



Aspen Group Limited  
ABN 50 004 160 927

Aspen Property Trust  
ARSN 104 807 767

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**ASX ANNOUNCEMENT**  
**27 April 2022**

**Aspen Group (ASX: APZ)**  
**Extraordinary General Meeting**

In accordance with Listing Rule 3.17, attached are the following documents:

1. A Letter to Shareholders regarding arrangements for the Extraordinary General Meeting as dispatched to Shareholders in lieu of the Notice of Meeting;
2. Notice of Meeting with Schedule; and
3. Proxy Form

Yours faithfully

Mark Licciardo  
Company Secretary

**END**

*Announcement authorised by the Board of Aspen Group Limited.*

*For further information, please contact:*

David Dixon  
Joint Chief Executive Officer  
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Joint Chief Executive Officer  
Phone: (+61) 2 9151 7586  
Email: [johnc@aspengroup.com.au](mailto:johnc@aspengroup.com.au)

27 April 2022

## Aspen Group – Extraordinary General Meeting

Dear Shareholder

Aspen Group Limited (**ASX: APZ**) ("the **Company**") and Aspen Property Trust (the "**Trust**") (together "**Aspen Group**") are pleased to invite shareholders to attend the Extraordinary General Meeting ("**Meeting**"):

- to be held on **Thursday, 26 May 2022 at 4:00pm (AEST)**
- at **Automic Group, Level 5, 126 Phillip Street, Sydney NSW 2000.**

The Meeting registrations will commence from 3:30pm, managed by Aspen Group's Share Registrar, Automic Registry Services.

In accordance with section 253RA(2) of the Corporations Act 2001 (Cth), the Notice, accompanying explanatory statement and annexures (the **Meeting Materials**) are being made available to shareholders electronically via Aspen Group's website: <https://aspengroup.com.au/investor-centre/>

In the event that it is necessary or appropriate for Aspen Group to make alternative arrangements for the Meeting, information will be lodged with the ASX at [www.asx.com.au](http://www.asx.com.au) (ASX: APZ) and Aspen Group's website at <https://aspengroup.com.au/investor-centre/>

### How to submit your vote in advance of the Meeting

Shareholders may vote in advance of the Meeting by completing and lodging their Proxy Form online at <https://investor.automic.com.au/#/loginsah> by following the instructions:

- Login to the Automic website using the holding details as shown on the Proxy Form.
- Click on 'View Meetings' – 'Vote'.

To use the online lodgement facility, Securityholders will need their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) as shown on the front of the Proxy Form.

For your voting instructions to be valid and counted towards this Meeting, please ensure that your online lodgement is received no later than 4.00 pm (AEST) Tuesday, 24 May 2022. Voting instructions received after this time will not be valid for the scheduled Meeting.

As a valued securityholder of Aspen Group we look forward to your participation in the Meeting.



Clive Appleton  
Chairman



## NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of Aspen Group Limited ACN 004 160 927 (the "**Company**") and Aspen Property Trust ARSN 104 807 767 (the "**Trust**") (together "**Aspen Group**") will be held at:

Date: **26 May 2022**

Time: **4.00pm (AEST)**

Venue: **Automic Group, Level 5, 126 Phillip Street, Sydney NSW 2000**

**A proxy form is enclosed**

This Extraordinary General Meeting relates to the proposed acquisition by Aspen Group Limited of all of the issued shares in Hindmarsh Marina (SA) Pty Ltd and the issue of APZ Securities as consideration (the **MHIF Transaction**). The Independent Expert has concluded that the MHIF Transaction is fair and reasonable to, and in the best interests of, the Non-Associated Aspen Securityholders.

Please read the Notice of Meeting and Explanatory Statement carefully. If you are unable to attend the meeting, please complete and return the enclosed proxy form in accordance with the specified instructions.

## MEETING DETAILS AND IMPORTANT DATES

Date of Notice of Meeting	27 April 2022
Expected date of dispatch of Notice of Meeting	27 April 2022
Last date and time for receipt of Proxy Forms	4.00pm (AEST) on 24 May 2022
Date and time of Extraordinary General Meeting	4.00pm (AEST) on 26 May 2022
Subject to Aspen Securityholders approving the Resolutions at Extraordinary General Meeting, Completion under the Share Purchase Agreement, the issue of Consideration Securities and payment of cash consideration	On or before 20 June 2022

## THIS DOCUMENT DOES NOT CONSTITUTE FINANCIAL PRODUCT ADVICE

The provision of this document is not, and should not be considered as, the provision of financial product advice. This document is not and should not be construed as a recommendation to you by any of Aspen Group Limited, the responsible entity of the Trust, or any of their related corporations, directors, employees or agents, nor any other person. The information in this document is of a general nature and does not take into account your individual investment objectives, financial situation or particular needs. Accordingly, before making a decision as to how to vote on the resolutions, you should conduct your own investigations and analysis and seek appropriate legal, financial, tax and other advice.

## FORWARD LOOKING STATEMENTS

Forward-looking statements can be identified by the use of forward-looking terminology including, without limitation, “may”, “could”, “believes”, “estimates”, “expects”, “intends” and other similar words. Such forward-looking statements are by their nature subject to significant uncertainties and contingencies and are based on a number of estimates and assumptions that are subject to change (and in many cases are outside the control of Aspen Group, the responsible entity and their respective directors) which may cause actual results or performance to be materially different from any future results or performance expressed or implied by such forward-looking statements. There can be no assurance that actual outcomes will not materially differ from those predicted or implied by any forward-looking statements and the forward-looking statements should not be relied on as an indication of future value or for any other purpose.

Letter from chair of the Independent Board Committee

Dear Aspen Securityholders

Aspen Group comprises Aspen Group Limited ACN 004 160 927 (the **Company**) and Aspen Property Trust ARSN 104 807 767 (the **Trust**). Evolution Trustees Limited (ACN 611 839 519 AFSL 486217) acts as the responsible entity of the Trust (**Evolution Trustees**) and the Company (or its affiliate) acts as the manager of the Trust. Units in the Trust and shares in the Company are stapled together (**APZ Securities**) and are listed on ASX (ASX code: APZ).

On 24 February 2022, Aspen Group announced that it proposed to enter into a share purchase agreement with the shareholders of Hindmarsh Marina (SA) Pty Ltd ACN 620 945 548 (the Marina Hindmarsh Island Fund or **MHIF**, the manager of which is Mill Hill Capital Pty Ltd, **Mill Hill Capital**) under which the Company would acquire the issued shares in MHIF from the MHIF Shareholders in consideration for a combination of cash and the issue of APZ Securities to the MHIF Shareholders (**MHIF Transaction**).

The MHIF Transaction is subject to approval by Aspen Securityholders who are not associated with the MHIF Transaction. Approval is being sought at this extraordinary general meeting of Aspen Group.

Aspen Group has entered into a Share Purchase Agreement with MHIF Shareholders holding (in aggregate) 100% of the shares in MHIF. Subject to obtaining the requisite Aspen securityholder approval, and the satisfaction of the other conditions under the Share Purchase Agreement, Aspen Group will issue up to a total of 16.24 million new APZ Securities to MHIF Shareholders, being 162,442 APZ Securities for each MHIF share held by MHIF Shareholders, representing up to a maximum of 11.6% of existing APZ Securities on issue (noting MHIF Shareholders may also elect to receive a portion of consideration in cash).

#### **Independent Board Committee**

Mr John Carter is a director and Joint Chief Executive Officer of the Company and a director and shareholder of MHIF (holding 10% of MHIF shares through related entities) and is considered a related party for the purposes of the MHIF Transaction. Mr David Dixon, Joint Chief Executive Officer of the Company is also a director and shareholder of MHIF (holding 5% of MHIF shares through a related entity). Mr Dixon is not a director of the Company, however disclosure is provided, and approval is also sought in respect of Mr Dixon, in order to provide transparency to Aspen Securityholders.

If approved by Aspen Securityholders who are not associated with the MHIF Transaction:

- related entities of Mr Carter will receive 1,624,420 new APZ Securities (with a value of \$2,448,000 based on an implied value of \$1.507 per APZ Security); and
- a related entity of Mr Dixon will receive 812,210 new APZ Securities (with a value of \$1,224,000 based on an implied value of \$1.507 per APZ Security).

On that basis, the Company has adopted strict governance protocols to ensure independent consideration of the MHIF Transaction by the Company.

The independent non-executive directors of the Company (being Clive Appleton and Guy Farrands) have formed the Independent Board Committee which considered, on behalf of the Company, the MHIF Transaction.

#### **Anticipated advantages of the MHIF Transaction**

- The Independent Expert has concluded that the MHIF Transaction is fair and reasonable to, and in the best interests of, the non-associated Aspen Securityholders.
- MHIF owns Coorong Quays, a large mixed-use community with residential, retirement and park (tourism) components, that is highly consistent with Aspen's business model and portfolio.
- Aspen already manages MHIF and Coorong Quays under a Delegation Agreement, therefore Aspen is highly familiar with the asset, and ownership transition risks are expected to be low.
- The investment returns from Coorong Quays are expected to be consistent with Aspen's existing property portfolio taken as a whole.
- The issue of APZ Securities to MHIF Shareholders in connection with the MHIF Transaction will expand Aspen's equity and securityholder base which may lead to increased relevance and liquidity of Aspen securities on the ASX.
- Expected reduction in Aspen's pro-forma gearing.
- Expected increase in Aspen's pro-forma underlying earnings per security.

More details on the advantages of the MHIF Transaction are set out in section 7. The effects of the MHIF Transaction on the financial position of Aspen Group are set out in section 4.

#### **Potential disadvantages of the MHIF Transaction**

- Aspen Securityholders may disagree with the recommendations of the Independent Directors or the conclusions of the Independent Expert about the benefits of the MHIF Transaction.
- The investment in MHIF and Coorong Quays may not perform as well as expected.
- Up to a total of 16.24 million new APZ Securities will be issued to MHIF Shareholders, representing up to a maximum of 11.6% of existing APZ Securities on issue, therefore existing APZ securityholders' interests in Aspen Group will be diluted.
- Securityholders who are not in favour of the MHIF Transaction may seek to sell their APZ Securities. Depending on the supply and demand for APZ Securities following the MHIF Transaction, selling may place downward pressure on the price of APZ Securities.
- There are risk factors involved in an acquisition of this nature, some of which are set out in the Independent Expert's Report.

More details on the potential disadvantages of the MHIF Transaction are set out in section 8.

**Independent Expert's opinion**

A copy of the Independent Expert's Report is included as Schedule 1 to this Notice of Meeting, and the Independent Board Committee encourages you to review it carefully.

The Independent Expert has concluded that the MHIF Transaction is fair and reasonable to, and in the best interests of, the Non-Associated Aspen Securityholders.

**Independent Board Committee's recommendation**

For the reasons set out in this notice of meeting, the Independent Board Committee has formed the view that the MHIF Transaction is in the best interests of Aspen Securityholders. Accordingly, the Independent Board Committee unanimously recommends that you vote in favour of the MHIF Transaction, by voting in favour of each of the Resolutions set out in this Notice of Meeting.

Each member of the Independent Board Committee intends to vote all APZ Securities held or controlled by them in favour of the MHIF Transaction.

Mr John Carter makes no recommendation given he is also a director and shareholder of MHIF. Neither Mr Carter nor Mr Dixon can vote any Aspen stapled securities held by or controlled by them.

On behalf of Aspen Group, I would like to thank you for your ongoing support.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Clive Appleton', with a stylized flourish at the end.

**Clive Appleton**

**Chair of the Independent Board Committee**

# AGENDA – EXTRAORDINARY GENERAL MEETING

## SPECIAL BUSINESS

### 1 APPROVAL OF ACQUISITION OF A SUBSTANTIAL ASSET FROM RELATED PARTY

#### **Resolution 1**

To consider, and if thought fit, to pass the following as an ordinary resolution of Aspen Securityholders:

*“That, for the purposes of Listing Rule 10.1, section 208 of the Corporations Act, and for all purposes, approval is given for the Company to acquire:*

- *shares in MHIF from Mr John Carter (or MHIF Shareholder entities controlled by Mr John Carter); and*
- *shares in MHIF from Mr David Dixon (or MHIF Shareholder entities controlled by Mr David Dixon),*

*on the terms and conditions set out in the Share Purchase Agreement and in the Explanatory Statement.”*

**A voting exclusion statement applies to this Resolution. Please see below.**

### 2 APPROVAL OF THE ISSUE OF APZ SECURITIES TO RELATED PARTY

#### **Resolution 2**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of Aspen Securityholders:

*“That, subject to the passing of Resolution 1, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for Aspen Group to issue:*

- *1,624,420 APZ Securities to Mr John Carter, or his nominee entity;*
- *812,210 APZ Securities to Mr David Dixon, or his nominee entity;*

*on the terms and conditions in the Share Purchase Agreement and in the Explanatory Statement.”*

**A voting exclusion statement applies to this Resolution. Please see below.**



### 3 APPROVAL OF THE ISSUE OF APZ SECURITIES

#### **Resolution 3**

To consider and, if thought fit, to pass the following resolution as a special\* resolution of Aspen Securityholders:

*“That, subject to the passing of Resolutions 1 and 2, for the purpose of ASX Listing Rule 7.1 and section 601GAA(2) of the Corporations Act and for all other purposes, approval is given for the issue of the Consideration Securities on the terms and conditions set out in the Explanatory Statement.”*

#### **A voting exclusion statement applies to this Resolution. Please see below.**

\*Note - Listing Rule 7.1 only requires approval by Aspen Securityholders by way of ordinary resolution. However, as the Resolution 3 is also sought for the purposes of section 601GAA(2) of the Corporations Act, Resolution 3 is presented as a special resolution.

