

Aspen Group - Proposed Acquisition Marina Hindmarsh Island Fund - Coorong Quays SA



24 February 2022



COORONG QUAYS
HINDMARSH ISLAND

- Aspen Group (Aspen) and Mill Hill Capital (MHC) (owned by John Carter and David Dixon) are proposing a merger of Marina Hindmarsh Island Fund (MHIF or Fund) and Aspen for the benefit of both groups of shareholders
- MHIF was established in 2017 by MHC - management of the Fund was delegated to Aspen in early 2019 when the MHC executives joined Aspen
- MHIF is unlisted and has 30 shareholders - sophisticated / wholesale investors
- The sole purpose of the Fund was to acquire, operate and develop Coorong Quays, Hindmarsh Island SA (CQ) – essentially a “Buy-Fix-Sell” strategy
- CQ has Residential, Retirement and Park components - like Aspen
- MHIF acquired CQ through a receivership sale - the property was distressed and had several major legacy issues that have been resolved over the past several years
- CQ has been stabilised, positioned for growth, and materially de-risked - profits are now derived predominantly from collecting rent and developing residential lots and a retirement land lease community
- Consideration and Pricing:
 - 162,442 new APZ securities for each MHIF share (total of 16.2 million new APZ securities – 11.6% of existing APZ securities):
 - MHIF shareholders can elect to receive up to 20% of their consideration in cash (priced at \$1.507 per APZ security)
 - Aspen executives David Dixon, John Carter and Patrick Maddern will accept all APZ scrip for their 25% interest in MHIF
 - Implied value of Coorong Quays: \$25 million (assuming APZ securities valued at NAV of \$1.507)
 - Operating component: 8.5% yield (after allowing for expected average annual SIBC)
 - Residential and Land Lease Development components: c.\$41k per approved site
 - Expected first year total Net Operating Income and Development Profits of \$2.4 million, equating to 8.8% ROI (including transaction costs and after adjusting for foregone Project Management Fees that Aspen currently earns from the Fund)

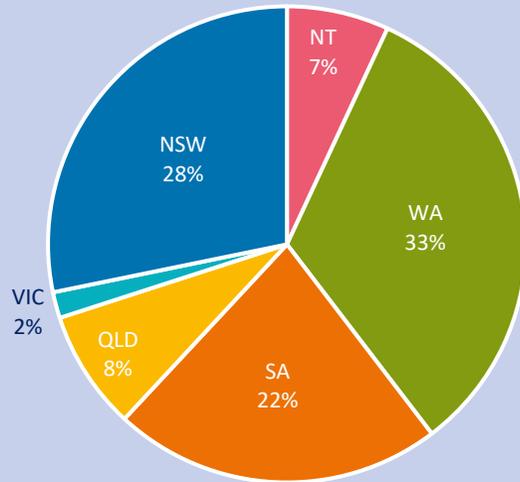
- Aspen Group Limited has formed an Independent Board Committee (IBC) comprising Clive Appleton and Guy Farrands to oversee the transaction
- Transaction is conditional on Aspen securityholder approval, MHIF shareholders accepting the offer and entering into agreements, and other conditions (refer page 14)
- IBC has appointed m3 Property to independently value CQ – this firm recently valued Lewis Fields and Wodonga Gardens for Aspen
- IBC intends to appoint Hall Chadwick as Independent Expert - the Independent Expert's report will be included in an Explanatory Memorandum and Notice of Meeting expected to be sent to Aspen securityholders by late March
- APZ securityholder meeting expected late April 2022
- Proposal has been put to MHIF shareholders and a large majority have indicated they are supportive

