

A family of six, including two adults and four children, are running through shallow water at sunset. They are holding hands and smiling, with the sun low on the horizon creating a bright, warm glow and long reflections in the water. The family consists of a man, a woman, and four children of various ages.

ASPEN GROUP LIMITED

Results Presentation FY18

28 August 2018



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1

FY18 Highlights



Aspen continues its acquisitions program enabled by enhanced platform

PORTFOLIO



NAV improvement

- NAV of \$1.19, net of the 5.0 cps special capital distribution, and acquisition costs impact of 2.3 cps
- 49% increase in Core Assets portfolio
- Koala Shores Holiday Park, NSW and Darwin FreeSpirit Resort, NT acquisitions settled for considerations of \$10.2 million and \$19.5 million respectively
- 4 independent revaluations undertaken for assets contributing to a \$5.1 million uplift in value across the portfolio
- Successful divestment of ~\$34 million² of assets held for sale
- Pre-sales activity and pre-development works both underway at Four Lanterns Estate

FINANCIAL



Core assets earnings growth

- Core accommodation asset revenue growth \$6.7 million (44%) and operating earnings growth \$1.9 million (32%) in line with acquisitions
- Decline in non-core earnings of \$2.2 million in line with divestment of Spearwood South industrial property in October 17

CAPITAL MANAGEMENT

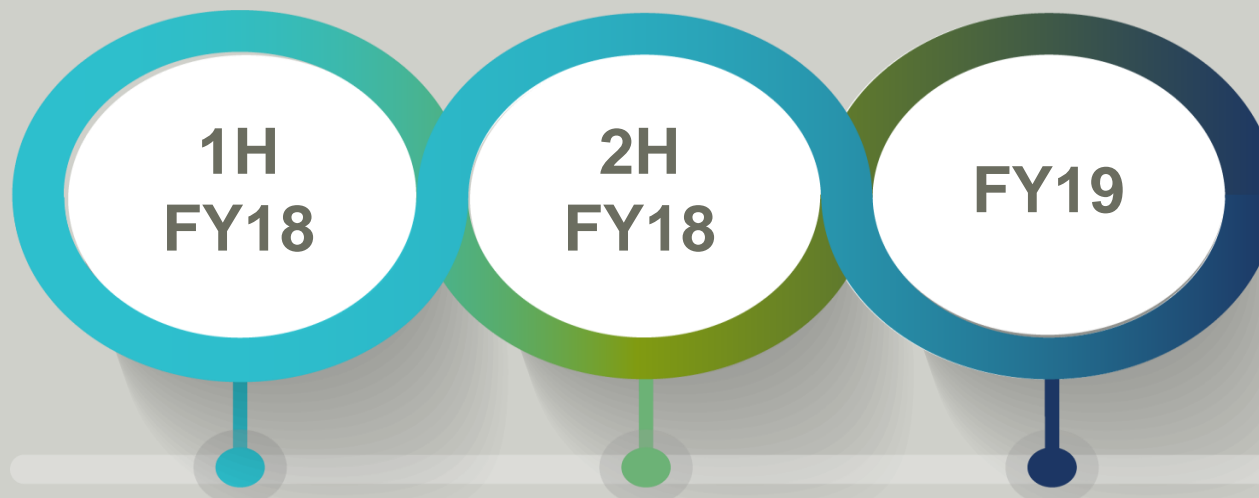


Low debt balance sheet

- Finance facility of \$45 million¹ in place (June 2020 expiry). Undrawn debt capacity of \$40 million.
- Security buy-back activity completed with a further 5.6 million of stapled securities bought back for a consideration of \$5.6 million
- Special capital distribution of 5.0 cps following successful divestment of Spearwood South industrial property

1. Reduced from \$70 million in June 18 to minimize unutilized finance facility line fees.

2. Sale of Midland asset settled on 8th August 2018.



- Spearwood South Industrial property and Whitsunday Shores land sale settled
- Acquisition – Tourist Parks
 - Koala Shores
 - Darwin FreeSpirit
- 1H FY18 distribution 2.1cps in line with guidance

- Development commenced at Tomago and Four Lanterns
- Reduced finance facility to \$45 million
- Woodside tenancy contract at Aspen Karratha Village extended to January 2020
- 2H FY18 distribution 2.1 cps in line with guidance
- Midlands land sale settled¹

- Targeting ~ \$40 million in acquisitions and developments at existing properties
- Sale of residences at Four Lanterns to commence
- Development to substantially progress at Tomago
- Investigating move to external custodian² to release ~\$10 million cash to apply towards investments
- Explore adjacent sub sectors including affordable residential accommodation
- ~\$8 million investment to existing assets

1. Settled on 8th August 2018

2. Any move to an External Custodian would be subject to approval via general meeting of security holders



2

Financial Results



Performance reflects group transition through acquisitions program

Operating Performance	FY18 \$m	FY17 \$m	Change %
Statutory revenue¹	22.8	19.0	19.7%
Statutory profit / (loss)	0.8	(0.2)	446.5%
Profit from operations			
Accommodation	9.5	7.0	35.9%
Non-core	0.8	3.4	(76.7%)
Total gross profit	10.3	10.4	(0.7%)
Operating expenses	(5.3)	(5.5)	(2.8%)
Earnings before interest, tax and depreciation (EBITDA)	5.0	4.9	1.5%
Depreciation and amortisation	(1.6)	(1.0)	58.0%
Net financial income / (expense)	(0.3)	0.6	(149.5%)
Operating profit before tax	3.0	4.5	(32.3%)
Income tax expense	-	-	-
Operating profit after tax	3.0	4.5	(32.3%)

Distribution	FY18 \$m	CPS
Operating profit	3.0	3.2
add: Depreciation	1.6	1.7
less: Stay in business capex	(0.6)	(0.7)
Distributable earnings	4.1	4.2
Distribution		4.2
Payout Ratio		100%

1. Includes non core revenue from Spearwood of \$1.0 million in 2018 and \$3.9 million in 2017

Statutory Profit

- Current year impacted by
 - Net revaluation gain in the value of core assets \$0.9 million
 - Investment driven acquisition costs incurred of \$2.2 million

Revenue

- Current year impacted by
 - Increase in core revenue by \$6.7 million or 44%
 - Decrease in non core revenue by \$2.9 million or 74% due to sale of Spearwood South

Operating profit

- \$3.0 million – 32% decrease from the prior year, primarily due to reduction in Spearwood South profit as a result of its disposal during the year
- Result includes asset stabilisation expenses of ~\$0.15 million
- Operating profit adversely impacted by reduced inventory at Tomago ahead of redevelopment

MER

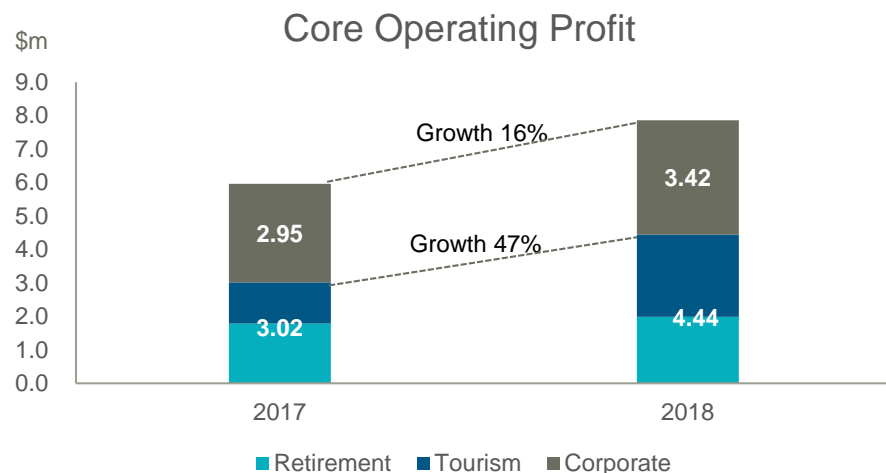
- 4.1% (on average total assets)

