the existing portfolio.
Acquisition Integration	<p>Aspen intends to implement a number of initiatives to integrate the acquired assets into the group's operations and to achieve the optimal, stabilised position and return. This may include redevelopment of existing sites, changing the mix of the assets between longer term occupancy and shorter stay tourism, or changing the way the asset is managed. The cost to reposition the asset and the mix between longer term residents and tourism at the time of implementation may vary from the assumptions at time of acquisition. It may take longer than expected for the assets to reach their optimal stabilised position.</p> <p>The cost of the refurbishment program for the Perth Apartment Portfolio may be higher than expected and the time it takes to complete the program may be longer than expected. Additionally, the occupancy, rents, net income and value of the portfolio post refurbishment may be lower than expected which could negatively impact net asset value, earnings and distributions.</p>

Appendix 3: Key Terms of the Placement Agreement

Aspen has entered into a Placement Agreement with UBS AG, Australia Branch (**Underwriter or UBS**) (the **Placement Agreement**), pursuant to which the Underwriter has agreed to run the bookbuild of the Placement on the terms and conditions in the Placement Agreement.

If certain conditions are not satisfied or certain events occur, the Underwriter may terminate the Placement Agreement. Termination of the Placement Agreement could have a material adverse impact on the total amount of proceeds that could be raised under the Placement.

The Underwriter's obligations under the Placement Agreement, including to manage and underwrite the Placement, are conditional on certain matters, including the timely delivery of due diligence process sign-offs and other documents.

A summary of events which may trigger termination of the Placement Agreement include (but are not limited to) the following:

- a. The ASX/S&P 200 Index falls at any time by 10% or more from its level at the close of last trading prior to the date of the Placement Agreement
- b. ASIC (i) holds, or gives notice of intention to hold, a hearing or investigation in relation to the Placement; or (ii) prosecutes or gives notice of an intention to prosecute, or commences proceedings against or gives notices of an intention to commence proceedings, against Aspen, any of the directors, offices, employees or agents in relation to the Placement
- c. ASX announces that Aspen's securities will be delisted, removed from quotation, withdrawn from admission to trading status or suspended from quotation
- d. Unconditional approval is refused or not granted to the official quotation of all of the Placement Securities on ASX, on or before 9.30am on the Settlement Date or if granted is subsequently withdrawn, qualified (by non-customary conditions) or withheld
- e. Any material adverse change or effect occurs, or an event occurs which is likely to give rise to a material adverse change or effect, in the condition (financial or otherwise), assets, earnings, business, affairs, liabilities, financial position or performance, results of operations, profits, losses or prospects of the Aspen group (taken as a whole) from that existing at the date of the Placement Agreement
- f. Any event specified in the Timetable is delayed for more than 1 Business Day without the prior written consent of UBS
- g. A Certificate which is required to be furnished by Aspen under the Placement Agreement is not furnished when required or when given is false, misleading or inaccurate in any material respect
- h. Certain specified Placement documents include content that is misleading or deceptive in any material respect or an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading
- i. Aspen or a material subsidiary becomes insolvent or there is an act or omission which may result in Aspen or a material subsidiary becoming insolvent
- j. There is a change in the joint chief executive officers or chief financial officer of the Issuer*
- k. A regulatory body (i) makes an adverse declaration or order; (ii) issues, or publicly announces or indicates to Aspen its intention to issue, proceedings; or (iii) commences, or publicly announces or indicates to Aspen its intention to commence, any inquiry or investigation, in relation to the Placement or there is an application to a regulatory body for an order, declaration or other remedy in relation to the Placement which, in UBS's reasonable opinion, is a serious action with reasonable prospects of success
- l. Proceedings are commenced or there is a public announcement of an intention to commence proceedings before a court or tribunal of competent jurisdiction in Australia seeking an injunction or other order in relation to the Placement which, in UBS's reasonable opinion, have reasonable prospects of success and are likely to have a material adverse effect on the Placement or the condition, financial or otherwise, of the assets, earnings, business, results of operations, management or prospects of the Aspen group (taken as a whole)

Appendix 3: Key Terms of the Placement Agreement

- m. Aspen becomes aware of any fact, matter or circumstance which is likely to have a material adverse effect on its or any third party's ability or willingness to complete, satisfy the conditions precedent or otherwise perform its obligations in connection with the acquisition agreement or the debt funding or of any other fact, matter or circumstance which is likely to have a material adverse effect on the acquisition
- n. Any term of the acquisition agreement, put and call option deeds or the debt funding is amended, varied or terminated, or any new term is included in the acquisition agreement, put and call option deeds or the debt funding, without the prior consent of UBS*
- o. Aspen fails to perform or observe any of its obligations under the Placement Agreement*
- p. Any representation or warranty made or given by Aspen in the Placement Agreement is or becomes untrue or incorrect*
- q. There is introduced, or there is a public announcement of a proposal to introduce, a new law or regulation or government policy in Australia (including a policy of the Reserve Bank of Australia) (other than a law or policy which has been publicly announced before the date of the Placement Agreement)*
- r. In respect of or involving any one or more of the United States, Australia, Canada, Japan, Hong Kong, the Peoples Republic of China, the United Kingdom or New Zealand: hostilities not presently existing commence; a major escalation in existing hostilities occurs; a declaration is made of a national emergency or war; or a major terrorist act is perpetrated*
- s. Either of the following occurs: a general moratorium on commercial banking activities in Australia, the United States of America, the United Kingdom, Hong Kong or Singapore is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for one day on which that exchange is open for trading ("Trading Day") or substantially all of one Trading Day*
- t. Any adverse change or disruption to the existing financial markets, political or economic conditions of Australia, Hong Kong, Singapore, the United States of America, the United Kingdom or the international financial markets or any adverse change in national or international political, financial or economic conditions*

- u. Any director of Aspen is charged with an indictable offence, or any director of Aspen is disqualified from managing a corporation under the Corporations Act*
- v. Evolution Trustees Limited is replaced, or it is proposed to replace Evolution Trustees Limited, as the responsible entity of Aspen Property Trust*
- w. There is a change in the membership of the board of directors of the Aspen*
- x. Aspen or any of its directors or officers (as that term is defined in the Corporations Act) engage in any fraudulent conduct or activity whether or not in connection with the Placement *

The events marked with an asterix (*) will not entitle UBS to exercise its right to terminate its obligations under the Placement Agreement unless it has reasonable grounds to believe and does believe that:

1. the event has had, or is likely to have, a materially adverse effect on the outcome or success of the Placement or the likely price at which the Placement Securities will trade on ASX or on the ability of UBS to settle the Placement; or
2. the event leads or is reasonably likely to lead to a contravention by UBS of or liability for UBS under the Corporations Act or any applicable law

Aspen also gives certain representations and warranties to the Underwriter and certain indemnities to the Underwriter and its affiliates under the Placement Agreement.

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