By order of the Independent Board Committee and the Responsible Entity



**Mark Licciardo**

**Company Secretary**

# VOTING

## VOTING EXCLUSION STATEMENT

In respect of each Resolution, Aspen Group will disregard any votes cast in favour of the Resolution by the relevant Excluded Persons noted below, or any associates of the Excluded Persons. However, this does not apply to a vote cast in favour of the relevant Resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - the holder votes on the resolution in accordance with directions given by the beneficiary to vote in that way.

RESOLUTION	EXCLUDED PERSONS
RESOLUTION 1	<p><b>Listing Rule 10.1</b></p> <p><b>Excluded persons:</b> Mr John Carter, Mr David Dixon and any other person who will obtain a material benefit as a result of the MHIF Transaction (except a benefit solely by reason of being a holder of APZ Securities) and any associate of those persons, including Mill Hill Capital Pty Ltd.</p> <p><b>Section 224 of the Corporations Act</b></p> <p>Pursuant to section 224 of the Corporations Act, a vote on Resolution 1 must not be cast (in any capacity) by or on behalf of an Excluded Person, or any associate of that person.</p>
RESOLUTION 2	<p><b>Listing Rule 10.11</b></p> <p><b>Excluded persons:</b> Mr John Carter, Mr David Dixon, and any person who will obtain a material benefit as a result of the issue of APZ Securities to John Carter, David Dixon, except a benefit solely in the capacity of a holder of APZ Securities, and any associate of those persons.</p>
RESOLUTION 3	<p><b>Listing Rule 7.1</b></p> <p><b>Excluded persons:</b> MHIF Shareholders who will participate in the issue of and receive Consideration Securities, and any person who will obtain a material benefit as a result of the proposed issue of Consideration Securities, except a benefit solely in the capacity of a holder of APZ Securities.</p> <p><b>Section 601GAA(2) of the Corporations Act</b></p> <p><b>Excluded persons:</b> MHIF Shareholders who will acquire any Consideration Securities to be issued or any person who will hold Consideration Securities for the benefit of another person or obtain beneficial ownership of any Consideration Securities.</p>

## HOW TO VOTE

You may vote by attending the meeting in person or by proxy or a body corporate can appoint a corporate representative.

### VOTING IN PERSON

To vote in person, you must attend the meeting on 26 May 2022. The meeting will commence at 4.00pm with registrations from 3.30pm.

### VOTING BY PROXY

An Aspen Securityholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the Aspen Securityholder. A proxy need not be an Aspen Securityholder.

If you intend to appoint the Chairman of the meeting as your proxy, or the Chairman of the meeting becomes your proxy by default, you can direct the Chairman how to vote by either marking the boxes for Resolutions (for example, if you wish to vote 'for', 'against' or to 'abstain' from voting), or you can expressly authorise the Chairman to vote as he sees fit on those Resolutions by marking the Chairman's box on the proxy form. The Chairman intends to vote all available undirected proxies in favour of the Resolutions.

An Aspen Securityholder that is entitled to cast two (2) or more votes may appoint up to two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the Aspen Securityholder's votes.

**To be effective, proxies must be lodged by 4.00pm (AEST) on 24 May 2022. Proxies lodged after this time will be invalid.**

Proxies may be lodged using any of the following methods:

- by post to Aspen Group C/- Automic Registry Services, GPO Box 5193, Sydney NSW 2001
- in person to Automic at Level 5 126 Phillip Street, Sydney NSW 2000
- by email to [meetings@automicgroup.com.au](mailto:meetings@automicgroup.com.au)
- by facsimile to Automic Registry Services on +61 2 8583 3040
- online at <https://investor.automic.com.au/#/loginsah> by following the instructions: Login to the Automic website using the holding details as shown on the Proxy Form. Click on 'View Meetings' – 'Vote'. To use the online lodgement facility, Securityholders will need their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) as shown on the front of the Proxy Form.

The proxy form must be signed by the Aspen Securityholder or the Aspen Securityholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Aspen Securityholders can download and fill out the 'Appointment of Corporate Representation' form from the website of the securities registry of Aspen Group – Automic website. Where the appointment of a proxy is signed by the appointer's attorney, an originally certified copy of the power of attorney, or the power itself, must be received by Aspen Group at the above address by 4.00pm (AEST) on 24 May 2022.

## **VOTING ENTITLEMENTS**

The Directors have determined that for the purposes of Regulation 7.11.37 of the Corporations Regulations, the persons eligible to vote at the meeting will be those persons who are registered as Aspen Securityholders at 7:00pm (AEST) on 24 May 2022. Accordingly, APZ Security transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

# EXPLANATORY STATEMENT

This Explanatory Statement forms part of the Notice of Meeting and contains information about the Resolutions contained in the Notice of Meeting. You should read the Notice of Meeting and this Explanatory Statement carefully, and seek your own independent advice on any issues that you are not certain about.

## 1 Overview of MHIF Transaction

In an announcement to ASX dated 24 February 2022 (**MHIF Announcement**), Aspen Group announced the proposed acquisition of MHIF by the Company.

### 1.1 Background

The MHIF Announcement set out the background on MHIF and the MHIF Transaction, including the following:

- MHIF was established in 2017 by Mill Hill Capital (Mill Hill Capital is jointly owned by John Carter and David Dixon).
- Management of MHIF was delegated by Mill Hill Capital to the Company in early 2019 when John Carter and David Dixon joined Aspen Group.
- MHIF is an unlisted proprietary company and has 30 shareholders comprising sophisticated and wholesale investors.
- The sole purpose of MHIF was to acquire, operate and develop Coorong Quays, Hindmarsh Island SA (Coorong Quays) – essentially a “Buy-Fix-Sell” investment strategy.
- Like Aspen Group, Coorong Quays has Residential, Retirement and Park components.
- MHIF acquired Coorong Quays through a receivership sale – the property was distressed and had several major legacy issues that have been resolved over the past several years, including:
  - Coorong Quays’ wastewater treatment plant (**WWTP**) was sub-scale for the potential number of residents and other activities at Coorong Quays. This was resolved by connecting Coorong Quays’ community wastewater management system to Council’s system which enabled the WWTP to be decommissioned. This has improved environmental outcomes and local amenity, and enabled expansion of the residential, retirement and other components of the community through new development.
  - The whole community was serviced with only a single entry and road resulting in heavy local traffic and congestion. A second entrance and main road was developed at the eastern end of Coorong Quays which has spread traffic flows, materially reduced congestion, and improved local amenity and safety. This also enabled a “temporary” land bridge to be removed that was blocking residents’ access to a canal which negatively impacted house and land prices.
  - The community needed general upgrades and refurbishment as it had been starved of capital during the receivership. The marina, tavern, marine service areas, and other areas have been improved and a new Coorong Quays club has been created for local residents.
  - The Retirement Village development had stalled with only the clubhouse and 17 houses developed, and only 14 occupied. Resale prices had fallen

- below the cost of building new houses. The spare land at the village has now been converted to a land lease scheme which has led to improved sales prices, enabling the development of more houses in the community.
- All components of the Coorong Quays community were operated by the previous owner (and receiver) and the operating business was unprofitable at the time of sale. The tavern and marine service areas have now been leased to good quality operators who are providing superior product and service to Coorong Quays' residents and customers. These new tenants and Coorong Quays' operating business are now profitable.
- Coorong Quays has been stabilised and positioned for growth – profits are now derived predominantly from collecting rent and developing residential land lots and a retirement land lease community.

## 1.2 Information about MHIF

Based on the external independent property valuation, the Company estimates the following:

- Implied value of MHIF: \$25.3 million, comprising \$24.1 million for the Coorong Quays property and \$1.3 million for MHIF's net working capital:
  - Coorong Quays operating component: \$9.0 million valuation and net operating income yield of 8.3%
  - Coorong Quays residential and land lease development land components: \$15.1m valuation equating to approximately \$26,000 per approved lot

The Company expects first year total net operating income and development profits of \$2.4 million combined, equating to 8.7% return on investment (including transaction costs and after adjusting for foregone Project Management Fees that Aspen currently earns from MHIF under the Delegation Agreement).

Further information about Coorong Quays can be found at <https://coorongquays.com.au/> and in the [MHIF Announcement dated 24 February 2022 released to the ASX](#).

## 1.3 Consideration

The consideration to MHIF Shareholders for the acquisition of MHIF Shares will comprise:

- 162,442 new APZ Securities for each MHIF Share held; and
- MHIF Shareholders can elect to receive up to 20% of their consideration in cash (priced at \$1.507 per APZ security) and may have the opportunity to receive more than 20% of their consideration in cash (priced at \$1.507 per APZ security), subject to total cash consideration being capped at \$4.00 million.

The APZ Securities issued will rank pari-passu with existing APZ securities for distributions and all other entitlements.

David Dixon, John Carter and Patrick Maddern (who hold a combined holding of 25% of MHIF) have advised the Company that they propose to elect to receive their consideration in APZ Securities for the sale of their MHIF Shares. Patrick Maddern is a senior employee at Aspen.

The maximum number of APZ Securities that will be issued as consideration, if all MHIF Shareholders elect to receive their consideration in APZ Securities, is 16.24 million new APZ Securities, which represents 11.6% of existing APZ Securities.

The cash consideration will be a maximum of \$4.00 million, and will be funded from the Company's cash reserves.

## 2 Independent Board Committee

Mr John Carter is a director and the Joint Chief Executive Officer of the Company and a director and shareholder of MHIF (holding 10% of MHIF shares through related entities) and is considered a related party for the purposes of the MHIF Transaction. Mr David Dixon is the Joint Chief Executive Officer of the Company and is also a director and shareholder of MHIF (holding 5% of MHIF shares through a related entity). Mr Dixon is not a director of the Company, however disclosure is provided, and approval is sought in respect of Mr Dixon, in order to provide transparency to Aspen Securityholders.

On that basis, the Company has adopted strict governance protocols to ensure independent consideration of the MHIF Transaction by the Company.

The independent non-executive directors of the Company (being Clive Appleton and Guy Farrands) have formed the Independent Board Committee which considered, on behalf of the Company, the MHIF Transaction.

## 3 Share Purchase Agreement

Aspen Group has entered into a Share Purchase Agreement with MHIF Shareholders holding (in aggregate) 100% of the shares in MHIF.

A summary of the key terms of the Share Purchase Agreement is set out below in this section 3.

### 3.1 Consideration

Under the Share Purchase Agreement the consideration payable is 162,442 new APZ Securities for each MHIF Share being sold by a MHIF Shareholder (**Consideration Securities**).

Each MHIF Shareholder can elect to receive a portion of the Consideration Securities as cash consideration instead, for an amount equal to \$1.507 per APZ Security and otherwise subject to the Scaleback Mechanism (as defined below) (**Cash Consideration**). The MHIF Shareholders can make that election by delivering an election form in the prescribed form prior to 5.00pm on the date that is ten business days before completion of the MHIF Transaction (**Election**).

If a MHIF Shareholder has elected to receive Cash Consideration for 20% or less of their Consideration Securities, they will receive Cash Consideration in accordance with their Election.

If a MHIF Shareholder has elected to receive Cash Consideration for more than 20% of their Consideration Securities, they will receive Cash Consideration equal the lower of:

- the Cash Consideration in accordance with their Election; or
- Cash Consideration for 20% of their Consideration Securities plus such additional Cash Consideration as determined by the Independent Board Committee in its sole discretion such that the aggregate Cash Consideration paid to all MHIF Shareholders does not exceed \$4,000,000,

(the **Scaleback Mechanism**).

The table below shows the dilution of existing Aspen Securityholders on the issue of the Consideration Securities in the event:

- the Company acquires 100% of the shares in MHIF; and
- no MHIF Shareholder elects to receive the Cash Consideration; or
- the MHIF Shareholders collectively elect to receive the aggregate maximum Cash Consideration of \$4,000,000.

	Issued Consideration Securities – No Cash Consideration Election	Issued Consideration Securities – Maximum Cash Consideration Election of \$4,000,000
Current issued capital	139,568,272 APZ Securities	139,568,272 APZ Securities
Number of Consideration Securities	16,244,200	13,589,920
Issued capital post-issue of Consideration Securities	155,812,472 APZ Securities	153,158,192 APZ Securities
Dilution	11.6%	9.7%

### 3.2 Conditions

Completion of the Share Purchase Agreement is conditional upon the following conditions precedent being satisfied or, where permitted, waived:

- (a) **(APZ Securityholder approval)** the Aspen Securityholders approving the MHIF Transaction for the purposes of the ASX Listing Rules, chapter 2E and section 601GAA(2)(c)(ii) of the Corporations Act;
- (b) **(Independent Expert)** the Independent Expert issuing the Independent Expert's Report concluding that the MHIF Transaction is fair and reasonable to, and in the best interests of, Non-Associated Aspen Securityholders, and the Independent Expert not withdrawing, qualifying or changing that opinion;
- (c) **(Independent Board Committee)** the Independent Board Committee continuing to believe that the transaction is in the best interests of Non-Associated Aspen Securityholders; and
- (d) **(MHIF directors' discretion)** the directors of MHIF continuing to believe that the MHIF Transaction is in the best interests of MHIF Shareholders.