Distribution

- 4.2 cps in line with guidance

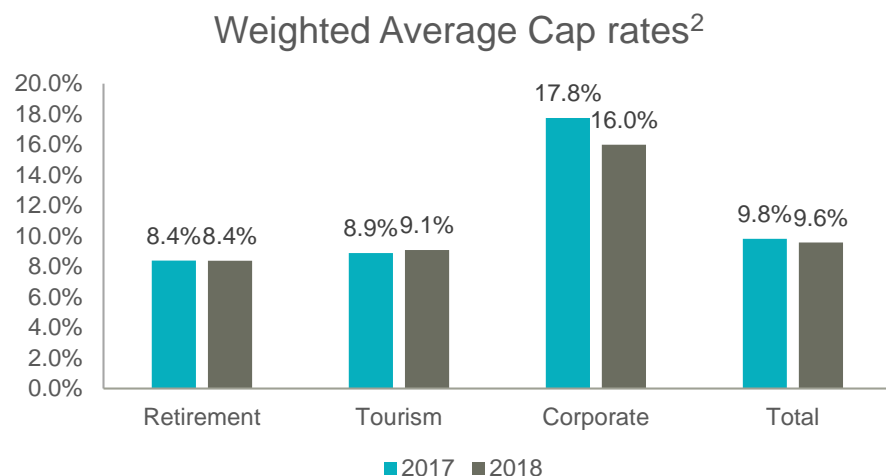


Aspen continues to consolidate and build its core portfolio



32% growth in core operating profit

- Tourism sector leading the growth with 100%, primarily driven by two high quality acquisitions of Koala Shores and Darwin FreeSpirit¹, as well as full year impact of prior year acquisitions
- Retirement sector, which is mostly stable long term revenue stream, also increased by 11%
- Corporate sector increased by 16% reflecting improving efficiencies and physical occupancy
- Tourism weighted average cap rate increase YoY due to high yield acquisitions during FY18



1. Considering full year impact of current year acquisitions, the growth in core operating profit would have been 192%

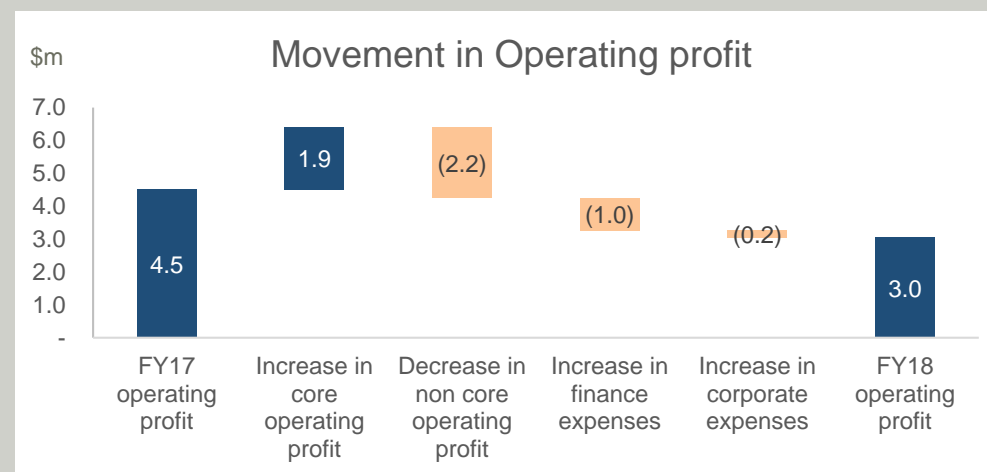
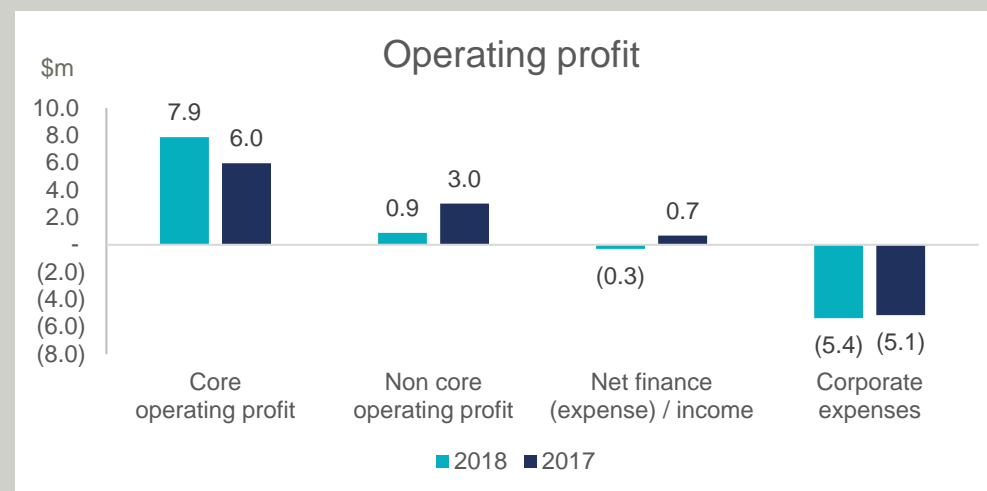
2. Cap rates reflect the underlying income producing component of asset values

Reconciliation of statutory profit to operating profit

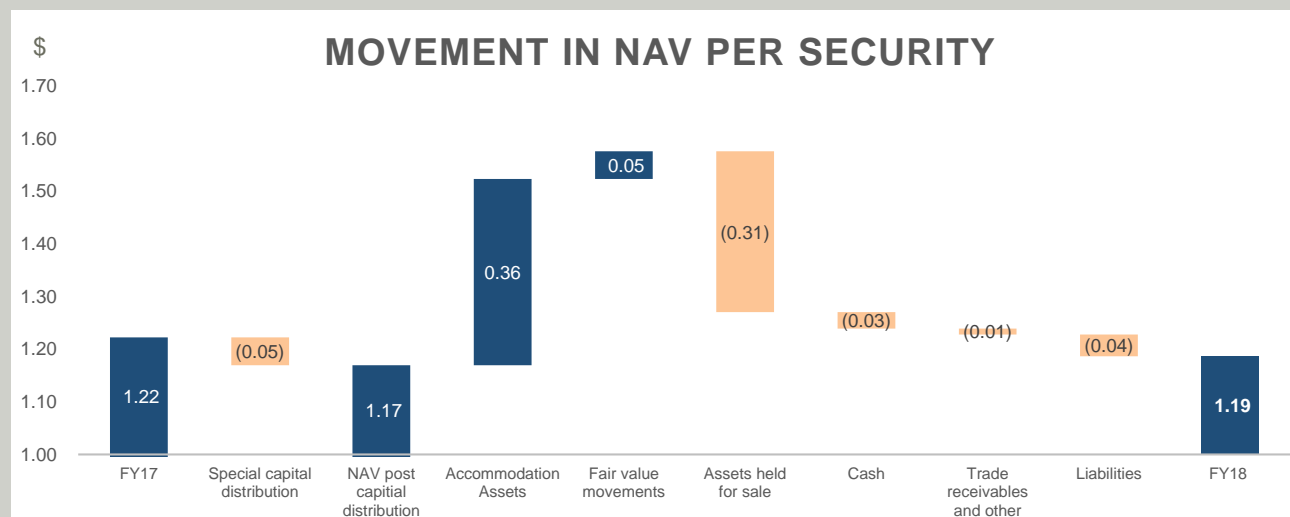
2.3

	FY18 \$m	FY17 \$m
Statutory profit / (loss) after tax	0.8	(0.2)
Income tax expense / (benefit)	-	-
Statutory profit / (loss) before tax	0.8	(0.2)
Change in fair value of PPE through profit and loss	(0.9)	0.7
Other expenses (including transaction / acquisition costs) ¹	2.8	1.8
Change in fair value of assets held for sale	0.0	1.1
Loss from discontinued operations (non - underlying)	0.2	1.1
Loss from equity accounted investees	0.1	-
Non-operating loss (to add back)	2.3	4.7
Operating profit after tax	3.0	4.5