Acquisition Outcomes for Aspen – Calendar 2021 Pro Forma Basis³

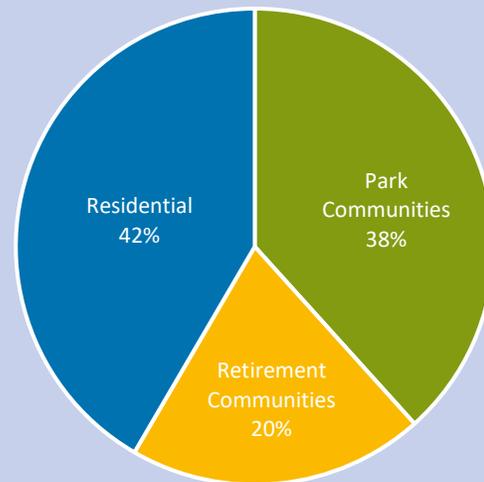
2



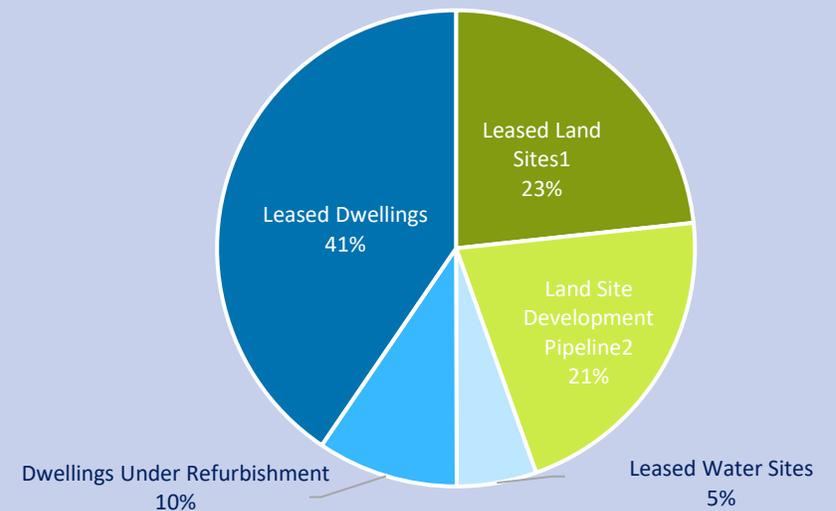
Portfolio Value by State



Portfolio Value by Property Type



Total Dwellings/Sites - Operating v. Development



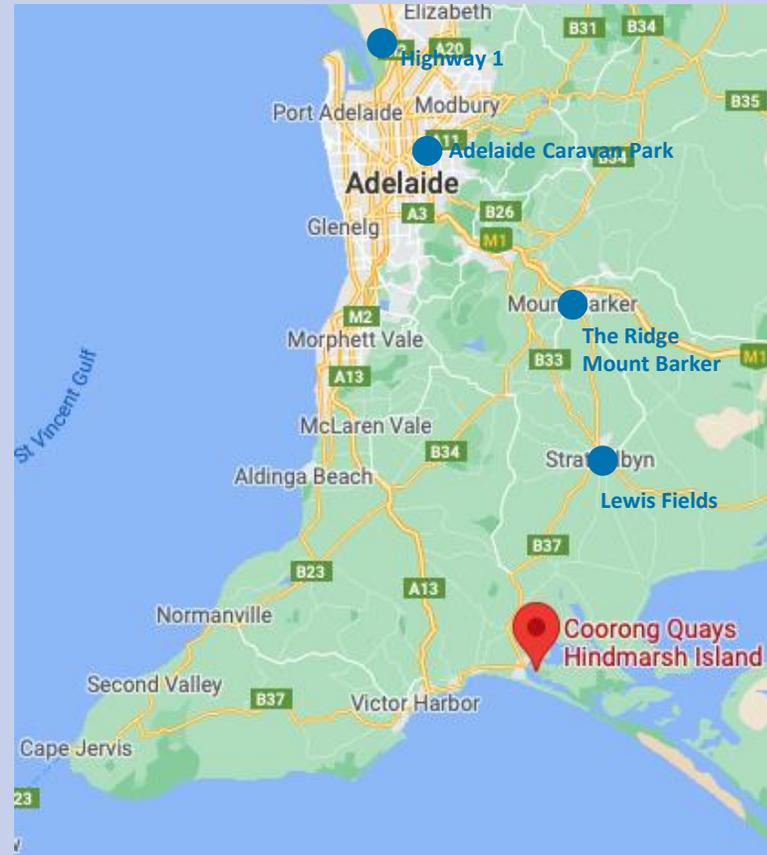
1. Excludes CQ's Residential Encumbrances, CQ's Cabin-Van Park (approved for 200 sites - not yet under development) and all storage land sites owned by Aspen and CQ. 2. Excludes CQ's Cabin-Van Park and storage sites. 3. Assumes MHIF shareholders elect all APZ scrip

Coorong Quays is a fully approved master planned community with about 3,000 dwellings / sites:

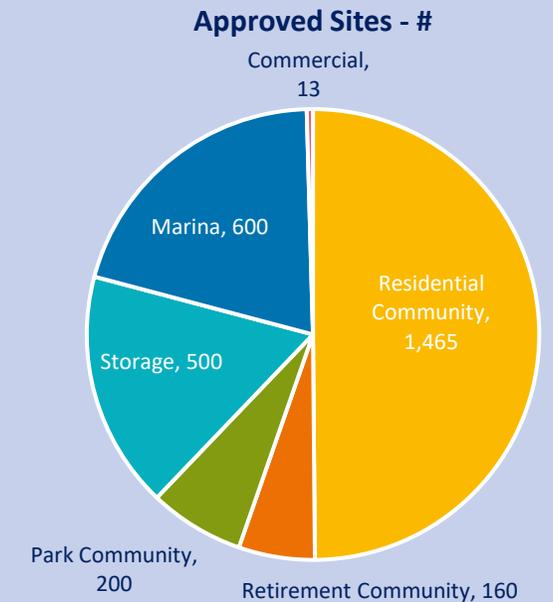
- Residential, retirement and park accommodation at affordable prices/rents
- Lifestyle location at the mouth of the Murray River adjoining the Coorong National Park
- 80 minutes to Adelaide CBD and 50 minutes to Mount Barker
- 1,842 sites developed to date – over 90% are occupied and income producing
- 1,098 sites in development pipeline including:
 - 254 residential land sites (versus 130 sold last 12 months)
 - 132 retirement sites under a land lease model (versus 8 sold first 18 months)
 - 200 cabin / caravan sites (not commenced)
 - Additional marina and storage sites

Major Improvements Since MHIF’s Acquisition from Receivership:

- New main entrance & road / removal of land bridge to open residential canal
- Connecting to mains sewer and removing under-sized wastewater treatment plant which has enabled further land development, and reduced environmental risks
- Changed from operating to leasing most commercial components (tavern, marine services)
- Significant refurbishment / redevelopment to improve the community (including creating the CQ Club for all residents)



● Properties owned by Aspen



Overview of CQ Components - Map



CQ's Extensive Community Facilities



Retirement Community Building



Residential Canal



Marina



CQ Community BBQ



The CQ Clubhouse



The Boat Shed @ CQ



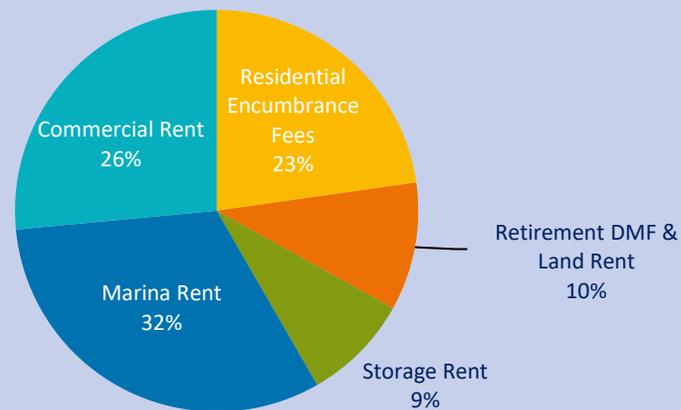
Islanders' Tavern



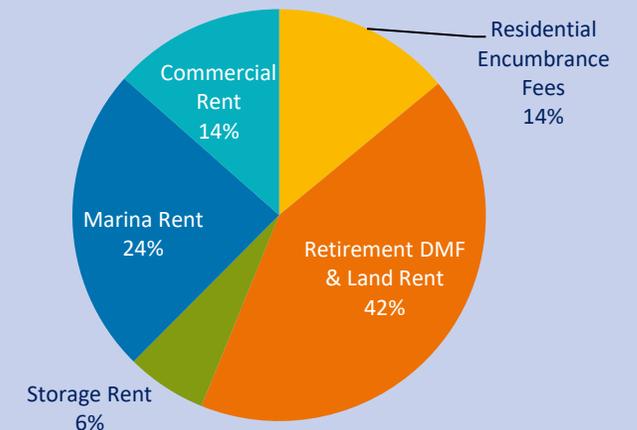
- CQ Operating Component includes everything except for land that is to be developed to sell or lease (Land Development)
- Relatively low operating intensity – CQ has 7 employees (Highway 1 has c.20 and Darwin Freespirit has c.40)
- 1,842 sites developed to date – c.90% occupied generating total gross rent of \$1.53m and NOI of \$0.58m (\$0.75m pre-SIBC)
- Revenue is derived from charging encumbrance fees to Residential Community lot owners (perpetual, secured by the land title), leasing land and dwellings to Retirement Community residents (land lease rents and some legacy DMF), leasing caravan and boat storage (dry and wet berths) and leasing commercial premises (tavern, marine services)
- Retirement Community component of total revenue expected to increase over time as the community is developed (some of these new residents are expected to also lease van and boat storage / berths)
- Valued attributed to this component is \$6.8m:
 - 8.50% yield (post SIBC)
 - \$137k per hectare (based on the c.50Ha of land & water that the Operating Component occupies)