The conditions precedent have a sunset date of 20 June 2022 (**Sunset Date**). If the conditions precedent are not satisfied by the Sunset Date either the Company or the MHIF Shareholders can terminate the Share Purchase Agreement.

### 3.3 Completion

Completion of the MHIF Transaction will take place 15 business days after the date on which the conditions (other than the conditions described in sections 3.2(c) and 3.2(d)) are satisfied or waived in accordance with the Share Purchase Agreement. The conditions described in sections 3.2(c) and 3.2(d) must be satisfied or waived in accordance with the Share Purchase Agreement on the completion date.

### 3.4 Warranties

The Share Purchase Agreement contains standard solvency, title and capacity warranties, including a warranty confirming that each MHIF Shareholder is a "wholesale client" and a "sophisticated investor" or "professional investor" within the ambit of the Corporations Act, given by MHIF Shareholders in favour of the Aspen Group. The maximum aggregate liability in respect of warranty claims for each MHIF Shareholder will be its respective proportion of \$24.48 million, being the maximum aggregate liability cap for warranty claims.



The Aspen Group has also provided a number of standard warranties under the Share Purchase Agreement in respect of capacity, authority, solvency and the validity of the Consideration Securities issued under the Share Purchase Agreement.

#### **4 Pro-forma financial statement**

The effects of the MHIF Transaction on the financial position of Aspen Group is set out in the pro-forma statements below.

The pro forma statements of financial position below:

- are presented in an abbreviated form and do not contain all the disclosures that are usually provided in an audited statement of financial position that is prepared in accordance with the Corporations Act and the Accounting Standards;
- have been prepared based on the financial position of the Group as at 31 December 2021 by applying the relevant pro forma adjustments described below;
- reflect the position as if the MHIF Transaction had been completed on 1 January 2021 and assumes all MHIF Shareholders elect to receive their consideration entirely in APZ Securities under the Share Purchase Agreement
- have not been subject to review by Aspen's auditor or any other advisor
- are presented based on an assumed acquisition of 100% of the shares in MHIF.

Sources & Applications	Amount (\$m)
<b>Applications</b>	
- Coorong Quays property	\$24.1
- MHIF net working capital (WC)	\$1.3
<b>MHIF Acquisition (CQ property plus WC)</b>	<b>\$25.3</b>
Transaction Costs	\$1.8
<b>Total</b>	<b>\$27.1</b>
<b>Sources</b>	
Debt	\$1.8
Equity – APZ securities	\$25.3
<b>Total</b>	<b>\$27.1</b>

	Balance Sheet - 31 December 2021 (\$m)		
	31 December 2021	Adjustments	CQ Acquisition Pro Forma
<b>100% Scrip Scenario</b>			
Investment property	\$338.7	\$14.1	\$352.8
Cash	\$7.8		\$7.8
Other assets (inc. inventory)	\$12.2	\$11.2	\$23.4
<b>Total Assets</b>	<b>\$358.7</b>	<b>\$25.3</b>	<b>\$384.0</b>
Financial debt	\$112.1	\$1.8	\$113.9
RV resident loans	\$19.8		\$19.8
Other liabilities	\$16.5		\$16.5
<b>Total Liabilities</b>	<b>\$148.4</b>	<b>\$1.8</b>	<b>\$150.2</b>
<b>Net Assets</b>	<b>\$210.3</b>	<b>\$23.5</b>	<b>\$233.8</b>
Securities	139.6	16.2	155.8
<b>NAV per security</b>	<b>\$1.51</b>		<b>\$1.50</b>
<b>Gearing<sup>1</sup></b>	<b>31.5%</b>		<b>29.8%</b>

Note 1: Gearing equals (Financial Debt less Cash) / (Total Assets less Cash less RV Resident Loans)

100% Scrip Scenario	Income - 12 Months to 31 December 2021 (\$m)		
	Year to 31 December 2021	Adjustments	CQ Acquisition Pro Forma
Property NOI	\$12.12	\$0.75	\$12.87
Development & Trading Profit	\$4.07	\$1.82	\$5.89
<b>Total</b>	<b>\$16.19</b>	<b>\$2.57</b>	<b>\$18.76</b>
Net Interest Expense	\$1.48	\$0.08	\$1.56
Net Corporate Overheads	\$4.89	\$0.21	\$5.10
<b>Total Expenses</b>	<b>\$6.37</b>	<b>\$0.29</b>	<b>\$6.66</b>
<b>Underlying Earnings</b>	<b>\$9.82</b>	<b>\$2.28</b>	<b>\$12.10</b>
Securities (weighted)	125.6	16.2	141.8
<b>Underlying EPS (cents)</b>	<b>7.82</b>		<b>8.53</b>

## 5 If approved, when will the MHIF Transaction be implemented?

An indicative timetable for the completion of the MHIF Transaction is set out below:

Date:	Event:
Record date for the Extraordinary General Meeting	24 May 2022
Date of Extraordinary General Meeting	26 May 2022
<i>Subject to Aspen Securityholders approving the Resolutions:</i>	
Acquisition of the MHIF Shares by the Company	On or before 20 June 2022
Issue of Consideration Securities and payment of cash consideration to MHIF Shareholders	On or before 20 June 2022

## 6 Other material information

### 6.1 Termination of Mill Hill Capital Management Agreement

The owners of Mill Hill Capital are interests associated with John Carter and David Dixon. The Company has no interest in Mill Hill Capital, however Mill Hill Capital holds approximately 6.7% of APZ Securities.

Mill Hill Capital manages MHIF under an Investment Management Agreement dated August 2017. The day-to-day management of MHIF and Coorong Quays was delegated by Mill Hill Capital to the Company under a Delegation Agreement when John Carter and David Dixon joined Aspen Group in March 2019.

Under the Delegation Agreement, Mill Hill Capital pays Aspen a Project Management fee of 7% of the total cost of capital additions undertaken by MHIF. Mill Hill Capital retains any performance fees under the Investment Management Agreement.

The Investment Management Agreement and the Delegation Agreement will be terminated by the relevant parties upon completion of the MHIF Transaction.

Mill Hill Capital (not the Company) will be entitled to accrued performance fees estimated as \$6.8 million from MHIF that will become payable by MHIF in connection with completion of the MHIF Transaction and the termination of the Investment Management Agreement. This is a payment to be paid in cash by MHIF and not the Company, in accordance with the terms of the existing Investment Management Agreement.

## **6.2 Other material information**

A maximum of \$1.8 million in advisory and other transaction costs are expected to be incurred by Aspen Group in connection with the MHIF Transaction. Some of these costs will be incurred if the MHIF Transaction does not proceed.

If the MHIF Transaction proceeds, MHIF is expected to become part of Aspen's consolidated tax group and MHIF's future income may be sheltered by Aspen's tax loss balances.

## **7 Key reasons to vote in favour of the Resolutions**

The Independent Directors believe that the key reasons to vote in favour of the Resolutions are as follows:

- The Independent Directors consider the MHIF Transaction is in the best interests of Non-Associated Aspen Securityholders
- The Independent Expert has concluded that the MHIF Transaction is fair and reasonable to, and in the best interests of, the Non-Associated Aspen Securityholders
- The acquisition of Coorong Quays will provide Aspen with a large mixed-use community with residential, retirement and park (tourism) components and is highly consistent with Aspen's business model and portfolio
- The Aspen management team is highly familiar with MHIF and Coorong Quays as Aspen already manages MHIF and Coorong Quays under a Delegation Agreement (See section 6.1), therefore the ownership transition risks are expected to be low
- Expected attractive returns with initial return on investment expected to be 8.7% (pre stay in business capex) and good growth opportunities expected over many years
- Up to 100% of the acquisition (excluding transaction costs) may be equity funded (depending on the take up of cash consideration by MHIF shareholders) which is expected to reduce gearing and expand Aspen's equity and securityholder base
- Expected to be 9% accretive to pro forma underlying Earnings Per Security

## **8 Potential reasons to vote against the Resolutions**

The Independent Directors believe that potential reasons to vote against the Resolutions are as follows:

- The MHIF shareholders have not provided any warranties in respect of MHIF's business and assets under the Sale and Purchase Agreement, and the investment in MHIF and Coorong Quays may not perform as well as expected

- If all MHIF Shareholders elect to receive their consideration in APZ Securities, Aspen Group will issue new APZ Securities to MHIF shareholders equating to up to 11.6% of existing APZ Securities on issue, which will result in a dilution of existing Aspen securityholders
- Securityholders who are not in favour of the MHIF Transaction may seek to sell their APZ Securities. Depending on the supply and demand for APZ Securities following the MHIF Transaction, selling may place downward pressure on the price of APZ Securities
- There are risk factors involved in an acquisition of this nature, some of which are set out in the Independent Expert's Report.

## **9 Independent Expert's Report**

Listing Rule 10.5.10 provides that a notice of meeting that seeks approval for a transaction under Listing Rule 10.1 must include an independent expert's report which states whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes are not to be disregarded.

The Independent Board Committee appointed the Independent Expert to prepare a report to provide an opinion as to whether or not, in the Independent Expert's opinion, the proposed acquisition of MHIF Shares by the Company, and the issue of APZ Securities to the Related Parties is fair and reasonable to, and in the best interests of, the Non-Associated Aspen Securityholders.

The Independent Expert's Report sets out various advantages and disadvantages of the MHIF Transaction.

The Independent Expert has concluded that the MHIF Transaction is fair and reasonable to, and in the best interests of the Non-Associated Aspen Securityholders.

The Independent Board Committee strongly recommends that Shareholders read the Independent Expert's Report in Schedule 1 in full.

## Specific information in relation to the Resolutions

This Section summarises the Corporations Act and Listing Rule requirements relevant to the Resolutions.

### Resolution 1 ACQUISITION OF A SUBSTANTIAL ASSET FROM A RELATED PARTY

#### 10 Listing Rule 10.1

Listing Rule 10.1 provides that a listed company must not acquire or agree to acquire a substantial asset from, or dispose of or agree to dispose of a substantial asset to any of the following persons, unless it obtains the approval of its shareholders:

- (a) a related party;
- (b) a child entity;
- (c) a person who is, or was at any time in the 6 months before the transaction or agreement, a substantial (10%+) holder in the entity;
- (d) an associate of a person referred to in paragraphs (a) to (c) above; or
- (e) a person whose relationship to the entity or a person referred to in paragraphs (a) to (d) above is such that, in ASX's opinion, the transaction should be approved by security holders.

Under Listing Rule 10.2, an asset is "substantial" if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the Listing Rules.

The acquisition of the MHIF Shares by the Company from Mr John Carter and Mr David Dixon is considered an acquisition of a "substantial asset" as the value of the consideration for the MHIF Transaction as a whole will be more than 5% of the equity interests of the Aspen Group.

Approval under Listing Rule 10.1 is required because:

- Mr John Carter is the Joint Chief Executive Officer and a director of the Company and therefore a 'related party' of the Company, and he (or the controlled entity through which he holds MHIF Shares) will sell MHIF Shares to the Company as part of the MHIF Transaction.
- Mr David Dixon is the Joint Chief Executive Officer of the Company and the Company considers him to be a person whose relationship to the Company is such that the sale of his MHIF Shares (or by the controlled entity through which he holds MHIF Shares) to the Company as part of the MHIF Transaction should be approved by Aspen Securityholders in the interests of transparency to Aspen securityholders.

Resolution 1 seeks the required securityholder approval of the MHIF Transaction for the purposes of Listing Rule 10.1.

The following information is provided to Aspen Securityholders as required by Listing Rule 10.5:

- the Company is acquiring 10% of MHIF Shares from a MHIF Shareholder controlled by John Carter, and 5% of MHIF Shares from a MHIF Shareholder controlled by David Dixon;
- the MHIF Shareholder controlled by John Carter is considered a related party of the Company which therefore requires approval under Listing Rule 10.1.1;
- the MHIF Shareholder controlled by David Dixon is considered a person whose relationship to the Company is such that, the Company considers the transaction should be approved by security holders which therefore requires approval under Listing Rule 10.1.5;
- the consideration to be paid by the Company to the MHIF Shareholder controlled by John Carter is 1,624,420 APZ Securities;
- the consideration to be paid by the Company to the MHIF Shareholder controlled by David Dixon is 812,210 APZ Securities;
- a summary of the material terms of the Share Purchase Agreement under which the acquisitions are occurring is set out in section 3;
- a voting exclusion statement in respect of Resolution 1 is set out on page 8; and
- the Independent Expert's Report is set out in Schedule 1. The Independent Expert has concluded that the MHIF Transaction is fair and reasonable to, and in the best interests of the Non-Associated Aspen Securityholders.

Although not required for the purposes of Listing Rule 10.1 or 10.5, the Company also notes the payment to be made by MHIF (and not the Company) to Mill Hill Capital in connection with completion under the Share Purchase Agreement and termination of the Investment Management Agreement, as summarised in section 6.1.

## **11 Chapter 2E of the Corporations Act**

Under Chapter 2E of the Corporations Act, a public company cannot give a financial benefit to its related parties unless an exception applies or shareholders have, in a general meeting, approved the giving of that financial benefit to the related party. A "financial benefit" is defined in the Corporations Act in broad terms and includes buying an asset from a related party.

