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MARKET RELEASE

ASX ANNOUNCEMENT 23 February 2016

Financial results for the half year ended 31 December 2015

KEY POINTS

- Solid financial results for 1H FY16
 - Statutory profit after tax of \$6.0 million
 - First statutory profit for a half year since 2011
 - Total operating profit before tax attributable to Aspen Group of \$2.7 million, down 47% from 1H FY15, due to continued divestment of non-core assets and sale of interests in Aspen Parks Property Fund (APPF)
 - 1H FY16 distribution of 4.6 cents per security
- Net Asset Value per security of \$1.31, increase of \$0.05 from FY15 (including the post 31 December sale of APPF management rights)
- No debt, with \$61.3 million of cash on hand, equivalent to \$0.54 per security
- Sale of interests in APPF for a final total premium of \$22.5 million, including termination of management rights in APPF for \$5.0 million
- Acquisition of two accommodation assets, with a further two in exclusive due diligence
- Continued focus on our manufactured housing development programme
- Write-down of carrying value of Aspen Karratha Village, reflecting very weak resource sector conditions
- Strong capital position enabling flexibility to pursue multiple opportunities
- Initiating an on-market buyback of up to 10.0% of securities
- Proposal received from Mill Hill Capital

Aspen Group (ASX: APZ) today announced its financial results for the half year ended 31 December 2015, recording a statutory profit of \$6.0 million, its first statutory profit for a half year since 2011.

Operating profit before tax, attributable to the Aspen securityholders, was \$2.7 million, which was down 47% from 1H FY15. The fall largely reflects the progress Aspen Group has made in its strategy of divesting non-core assets, along with the sale of its interests in APPF.

The NAV at 31 December 2015 was \$1.31 per security, an increase of \$0.05 from \$1.26 as at 30 June 2015 (including the post 31 December sale of APPF management rights).

In commenting on the result and the positioning of the business, Aspen Group Chief Executive Officer Clem Salwin, said, "Reporting its first statutory profit for a half year since 2011, this reflects Aspen's strong position after its two and half year turnaround programme.

"Our interests in APPF have been sold at a very substantial premium. The business is simplified. We have an attractive portfolio focused on 'value-for-money' accommodation. And we have a very strong financial position, with no debt and over \$60 million in cash on hand – being cash of \$0.54 per share.

"Operating performance in our residential / short stay portfolio continued to be solid. Our development pipeline has been a particular focus. At our lifestyle village at Leppington, in Sydney, we have already recycled over 5% of the existing homes in our first year of ownership. Master-planning is well underway for further residential expansion at Leppington, and our properties in Tomago, Newcastle and Mandurah, south of Perth.

"Since the start of the financial year, we have made two acquisitions, totalling around \$20 million with an average yield of 9.3%. This momentum is continuing, with two additional well located residential / holiday parks, with significant development potential, currently under exclusive due diligence. Asset acquisition is a key focus for our team; we continue to work on our extensive acquisitions pipeline with a number of opportunities at varying stages of investigation.

"The negative for the business continues to be the weakness from the resources sector. We reduced the carrying value of our Aspen Karratha Village (AKV) property to \$12 million, from \$22 million, reflecting continued very weak conditions in resource sector accommodation. The property continues to have Woodside as its key tenant, in place until January 2018.

"Aspen Group's Net Asset Value (NAV) increased to \$1.31 per security (an increase of \$0.05 from 30 June 2015). This was primarily a result of the sale of our interests in APPF, partly offset by the devaluation of AKV, and includes the value of the termination of the APPF management rights completed after 31 December.

"Finally, we have a very strong balance sheet. Gearing as at 31 December 2015 was nil and we have over \$60 million of cash on hand. This allows us to progress our disciplined acquisition programme in the 'value-for-money' accommodation sector, while also providing flexibility to pursue multiple capital management strategies going forward. Our initiation of an on-market buyback of up to 10% of securities is part of this capital management strategy," he said.