CQ Community Operating Component	CQ Community Revenue Sources	Current Leases - #	Current Passing Income - \$m
Residential Community	Encumbrance fee of up to \$326 per annum +CPI - perpetual	1,211	\$1.53
Retirement Community	17x DMFs & up to 143 LLC sites - LLC rent of \$160 per week + 3.5%	26	
Storage	Caravan and boat storage - mainly monthly	172	
Marina	Wet berth leases of varied duration - montly to annual	230	
Commercial	Tavern, Marine Services, Commercial and Retail - mainly >5 years	13	
Operating Expenses (inc. SIBC)			-\$0.96
Net Operating Income Margin			\$0.58 38%
Cap Rate Value			8.50% \$6.81

CQ Revenue Mix - Current



CQ Revenue Mix - Fully Developed¹



1. Pro forma revenue assuming current rental rates and that residential and retirement components are fully developed and leased and that all the currently developed marina and storage spaces are occupied

▪ **Alexandrina Cove Lifestyle Village:**

- Approved for 160 sites in total with 28 developed (17 DMF + 11 land lease) and 132 undeveloped land lease sites
- Large, high-quality clubhouse – extension of the community to the marina waterfront has recently been approved which is a material improvement
- Expect to achieve at least 6 sales per annum at average sales price of \$350k, above ground margin of \$64k per house, and \$160pw land rent (equates to extra \$50k land rent per annum (accumulating) and \$0.39m development profit per annum)

▪ **Residential Land:**

- Pipeline of 254 approved lots – sold to 3rd parties who pay perpetual encumbrance fees to CQ, and some take out new leases on van and boat storage / berths
- Expect to achieve c.30 sales per annum (c.9 years’ supply) at average margin of 36% / \$48k (total development profit of \$1.44m per annum)

▪ **Park Community:**

- Approved for 200 sites in total including mixture of holiday cabins and sites – we are considering including land lease sites and dwelling rentals in the final scheme

▪ **Other Englobo Land:**

- Land freed up from decommissioning the WWTP that may suit commercial / retail use given its location at the main entrance of CQ (eg. service station with convenience retail) – some remediation works required first
- The Farmhouse Lot that has an old sandstone house currently leased – this could potentially be subdivided in future if zoning is changed