Section 210 of the Corporations Act provides that a company does not need to obtain shareholder approval to give a financial benefit to a related party if the giving of the financial benefit would be reasonable in the circumstances if the related party and the entity were dealing at arm's length (or on terms less favourable than arm's length). Mr John Carter and Mr David Dixon are considered by the Company to be related parties of the Company for this purpose. The acquisition of MHIF Shares from entities related to John Carter and David Dixon will involve the Company giving a financial benefit to a related party.

The Company also notes for completeness, that Mill Hill Capital (jointly owned by Mr John Carter and Mr David Dixon) will receive a performance fee in connection with the MHIF Transaction. This is a payment to be paid in cash by MHIF and not the Company, in accordance with the terms of the existing Investment Management Agreement (see section 6.1).

Notwithstanding that the Independent Board Committee considers the MHIF Transaction to be reasonable in the circumstances if the Related Parties and the Company were dealing at arm's length, the Independent Board Committee considers that it is appropriate for Aspen Securityholders to approve the MHIF Transaction for the purposes of Chapter 2E of the Corporations Act.

The following information is provided to Aspen Securityholders as required by section 219 of the Corporations Act:

- the related party to whom Resolution 1 would permit financial benefits to be given is a MHIF Shareholder controlled by John Carter and a MHIF Shareholder controlled by David Dixon;
- the nature of the financial benefit is the Consideration Securities to be issued to a MHIF Shareholder controlled by John Carter and a MHIF Shareholder controlled by David Dixon.

In addition, the Company discloses that Mill Hill Capital (jointly owned by Mr John Carter and Mr David Dixon) will receive a performance fee payable by MHIF, in connection with the MHIF Transaction (See section 6.1).

Mr John Carter abstains from making a recommendation to Aspen Securityholders in relation to Resolution 1, given his capacity as director and shareholder of MHIF. Mr John Carter has an interest in the outcome of Resolution 1 given his role in MHIF and Mill Hill Capital.

The Independent Directors recommend that Aspen Securityholders (other than any Excluded Persons noted in the Voting Exclusion Statement) vote in favour of Resolution 1 for the reasons stated in section 7. The Independent Directors do not have an interest in the outcome of Resolution 1 (other than in their capacity as holders of Aspen Securities).

Other than the information contained in this Explanatory Statement, the Independent Directors do not consider there is any other material information that would be reasonably required by Aspen Securityholders to consider Resolution 1.

**The Independent Directors unanimously recommend that Aspen Securityholders vote in favour of Resolution 1.**

## **Resolution 2 APPROVAL OF THE ISSUE OF APZ SECURITIES TO A RELATED PARTY**

### **12 Listing Rule 10.11**

Listing Rule 10.11 provides that a listed company must not issue equity securities to any of the following persons, unless it obtains the approval of its securityholders:

- a related party;
- a person who is, or was at any time in the 6 months before the issue, a substantial (30%+) holder in the entity;
- a person who is, or was at any time in the 6 months before the issue, a substantial (10%+) holder in the entity and who has nominated a director to the board of the entity pursuant to a relevant agreement which gives them a right or expectation to do so;
- an associate of a person referred to in paragraphs (a) to (c) above; or



- (e) a person whose relationship to the entity or a person referred to in paragraphs (a) to (d) above is such that, in ASX's opinion, the issue should be approved by security holders.

Resolution 2 seeks the required securityholder approval to the issue of APZ Securities for the purposes of Listing Rule 10.11.

The following information is provided to Aspen Securityholders as required by Listing Rule 10.13:

- the Company is acquiring 10% of MHIF Shares from a MHIF Shareholder controlled by John Carter, and 5% of MHIF Shares from a MHIF Shareholder controlled by David Dixon;
- the MHIF Shareholder controlled by John Carter is considered a related party of the Company – accordingly, the issue of APZ Securities to this MHIF Shareholder controlled by John Carter requires approval under Listing Rule 10.11.1;
- the MHIF Shareholder controlled by David Dixon is considered a person whose relationship to the Company is such that the transaction should be approved by security holders – accordingly, Aspen Group is seeking the approval for the issue of APZ Securities to this MHIF Shareholder controlled by David Dixon for the purposes of Listing Rule 10.11.5;
- Aspen Group proposes to issue to the MHIF Shareholder controlled by John Carter, 1,624,420 APZ Securities as consideration for the acquisition of MHIF Shares;
- the Aspen Group proposes to issue to the MHIF Shareholder controlled by David Dixon, 812,210 APZ Securities as consideration for the acquisition of MHIF Shares;
- Consideration Securities will be issued to MHIF Shareholders by 20 June 2022, being a date no later than one month after the date of the Extraordinary General Meeting;
- a summary of the material terms of the Share Purchase Agreement under which the APZ Securities will be issued is set out in section 3;
- a voting exclusion statement in respect of Resolution 2 is set out on page 8.

Mr John Carter abstains from making a recommendation to Aspen Securityholders in relation to Resolution 2, given he will participate in the issue of APZ Securities the subject of Resolution 2.

The Independent Directors recommend that Aspen Securityholders (other than any Excluded Persons noted in the Voting Exclusion Statement) vote in favour of Resolution 2 for the reasons stated in section 7. The Independent Directors do not have an interest in the outcome of Resolution 2 (other than in their capacity as holders of Aspen Securities).

Other than the information contained in this Explanatory Statement, the Independent Directors do not consider there is any other material information that would be reasonably required by Aspen Securityholders to consider Resolution 2.

**The Independent Directors unanimously recommend that Aspen Securityholders vote in favour of Resolution 2**

## **Resolution 3 – ISSUE OF CONSIDERATION SECURITIES**

### **13 Listing Rule 7.1**

Listing Rule 7.1 provides that a listed company must not issue more than 15% of the equity securities on issue in any 12 month period, without the approval of securityholders by ordinary resolution.

The Consideration Securities to be issued will comprise less than 15% of the APZ Securities on issue. However Aspen Group proposes to seek securityholder approval for the issue of the Consideration Securities so that the 15% capacity of Aspen Group is refreshed and the Consideration Securities are not counted for the purposes of the 7.1 calculations for future issues of equity securities.

Resolution 3 seeks the securityholder approval to the issue of APZ Securities for the purposes of Listing Rule 7.1.

The information set out below is required to be provided to Aspen Securityholders under Listing Rule 7.1.

- Consideration Securities will be issued to all MHIF Shareholders who accept APZ Securities as consideration under the Share Purchase Agreement.
- The maximum number of APZ Securities that will be issued as consideration, if all MHIF Shareholders elect to receive their consideration in APZ Securities under the Share Purchase Agreement is 16.24 million new APZ Securities, which represents 11.6% of existing APZ Securities.
- Consideration Securities will be issued to MHIF Shareholders by 20 June 2022.
- A summary of the material terms of the Share Purchase Agreement under which the APZ Securities will be issued is set out in section 3.
- A voting exclusion statement in respect of Resolution 3 is set out on page 8.

### **14 Section 601GAA(2) Corporations Act**

ASIC relief under ASIC Corporations (Managed investment product consideration) Instrument 2015/847 applies to include section 601GAA(2) into the Corporations Act. This section permits Evolution Trustees to issue units in the Trust at a price determined by Evolution Trustees where the following conditions have been satisfied:

- the units to be issued are in a class of units quoted on ASX and quotation of the units is not suspended;
- the units are not issued to Evolution Trustees or its associates, except where a relevant exemption is available; and
- the issue, together with any related issue in the previous year, does not comprise more than 15% of the issued units of the Trust.

Resolution 3 seeks securityholder approval for the issue of APZ Securities for the purposes of Section 601GAA(2) of the Corporations Act. Although the units in the Trust to be issued as Consideration Securities comprise less than 15% of the APZ Securities on issue, Aspen

Securityholder approval is sought to effectively refresh the capacity of Aspen Group under the Corporations Act to undertake further issues of equity securities at a price determined by Evolution Trustees without Aspen Securityholder approval in the subsequent 12 months.

Under Section 601GAA(2) of the Corporations Act, Resolution 3 must satisfy the following requirements:

- Resolution 3 must be passed as a special resolution. This means that:
  - 75% or more of the votes cast on the Resolution at the Extraordinary General Meeting must be in favour of Resolution; and
  - votes in favour of the Resolution must be cast in respect of APZ Securities representing 25% or more of the issued APZ Securities.
- Only votes cast by an Aspen Securityholder who will not acquire any of the Consideration Securities to be issued the subject of Resolution 3 or that are held by an Aspen Securityholder for the benefit of another person who will not obtain beneficial ownership of any of those Consideration Securities may vote on Resolution 3.

Mr John Carter abstains from making a recommendation to Aspen Securityholders in relation to Resolution 3, given he will participate in the issue of Consideration Securities the subject of Resolution 3.

The Independent Directors recommend that Aspen Securityholders (other than any Excluded Persons noted in the Voting Exclusion Statement) vote in favour of Resolution 3 for the reasons stated in section 7. The Independent Directors do not have an interest in the outcome of Resolution 3 (other than in their capacity as holders of APZ Securities).

Other than the information contained in this Explanatory Statement, the Independent Directors do not consider there is any other material information that would be reasonably required by Aspen Securityholders to consider Resolution 3.

**The Independent Directors unanimously recommend that Aspen Securityholders vote in favour of Resolution 3**

## GLOSSARY

Capitalised terms in this Notice of Meeting and Explanatory Statement have the following meanings.

Term	Meaning
<b>\$</b>	Australian dollars
<b>Accounting Standards</b>	Accounting Standards as issued by the Australian Accounting Standards Board (AASB)
<b>ASIC</b>	Australian Securities and Investments Commission
<b>Aspen Group</b>	The Company and the Trust
<b>Aspen Securityholder</b>	A person registered as the holder of APZ Securities
<b>APZ Security</b>	A fully paid ordinary share in the Company and a fully paid unit in the Trust stapled and traded together in accordance with the constitutions of the Company and the Trust, as amended from time to time
<b>ASX</b>	ASX Limited or the Australian Securities Exchange, as the context requires
<b>Company</b>	Aspen Group Limited ACN 004 160 927
<b>Consideration Securities</b>	New APZ Securities issued as consideration to MHIF Shareholders in accordance with the Share Purchase Agreement, and subject to a maximum of 16.24 million new APZ Securities
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth)
<b>Evolution Trustees</b>	Evolution Trustees Limited ACN 611 839 519 AFSL 486217
<b>Excluded Person</b>	Has the meaning given in the Voting Exclusion Statement on page 8
<b>Explanatory Statement</b>	the explanatory statement forming part of this Notice of Meeting
<b>Extraordinary General Meeting</b>	the Extraordinary General Meeting of Aspen Securityholders convened by the Notice of Meeting
<b>Independent Board Committee</b>	An independent board committee established by the Company to consider the MHIF Transaction, and comprising the Independent Directors
<b>Independent Directors</b>	Clive Appleton and Guy Farrands
<b>Independent Expert</b>	Hall Chadwick Corporate (NSW) Limited
<b>Independent Expert's Report</b>	The report prepared by the Independent Expert, a copy of which is included as Schedule 1
<b>Listing Rules</b>	the Listing Rules of the ASX
<b>MHIF</b>	Hindmarsh Marina (SA) Pty Ltd ACN 620 945 548
<b>MHIF Shareholder</b>	A person registered as the holder of a share in MHIF

<b>MHIF Transaction</b>	the Company acquiring the issued shares in MHIF from the MHIF Shareholders in consideration for a combination of cash and the issue of APZ Securities to the MHIF Shareholders and in accordance with the terms of the Share Purchase Agreement.
<b>Mill Hill Capital</b>	Mill Hill Capital Pty Ltd, manager of MHIF, which is jointly owned by John Carter and David Dixon
<b>Non-Associated Aspen Securityholders</b>	Aspen Securityholders which are not associated with the Related Parties
<b>Notice of Meeting</b>	the notice convening the Extraordinary General Meeting of Aspen Securityholders to be held on 26 May 2022
<b>Related Parties</b>	For the purpose of this Notice of Meeting and the Resolutions: <ul style="list-style-type: none"> <li>• Mr John Carter and his associates; and</li> <li>• Mr David Dixon and his associates.</li> </ul>
<b>Resolutions</b>	the resolutions proposed to be put to Aspen Securityholders as set out in the Notice of Meeting
<b>Share Purchase Agreement</b>	The share purchase agreement entered into between Aspen Group and MHIF Shareholders, a summary of which is set out in section 3.
<b>Trust</b>	Aspen Property Trust ARSN 104 807 767

## SCHEDULE 1– INDEPENDENT EXPERT’S REPORT

27 April 2022

The Independent Board Committee  
Aspen Group Limited  
UG, 285A Crown Street  
SURRY HILLS NSW 2010

Evolution Trustees Limited  
Responsible Entity for the Aspen Property Trust  
Suite 3, Level 7  
330 Collins Street  
MELBOURNE VIC 3000

Dear Sirs,

## **Independent Expert's Report on the proposal issue of shares**

### **1. INTRODUCTION**

#### ***Background***

- 1.1 Aspen Group Limited ("Aspen" or "the Company") is an Australian public company listed on the Australian Securities Exchange ("ASX"). Aspen operates in the property industry and is a provider of accommodation in the residential, retirement and short stay sectors.
- 1.2 On 24 February 2022, Aspen announced that it proposed to enter into a share purchase agreement ("SPA") with the shareholders of Hindmarsh Marina (SA) Pty Ltd ACN 620 945 548 (the Marina Hindmarsh Island Fund or "MHIF") under which the Company would acquire the issued shares in MHIF from the MHIF Shareholders in consideration for a combination of cash and the issue of Aspen Securities to the MHIF Shareholders.
- 1.3 MHIF was established in September 2017 by Mill Hill Capital Pty Ltd ("MHC") for the sole purpose of acquiring, operating and developing Coorong Quays, Hindmarsh Island ("CQ"). MHC is owned by John Carter and David Dixon, and John Carter is a director of Aspen. Management of MHIF was delegated to Aspen in early 2019 when the MHC executives joined Aspen.
- 1.4 The acquisition by Aspen of all the shares in MHIF and related resolutions detailed in section 2, is referred to in this report as the "Transaction".

