

12 July 2016

Onterran Limited (ASX:OTR)

ASX Announcement

**Acquisition of Couran Cove Resort assets,
Capital Raise and Extraordinary General Meeting**

Onterran Limited (“Onterran” or “Company”) is pleased to make the following announcement about:

- (i) the acquisition of certain assets at the Couran Cove Resort, South Stradbroke Island, QLD;
- (ii) the proposed issuance of redeemable convertible preference shares (“RCPS”) to fund the acquisitions;
- (iii) an Extraordinary General Meeting (“EGM”) to be held on 15 August 2016 for shareholders to approve, among other things, the issuance of the RCPS and an 8 for 1 share consolidation; and
- (iv) a general business trading update

Background

Following a detailed due diligence process, Onterran has agreed to acquire various assets at the Couran Cove Resort. These acquisitions will enable Onterran to benefit from substantial development potential with more than 220 approved houses and lodges as well as benefit from the upside in approximately 105 existing apartments. Onterran plans to develop the 220 approved houses and sell the 105 existing apartments, which are expected to generate revenue of over \$95 million in the next 4 years. In addition to existing apartments and approved development land, there may be further development opportunities that will be investigated over time. These opportunities relate to large leasehold parcels of land that form part of the acquisition.

To fund the acquisition of the various assets, undertake the renovation and sale program on the 105 existing apartments and commence development of the land, Onterran is raising up to \$21.5 million through the issuance of redeemable convertible preference shares (“RCPS”). Onterran is pleased to announce that it has already received pledges sufficient to complete the acquisition of the Couran Cove Assets and is confident of being able to raise the full \$21.5 million.

The table below sets out the approximate uses of funds based on minimum and full RCPS subscriptions being received:

Use of funds from the RCPS capital raise	Minimum Subscription (\$16.5 million)	Fully subscribed (\$21.5 million)
To acquire Couran Cove Resort Assets	\$14,000,000 – \$15,000,000	\$14,000,000 – \$15,000,000
Expenses of the offer of the RCPS	\$800,000	\$800,000
Costs for the development of the Couran Cove Assets and provision of general working capital	\$700,000 – \$1,700,000	\$5,700,000 – \$6,700,000
	A\$16,500,000	A\$21,500,000

Onterran Executive Chairman Lachlan McIntosh said, “the Board of Onterran is excited about the acquisition of the Couran Cove Resort assets as we consider there is significant upside potential in the acquired assets, and the development land provides the platform for the company’s next four to seven

years' work. The development potential of Couran Cove is vast and we expect it to be challenging but also very rewarding."

Further details about the Couran Cove Resort assets, the RCPS and EGM follow.

Couran Cove Resort assets being acquired

Through wholly-owned subsidiaries Onterran will acquire the following Couran Cove Resort assets:

1. approximately 105* existing apartments;
2. 3 developments lots with development approval for over 220 houses and lodges;
3. a number of commercial buildings; and
4. significant possible future leasehold development land

(collectively, the "Acquisitions"). An updated presentation about these assets is enclosed in this announcement.

*Conditional agreements have been reached with multiple vendors of existing apartments. Contracts are in the process of being completed with the final number of apartments to be acquired contingent on the number of contracts ultimately executed.

Redeemable Convertible Preference Share issuance

Onterran will fund the Acquisitions through the issue of up to \$21.5 million redeemable convertible preference shares ("RCPS") the key details of which follow and are subject to shareholder approval at Onterran's Extraordinary General Meeting to be held on 15 August 2016:

Issue date:	End of August 2016
Maturity date:	5 years from Issue date
Issue price:	\$0.55 (following an 8 for 1 share consolidation)
Number of RCPS to be issued:	39,090,909
Conversion price:	\$0.55 (1 RCPS is convertible into 1 OTR ordinary share)
Conversion term:	At any time between Issue Date and Maturity Date
Dividend:	8% fully-franked, cumulative but not compounding, payable semi-annually. Arrears accrue interest at 8% p.a. and can be satisfied by payment of cash or issue of shares at a 5% discount to the 5-day VWAP at date of conversion or maturity
Security:	RCPS holders will receive security over approximately 105 existing apartments ("Secured Apartments")
Redemption:	<p><u>By Onterran:</u></p> <p>(1) <i>prior to 3 years from issue date</i> if, in its sole discretion, Onterran offers redemption and RCPS holders agreed to being redeemed</p> <p>(2) <i>after 3 years from issue date</i> if, in its sole discretion, Onterran elects to redeem</p> <p>(3) <i>for cause</i> if one RCPS holder (and its associates) acquires more than 50% of the RCPS on issue</p> <p><u>By RCPS holders:</u></p> <p>(4) <i>after 18 months from issue date</i></p> <p style="margin-left: 20px;">a. in cash if Onterran has monetised some or all of the Secured Apartments, subject to scale-back if Onterran has insufficient cash funds to meet redemption requests</p> <p style="margin-left: 20px;">b. in-specie through the transfer of ownership of an apartment at a valuation that is a 10% discount to recent sales or valuation</p> <p><u>Mandatorily:</u></p> <p>(5) <i>at maturity date</i></p>