Alexandrina Cove Lifestyle Village



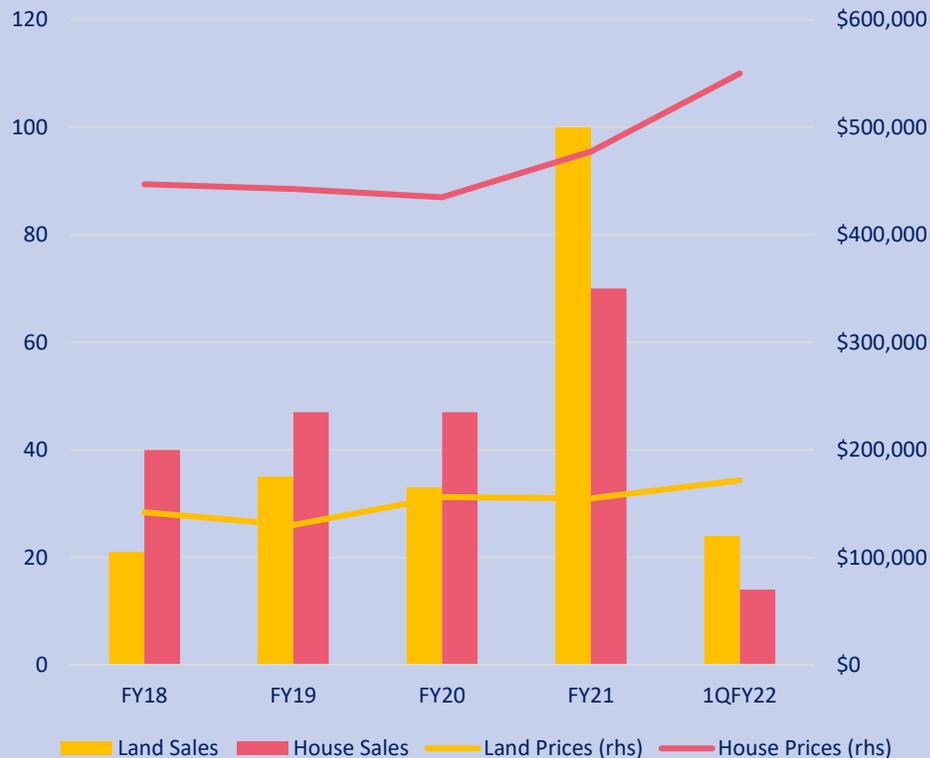
New Houses – Land Lease

Development Component	Undeveloped Approved Lots	Undeveloped Hectares	Value per Hectare	Value per Site	Total Value - \$m
Retirement - Land Lease	132	6	\$880,000	\$40,000	\$5.3
Residential	254	29	\$368,871	\$41,389	\$10.5
Caravan Park	200	5	\$250,000	\$6,250	\$1.3
Ex. WWTP	1	3	\$50,000		\$0.2
Farmhouse Lot	1	5	\$100,000		\$0.5
Total	588	48	\$372,481		\$17.7

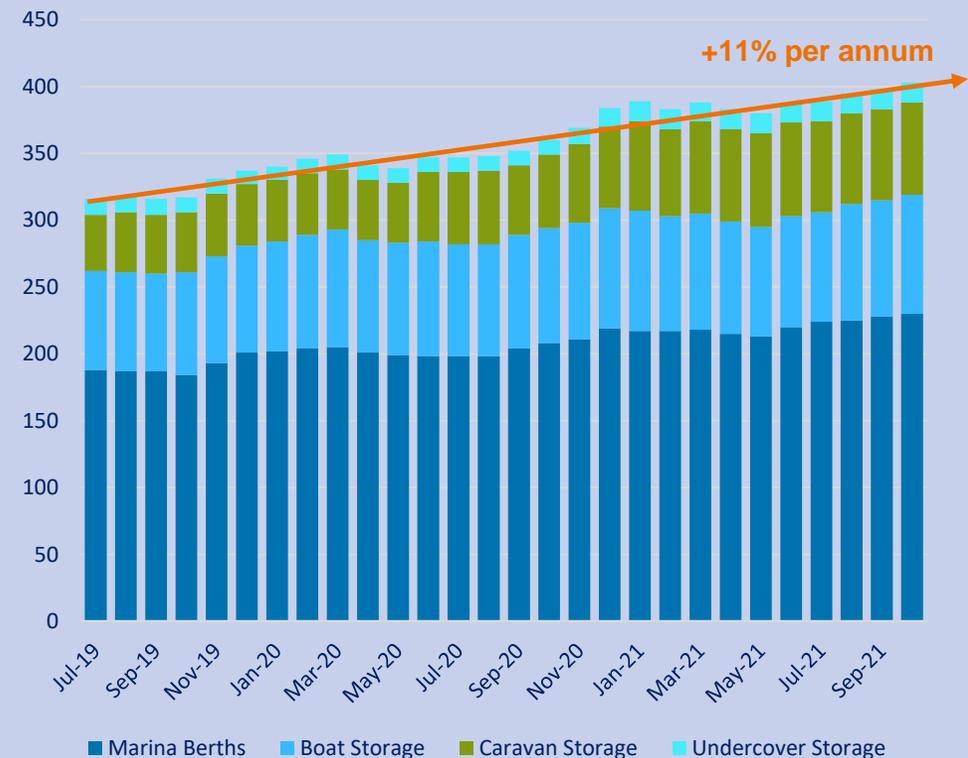
New House Sales Drive Higher Annuity Rental Income in Other Areas

- **Hindmarsh Island (including CQ) residential market has performed well over the past few years with both volumes and prices increasing for houses and land**
 - 130 land lots were sold in the past 12 months at CQ alone (we are budgeting 30 sales per annum in future)
- **Land sales likely increase local economic activity & jobs when the houses are built, and leads to population growth and additional annuity rental revenue across CQ:**
 - Perpetual encumbrance fees from the residential component
 - Extra demand for caravan and boat storage / berths, marine services, tavern and other commercial space / tenants