HALL CHADWICK  
CORPORATE (NSW) LIMITED

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SYDNEY

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### ***Opinion***

- 1.5 In our opinion, the Transaction is fair and reasonable and in the best interests of the Non-Associated Shareholders of Aspen.
- 1.6 The ultimate decision however on whether to accept the Transaction should be based on shareholders own assessment of their circumstances.

### ***Purpose of Report***

- 1.7 You have requested Hall Chadwick Corporate (NSW) Limited (“HCC”) to prepare an Independent Expert’s Report to advise the shareholders of Aspen other than those associated with the proposed issue of Aspen Securities to MHIF Shareholders (“Non-Associated Shareholders”), whether the proposed Transaction is fair and reasonable when considered in the context of the interests of Non-Associated Shareholders and to set out the reasons for our conclusions.
- 1.8 HCC understands and has agreed that this report will accompany the notice to convene a meeting of Aspen shareholders, to assist the Non-Associated Shareholders in their consideration of the Transaction.



## 2. OUTLINE OF THE PROPOSED TRANSACTION

- 2.1 Aspen announced to the market on 24 February 2022 that it was proposing a merger with MHIF, a Fund controlled by executives of Aspen, John Carter and David Dixon. MHIF was established in September 2017 by MHC for the sole purpose of acquiring, operating and developing Coorong Quays, Hindmarsh Island (“CQ”).
- 2.2 Aspen has formed an independent board committee (“IBC”) comprising Clive Appleton and Guy Farrands to oversee the Transaction. CQ has residential, retirement and park components similar to the existing properties owned by Aspen. IBC has appointed m3 Property to independently value CQ for the purpose of the Transaction and this report.
- 2.3 Consideration for the Transaction will comprise the issue of up to 16,244,200 new Aspen Securities in exchange for 100% of the securities in MHIF. MHIF shareholders can elect to receive up to 20% of their consideration in cash (priced at \$1.507 per Aspen security) and may have the opportunity to receive more than 20% of their consideration in cash (priced at \$1.507 per Aspen security), subject to the total cash consideration being capped at \$4.00 million. Aspen executives David Dixon, John Carter and Patrick Maddern will accept all Aspen scrip for their 25% interest in MHIF. Patrick Maddern is a director and shareholder of MHIF and also holds Aspen Securities.
- 2.4 Completion of the Transaction is conditional on, amongst other things, the approval of Aspen's shareholders as set out in the Notice of Meeting to which this report is annexed.
- 2.5 The following tables show the effect on the share capital of Aspen after the Transaction:

	Shares on issue
Shares currently on issue	139,568,272
Maximum Consideration Shares issued to the vendors of MHIF	16,244,200
<b>Total Shares on issue post Transaction</b>	<b>155,812,472</b>

- 2.6 If the Transaction is approved and completed, MHIF Shareholders will be entitled to a relevant interest in Aspen of up to 11.6%.

## **STRUCTURE OF REPORT**

Our report is set out under the following headings:

3	PURPOSE OF REPORT
4	OPINION
5	BASIS OF EVALUATION
6	OVERVIEW OF MHIF
7	OVERVIEW OF ASPEN
8	VALUATION METHODOLOGIES
9	VALUE OF MHIF
10	VALUE OF ASPEN
11	ADVANTAGES AND DISADVANTAGES OF THE TRANSACTION
12	CONCLUSION AS TO FAIRNESS AND REASONABLENESS

## **APPENDICES**

I	SOURCES OF INFORMATION
II	STATEMENT OF DECLARATION & QUALIFICATIONS
III	FINANCIAL SERVICES GUIDE
IV	MHIF PROPERTY VALUATION REPORT EXTRACTS

### **3 PURPOSE OF REPORT**

- 3.1 The purpose of this report is to advise the Non-Associated Shareholders of Aspen of the fairness and reasonableness of the Transaction. This report provides an opinion on whether or not the terms and conditions in relation to the transaction are fair and reasonable to the Aspen shareholders whose votes are not to be disregarded in respect of the transaction (that is, the Non-Associated Shareholders).
- 3.2 The ultimate decision whether to accept the terms of the Transaction should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Transaction or matters dealt with in this report, shareholders should seek independent professional advice.
- 3.3 For the Transaction to be fair, the value of the securities being acquired in MHIF must be equal to or greater than the value of the consideration, being Aspen Securities and cash. To be reasonable the shareholders must obtain an overall benefit if the Transaction proceeds. In forming an opinion as to whether the Transaction is fair and reasonable, the following factors have been considered:
- the underlying value of Aspen Securities to be issued and cash paid as consideration to MHIF Shareholders;
  - the underlying value of MHIF securities to be acquired by Aspen; and
  - the likely market price and liquidity of Aspen Securities if the Transaction is not implemented.
- 3.4 This report has been prepared to satisfy the requirements of the Corporations Act 2001 (Cth) ("Corporations Act") and the ASX Listing Rules.
- 3.5 ASX Listing Rule 10.1 refers to when a listed company must obtain shareholder approval before it acquires or disposes of a substantial asset. This applies where the vendor of the relevant asset is a related party of the listed company and when the asset value or the value of the consideration for it, constitutes more than 5% of the equity interest of that company at the date of the last audited accounts.
- 3.6 The value of the MHIF securities and the Aspen Securities and cash being issued as consideration for the Transaction will constitute a substantial asset. In addition, John Carter and David Dixon (and the entities through which they holds MHIF shares) are related parties of Aspen and will receive Aspen Securities in exchange for their MHIF shares as a result of the Transaction. Mill Hill Capital Pty Ltd is an associate of John Carter and David Dixon.
- 3.7 ASX Listing Rule 10.5 therefore requires a report on the Transaction from an independent expert stating whether the transaction is fair and reasonable to non-associated shareholders. This report provides such an opinion.

#### 4. OPINION

- 4.1 In our opinion, the proposed Transaction to acquire 100% of MHIF through the issue of Aspen Securities and cash is fair and reasonable and in the best interests of Non-Associated Shareholders of Aspen.
- 4.2 Our opinion is based solely on information available as at the date of this report.
- 4.3 The principal factors that we have considered in forming our opinion are summarised below.

##### *Fair*

- 4.4 According to RG 111, for the Transaction to be fair, the value of MHIF securities being acquired must be equal to or greater than the value of the consideration, being Aspen Securities and cash.
- 4.4.1 Based on the analysis contained in section 9 of this report, the indicative value of MHIF is **\$25,327,000**.
- 4.4.2 Based on the analysis contained in section 10 of this report, the indicative value of the shares being issued by Aspen for MHIF securities is between \$1.50 and \$1.60 per share. This values the Consideration Shares as shown in the table below:

	Low	High	Midpoint
Value per share	1.50	1.60	1.55
Consideration Shares	16,244,200	16,244,200	16,244,200
<b>Total Value of Consideration</b>	<b>24,366,300</b>	<b>25,990,720</b>	<b>25,178,510</b>

- 4.4.3 The above assumes that MHIF shareholders elect to receive all their Consideration in the form of Aspen Securities. MHIF shareholders can elect to receive up to 20% of their Consideration in cash at the equivalent price of \$1.507 per Aspen security and may have the opportunity to receive more than 20% of their consideration in cash (priced at \$1.507 per Aspen security), subject to the total cash consideration being capped at \$4.00 million. As this deemed price at which cash consideration is being determined is within the range of values determined, the percentage of consideration paid in cash will not change the fairness assessment.
- 4.4.4 In our opinion the Transaction is **fair** as the value of the MHIF shares being acquired is within the range of the value of the Consideration being paid by Aspen.

##### *Reasonable*

- 4.5 ASIC Regulatory Guide 111 states that a transaction is reasonable if:
- The Transaction is fair; or
  - Despite not being fair the expert believes that there are sufficient reasons for security holders to approve the Transaction.

4.5.1 We have concluded that the Transaction is reasonable. In forming our opinion we have considered the following relevant factors.

- The Transaction will result in Aspen acquiring a quality mixed-use community asset which is of scale and type similar to existing assets of Aspen. MHIF owns Coorong Quays, a large mixed-use community with residential, retirement and park (tourism) components, that is highly suitable for Aspen's affordable business model and portfolio.
- Aspen already manages MHIF and Coorong Quays, therefore Aspen is highly familiar with the asset and the ownership transition risks are considered low.
- The investment returns from Coorong Quays are expected to be consistent with Aspen's existing property portfolio. This will potentially increase future cash flows and shareholder returns with the asset representing growth opportunities over many years.
- The issue of Aspen Securities to MHIF Shareholders in connection with the Transaction will expand Aspen's equity and securityholder base which may lead to increased relevance and liquidity of Aspen securities on the ASX.
- The Transaction may provide an opportunity for Aspen shareholders to experience growth in the value of shares and boost Aspen's market capitalisation. The VWAP of Aspen shares in the month prior to the announcement was \$1.57 per share. Since the announcement of the Transaction, Aspen's Securities have traded in the range of \$1.55 to \$1.75 at a VWAP of \$1.66 per share. If the Transaction is not approved, Aspen's share price may experience a decrease and return to prices prior to the announcement of the Transaction.
- A maximum of \$1.8 million in stamp duty, advisory and other transaction costs are expected to be incurred by Aspen Group in connection with the MHIF Transaction. Some of these costs will be incurred and expensed even if the MHIF Transaction does not proceed.

**4.6 *Accordingly, in our opinion, the Transaction is fair and reasonable and in the best interests of Non-Associated Shareholders of Aspen.***

## **5 BASIS OF EVALUATION**

- 5.1 In our assessment of whether the Transaction is fair and reasonable to Aspen Non-Associated Shareholders, we have given due consideration to the Regulatory Guides issued by the ASIC, in particular, Regulatory Guide 111 “Content of Experts Reports” and Regulatory Guide 112 “Independence of Experts Reports”.
- 5.2 Under Regulatory Guide 111, a transaction is “fair” if the value of the asset being acquired (in this case the securities in MHIF) is equal to or greater than the value of the consideration being offered (in this case, Aspen Securities and potentially cash consideration). Additionally, under Regulatory Guide 111 a transaction is “reasonable” if it is fair. It is possible for a transaction to be reasonable despite being unfair, if the expert believes there are sufficient reasons for shareholders to vote for the transaction.
- 5.3 Our report has compared the likely advantages and disadvantages to Non-Associated shareholders if the Transaction is agreed to, with the advantages and disadvantages to those shareholders if it is not. Comparing the value of the shares to be acquired under the Transaction and the value of the consideration to be paid is only one element of this assessment.
- 5.4 Normal valuation practice is to determine the fair market value of an asset assuming a counter party transaction between a willing and not anxious buyer and a willing but not anxious seller, clearly at arm’s length. We have adopted this approach in determining the market value of the securities of MHIF and Aspen.
- 5.5 In evaluating the Transaction, we have considered the value of MHIF being acquired and compared this to the amount of consideration to be paid through cash and the issue of Aspen Securities for this acquisition. We consider that the Transaction will be fair and reasonable if, on balance, the Non-Associated Shareholders in Aspen will be better off if the Transaction is approved. We will also consider the Non-Associated Shareholders’ interests should the Transaction not proceed.
- 5.6 In our assessment of the Transaction we have considered, in particular the following:
- The operational and financial position of MHIF and Aspen;
  - The value of MHIF securities, under various methodologies;
  - The value of Aspen securities, under various methodologies;
  - The advantages and disadvantages associated with approving the Transaction;
  - Share trading history of Aspen Securities;
  - The likely value and liquidity of Aspen Securities in the absence of the Transaction;
  - Other qualitative and strategic issues associated with the Transaction.
- 5.7 The documents and information relied on for the purpose of this valuation are set out in Appendix I. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Transaction is fair and reasonable. However, in assignments such as this, time is

limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit or extensive examination might disclose. None of these additional tasks have been undertaken.

- 5.8 We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles.
- 5.9 An important part of the information used in forming an opinion of the kind expressed in this report is the opinions and judgement of management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 5.10 HCC are not the auditors of Aspen or MHIF. We have analysed and reviewed information provided by the Directors and management of Aspen and MHIF and made further enquiries where appropriate.
- 5.11 This report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this report which may impact upon this report or which may impact upon the assumptions referred to in this report.