Extraordinary General Meeting

Onterran will hold an EGM on 15 August 2016 for shareholders to approve, among other things, the issuance of the RCPS and an 8 for 1 share consolidation. The notice of EGM, which will be lodged with the ASX by separate announcement, provides a more detailed explanation of the Couran Cove Resort assets being acquired and also the RCPS.

General business trading update

The current businesses have continued to operate in a difficult environment with a mixture of rising prices in Queensland and declining regional work in Western Australia. This, along with the costs of completing a small number of loss making contracts that were on hand at the time of acquisition of Bloomer Constructions, will lead to the group recording a small loss for FY 2016.

In Queensland, pricing has to an extent stabilised in the last two months and Bloomer Constructions expects a much stronger performance in FY 2017. In Western Australia, the McGrath Homes business continues to work on major contracts previously announced that have underpinned its FY 2016 result.

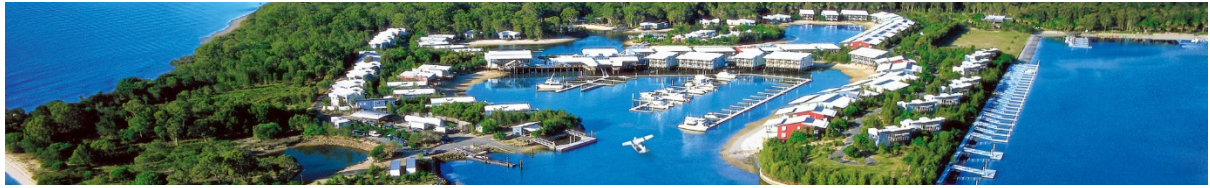
With the acquisition of the Couran Cove Resort assets, the first step is being taken for Onterran to develop significantly more of its own product and hence be less beholden to the ebbs and flows of pricing. This acquisition is expected to underpin FY 2017 to 2020 earnings and provide a base for further acquisitions.

For further information contact:

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Onterran's Acquisition of Assets at Couran Cove Island Resort



Couran Cove Island Resort is a 4-star Resort that was completed in 1998 on South Stradbroke Island, in Queensland.

- Over \$300 million has been spent on infrastructure and construction of the Resort.
- There are 352 apartments and houses in total at Couran Cove.
- Couran Cove has full resort facilities including spa, beach club, restaurants, pools and a sporting area.
- Onterran is to acquire 108 of the 352 apartments and houses, all of which are located on the waterfront of a man-made lagoon or the marina.
- An extra 220 apartments and houses have been approved to be built through a Development Application.
- Onterran is also acquiring significant leasehold land, held long term with possible development potential.



Marine Deluxe Apartments

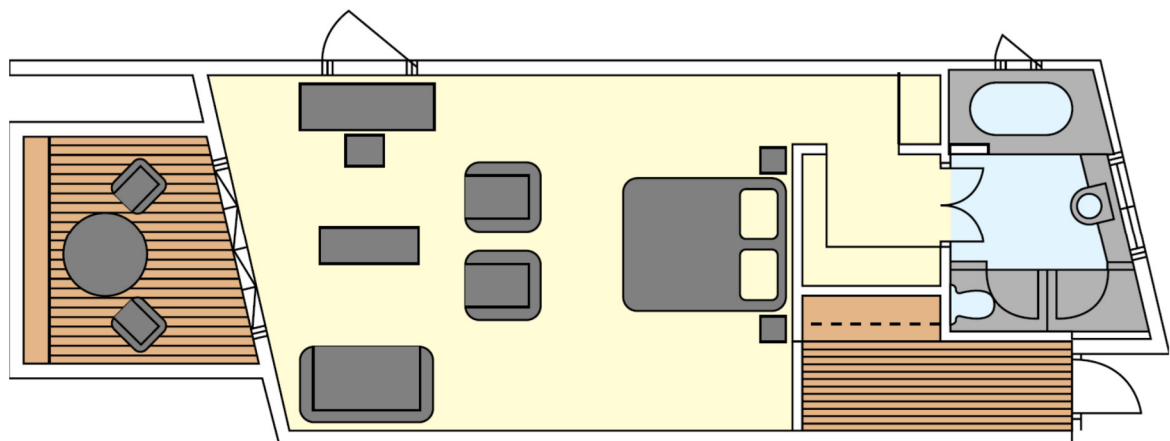
Ownership – 61x studio apartments

Size – 62m²

The Marine Deluxe Apartment is an open plan studio design, with a large waterfront balcony offering views over the marina with the following specifications:

- Capacity – Sleeps up to 3 adults, or 2 adults and 2 children.
- Bedding – 1 King bed or 2 single beds and 1 sofa lounge.
- Full waterfront views over the Resort marina or lagoon.
- Open plan hotel studio style with semi self-contained kitchenette (2 burner gas cooktop, microwave and fridge).

Recent rentals: 1-bdrm suites – \$170/night, Studio apartments – \$140/night



Marine Suite Apartments

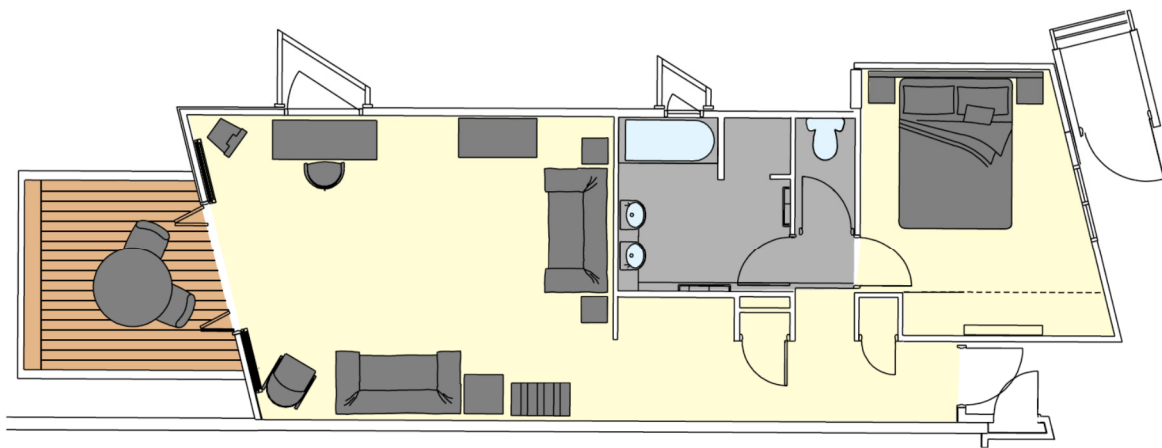
Ownership – 41x 1-Bdrm suites

Size – 74m²

The Marine Suite Apartment is ideal for small family holidays, and is a 1-bedroom apartment design, with the master bedroom separate to a spacious lounge room complete with 2 sofa lounges for extra guests.

- Capacity – Sleeps up to 4 adults, or 2 adults and 4 children.
- Bedding – 1 King bed or 2 single beds in the master room and 2 sofa lounges in the lounge room.
- Full waterfront views over the Resort marina or lagoon.
- 1-bedroom apartment suite plan with semi self-contained kitchenette (2 burner gas cooktop, microwave and fridge).

Recent rentals: 1-bdrm suites – \$170/night, Studio apartments – \$140/night



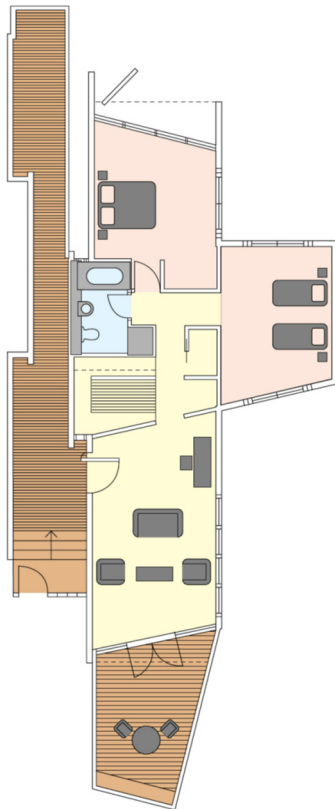
Lagoon Lodges

Ownership - 6 Lodges

Size - 117m² to 126m²

Apartments are fully air conditioned and boast a large private deck with steps leading directly onto the beach. With two spacious bedrooms, these apartments are ideal for families or groups of friends. The open plan concept combines the living, dining and kitchen area - creating the perfect environment to entertain. They also feature a Carrara marble twin basin bathroom, large bath and shower with a separate toilet. Rooms are self-contained