Hindmarsh Island Residential Performance



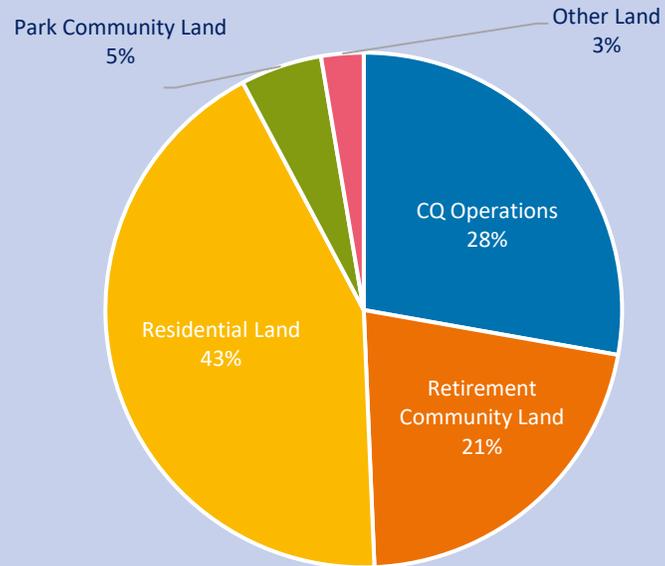
CQ Leases - # of Caravans and Boats Only



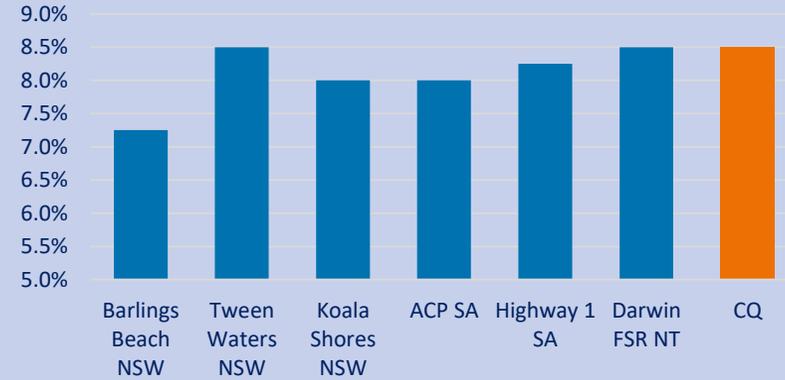
Source: Harcourts

CQ has been priced at \$25m for the proposed transaction – consistent with prices paid by Aspen in recent transactions and Aspen’s current book values

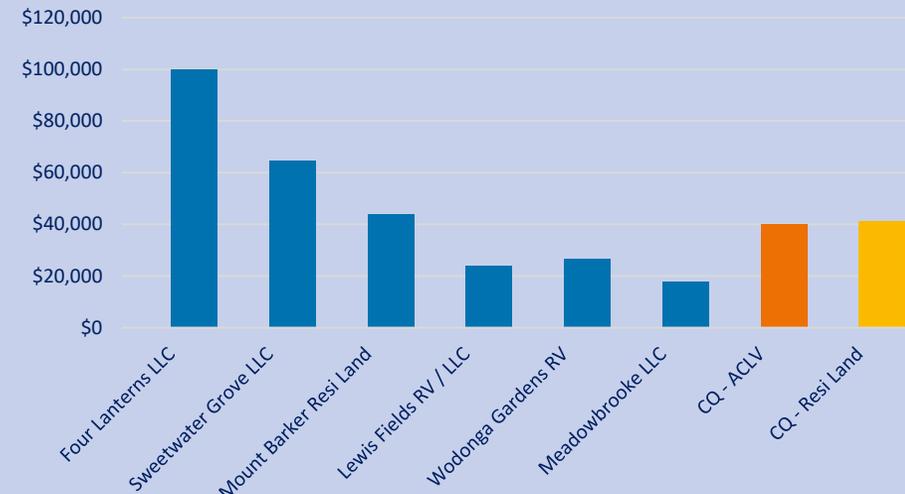
Aspen’s Attributed Value Split



Comparison of Cap Rates*



Comparison of Approved Development Site Values



* CQ’s NOI of \$0.58m and yield of 8.5% is post allowance for SIBC of \$175k per annum on average – Aspen’s property valuations capitalise pre-SIBC NOI

Aspen Group - Pro Forma Financials for MHIF Acquisition¹

9

Sources & Applications	Amount	ROCE / Funding Cost	Revenue / Expense
Applications			
MHIF Share Acquisition	\$24.5		
MHIF Net WC	\$0.6		
Transaction Costs (inc. stamp duty and legals)	\$1.8		
Total	\$26.9	8.8%	\$2.37
Sources			
Debt	\$2.4	3.5%	\$0.08
Equity consideration - MHIF	\$24.5	5.2%	\$1.27
Total	\$26.9	5.0%	\$1.35