1. Includes \$2.2m of acquisition and due diligence costs



Balance Sheet	FY18 \$m	FY17 \$m	Change \$m
Accommodation assets ¹	106.4	71.2	35.2
Assets held for sale / Other	8.1	40.2	(32.0)
Cash	13.4	22.7	(9.4)
Debt	(4.7)	-	(4.7)
Gearing ² %	-	-	-
NAV	114.9	124.6	(9.6)
NAV \$ per security	1.19	1.22	(0.03)



Property assets

- Two acquisitions (Koala Shores and Darwin FreeSpirit) settled during the year for \$29.7 million.
- Development commenced at Four Lanterns and Tomago.

Cash

- Cash utilisation of \$9.4 million in FY18
 - Acquisitions - \$29.7 million
 - Distributions paid - \$4.7 million
 - Special distribution paid - \$5.1 million
 - Share buyback - \$5.6 million

Offset by

- Operating cash flows - \$5.7 million
- Spearwood sale - \$27.9 million

NAV

- NAV decline of \$0.03 to \$1.19 per security
- Decline primarily attributed to
 - Special capital distributions of \$0.05
 - Acquisition and due diligence costs written off \$0.02

Offset by

- Fair value gain in property assets by \$0.05

- NAV increase of \$0.02 post capital distribution

1. Includes \$0.25 million (FY17: \$1.0 million) non statutory property carrying value adjustments

2. Calculated as interest bearing debt, net of cash and cash equivalents divided by total assets



3

Outlook



Future state assuming no changes to management structure

- Aspen has capacity to acquire / invest ~\$35 million over the forthcoming 18 month period
- Assuming an average yield of 9%, this level of acquisition would be expected to increase stabilized underlying earnings by ~\$1.6 million (1.6cps) on a fully debt funded basis (assuming interest rates remain at existing levels)
- Investment in existing portfolio is expected to improve yields on a similar basis to external investments
- MER target is 3.8% on a fully deployed basis
- Further ~\$10 million of investment available subject to release of regulatory capital

Development & Churn Income

- Four Lanterns
 - Development is forecast to generate earnings of \$1.1 million across the 28 residences
 - 14 residences are expected to be sold in FY19 with six in 1H FY19 and 8 in 2H FY19
 - The balance are expected to be sold in FY20 (substantially in 1H FY20)
- Tomago
 - Development commenced
 - Residence sales to commence in FY20
- Churn income expected to be maintained at ~\$0.2 million



BIG4 Tween Waters



Barlings Beach



BIG 4 Koala Shores



4

Portfolio and Acquisitions Update

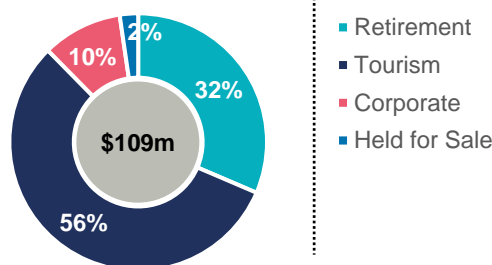


Property portfolio

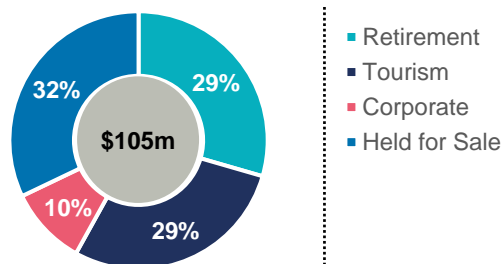
4.1

49%¹ core assets growth achieved through tourism park acquisitions negotiated in FY18

30 June 2018	\$m	%
Core		
Retirement / Tourism ¹	95.4	88%
Corporate	11.0	10%
	106.4	98%
Non-core		
Held for Sale	2.5	2%
	2.5	2%
Total Property	108.9	100%



30 June 2017	\$m	%
Core		
Retirement / Tourism ¹	60.9	58%
Corporate	10.3	10%
	71.2	68%
Non-core		
Held for Sale	33.7	32%
	33.7	32%
Total Property	104.8	100%



- Two high quality acquisitions settled and operations assumed in 1H FY18
 - Koala Shores \$10.2 million
 - Darwin FreeSpirit Resort \$19.5 million
- 4 independent revaluations undertaken:
 - Adelaide Caravan Park
 - Tomago Van Village
 - Mandurah Gardens Estate
 - Aspen Karratha Village
- \$5.1m uplift in value was recognised across the portfolio.
- Notable firming in cap rates within revaluations approximately 75-100bps for the retirement/tourism assets
- Divested 3 non-core assets² – proceeds of \$33.6 million

1. Includes \$0.25 million (FY17: \$1.0 million) non statutory property carrying value adjustments

2. Includes sale of Midland (non core) asset settled on 8th August 2018

Four Lanterns Estate

Development Progress

- DA/CC approval received (FY18) for 28 new home sites on vacant land within estate
- Construction for civils and lead-in sewer commenced (target completion 1H FY19)
- Supply agreement structured with quality manufactured provider
- Display home built to support commencement of off-plan sales program
- 6 homes under construction to be progressively installed during 1H FY19
- New website launched with extensive sales program being pushed during Spring FY19 surrounding off-site and on-site launch events

Outlook

- Cost and revenue are in line with original projections, buyer's accepting of price-point
- Deposit now taken on 3 homes off-plan, EOI and negotiations in progress with a number of other parties
- Second tranche homes to be ordered 1H FY19
- Anticipated sell out 2H FY20
- Total homes on completion 130

Inventory ¹	Existing	New
Pipeline	-	22
Pending to be sold	1	3
Deposit taken	-	3
Settled	2	0
Total	3	28

1. Inventory as 15 August 2018



Display Suite



Display Suite



Civil Construction



Display Suite



Tomago Village Van Park

Development Progress

- DA (1H FY18) / CC (1H FY19) granted for an 53 home sites on vacant land within estate (1 site occupied previously)
- Procurement commenced to source low-cost home product
- Finalising post-design civil cost estimates to minimise per lot costs
- Reviewing landscaping and community amenity works to reduce per lot cost
- Repositioned development strategy to target very affordable market (sub-\$220k) targeting sales rate and forecast business cashflow

Outlook

- Targeting civil construction commencement 1H FY19
- 204 total sites on completion, as follows:
 - Existing (operating) 152
 - Greenfield (undeveloped) 52

An increase of 17 over the previous plan



BIG4 Koala Shores Holiday Park

4.4

Central Coast, NSW (2hrs North of Sydney)

Location

45km from Newcastle, 25km from Tomago Van Village – establishes NSW Central Coast cluster. 15 minutes from Newcastle airport

Facilities

Full tourist park, water frontage, newly renovated cabins and excellent park presentation

