



Aspen Group Limited
ABN 50 004 160 927

Aspen Property Trust
ARSN 104 807 767

Level 18, 9 Hunter Street
Sydney NSW 2000

Telephone: 02 9151 7500
Facsimile: 02 9151 7599

Email: homemail@aspengroup.com.au

MARKET RELEASE

ASX ANNOUNCEMENT

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Way Forward and Leadership Changes

Current Position

In February this year Aspen Group (ASX: APZ) sold its interests in the Aspen Parks Property Fund (APPF) to Discovery Holiday Parks Group at an attractive price. This has simplified our corporate structure and property portfolio and has underpinned the value of Aspen Group. We currently own a portfolio of six material properties mostly concentrated in major population areas, which are all wholly owned and freehold titled. The total property portfolio is valued at \$80 million as of 31 December 2015 and is currently generating a high income yield of approximately 12%.

Our balance sheet is very strong with approximately \$61 million in cash and no debt. Aspen Group will establish a new debt facility after having recently terminated its previous facility upon receipt of the proceeds from sale of its interest in APPF.

We are currently considering several investment opportunities within and outside our existing portfolio to put our cash to work on a more profitable basis.

Optimal Way Forward

We aim to take advantage of our position and deliver value to our security holders surpassing Aspen Group's Net Asset Value of \$1.31 per security as reported at 31 December 2015 and current distribution of 9.2 cents per annum in an acceptable timeframe with the following actions:

- Strengthening our management team and platform whilst also materially reducing overhead and transaction costs
- Improving the performance and value of all our existing properties:
 - More intensive hands-on management of MHE and Park properties to maximise revenue, minimise costs and speed up the development pipeline
 - Improving lease terms on Aspen Karratha Village
 - Fully assessing redevelopment options and/or the potential to improve the value of the existing lease on Spearwood before reconsidering any sale
- Deploying the operating platform and strong balance sheet into an expanded, diversified accommodation portfolio that provides a high total return from a mixture of cash income yield and profitable development / redevelopment opportunities in both the Retirement (e.g. MHE) and Short Stay (e.g. parks, accommodation motels) sectors

➤ Optimising capital structure and return on equity:

- Ample opportunities to profitably utilise third party capital in the affordable accommodation sector including JV partners (e.g. land owners, builders, governments) and managed funds
- Undertaking a buyback if the stock price remains attractive in order to benefit remaining security holders and to refresh the security register. As previously announced we do intend to shortly commence an on-market buy-back program for up to 10% of securities on issue.

Other Proposals Considered

The Board has considered a liquidation of the Aspen Group and return of capital to security holders and has deemed it to not be in the best interests of security holders for the following reasons:

- Most properties have not yet been optimised for sale (e.g. still seeking development approvals on MHE / park assets and a longer lease duration on Spearwood and Karratha Village is likely to be beneficial)
- There are legacy issues and contingent liabilities that could become realised (e.g. some unlisted funds managed by Aspen Group are still being wound up, there are some outstanding guarantees which, whilst not being material in size, will limit the ability of Aspen Group to undertake a complete distribution of capital pending the expiry of these guarantees, and Aspen Group is exposed to lease tails in both Sydney and Perth).
- Transaction costs would be incurred that are not provisioned in the current balance sheet (e.g. retention / redundancy payments, selling costs, adviser costs)
- As reported at 30 June 2015, Aspen Group has realised and unrealised tax assets of \$93 million. This potential future benefit of the accumulated tax losses would be foregone.

The Board has also considered a sale of Aspen Group, but believes that the current strategy is expected to deliver a value and a stock price above the current Net Asset Value in a reasonable timeframe. Security holders should note that no party has formally approached Aspen Group to date with regard to such a proposal and that any proposal would likely require a bid price of at least Net Asset Value to be considered fair.

The Board has determined that Aspen Group's strategy can best be pursued in future under the stewardship of new senior management. As such, the current CEO, Clem Salwin, and CFO, Adam Marrs Ekamper, will be leaving the company at the end of September and August respectively and we have commenced a search for their replacements.

In addition, Frank Zipfinger the current Chairman has tendered his resignation. The Board has appointed Clive Appleton as his replacement.

We thank Frank, Clem and Adam for their tireless efforts over the past few years and for putting Aspen Group into the stronger position that it enjoys today.

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<i>For further information please contact:</i> Clive Appleton Chairman Phone: (+61) 418 380 496 Email: homemail@aspengroup.com.au	<i>For media enquiries:</i> David Tasker Professional Public Relations Phone: (+61) 8 9388 0944 Mobile: (+61) 433 112 936 Email: david.tasker@ppr.com.au
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