MHIF Balance Sheet Summary	
Property - CQ	\$25.0
Current cash	\$4.6
Settlements due	\$2.4
Payables & Provisions	-\$0.7
Performance Fee payable to MHC	-\$6.8
MHIF Equity	\$24.5

	Balance Sheet - 31 December 2021			Income - 12 Months to 31 December 2021		
	31 December 2021	Adjustments	CQ Acquisition Pro Forma	Year to 31 December 2021	Adjustments	CQ Acquisition Pro Forma
100% Scrip Scenario						
Investment Property / Property NOI	\$338.7	\$25.0	\$363.8	\$12.12	\$0.75	\$12.87
Cash / Interest Income	\$7.8		\$7.8			\$0.00
Other Assets / D&T Profit	\$12.2		\$12.2	\$4.07	\$1.82	\$5.89
Total Assets / Total Income	\$358.7	\$25.0	\$383.8	\$16.19	\$2.57	\$18.76
Financial Debt / Interest Expense	\$112.1	\$2.4	\$114.5	\$1.48	\$0.08	\$1.56
RV Resident Loans	\$19.8		\$19.8			\$0.00
Other Liabilities / Net Corporate Overheads	\$16.5		\$16.5	\$4.89	\$0.21	\$5.10
Total Liabilities / Total Expenses	\$148.4	\$2.4	\$150.8	\$6.37	\$0.29	\$6.66
Equity / Underlying Profit	\$210.3	\$22.6	\$233.0	\$9.82	\$2.28	\$12.10
Securities	139.6	16.2	155.8	125.6	16.2	141.8
NAV / EPS (cents)	\$1.51		\$1.50	7.82		8.53
Gearing² / ICR	31.5%		29.9%	7.6x		8.7x

Aspen Pro Forma Financials - Calendar 2021

100% APZ Scrip Scenario

- Assumes CQ is held for a full 12 months and ignores potential impacts of other recent acquisitions including the Perth Apartment Portfolio which is initially dilutionary to EPS, but expected to be accretive to EPS and NAV over the medium term (refer ASX presentation released 19/8/21) - this is not a forecast for FY22 or any other period
- CQ Property NOI of \$0.75m is pre-SIBC, consistent with treatment of Aspen's properties
- Net Corporate Overheads increase due to loss of Project Management Fees from MHIF (\$0.2m)
- Equity up by 11%
- Gearing reduced from 31.5% to 29.9%
- ICR up from 7.6x to 8.7x
- NAV down 1c (NAV:NAV transaction with transaction costs essentially written off)
- EPS up 9%

Up to \$4m / 16% of consideration can be taken in cash at the election of MHIF holders – no material impact - slightly increased gearing and EPS

1. Based on Aspen's financial results for the calendar year to 31 December 2021. 2. Gearing: (Financial Debt less Cash) / (Total Assets less Cash less RV Resident Loans)

APZ securityholders:

- Acquiring a good quality mixed-use community of scale
- Highly familiar with the asset
- Expected attractive returns from CQ: ROI of 8.8% (pre SIBC) with good growth opportunities over many years
- Up to 100% equity funded (excluding transaction costs) – reduces gearing and introduces more sophisticated high net worth investors to Aspen's register
- 9% accretive to EPS

MHIF shareholders:

- Remain invested via Aspen which has the same management (internally managed) and asset type
- Aspen is likely to be less risky due to portfolio diversity
- Aspen may have superior long term funding mix (can support higher leverage)
- Distributions expected to be more stable (Aspen's distributions currently >80% tax deferred courtesy of historic tax losses)
- Aspen has more growth opportunities over the long run – MHIF's mandate is to own CQ only
- Less conflicts: from time-to-time Aspen considers acquiring properties that would compete directly with CQ
- Aspen stock is probably more liquid than MHIF stock – MHIF shareholder takes control over when they want to divest

Aspen has established an Independent Board Committee comprising Clive Appleton (Chairman) and Guy Farrands to consider and oversee the transaction

Transaction is conditional on:

- Aspen securityholder approval at a meeting:
 - Aspen securityholder approval will be required as a related party transaction (given John Carter is a common director of Aspen and MHIF), and other approvals will be required under the ASX Listing Rules and Corporations Act in relation to the issue of APZ securities as consideration
 - Hall Chadwick to be appointed to provide an Independent Expert's Report for inclusion in an Explanatory Memorandum to be provided to Aspen securityholders – transaction is conditional on the Expert issuing a report that the transaction is Fair and Reasonable and in the best interests of non-associated APZ securityholders
 - m3 Property has been appointed to independently value CQ – it recently valued Wodonga Gardens and Lewis Fields
 - Meeting expected to be held late April 2022
- The Directors of Aspen continuing to believe that the transaction is in the best interests of non-associated APZ securityholders
- MHIF shareholders accepting the offer and entering into formal documentation
- The Directors of MHIF continuing to believe that the transaction is in the best interests of MHIF's shareholders