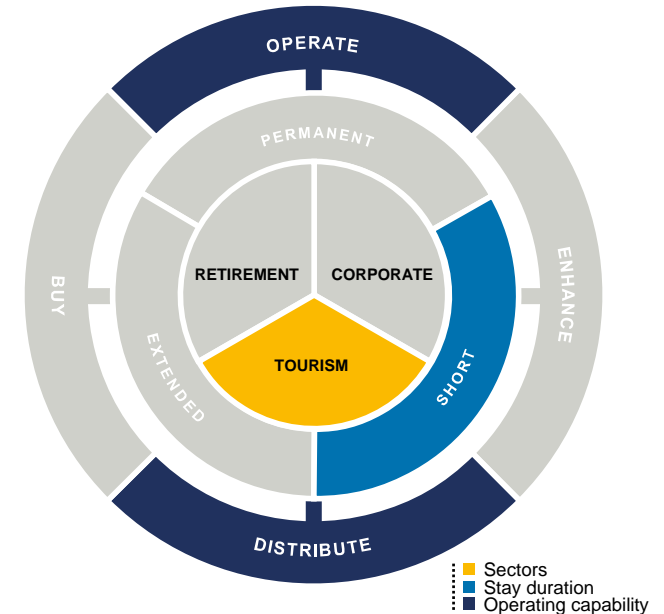
Inventory

108 sites

35 cabins

Opportunity

Earnings growth potential via leveraging of group distribution capability and clustering with Tomago Van Village



Purchase date	State	Purchase price (\$m)	Yield	Sites	Value per site (\$k)	Area (ha)	Value per ha (\$m)	Land tenure
Sep-17	NSW	10.2	9.50%	143	71.0	6.5	1.6	Freehold/Leasehold



Recent comparable transactions

Property	Purchase date	State	Purchase price (\$m)	Yield	Sites	Value per site (\$k)	Area (ha)	Value per ha (\$m)
Armidale Tourist Park	Sep-17	NSW	7.4	10.1%	145	51.0	5.6	1.3
Fraser Lodge Holiday Park	Nov-17	QLD	9.4	8.6%	140	67.0	3.2	2.9
Cairns Coconut Holiday Resort	Feb-17	QLD	50	8.5%	372	134.0	13.0	3.8
Big4 Bonny Hills Caravan Park	May-17	NSW	13.5	9.0%	90	150.0	3.4	4.0

Darwin FreeSpirit Resort

4.5

Aspen's largest addition to date to its tourism portfolio

Location

17km east of Darwin NT and located on Stuart Highway. Gateway to Kakadu and Litchfield National Parks

Close proximity to new Palmerston regional hospital (opened in 2018)

Facilities

Full tourist park with a fully licensed food and beverage operation

3 resort pools, BBQ and picnic areas, jumping cushion, conference and events facilities

Inventory

Campervan/Camping sites 282

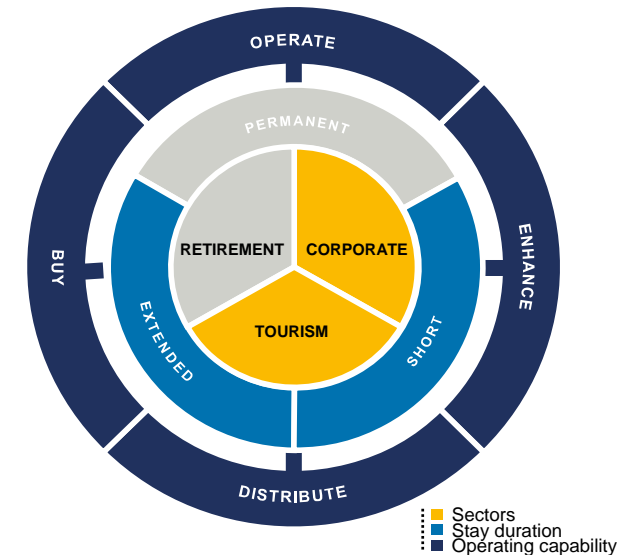
Cabins 149

Opportunity

Earnings growth potential through

- expanded F&B operation catering to guests, locals and events
- continued development of business partnering and guest relationships

Introduction of 10 gaming machines – DA in progress



Purchase date	State	Purchase price (\$m)	Yield	Sites	Value per site (\$k)	Area (ha)	Value per ha (\$m)	Land tenure
Dec-17	NT	19.5	10.0%	430	45.0	10.8	1.8	Freehold



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Accommodation portfolio

4.6

	RETIREMENT				TOURISM						CORPORATE	TOTAL
	Four Lanterns Estate	Tomago Village Van Park ³	Mandurah Gardens Estate	Total	BIG4 Tween Waters	Barlings Beach Holiday Park	BIG4 Koala Shores ⁷	Adelaide Caravan Park	Darwin FreeSpirit Resort	Total	Aspen Karratha Village	
State	NSW	NSW	WA	-	NSW	NSW	NSW	SA	NT	-	WA	-
Carrying value⁴ (\$m)	9.9	12.9	11.3	34.1	7.0	13.3	10.2	11.0	19.8	61.3	11.0	106.4
Land tenure	Freehold	Freehold	Freehold	-	Freehold	Freehold	Freehold/ Leasehold	Freehold ⁶	Freehold	-	Freehold	-
Area (ha)	3.9	13.9	6.8	24.6	1.9	8.8	6.5	1.5	10.8	29.5	2.9	57.0
Value per ha (\$m)	2.5	0.9	1.7	1.4	3.7	1.5	1.6	7.3	1.8	2.1	3.8	1.9
Inventory												
Permanents / Extended stay¹	102	138	158	398	-	197	-	-	-	197	180	775
Short stay cabins	-	16	-	16	31	32	35	45	149	292	-	308
Short stay sites²	-	5	-	5	65	29	108	49	282	533	-	538
Total	102	159	158	419	96	258	143	94	431	1,022	180	1,621
DA approved	28	45	-	73	-	-	-	-	-	-	-	73
Pre-DA	-	-	-	-	-	-	-	-	-	-	-	-
Total	28	45	-	73	-	-	-	-	-	-	-	73
Total potential sites	130	204 ⁵	158	492	96	258	143	94	431	1,022	180	1,694
Revenue contribution %												
Permanents / Extended	100%	57%	100%	84%	-	58%	-	-	-	13%	100%	60%
Short stay	-	43%	-	16%	100%	42%	100%	100%	100%	87%	-	40%
Weighted average cap-rate		8.4%					9.1%				16.0%	9.6%