## **6 OVERVIEW OF MHIF**

### **6.1 Business Overview**

- 6.1.1 MHIF is an unlisted fund established in 2017 by MHC, with management of the fund delegated to Aspen in early 2019 when the MHC executives joined Aspen. The sole purpose of MHIF was to acquire, operate and develop Coorong Quays, Hindmarsh Island SA (“CQ”).
- 6.1.2 CQ has residential, retirement and park components similar to the assets of 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.
- 6.1.3 Major improvements since MHIF’s acquisition of CQ from Receivership include:
- Connections to mains sewer and removal of under-sized wastewater treatment plant (WWTP) has occurred which has enabled further land development, and reduced environmental risks. Coorong Quays’ WWTP was sub-scale for the potential number of residents and other activities at Coorong Quays. This was resolved by connecting Coorong Quays’ community wastewater management system to the Council’s system which enabled the WWTP to be decommissioned. This has improved environmental outcomes and local amenities, and enabled expansion of the residential, retirement and other components of the community through new development.
  - The whole community was serviced with only a single entry road resulting in heavy local traffic and congestion. A second entrance and main road was developed at the eastern end of Coorong Quays which has spread traffic flows, materially reduced congestion, and improved local amenities and safety. This also enabled a “temporary” land bridge to be removed that was blocking residents’ access to a canal which negatively impacted house and land prices.
  - The community needed general upgrades and refurbishment as it had been starved of capital during the receivership. The marina, tavern, marine service areas, and other areas have been improved and a new Coorong Quays club has been created for local residents.
  - The Retirement Village development had stalled with only the clubhouse and 17 houses developed, and only 14 occupied. Resale prices had fallen below the cost of building new houses. The spare land at the village has now been converted to a land lease scheme which has resulted in improved sales volumes and prices, enabling the development of more houses in the community.
  - All components of the community were operated by the previous owner (and receiver) and the operating businesses were unprofitable at the time of acquisition. The tavern and marine service areas have now been leased to good quality operators who are providing superior product and service to Coorong Quays’ residents and customers. These new tenants are now profitable.
- 6.1.4 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.



- 6.1.5 CQ is a fully approved master planned community with approximately 3,000 dwellings and sites. Some of its features include:
- 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 (compared to 130 sold in the last 12 months)
    - 132 retirement sites under a land lease model (compared to 8 sold in the first 18 months)
    - 200 cabin / caravan sites (not commenced)
    - Additional marina and storage sites.
- 6.1.6 Revenue is derived from charging encumbrance fees to the 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).
- 6.1.7 The retirement community component of total revenue is 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).

## 6.2 Financial Information

- 6.2.1 Set out below is a summary of the consolidated financial performance of MHIF for the financial years ended 30 June 2020 (“FY2020”) and 30 June 2021 (“FY2021”) and for the half year ended 31 December 2021 (“HY2022”).

<b>MHIF</b>			
<b>Consolidated Statements of Financial Performance</b>			
	<b>FY2020</b>	<b>FY2021</b>	<b>HY2022 <sup>1</sup></b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Sales of land and property	3,926	7,524	11,758
Other Revenue	1,990	2,502	793
Total Revenue	5,916	10,026	12,551
Cost of sales	(1,670)	(4,423)	(4,225)
Gross profit	4,246	5,603	8,326
Profit/(loss) on sale of assets	-	2	(261)
Other income	154	118	3
Depreciation	(350)	(371)	(63)
Employee expenses	(582)	(666)	(208)
Management fee - Aspen	(150)	(184)	(251)
Utilities	(446)	(303)	(144)
Other expenses	(656)	(403)	(658)
Total Expenses	(2,184)	(1,927)	(1,324)
Profit before income tax	2,216	3,796	6,744
Income tax expense	(336)	(983)	(1,690)
Net profit after tax	<b>1,880</b>	<b>2,813</b>	<b>5,054</b>

- 1 Gross profit attributed to the sale of land and property was higher in HY2022 as the cost base for land being developed had been reduced to nil on the balance sheet by this time. The land being developed was valued at approximately \$450k at the time of acquisition in 2017. This value was attributed predominantly to existing titled lots which were identified as saleable. When these lots were sold the cost base had reduced to zero and the land sales were reflected as profit.
- 2 The loss on sale of the non-current assets in HY2022 relates to the sale of the Community Waste Management System (CWMS) or sewer system. In 2019 MHIF entered into an agreement with Alexandrina Council to hand over the sewer system for it to operate. The existing Waste Water Treatment Plant (WWTP) was decommissioned and Council established a connection between the estate and their Waste Water Treatment Facility in Goolwa. This allows the rest of the development to be able to be completed without increasing the Waste Water Treatment Facilities within the estate. The handover of this system was completed on 1 July 2021 and the CWMS and WWTP assets were written off. The decrease in other revenue in HY2022 is due to MHIF no longer receiving sewer connection and sewer rates revenue.

6.2.2 Set out below is the consolidated statement of financial position of MHIF as at 31 December 2021.

<b>MHIF</b> <b>Consolidated Statement of Financial Position</b> <b>as at 31 December 2021</b>	
	<b>\$'000</b>
<b>Current Assets</b>	
Cash and cash equivalents	4,669
Trade and other receivables	25
Inventories	17
	<hr/>
	4,711
<b>Non-Current Assets</b>	
Gaming entitlement	437
Property, plant and equipment <sup>1</sup>	3,934
Intangibles – water licence	557
	<hr/>
	4,928
<b>Total Assets</b>	<b>9,639</b>
<b>Current Liabilities</b>	
Trade and other payables	318
Provisions	84
Income tax payable	1,974
	<hr/>
	2,376
<b>Total Liabilities</b>	<b>2,376</b>
<b>Net Assets</b>	<b>7,263</b>
<b>Equity</b>	
Share capital	3,500
Retained earnings	3,763
	<hr/>
<b>Total equity</b>	<b>7,263</b>

<sup>1</sup> Property, plant and equipment includes the book value of land and buildings totalling \$3,787,661. The assessed fair market value of these assets is detailed at section 9 of this report.

- 6.2.3 Since 31 December 2021 MHIF has continued to derive revenue from land and house sales as part of normal trading activities. As a part of the Transaction, Aspen will assume the positive net working capital of MHIF in addition to the market value of its property assets. Based on actual cash at bank, receivables and payables balances as at 1 April 2022 and movements expected to occur prior to settlement, the estimated net working capital to be assumed by Aspen totals \$1,277,000.

## **7 OVERVIEW OF ASPEN**

### **7.1 Corporate Overview**

- 7.1.1 Aspen Group comprises the stapled head entities Aspen Group Limited and Aspen Property Trust. Aspen Group Limited is a company with a Board of Directors and Aspen Property Trust is a trust governed by a Responsible Entity, Evolution Trustees Limited which is independent from Aspen Group Limited and has its own Board.
- 7.1.2 Formed in 2001, Aspen is an ASX listed property group strategically focused on providing accommodation on competitive terms in residential, retirement, and park communities. Aspen owns, operates and develops properties in metropolitan and regional locations where customers lease dwellings and land sites.
- 7.1.3 Aspen has been a leading owner and manager of holiday and accommodation parks since 2004. The accommodation sector is considered to have positive long term structural characteristics, with an enduring customer need.
- 7.1.4 Aspen's business model includes providing quality accommodation to Australian households at affordable prices. Their customer-centric business model is to service households that can afford no more than \$400 weekly rent or a \$400,000 purchase price. Aspen provides a range of products demanded by its customers in residential, retirement and park communities, including on-site management, customer services, and community facilities.
- 7.1.5 Aspen's efficient dwellings require significantly less resources to manufacture and operate than the average Australian home. Aspen also recycles/refurbishes dwellings. With solar installed, some of its dwellings can produce more renewable energy than they consume. Aspen installs energy and water saving devices and metering to reduce resource use. Its communities also share resources such as common areas, recreation facilities, gardens and transport.
- 7.1.6 General traits that Aspen seeks in properties it acquires include the following:
- Desirable locations – particularly metropolitan
  - Large land parcels that are under-utilised
  - Existing dwellings priced at well below replacement cost that have alternative uses and can be refurbished / repurposed
  - Land and development cost at the low end of (or below) local competition
  - Competitive operating costs (e.g. tax incentives / subsidies)
  - Flexibility / optionality
  - Strong potential for higher value use over time
- 7.1.7 The list of Aspen investment properties and values are included at 7.2.2 below.

## 7.2 Financial Information

- 7.2.1 Set out below is the consolidated statement of financial position of Aspen as at 31 December 2021. Management confirmed that there has been no material change in the net asset position of Aspen since the reviewed financial accounts to 31 December 2021.

<b>Consolidated Statement of Financial Position as at 31 December 2021</b>	
	<b>\$'000</b>
<b>Current Assets</b>	
Cash	7,793
Trade and other receivables	3,517
Inventories	5,664
Net investment in sublease	799
	<hr/> 17,773
<b>Non-Current Assets</b>	
Investment properties	310,431
Property, plant and equipment	23,586
Intangible assets	120
Right of use assets	705
Deferred tax assets	4,750
Derivative asset	851
Other	510
	<hr/> 340,953
<b>Total Assets</b>	<b>358,726</b>
<b>Current Liabilities</b>	
Trade and other payables	10,058
Resident loans	19,776
Provisions	1,324
Lease liability	1,137
Deferred management revenue	701
	<hr/> 32,996
<b>Non-Current Liabilities</b>	
Interest bearing loans and borrowings	112,071
Deferred management revenue	2,693
Lease liability	628
	<hr/> 115,392
<b>Total Liabilities</b>	<b>148,388</b>
<b>Net Assets</b>	<b>210,338</b>
<b>Equity</b>	
Securities on issue	539,212
Reserves	4,359
Accumulated losses	(329,396)
Non-controlling interest	(3,837)
<b>Total equity</b>	<b>210,338</b>

7.2.2 The properties owned by Aspen and the respective valuations are included below:

<b>Property</b>	<b>Acquisition Date</b>	<b>Acquisition Cost \$'000</b>	<b>Latest Independent Valuation Date</b>	<b>Latest Independent Valuation \$'000</b>	<b>Book Value <sup>2</sup> 31-Dec-21</b>
<b>Residential Properties</b>					
Pacific Highway, Kalinda, NSW	Aug-19	4,929	Dec-21	4,900	4,900
Treatts Road, Kiah, NSW	Aug-19	5,443	Dec-21	8,900	8,900
Perth residential houses	Nov-19	21,178	May-21	22,455	22,692
Perth apartments	Sep-21	52,000	Sep-21	52,000	54,989
Cooks Hill, NSW	Jul-20	3,750	May-20	3,750	6,896
Burleigh Heads, QLD	Dec-20	3,275	Nov-20	3,275	7,448
Mt Barker, SA	Dec-20	4,510	Nov-20	4,510	4,719
Upper Mount Gravatt, QLD	Ap 21	18,500	Mar-21	18,500	20,076
<b>Retirement Properties</b>					
Four Lanterns NSW	Jan-15	7,420	Dec-21	19,250	19,250
Mandurah WA	Jun-15	10,200	Jun-20	13,725	14,478
Sweetwater Grove NSW	Aug-15	10,500	Dec-21	16,300	16,300
Lewis Fields, SA	Jun-21	2,360	Jun-21	2,400	9,598
Wodonga Gardens, VIC	Aug-21	6,010	Aug-21	6,010	22,066
Meadowbrooke, WA	Dec-21	3,258	Dec-21	3,258	3,271
<b>Park Communities</b>					
Adelaide SA	Oct-15	9,250	Jun-21	13,100	13,160
Tweed Waters NSW	Dec-16	6,880	Jun-20	8,100	8,848
Barlings Beach NSW	Jan-17	13,250	Jun-21	16,450	19,690
Koala Shores NSW	Sep-17	10,200	Dec-21	11,500	11,500
Darwin FreeSpirit NT	Dec-17	19,300	Dec-21	23,500	23,500
Highway 1 SA	Oct-18	23,060	Jun-21	28,350	30,369
Aspen Karratha Village WA	Jun-05	29,378	Nov-20	16,000	16,000
		<b>264,651</b>		<b>296,233</b>	<b>338,650</b>
<b>As per the balance sheet:</b>					
Investment properties					310,431
Property, plant and equipment					23,500
Inventories –Mt Barker Land <sup>1</sup>					4,719
					<b>338,650</b>

<sup>1</sup> For the purposes of disclosing the completeness of the group's property assets the Mt Barker land classified as inventories has been included in the disclosure above and treated as part of the residential properties segment.

<sup>2</sup> Investment properties comprise those which are held for the principal purpose of earning rental income or for capital appreciation or both. Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties are stated at fair value, reflecting market conditions at reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit and loss in the period they arise. The difference between the carrying value of \$338,650,000 and the latest independent

external valuations of \$296,233,000 represents capital expenditure incurred, and Directors' appraisals, subsequent to the latest independent valuations to 31 December 2021.

7.2.3 Set out below is a summary of the audited consolidated financial performance of Aspen for the financial years ended 30 June 2020 ("FY2020"), 30 June 2021 ("FY2021") and reviewed consolidated financial performance for the half year ended 31 December 2021 ("HY2022").

	\$'000	FY2020	FY2021	HY2022
<b><i>Income</i></b>				
Revenue		30,770	35,522	20,479
Change in fair value of investments		3,401	17,793	24,944
Other income		-	764	26
<b>Total income</b>		<b>34,171</b>	<b>54,079</b>	<b>45,449</b>
<b><i>Expenses</i></b>				
Operational expenses		(6,184)	(4,978)	(2,162)
Property expenses		(5,699)	(6,463)	(4,281)
Cost of homes sold		(1,571)	(4,054)	(2,584)
Employee expenses		(7,709)	(8,604)	(5,454)
Other expenses		(2,563)	(4,308)	(2,510)
<b>Total expenses</b>		<b>(23,726)</b>	<b>(28,407)</b>	<b>(16,991)</b>
<b>Earnings before interest and tax</b>		<b>10,445</b>	<b>25,672</b>	<b>28,458</b>
Net interest income/(expense)		(1,698)	(1,155)	61
<b>Profit before tax</b>		<b>8,747</b>	<b>24,517</b>	<b>28,519</b>
Income tax benefit		3,125	875	750
<b>Net profit after tax</b>		<b>11,872</b>	<b>25,392</b>	<b>29,269</b>

7.2.4 As stated in the Company's FY2021 annual report, rents and prices have been generally increasing in the markets in which Aspen operates, largely driven by continued population growth, the aging population and low interest rates. Aspen has performed well even during the COVID-19 pandemic and associated border closures, largely attributed to Aspen's diversified portfolio of residential, retirement and park communities and quality accommodation at competitive rents and prices strongly underpinned by household incomes including government subsidies.