Recent rentals: \$200/night

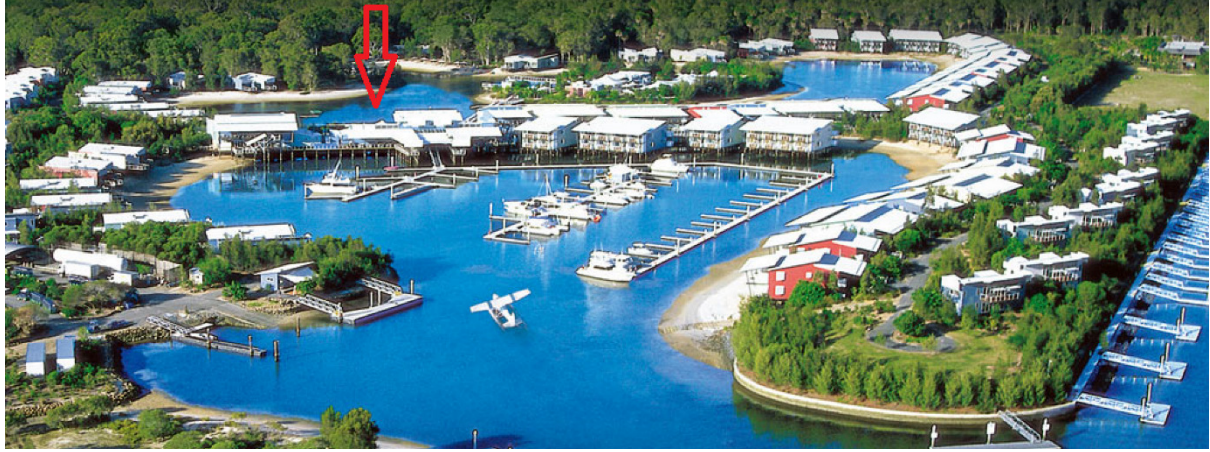


Arrivals Building

Ownership – Arrivals Building, Lot 3 MCP 106751

Size – 2,314m²

Located in the marina, the Arrivals Building is the reception area of the Resort.



The Resort's signature restaurant 'Portside', along with the 'Boardwalk Café' are also located within the Arrivals Building.



Eco Development Lot

Ownership – Lot 113 GTP 106986

Size – 14.5 hectares (145,000m²)

The Eco Lodges development lot is a 14.5-hectare parcel of land in the Banksia forest, located South East of Couran Cove Island Resort. Through subdivision, 198 apartments can be built on the Eco Development Lot.



Lagoon Development lots

Ownership – Lot 4 GTP 106808, Lot 33 GTP 106983 and Lot 35 GTP 106984

Size –4,510m², 220m² and 785m² respectively

The Lagoon Lodges development lots are 3 separate parcels of land located on the East side of the lagoon. Through subdivision, a total of 16 apartments can be built on the Lagoon Development Lots.