1. Includes annuals accommodation

2. Sites used for caravans or designated camping

3. Assumes future conversion from mixed use to predominately retirement

4. Includes value attributed to non-income earning components (e.g.) VED and DA's

5. Previously 187 sites, increase to 204 resulting from revised development plan

6. In-place zoning for medium density residential

7. Includes group lodge accommodating ~12 guests





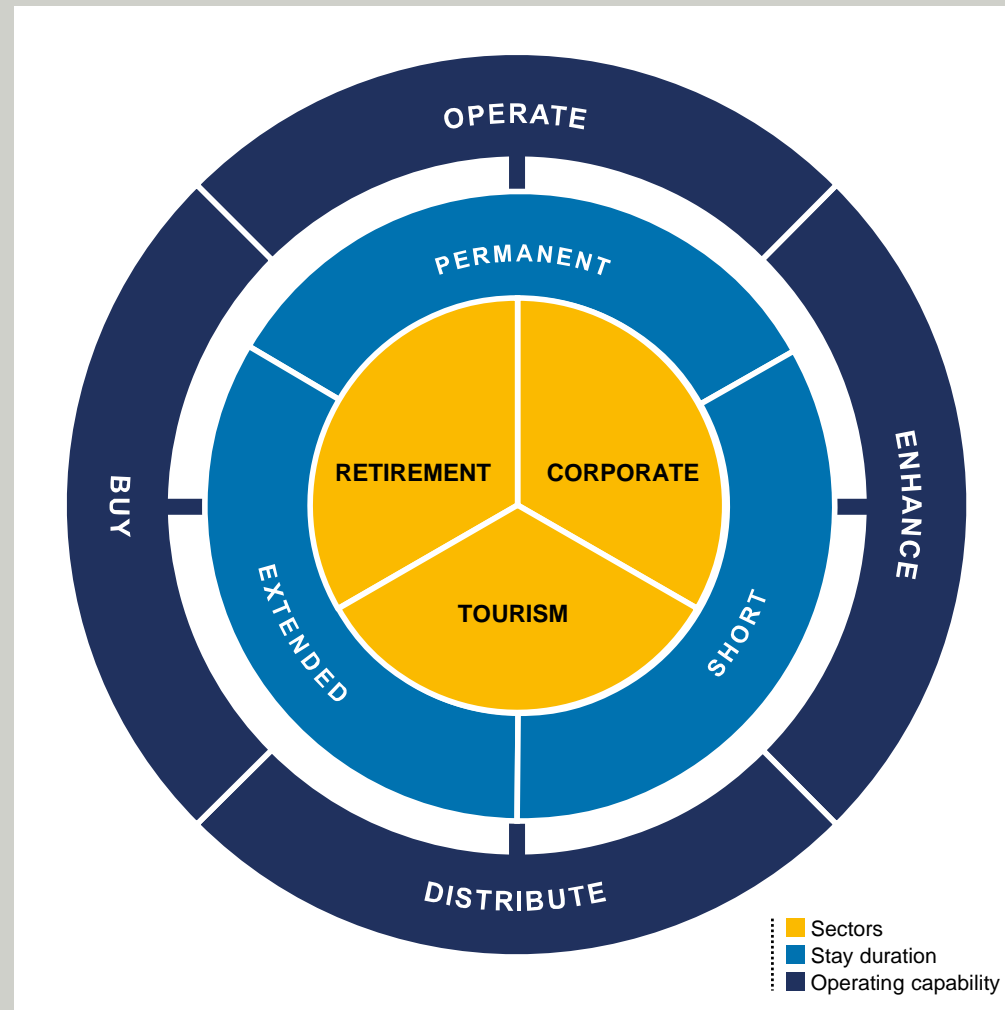
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Operating Model



Achieving high yielding returns in affordable accommodation supplemented by development profits through business expansion and upgrades

- Aspen continues to identify and pursue opportunities in our three existing sectors – Tourism, Retirement and Corporate acquisitions
- Our operating model enables expansion into adjacent sectors leveraging our capability in Operations, Development and Marketing / Distribution
- Additional efficiency opportunities exist through the establishment and operation of geographic clusters





BUY

- 3 core sectors – Tourism, Retirement and Corporate
- Off or near market
- Specialist acquisition skills
- Execution capabilities

ENHANCE

- Business plan
- Opportunity driven (e.g.) intensification
- Combined in-house operational expertise
- Financially disciplined

OPERATE

- Distribution and revenue management strategy
- Operational focus, managing financial performance
- Business level NOI
- EPS / DPS