### 7.3 Public Announcements

7.3.1 Set out below are the announcements made by the Company in the last six months:

Feb-24-2022	Proposed Acquisition of Coorong Quays
Feb-24-2022	Financial results for the Half Year ended 31 December 2021
Feb-24-2022	Investor Presentation
Feb-24-2022	APT Half Year Financial Report December 2021
Feb-24-2022	Update - Dividend/Distribution - APZ
Feb-24-2022	APZ Appendix 4D and Half Year Financial Report December 2021
Dec-16-2021	Dividend/Distribution - APZ
Dec-16-2021	Property Valuations and Distribution
Dec-09-2021	Joint CEO Share Issue
Dec-08-2021	Change of Director's Interest Notice - J Carter
Dec-07-2021	Cleansing Notice
Dec-07-2021	Application for quotation of securities - APZ
Dec-03-2021	Ceasing to be a substantial holder- Amended
Dec-03-2021	Ceasing to be a substantial holder
Dec-02-2021	Ceasing to be a substantial holder
Dec-02-2021	Change of Director's Interest Notice - C Appleton
Dec-02-2021	Settlement of Meadowbrooke Lifestyle Estate
Dec-01-2021	Joint CEO Share Issue
Dec-01-2021	Change of Director's Interest Notice - J Carter
Dec-01-2021	Change of Director's Interest Notice - G Farrands
Nov-30-2021	Notification regarding unquoted securities - APZ
Nov-30-2021	Cleansing Notice
Nov-30-2021	Application for quotation of securities - APZ
Nov-19-2021	Results of Annual General Meeting
Nov-19-2021	Chairman and CEO Address to AGM
Nov-05-2021	Acquisition- Meadowbrooke Lifestyle Estate
Oct-26-2021	Jobkeeper Payment Notification
Oct-15-2021	Corporate Governance Statement and Appendix 4G
Oct-15-2021	Annual Report to shareholders
Oct-15-2021	2021 Annual General Meeting
Oct-15-2021	Aspen Group Performance 1Q FY22 Update
Sep-16-2021	Settlement of Perth Apartment Portfolio
Sep-14-2021	Application for quotation of securities - APZ
Sep-10-2021	Successful Completion of Security Purchase Plan



## 8 VALUATION METHODOLOGIES

### 8.1 Selection of Methodology

- 8.1.1 In order to assess the fairness of the Transaction a value needs to be attributed to MHIF and Aspen.
- 8.1.2 In assessing the value of Aspen and MHIF we have considered a range of valuation methods. ASIC Regulatory Guide 111 *Content of Expert Reports* states that in valuing a company the expert should consider the following commonly used valuation methodologies:
- Market Value of Shares: the quoted price for listed securities in a liquid and active market;
  - Capitalisation of Future Maintainable Earnings: the value of trading operations based on the capitalisation of future maintainable earnings;
  - Discounted Cash Flow: the net present value of future cash flows;
  - Realisation of Assets: the amount that would be available for distribution to security holders on an orderly realisation of assets.

We consider each of these valuation methodologies below.

#### 8.1.3 *Market Value of Shares as Quoted on the ASX*

This method involves the valuation of an entity based on its actively traded equities, which represent the market capitalisation of the share capital, in a liquid and knowledgeable market.

Any assessment of the market value of the quoted equities needs to consider the following:

- The liquidity of the quoted equity based on the volume and frequency of trading;
- The number of ‘unusual’ and/or ‘abnormal’ trades that occur; and
- The timing and level of dissemination of information to the market.

If a quoted ordinary equity is traded in an active, liquid and knowledgeable market, then the market price of the quoted ordinary equity should represent the ‘fair’ market value of the quoted ordinary equity.

A premium may also need to be applied to the value of the quoted ordinary equity to determine the value of the equity holding in circumstances where a party is acquiring or increasing a controlling equity position.

We consider that adopting a market value of shares methodology to determine an indicative value of Aspen is appropriate as it reflects all publicly available information on the company and therefore we believe it is a reliable reflection of the current value of Aspen Securities.

This method is not appropriate for MHIF as their shares are not listed or publicly traded.

#### *8.1.4 Realisation of Assets*

The net asset approach to value is based on the assumption that the value of all assets (tangible and intangible) less the value of all liabilities should equal the value of the entity.

This approach is generally not appropriate where assets are employed productively and are earning more than the cost of capital.

Both Aspen and MHIF own a portfolio of properties which have been independently valued on a going concern basis and therefore reflect the current market value of the companies' assets. The notional realisation of assets has therefore been considered appropriate in assessing the value of Aspen and MHIF.

For the purpose of this report we are relying upon the Independent Valuation Reports prepared for Aspen as part of its continuous disclosure requirements, and the Independent Valuation Reports prepared by m3 Property on the land and buildings owned by MHIF.

We have satisfied ourselves as to the qualifications and independence of each of the property valuers from Aspen and MHIF and have placed reliance on their reports. All valuation reports have been prepared in accordance with International Valuation Standards as adopted by the Australian Property Institute.

#### *8.1.5 Capitalisation of Future Maintainable Earnings*

Under the earnings based valuation method, the value of the asset is determined by capitalising the estimated future maintainable earnings of the asset at an appropriate capitalisation rate or multiplier of earnings. The multiple is a coefficient, representing the risk that the asset may not achieve projected earnings.

This method is appropriate in valuing an asset when there is a history of earnings, the asset is established and it is assumed the earnings are sufficiently stable to be indicative of ongoing earnings potential.

The earnings multiple used to value an asset reflects the risk of investing in the asset and the investor's required return on the investment. Many assets or businesses are valued or compared on reported price earnings ratios, which examines the value based upon a multiple of net profit after tax. EBITDA (earnings before interest, tax, depreciation and amortisation), EBITA (earnings before interest, tax and amortisation) or EBIT (earnings before interest and tax) or some other earnings substitute can also be used in determining a valuation for a company.

This method is not considered appropriate for the valuation of Aspen or MHIF as their earnings are largely attributable to the change in value of the underlying assets held by the companies and are not considered to be sufficiently stable. Therefore we consider that the realisation of assets approach is more appropriate in valuing both Aspen and MHIF.

#### 8.1.6 *Discounted Cash Flow – Net Present Value*

Discounted cash flow valuations involve calculating the value of an asset on the basis of the net cash flow that will be generated from the asset over its life. The cash flows are discounted to reflect the time value of money and the risk involved with achieving the forecast cash flows. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value of the asset.

Although the discounted cash flow approach relies on the availability of long-term cash flow forecasts, it is particularly suited to situations where cash flows are not stable or where significant cash outflows will be incurred prior to cash inflows being earned. The forecast period should be of such a length to enable the asset to achieve a stabilised level of earnings, or to be reflective of an entire operational cycle for more cyclical industries.

The use of the discounted cash flow method has not been used for MHIF or Aspen. No forecasts have been made publicly available by either company and valuation methodologies based on realisation of net assets and market share price (in the case of Aspen) have been considered more appropriate.

## 9 VALUE OF MHIF

### 9.1 Selected Methodologies

9.1.1 We have selected the realisation of assets methodology to apply a value to MHIF as detailed at section 8.

9.1.2 In forming an opinion on the valuation of MHIF, and the selected methodology, HCC has considered the following:

- The historical operations of the business;
- The industry in which the business operates;
- The period of time for which the business has been operating;
- Information provided by management regarding future operations of the business.

9.1.3 *Financial information relied upon in applying selected valuation method*

We have reviewed the financial accounts of MHIF summarised at section 6. Ultimately, the management of MHIF are responsible for the preparation and presentation of the financial information provided. The purpose of our review is to establish that the financial information used is not materially misstated. This review does not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### 9.2 Net realisation of assets

9.2.1 As part of the Transaction, Aspen has commissioned independent property valuations on the property assets of MHIF. These reports were issued by M3 Property dated 24 February 2022 with the following details:

Asset	Valuation method	Valuation (\$)
Undeveloped land	Direct comparison	15,050,000
Commercial component	Discounted cash flow and capitalisation of net income	7,500,000
Alexandrina Cove Lifestyle Village	Discounted cash flow and capitalisation of net income	1,500,000
<b>Total value of MHIF Land and Buildings</b>		<b>24,050,000</b>

9.2.2 The assumptions underlying these valuations and extracts from the m3 Property reports is included in Appendix IV.

9.2.3 As a part of the Transaction, Aspen will assume the positive net working capital of MHIF in addition to the market value of its property assets. Based on actual cash at bank, receivables and payables balances as at 1 April 2022 and movements expected to occur prior to settlement, the estimated net working capital to be assumed by Aspen totals \$1,277,000.

9.2.4 MHIF also holds a gaming entitlement and water licence on their balance sheet at a combined book value of \$0.994m as at 31 December 2021. These assets are part of the

operations of the business. The water licences reduce the operating costs of maintaining the grounds and areas adjacent to the operating marina and marina basin which improves marina profit. These assets therefore have formed part of the assessed value of the land and commercial component of the independent valuations included above.

### **9.3 Resultant Valuation of MHIF**

- 9.3.1 Based on the details above, the valuation of MHIF for the purpose of this report is \$25,327,000 as shown in the table below:

Property valuations	24,050,000
Net cash position	1,277,000
<b>Value of MHIF</b>	<b>25,327,000</b>

## 10 VALUE OF ASPEN

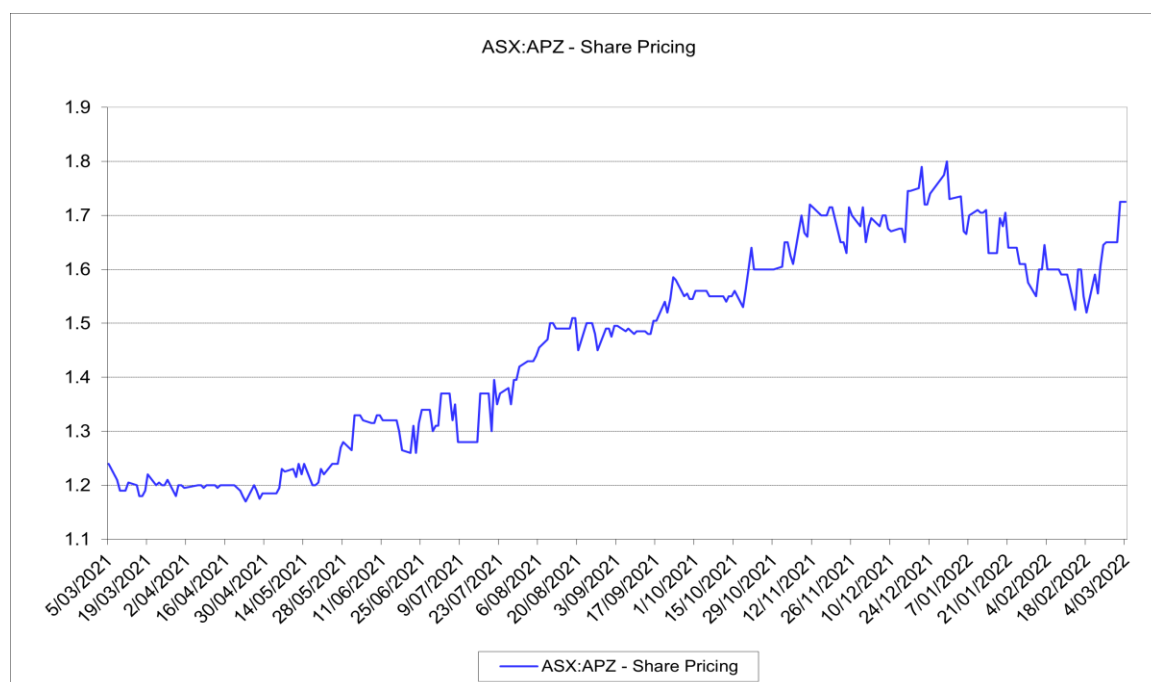
### 10.1 Selected Methodologies

10.1.1 We have selected the market value of shares and net realisation of assets as the primary and secondary valuation methodologies for Aspen as detailed in section 8.

### 10.2 Market Value of Shares

10.2.1 In our opinion the value of Aspen for the purpose of the Transaction should be examined on the basis of the current market value of its shares listed on the ASX. The market value of the shares listed on the ASX reflects all publicly available information on the company and therefore we believe it is a reliable reflection of the current value of the Company.

10.2.2 Set out below is a chart showing the trend in the company's share price over the last twelve months:



10.2.3 The table below sets out the movement of Aspen share price and trading volumes to the date of the announcement of the Transaction on 24 February 2022:

	Low \$	High \$	VWAP (1)	Volume
1 month	1.485	1.700	1.568	393,190
2 months	1.485	1.800	1.615	652,970
3 months	1.485	1.800	1.647	1,024,670
6 months	1.450	1.800	1.571	3,094,590
12 months	1.160	1.800	1.301	13,375,650

(1) The VWAP was calculated using the total value of all transactions divided by the total trading volume in the time period considered.