Future path forward

Following the successful APPF sale, the business has the foundations for future growth in the affordable accommodation sector. Looking forward, the emphasis is expected to be on a broader definition of affordable accommodation, with a focus on income yield.

Over time, it is expected that the business will also sell out of some existing yield assets, such as Spearwood, at appropriate timing / pricing.

With its strong balance sheet, Aspen has the capacity to pursue multiple acquisition opportunities, as well as to conduct capital management initiatives.

Once the business is fully invested within its target gearing range, with the substantial spread between the asset yields and interest rates, there is the potential for a significant increase in earnings and hence distributions.

Aspen Group has received a proposal from Mill Hill Capital, an associate of a non-executive director of Aspen Group, Mr John Carter. Formal conflict protocols have been implemented. The Independent Board Committee set up under those protocols considers that the MHC Proposal has considerable merit to continue to progress with the proposal. If the results of due diligence and the Independent Expert supports the Proposal, the IBC will seek approval from Aspen Group securityholders at a meeting at which Mr Carter and his associates are unable to vote. Further information on the Mill Hill Capital proposal has been separately announced.

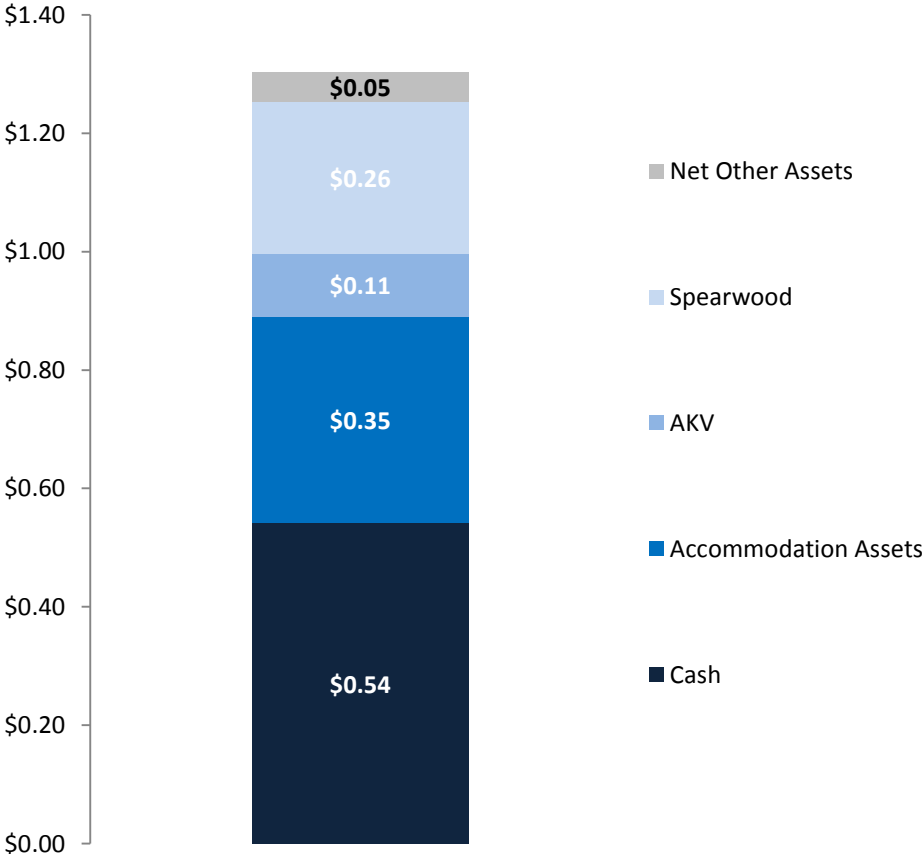
NAV composition

Pro-forma NAV per security stands at \$1.31 per security (including the post 31 December sale of APPF management rights).

The following chart illustrates the breakdown of NAV on a per security basis, pro-forma for the payment of the 1H FY16 distribution and the settlement of the Aspen Group’s interests in APPF.