6

Market Update



Domestic visitors and expenditure – FY18 vs FY17

Domestic Tourism Strong Growth

Spend \$65.1b ▲5%

Trips 97.8m ▲7%

Nights 350.6m ▲5%

NSW Visits

▲10% Growth

SA Visits

▲5% Growth

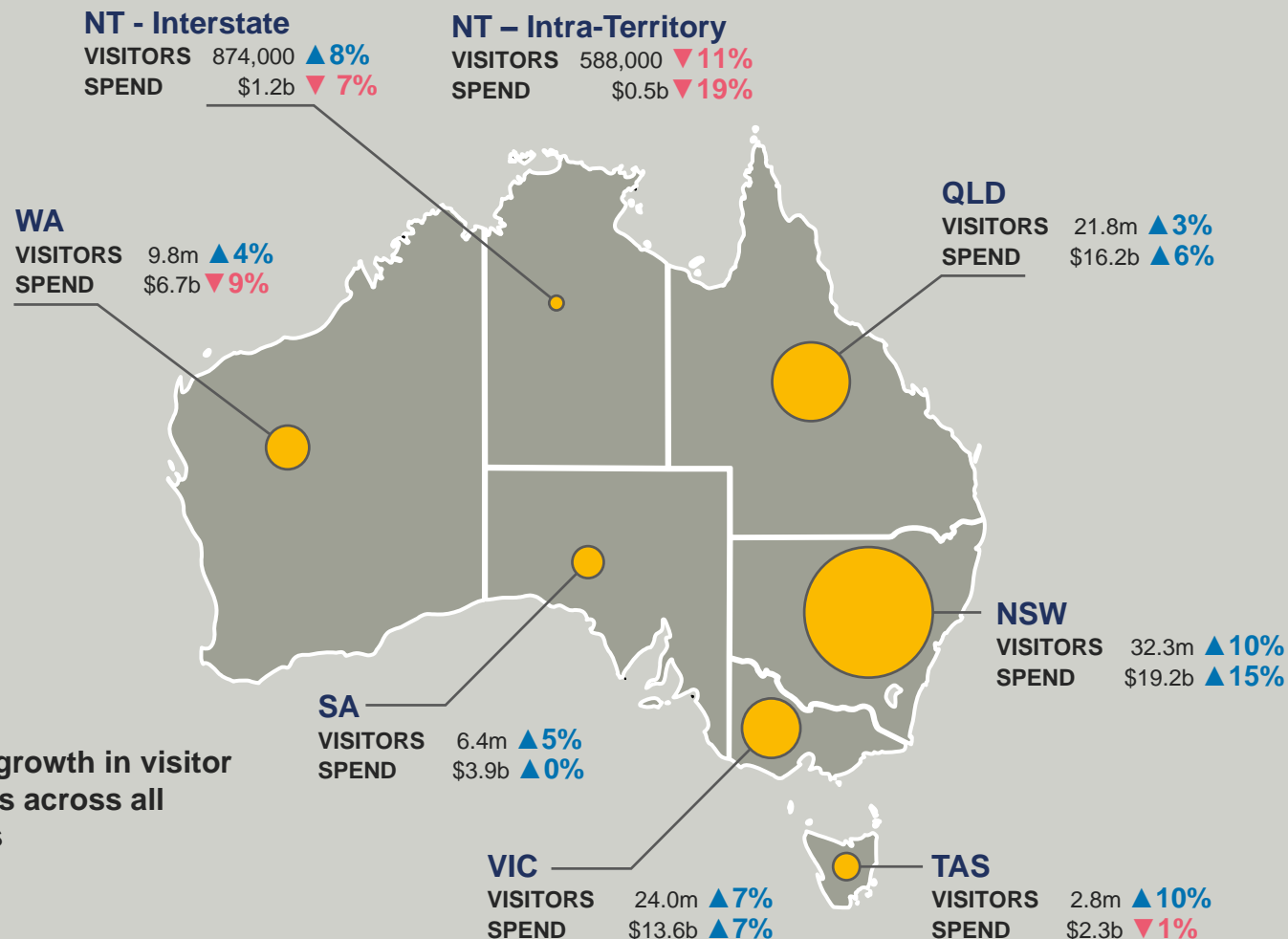
NT – Interstate

▲8% Growth

NT – Intra-Territory

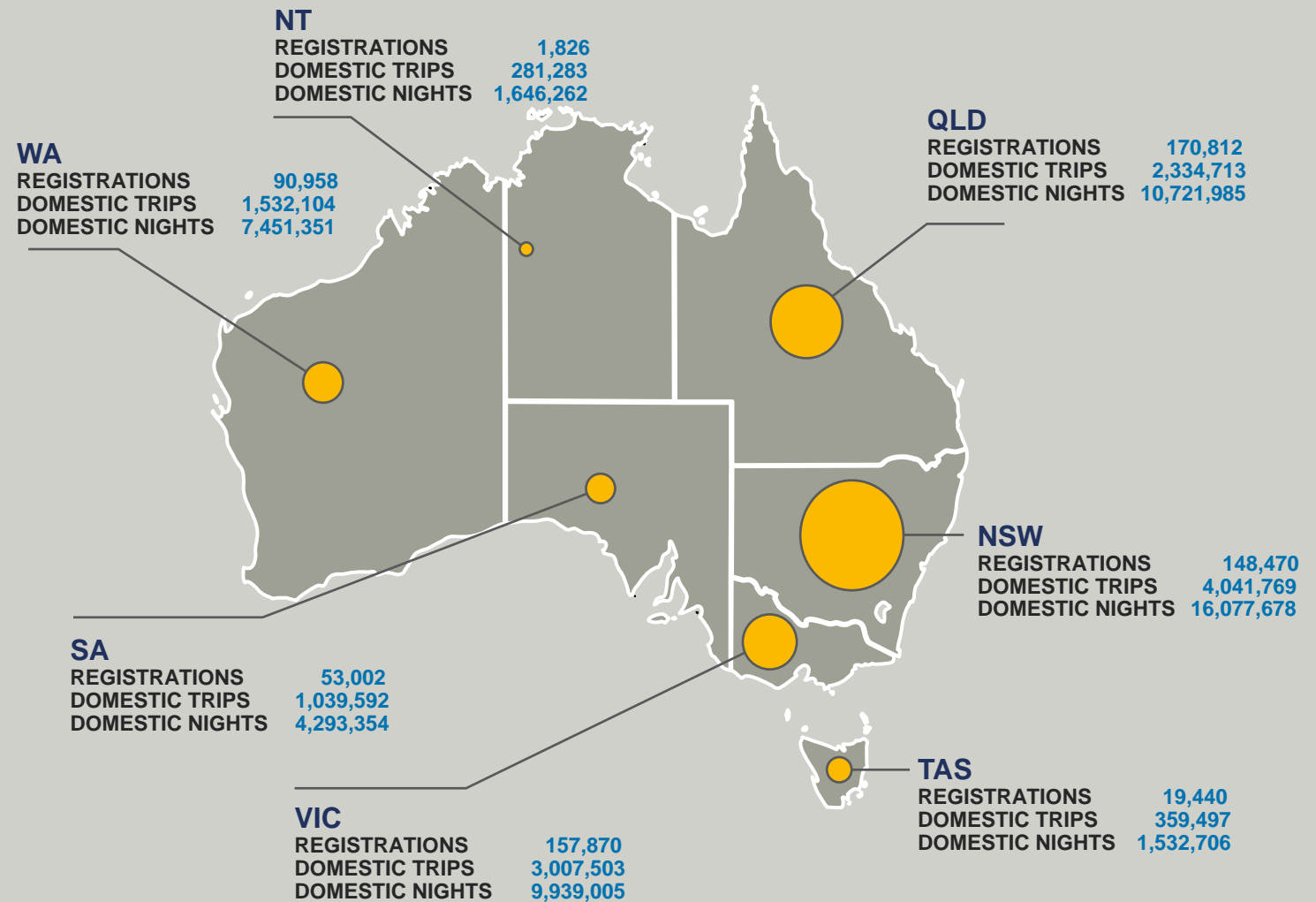
▼11% Decline

Strong growth in visitor
numbers across all
markets



State of Industry 2018 – Caravan and Camping

**91% OF THE
MARKET IS
DOMESTIC
TRAVELLERS
AND CAMPERS**



State of Industry 2018 - solid demand in caravan and camping

Domestic Caravan and Campers 2017

51.9m nights ▲ 1.9%

11.9m trips ▲ 0.5%

International Caravan and Campers

5.1m nights ▲ 5.5%

379,964 visitors ▲ 7%

22,381 Recreational Vehicles were manufactured, the second largest year for manufacturing in the last 37 years.

▲ 2.5% vs 2016

A record 647,319 were registered in January 2017

▲ 5.2%

\$2.1 Billion of revenue generated by Caravan Parks

▲ 17%

\$1.15b Cabins

\$0.82b Powered Sites

\$0.13b Unpowered Sites

30 to 54 age group accounts for **47%** of Domestic Caravan and Camping Trips – 5.6m trips

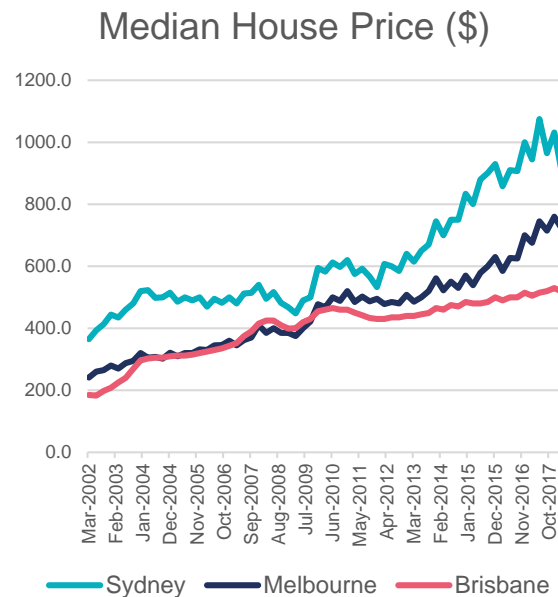
55+ age group represents **44%** of Domestic Nights
22.8 Million Nights.

Australians focused on unique and authentic outdoor experiences – caravan and camping delivers

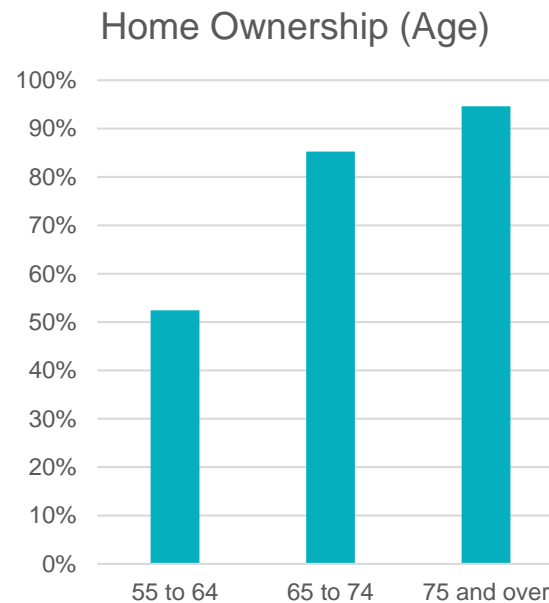
Caravan and camping outgrew the overall tourism figures in Australia during the December quarter

Value of intending retirees¹ homes significantly outweighs savings, offering significant opportunity to unlock capital through downsizing