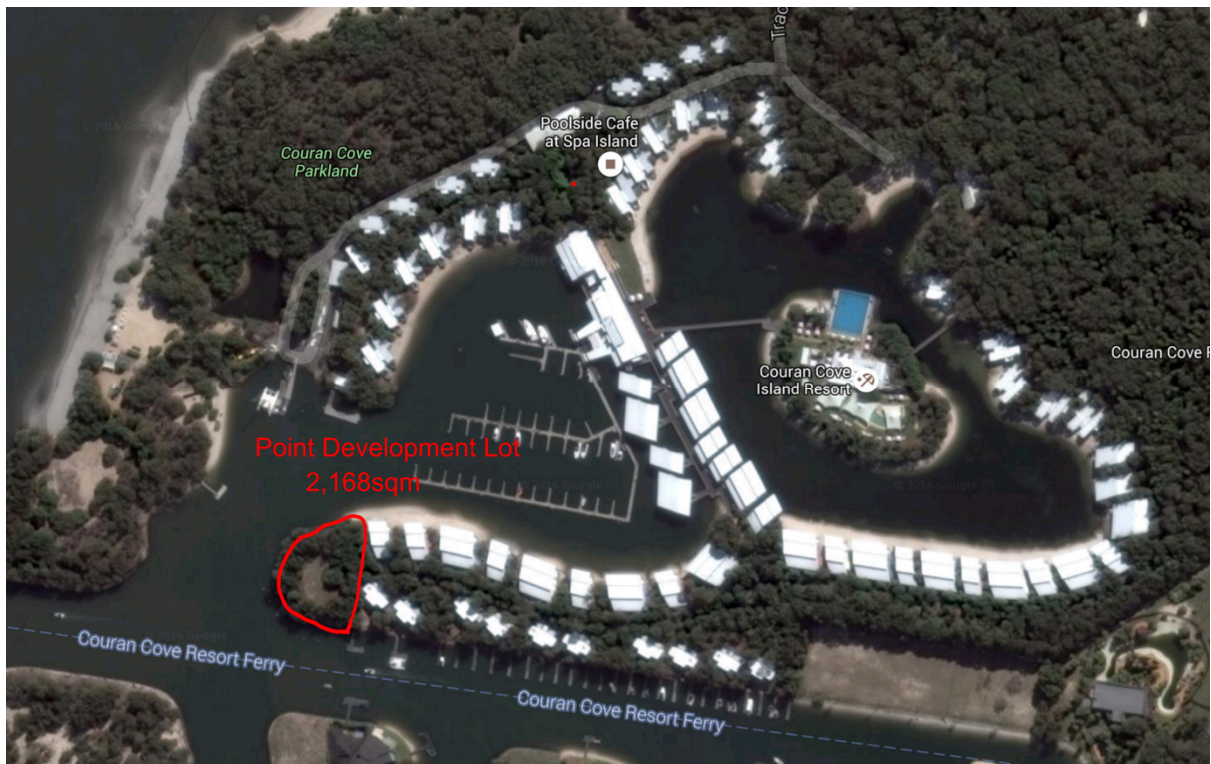
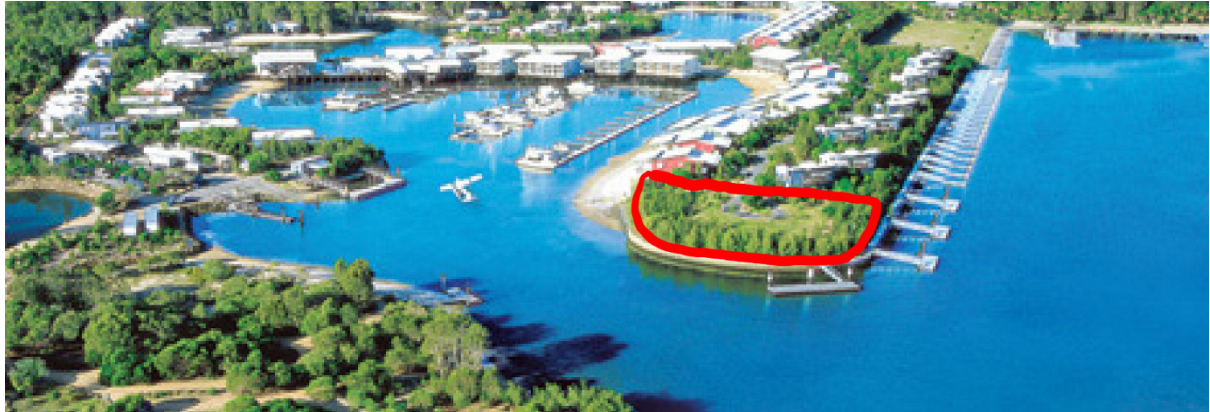


Point Development lot

Ownership - Lot 1 MCP 106751

Size -2,168m²

The Point Lodges development lot is located at the entrance of the marina, to the West of the Resort.



Crown Leases

Ownership – Lot 1-2 on SP 108058 and Lot 2-3 on SP 108079 (tied to Lot 3 MCP 106751)

Size –6,904m² and 207,570m² respectively

Lot 1-2 on SP 108058 is a Crown Lease for the pontoons (marine facility).



Lot 2-3 on SP 108079 is a Crown Lease for tourism purposes, including the surf club and access road.



Permits to Occupy

Ownership – Lot 3 on CP 900215 and Lot 6 on SP 264375

Lot 3 on CP 900215 is tied to CP Lot 10 on MCP 106985 (community property lot) and any other adjoining properties owned by CCH. It is a permit to occupy for commercial business purposes and tourism, including public grounds - i.e. picnic grounds.

Lot 6 on SP 264375 is tied to Lot 3 on CP 900215 (above). It is a permit to occupy for commercial business purposes and tourism public facilities, including sunshades and the sewerage plant.