Cash at hand represents \$0.54 per security.

Composition of NAV - \$1.31 per security



Overview of accommodation portfolio

After the sale of its interests in APPF, Aspen Group owns and manages five accommodation properties.

During the half year, Aspen Group acquired two parks for a combined value of \$19.8 million (excluding acquisition costs). One of these parks at Tomago, Newcastle, NSW has a combination of residential / short stay accommodation, with development expansion. The other park, in central Adelaide, is a pure short stay park with an underlying medium density residential zoning in place which provides optionality on alternate land use. In addition, Aspen Group has two further residential / short-stay properties under exclusive due diligence to acquire for a total of \$12.0 million.

Reflecting the continued weakening of conditions in the resources sector, there was a write-down in the value of the Aspen Karratha Village asset to \$12.0 million (previously \$22.0 million).

Spearwood

In the light of both the strong capital position post the APPF sale, as well as the key metrics of the property – showing an 11% yield on the property which is 100% leased on a 4 year WALE, with annual 4% rental increases – the decision was made not to proceed with a sale of this property at this time. As a result, it is no longer classified as an asset held for sale.

Non-core operations

Other assets totalled \$8.0 million, largely comprising \$2.5 million for a conditionally sold vacant property in Midland, Perth, \$3.7m for an unsold englobo residential development near Bowen, Queensland, and \$1.8m in cash and cash equivalents which are held in trust pending finalisation of company liquidations which are expected to be completed by June 2016.

Sale of APPF interests

On 23 December 2015, Aspen announced the sale of its interests in APPF to Discovery Bidder in relation to the Discovery Parks Takeover Offer¹ for APPF. The sale of Aspen's 42% interest was at a 38% premium over the APPF NAV. The total net consideration from the transaction was \$65.8 million, which included a \$5 million payment to terminate Aspen's management arrangement with respect to APPF.

On 3 February 2016, Aspen announced that all conditions had been met by Discovery Bidder and the transaction was finalised. The change in responsible entity in APPF is expected to occur in March 2016.

Capital management and distribution guidance

At 31 December 2015, Aspen's sole debt facility was drawn to \$6.0 million (30 June 2015: \$142.5 million²), versus a limit of \$60.0 million. This debt facility was repaid subsequent to period end.

Aspen's gearing was nil at 31 December 2015 (30 June 2015: 35.2%), primarily due to the sale and deconsolidation of Aspen's APPF investment.

Following the settlement of the APPF sale transaction and the payment of the 1H FY16 distribution, both occurring in February 2016, Aspen has \$61.3 million cash on hand.

As part of its capital management strategy, Aspen has announced an on-market buyback of up to 10% of its securities on issue.

Aspen Group advises its distribution per security guidance for 2H FY16 is 4.6 cents per security, in line with the distribution in 1H FY16.

Compliance Committee

Following the APPF sale, and consistent with being a smaller and simpler business, Aspen Group has resolved to internalise the Compliance Committee for Aspen Property Trust with a Board sub-committee, replacing the two external committee members. The Board sub-committee comprises Mr Frank Zipfing (Chairman), Mr Clive Appleton and Mr Guy Farrands.

Market Briefing

Aspen Group will be providing a market briefing at 10:00am (AEDT) today, 23 February 2016.

The market briefing will be webcast via:

<http://webcasting.brrmedia.com/broadcast/56a827cf2ac671c40a8c7a12>

Dial in details within Australia are:

Toll Free: 1 800 558 698 or 1 800 809 971

Local: 02 9007 3187

Conference ID: 406620

¹ The off-market takeover offer for APPF made by Beston Parks Land Co Pty Ltd as trustee for the Beston Accommodation Parks Trust (Discovery Bidder), a wholly owned subsidiary of Discovery Parks Holdings Pty Ltd (Discovery Parks) (Discovery Takeover Offer)

² Inclusive of APPF debt facility

End

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