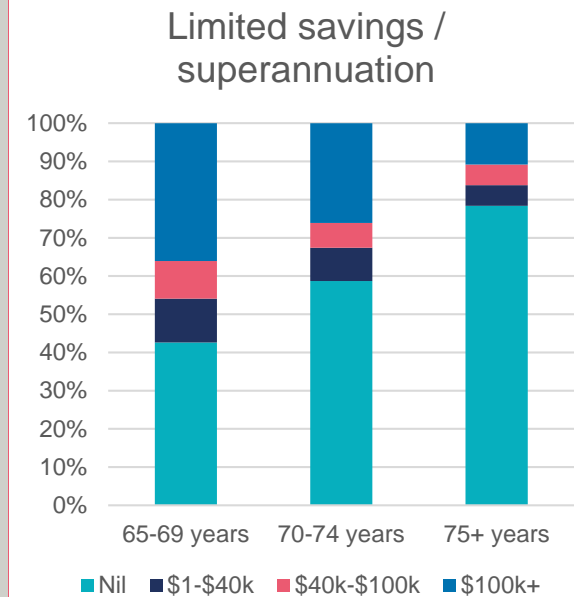
GROWTH IN CAPITAL VALUE IN MAJOR CITIES



85% OF INTENDING RETIREES OWN THEIR HOMES OUTRIGHT



50% OF INTENDING RETIREES HAVE NO SAVINGS OR SUPERANNUATION



1. Considered 65 – 74 years band as Intending retirees

2. Source: ABS; ASFA

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PROPOSED GOVERNANCE & INVESTMENT MANAGEMENT CHANGES

- ❑ Aspen Group is proposing to outsource the Responsible Entity (RE) and Investment Management functions. Each resolution is to be separately approved by securityholders.
 - Evolution Trustees Limited to become the RE of Aspen Property Trust (Trust) – the relationship between the Trust and Aspen Limited (the Company) in the stapled group would continue to be governed by the existing stapling arrangements
 - Mill Hill Capital Pty Ltd (MHC) to become the Investment Manager to undertake the day-to-day management of Aspen Group's business and assets and report to the Board and RE

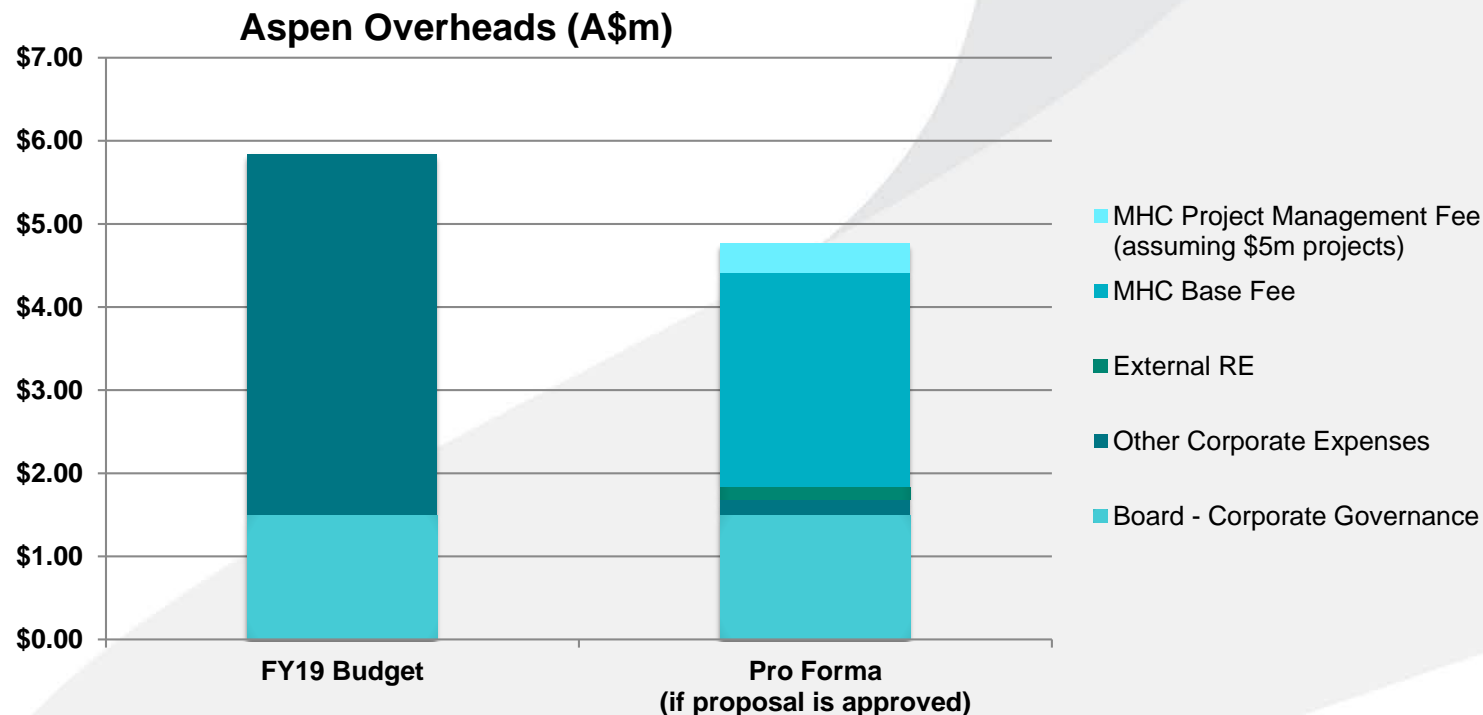
Owners	Aspen Group Securityholders	
Entities	Aspen Group Limited	Aspen Property Trust
Governance	Board	RE - Evolution Trustees
Investment Management	Mill Hill Capital	
Balance Sheet	Real Estate, Other Assets, Liabilities	

BENEFITS OF THE PROPOSAL

- ✓ **Board of Aspen Group Limited remains in control of corporate governance and management (and APZ securityholders remain in control of the composition of the Board):**
 - Board can terminate Investment Management Agreement at will without cause, in which case Aspen would pay the actual costs directly incurred by MHC due to the termination (eg. employee redundancy) to a maximum of \$500k
- ✓ **Lower Fixed Overheads:**
 - Approximately \$4.2m of APZ's current overheads would convert to MHC base fee of \$2.6m
 - Development overheads only incurred on actual projects – eg \$0.35m on \$5m of projects
- ✓ **Outsourcing the RE function improves capital efficiency:**
 - Frees up \$9.85m in cash to redeploy into the business (8% of APZ's current balance sheet)
- ✓ **Mill Hill Capital is more capable of executing the affordable accommodation strategy:**
 - Already highly familiar with Aspen and its portfolio
 - Greater expertise and successful track record of acquiring, operating and developing affordable accommodation
 - Synergies and opportunities across the combined platform and portfolios
 - Proven ability to attract sophisticated investors and capital
 - Highly aligned with other securityholders – 23% stake in APZ
- ✓ **NAV remains around \$1.19 – very low transaction costs**
- ✓ **Reorganisation does not stand in the way of a superior proposal at any time**

EXPECTED COST REDUCTIONS

- ❑ Proposal if approved would materially reduce Aspen's overheads – MHC proposed fees are approximately 30% lower on a like-for-like basis
- ❑ Aspen will remain responsible for costs relating to corporate governance (eg. Director's Fees and company secretary), compliance (eg. audit, tax advice), ASX listing / investor communications (listing fees, publishing reports), transaction costs (eg. due diligence reports), capital raising costs and others
- ❑ Proposed RE fee is \$150k, but frees up cash to use in the business



- ❑ Evolution Trustees Ltd to provide RE and oversee Custodian Services:
 - Responsible Entity: Evolution Trustees Limited [ABN 29611839519] [AFSL 486217]
 - Custodian: AET Corporate Trust Ltd (part of IOOF group)
- ❑ An independent trustee company located in Sydney with assets under management of \$1.7 billion
- ❑ Founded by Rupert Smoker and David Lom who have both previously held senior management positions with large Australian trustee companies
- ❑ Provide regulatory infrastructure and supervise third party service providers for wholesale and retail registered investment schemes
- ❑ Term: 1 year
- ❑ Fees (exclusive of GST): \$150,000 (including Custody)