If the transaction proceeds MHIF shareholders will not receive further distributions from MHIF – they will be entitled to distributions on their APZ securities commencing for the half year ending 30 June 2022

MHC has an investment management contract with MHIF and is entitled to Project Management Fees and Performance Fees:

- Aspen manages MHIF under a delegation agreement and receives the Project Management Fees
- MHC's entitlement to Performance Fees will become payable by MHIF at completion of the transaction
- Contract will terminate for \$nil consideration upon Aspen acquiring MHIF

Disclaimer

This presentation has been prepared by Aspen Group Limited and should not be considered in any way to be an offer, invitation, solicitation or recommendation with respect to the subscription for, purchase or sale of any security, including in any jurisdiction in which it would be unlawful, and neither this document nor anything in it shall form the basis of any contract or commitment. In particular, this presentation may not be distributed or released to any person and securities may only be offered to Australian institutional and professional investors.

Prospective investors should make their own independent evaluation of an investment in Aspen. Nothing in this presentation constitutes investment, legal, tax or other advice. The information in this presentation does not take into account your investment objectives, financial situation or particular needs. Each recipient of the presentation should make its own enquiries and investigations regarding all information in this presentation including, but not limited to, the assumptions, uncertainties and contingencies which may affect future operations of Aspen and the impact that different future outcomes might have on the Aspen and its subsidiaries (the "Group").

The information in this presentation is of a general nature and does not purport to be complete, nor does it contain all of the information that a potential investor may require in making an investment decision or would be required in a prospectus, product disclosure statement or other disclosure document prepared in accordance with the *Corporations Act 2001* (Cth) and will not be lodged with the Australian Securities and Investments Commission. This presentation should be read in conjunction with Aspen's other periodic and continuous disclosure announcements lodged with ASX, which are available at www.asx.com.au.

An investment in the securities of Aspen is subject to known and unknown risks, some of which are beyond the control of the Group. Aspen does not guarantee any particular rate of return or the performance of the Group, nor does it guarantee any particular tax treatment. Persons should have regard to the risk factors outlined in Appendix 1 of this presentation.

Aspen has prepared this presentation based on information available to it. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, none of Aspen, its directors, employees or agents, nor any other person accepts any liability, including, without limitation, any liability arising from fault or negligence on the part of any of them or any other person, for any loss arising from the use of this presentation or its contents or otherwise arising in connection with it.

This presentation contains forward looking information. Indications of, and guidance on, future earnings, distributions and financial position and performance are forward looking statements. Forward looking statements are based on Aspen's current intentions, plans, expectations, assumptions, and beliefs about future events and are subject to risks, uncertainties and other factors which could cause actual results to differ materially. You are strongly cautioned not to place undue reliance on forward looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19. There can be no assurance that actual outcomes will not differ materially from these forward looking statements. Several important factors could cause actual results or performance to differ materially from the forward looking statements, including (without limitation) the risk and uncertainties associated with the ongoing impacts of COVID-19, the Australian and global economic environment and capital market conditions. Aspen and its related bodies corporate and their respective directors, officers, employees, agents, and advisers do not give any assurance or guarantee that the occurrence of any forward-looking information, view or intention referred to in this presentation will actually occur as contemplated.

All references to dollar amounts are in Australian currency and financial data is presented as at 30 June 2021 unless otherwise stated. Investors should note that this presentation and the announcement to which it is attached contains pro-forma financial information. The pro-forma financial information and past information provided in this presentation and the announcement to which it is attached is for illustrative purposes only and is not represented as being indicative of Aspen's views on Aspen's, nor anyone else's, future financial condition or performance.

Statements made in this presentation and the announcement to which it is attached are made only as at the date of this presentation and the information remains subject to change without notice. Aspen may in, its absolute discretion, but without being under any obligation to do so, update or supplement this presentation or the announcement to which it is attached. Any further information will be provided subject to the terms and conditions contained in this disclaimer.

Aspen makes no recommendation as to whether a reader of this presentation should participate in the potential proposal and makes no warranties concerning the potential proposal.