- ❑ Established 2004 and AFSL holder
- ❑ Owned by John Carter and David Dixon – each with over 30 years of senior level experience in the real estate industry
- ❑ Strongly aligned with Aspen Group - holds a 23% stake and John Carter is a Non Executive Director
- ❑ Group platform and portfolio:
 - Active in affordable residential, retirement and short stay tourism / worker (hotel/motels, parks)
 - Over 100 employees (corporate and property level)
 - Over 1,000 affordable dwellings, rooms and land lots (built and development pipeline)
 - Over 100 sophisticated and high net worth investors across 4 Funds
 - Over \$100m in FUM / Projects
- ❑ Has been targeting relatively complex “buy-fix-sell” opportunities that require repositioning / redevelopment to deliver accommodation at an affordable price and also generate high investment returns (>2x capital invested)
- ❑ Past two completed funds returned 17% and 20% IRR per annum (post fees and pre tax) and all current projects are progressing well

MHC'S ACTIVE FUNDS (source MHC)



Affordable Land & Accommodation Fund (AALF)	Marina Hindmarsh Island Fund (MHIF)	Hotel & Leisure Fund (HLF)	Strategic Real Estate Fund (SREF)
			
<p>Fund Established: 2015</p> <p>Portfolio: 23 hectare property at Woodside in the Adelaide Hills of SA that MHC is redeveloping, subdividing and rezoning from a former army barracks into an affordable residential and tourism community:</p> <ul style="list-style-type: none"> ❑ 81 existing houses ❑ 58 vacant land lots ❑ 100 site cabin / caravan park ❑ Commercial warehouse <p>1,200 hectare property at Rockleigh, SA sub-divided into 27 lots that are being sold individually.</p> <p>Management: In-house administration and development and outsourced house leasing and management</p>	<p>Fund Established: 2017</p> <p>Portfolio: "Coorong Quays" - c.300 hectare approved master planned residential and tourism community at Hindmarsh Island, SA comprising:</p> <ul style="list-style-type: none"> ❑ 116 house retirement village – communal facilities and 17 houses completed and pipeline of 99 houses ❑ About 1,300 residential land lots in a canal estate – 900 developed and pipeline of 400 ❑ Marina (freshwater) with >320 wet berths and significant dry berth, caravan storage and service areas ❑ Commercial tavern and marina sheds ❑ Future caravan park (200 sites), aged care, apartments, retail <p>Management: In-house administration, management & development</p>	<p>Fund Established: 2005</p> <p>Portfolio: Three hotel / motel properties in Tasmania with accommodation, food & beverage, gaming and entertainment components</p> <ul style="list-style-type: none"> ❑ Portfolio offered to Aspen in 2016 ❑ Recent refurbishment completed at ROCE of over 30% ❑ Total Hotel EBITDA up about 15% ❑ Ophir Tavern, Orange recently sold at 26% premium to book ❑ Portfolio for sale <p>Management: In-house administration, operations and development employing over 100 people</p>	<p>Fund Established: 2015</p> <p>Portfolio: Strategic stakes in listed and unlisted real estate companies where MHC believes it can add value:</p> <ul style="list-style-type: none"> ❑ Owner of 23% of Aspen Group ❑ Recently sold stake in the unlisted Arrow Infrastructure Fund which owns a diversified portfolio of agricultural assets leased to expert operators. Total profit of 50% and IRR of 20% per annum.

INVESTMENT MANAGEMENT AGREEMENT – PROPOSED KEY TERMS



- ❑ Investment Manager: Mill Hill Capital Pty Ltd [ABN 95 110 720 226] [AFSL 282 335]
- ❑ Responsibilities: operating Aspen Group on a day-to-day basis under the direction of the Board of Aspen Group Limited and the Trustee
- ❑ Term:
 - No fixed term or sunset date
 - Either party can terminate without cause with 6 months notice period. If Aspen terminates without cause, it must pay MHC's actual costs incurred as a direct result of the termination to a maximum of \$500k
- ❑ Fees (exclusive of GST):
 - Base Management Fee: 2.25% per annum of Total Book Equity up to the first \$115m (1.25% thereafter)
 - Project Management Fee: 7.00% of Total Project Costs
 - Performance Fee: 0.50% per annum of Total Book Equity if APZ stock achieves a Total Accumulated Return above 8% per annum from a starting price of \$1.19 per security (fee is either paid or not paid each FY – no accumulation)
 - Acquisition / Disposal Fee: Nil (APZ pays due diligence expenses and transaction costs)
 - Debt Financing Fee: Nil (APZ pays establishment expenses)
 - Equity Raising Fee: Nil (APZ pays equity raising expenses)
- ❑ Pre-emptive Right in Favour of Aspen Group:
 - MHC must offer Aspen Group at least 50% interest in property acquisitions sourced by MHC in the affordable accommodation space while MHC is Investment Manager

- | | |
|--|-----------------|
| <input type="checkbox"/> Formation of Independent Board Committee to formulate and negotiate the Proposal: | Early June 2018 |
| <input type="checkbox"/> Announcement of Annual Results and Proposal: | 28 August |
| <input type="checkbox"/> Appointment of Independent Expert to assess Investment Management proposal | Early September |
| <input type="checkbox"/> Completion of Information Memorandum and Notice of Meeting: | Mid October |
| <input type="checkbox"/> AGM and Securityholder Meeting to separately Approve each Proposal : | Late November |
| <input type="checkbox"/> Proposals Implemented if Approved: | Following Week |

Implementation of each Proposal is subject to the approval of securityholders and the IBC continuing to support it.

Additionally, the approval of the Investment Management proposal is subject to the Independent Expert opining that it is in the best interests of Aspen Group securityholders.



8

Appendices



Aspen Portfolio

8.1

WA	Business Type	Inventory	Carrying value
7 Mandurah	Retirement	158	11.3
8 Karratha Village	Corporate	180	11.0
Total		338	22.3

NT	Business Type	Inventory	Carrying value
9 Darwin FreeSpirit	Tourism	431	19.8
Total		431	19.8

NSW	Business Type	Inventory	Carrying value
1 Koala Shores	Tourism	143	10.2
2 Tomago	Retirement	154	12.9
3 Four Lanterns	Retirement	102	9.9
4 Barlings Beach	Tourism	258	13.3
5 Tween Waters	Tourism	96	7.0
Total		753	53.3

SA	Business Type	Inventory	Carrying value
6 Adelaide	Tourism	94	11.0
Total		94	11.0



Operating profit

8.2

	FY18 \$m	FY17 \$m
Profit / (loss) from operations		
Accommodation	9.5	7.0
Non-core	0.8	3.4
Total gross profit	10.3	10.4
Operating expenses and depreciation	(6.9)	(6.5)
Net Financial income / (expenses)	(0.3)	0.6
Operating profit before tax	3.0	4.5
Income tax expense	-	-
Operating profit after tax	3.0	4.5
NCI	-	-
APZ share of operating profit after tax	3.0	4.5
add backs¹	1.0	0.6
Distributable earnings	4.1	5.1
APZ distributions	4.1	4.7
<i>APZ distributions cps</i>	4.2	4.6
<i>Special capital distribution cps</i>	5.0	-

1. Relates to depreciation less stay in business capex

Balance sheet

8.3

	FY18 \$m	FY17 \$m
Cash	13.4	22.7
Property Assets ¹	106.4	71.2
Assets held for sale / other assets	8.1	40.2
Total Assets	127.9	134.1
Debt	4.7	-
Other	8.3	9.5
Total Liabilities	13.0	9.5
Net Assets	114.9	124.6
Net Assets attributed to Aspen Group	114.9	124.6
NAV per share	1.19	1.22
Gearing %²	-	-

1. Includes \$0.25 million (FY17: \$1.0 million) in unrecognised non – statutory adjustments

2. Calculated as interest bearing debt, net of cash and cash equivalents divided by total assets.





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