10.2.4 Since the date of the announcement Aspen Securities have traded in the range of \$1.55 to \$1.75 at a VWAP of \$1.66 per share.

10.2.5 We believe the valuation of Aspen Securities for the purpose of this report should reflect all publicly available information on the company being a reliable reflection of its current value. We therefore conclude that the fair value of the Aspen Securities under the market value approach for the purpose of this report is within a range of \$1.50 to \$1.70 per share, with a midpoint of \$1.60 per share based on the VWAP in the last month of trading to the date of the announcement of the Transaction.

### **10.3 Realisation of Assets**

10.3.1 As a secondary valuation method we have assessed the net realisation of assets method.

10.3.2 As at 31 December 2021 the consolidated net assets of Aspen totalled \$210,338,000. The main assets of the group are its investment properties which comprise assets held for the principal purpose of earning rental income or for capital appreciation or both. Investment properties are stated at fair value, reflecting market conditions at reporting date totalling \$338,650,000 as at 31 December 2021. The carrying amounts of all of Aspen's financial instruments recognised in the financial statements are also reflective of their estimated fair values.

10.3.3 For the purpose of this report we have taken the net assets of Aspen as the fair value of the Company's shares.

10.3.4 The Company currently has 139,568,272 shares on issue. The value per share under the realisation of assets method is shown in the table below:

Net assets	\$210,338,000
Shares on issue	139,568,272
<b>Value per share</b>	<b>\$1.51</b>

### **10.4 Conclusion on the Value of Aspen Securities**

10.4.1 Giving consideration to the valuation methodologies detailed above, we conclude that the indicative value of Aspen shares for the purpose of this report is between \$1.50 and \$1.60 per share, with a midpoint of **\$1.55 per share**.

## **11 ADVANTAGES & DISADVANTAGES OF THE TRANSACTION**

### **11.1 Approach to assessing Fairness and Reasonableness**

HCC has followed the guidelines of ASIC Regulatory Guide 111 in assessing the fairness and reasonableness of the Transaction. In forming its conclusions in this report, HCC compared the advantages and disadvantages for Non-Associated Shareholders if the Transaction proceeds.

### **11.2 Advantages of the Transaction**

- 11.2.1 The Transaction will result in Aspen acquiring a quality mixed-use community asset which is of scale and type similar to existing assets of Aspen. MHIF owns Coorong Quays, a large mixed-use community with residential, retirement and park (tourism) components, that is highly suitable for Aspen's affordable business model and portfolio.
- 11.2.2 Aspen already manages MHIF and Coorong Quays, therefore Aspen is highly familiar with the asset and the ownership transition risks are considered low.
- 11.2.3 The investment returns from Coorong Quays are expected to be consistent with Aspen's existing property portfolio. This will potentially increase future cash flows and shareholder returns with the asset representing growth opportunities over many years.
- 11.2.4 The issue of Aspen Securities to MHIF Shareholders in connection with the Transaction will expand Aspen's equity and securityholder base which may lead to increased relevance and liquidity of Aspen securities on the ASX.
- 11.2.5 The Transaction may provide an opportunity for Aspen shareholders to experience growth in the value of shares and boost Aspen's market capitalisation. The VWAP of Aspen shares in the month prior to the announcement was \$1.57 per share. Since the announcement of the Transaction, Aspen's Securities have traded in the range of \$1.55 to \$1.75 at a VWAP of \$1.66 per share. If the Transaction is not approved, Aspen's share price may experience a decrease and return to prices prior to the announcement of the Transaction.

### **11.3 Disadvantages of the Transaction**

- 11.3.1 The Company will be expanding its operations to include those of MHIF which may not be consistent with the objectives of all Non-Associated Shareholders.
- 11.3.2 There are inherent risks associated with the MHIF acquisition and business that should be considered by Non-Associated Shareholders, as outlined in the accompanying Explanatory Memorandum.
- 11.3.3 The MHIF shareholders have not provided any warranties in respect of MHIF's business and assets under the SPA, and the investment in MHIF and Coorong Quays may not perform as well as expected.



- 11.3.4 If all MHIF Shareholders elect to receive their consideration in Aspen Securities, Aspen will issue new Securities to MHIF shareholders equating to up to 11.6% of existing Aspen Securities on issue, which will result in a dilution of existing Aspen securityholders
- 11.3.5 Aspen shareholders who are not in favour of the Transaction may seek to sell their shares. Depending on the supply and demand for Aspen Securities following the Transaction, selling may place downward pressure on the Aspen share price.
- 11.3.6 A maximum of \$1.8 million in stamp duty, advisory and other transaction costs are expected to be incurred by Aspen Group in connection with the MHIF Transaction. Some of these costs will be incurred and expensed even if the MHIF Transaction does not proceed.

## 12 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

### 12.1 Fairness

- 12.1.1 According to RG 111, for the Transaction to be fair, the value of MHIF securities being acquired must be equal to or greater than the value of the consideration, being Aspen Securities and cash.
- 12.1.2 Based on the analysis contained in section 9 of this report, the indicative value of MHIF is **\$25,327,000**.
- 12.1.3 Based on the analysis contained in section 10 of this report, the indicative value of the shares being issued by Aspen for MHIF securities is between \$1.50 and \$1.60 per share. This values the Consideration Shares as shown in the table below:

	Low	High	Midpoint
Value per share	1.50	1.60	1.55
Consideration Shares	16,244,200	16,244,200	16,244,200
<b>Total Value of Consideration</b>	<b>24,366,300</b>	<b>25,990,720</b>	<b>25,178,510</b>

- 12.1.4 The above assumes that MHIF shareholders elect to receive all their Consideration in the form of Aspen Securities. MHIF shareholders can elect to receive up to 20% of their Consideration in cash at the equivalent price of \$1.507 per Aspen security and may have the opportunity to receive more than 20% of their consideration in cash (priced at \$1.507 per Aspen security), subject to the total cash consideration being capped at \$4.00 million. As this deemed price at which cash consideration is being determined is within the range of values determined, the percentage of consideration paid in cash will not change the fairness assessment.
- 12.1.5 In our opinion the Transaction is **fair** as the value of the MHIF shares being acquired is within the range of the value of the Consideration being paid by Aspen.

### 12.2 Reasonableness

ASIC Regulatory Guide 111 states that a transaction is reasonable if:

- The Transaction is fair; or
- Despite not being fair the expert believes that there are sufficient reasons for security holders to approve the Transaction.

We have concluded that the Transaction is fair and therefore also reasonable. In forming our opinion we have also considered the following relevant factors.

- The Transaction will result in Aspen acquiring a quality mixed-use community asset which is of scale and type similar to existing assets of Aspen. MHIF owns Coorong Quays, a large mixed-use community with residential, retirement and park (tourism) components, that is highly suitable for Aspen's affordable business model and portfolio.

- Aspen already manages MHIF and Coorong Quays, therefore Aspen is highly familiar with the asset and the ownership transition risks are considered low.
- The investment returns from Coorong Quays are expected to be consistent with Aspen's existing property portfolio. This will potentially increase future cash flows and shareholder returns with the asset representing growth opportunities over many years.
- The issue of Aspen Securities to MHIF Shareholders in connection with the Transaction will expand Aspen's equity and securityholder base which may lead to increased relevance and liquidity of Aspen securities on the ASX.
- The Transaction may provide an opportunity for Aspen shareholders to experience growth in the value of shares and boost Aspen's market capitalisation. The VWAP of Aspen shares in the month prior to the announcement was \$1.57 per share. Since the announcement of the Transaction, Aspen's Securities have traded in the range of \$1.55 to \$1.75 at a VWAP of \$1.66 per share. If the Transaction is not approved, Aspen's share price may experience a decrease and return to prices prior to the announcement of the Transaction.
- A maximum of \$1.8 million in stamp duty, advisory and other transaction costs are expected to be incurred by Aspen Group in connection with the MHIF Transaction. Some of these costs will be incurred and expensed even if the MHIF Transaction does not proceed.

Having considered that the Transaction is fair, in our opinion the Non-Associated Shareholders of Aspen should benefit if the Transaction proceeds and therefore, in our opinion the Transaction is reasonable.

Yours faithfully  
Hall Chadwick Corporate (NSW) Limited



DREW TOWNSEND

## **APPENDIX I - SOURCES OF INFORMATION**

- Aspen Group Limited Audited Financial Report for the financial years ended 30 June 2020 and 30 June 2021;
- Aspen Group Limited Half Year Reviewed Financial Report to 31 December 2021;
- MHIF Financial Reports for the financial years ended 30 June 2020 and 30 June 2021;
- MHIF Half Year Reviewed Financial Report to 31 December 2021;
- MHIF Property Valuations issued by m3 Property, dated 24 February 2022;
- Share Purchase Agreement between Aspen Group Limited and MHIF;
- MHIF Information Memorandum;
- Aspen Notice of General Meeting and Explanatory Memorandum;
- Aspen Company registry details;
- Aspen share trading history;
- Other publicly available information on Aspen and MHIF;
- Regulatory Guide 111 ‘Content of Expert Reports’;
- Regulatory Guide 112 ‘Independence of Expert’s Reports’;
- APES 225 ‘Valuation Services’.

## **APPENDIX II - STATEMENT OF DECLARATION & QUALIFICATIONS**

### **Confirmation of Independence**

Prior to accepting this engagement HCC determined its independence with respect to Aspen and MHIF with reference to ASIC Regulatory Guide 112 (RG 112) titled “Independence of Expert’s Reports”. HCC considers that it meets the requirements of RG 112 and that it is independent of Aspen and MHIF.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with Aspen, its related parties or associates that would compromise our impartiality.

Mr Drew Townsend, director of Hall Chadwick Corporate (NSW) Limited, has prepared this report. Neither he nor any related entities of Hall Chadwick Corporate (NSW) Limited has any interest in the promotion of the Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. Our fee is not contingent upon the success or failure of the proposed transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, HCC does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

HCC provided a draft copy of this report to the Directors and management of Aspen for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of HCC alone. Changes made to this report, as a result of the review by the Directors and management of Aspen have not changed the methodology or conclusions reached by HCC.

### **Reliance on Information**

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this report HCC has relied upon information provided on the basis it was reliable and accurate. HCC has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. HCC evaluated the information provided to it by Aspen and MHIF as well as other parties, through enquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially mis-stated. We believe the information relied upon provides reasonable grounds upon which to base this report.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS). HCC does not imply and it should not be construed that it has audited or in anyway verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix I of this report.

Aspen has provided an indemnity to HCC for any claims arising out of any mis-statement or omission in any material or information provided by Aspen to HCC in preparation of this report.

## **Qualifications**

Hall Chadwick Corporate (NSW) Limited ("HCC") carries on business at Level 40, 2 Park Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients. HCC's representatives are therefore qualified to provide this report.

## **Consent and Disclaimers**

The preparation of this report has been undertaken at the request of the Directors of Aspen. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the report should be used for any other purpose than to accompany the Notice of General Meeting to be sent to Aspen shareholders. In particular, it is not intended that this report should be used for any purpose other than as an expression of HCC's opinion as to whether or not the proposed Transaction is fair and reasonable to Non-Associated shareholders of Aspen.

HCC consent to the issue of this report in the form and context in which it is included in the Notice of General Meeting to be sent to Aspen shareholders. Shareholders should read all documents issued by Aspen that consider the proposed Transaction in its entirety, prior to proceeding with a decision. HCC had no involvement in the preparation of these additional documents.

This report has been prepared specifically for the Non-Associated shareholders of Aspen. Neither HCC, nor any member or employee thereof undertakes responsibility to any person, other than a Non-Associated shareholder of Aspen, in respect of this report, including any errors or omissions howsoever caused. This report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS).

Our opinions are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of the report, our conclusions and opinions may differ from those stated herein. There is no requirement for HCC to update this report for information that may become available subsequent to this date.

## **APPENDIX III - FINANCIAL SERVICES GUIDE**

Hall Chadwick Corporate (NSW) Limited (“HCC”) carries on business at Level 40, 2 Park Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients.

The Corporations Act 2001 requires HCC to provide this Financial Services Guide (“FSG”) in connection with its provision of an independent expert’s report (“Report”) which is included in a Notice of Meeting (“Notice”) provided to members by the company or other entity for which HCC prepares the Report.

HCC does not accept instructions from retail clients. HCC provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. HCC does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, HCC’s client is the Entity to which it provides the Report. HCC receives its remuneration from the Entity. In respect of the Report for Aspen Group Limited (“Aspen”) in relation to the proposed acquisition of all the issued securities in MHIF (“MHIF”), HCC will receive a fee for its services on a time cost basis estimated to be \$20,000, excluding GST.

No related body corporate of HCC, or any of the directors or employees of HCC or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Report.

HCC is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission. The following information in relation to the independence of HCC is stated in Appendix II of the Aspen Report:

*“Hall Chadwick Corporate (NSW) Limited (“HCC”) has a license to prepare reports under the Corporations Act and its representatives are qualified to provide this report. Prior to accepting this engagement HCC determined its independence with respect to Aspen and MHIF with reference to ASIC Regulatory Guide 112(RG 112) titled “Independence of Expert’s Reports”. HCC considers that it meets the requirements of RG 112 and that it is independent of Aspen and MHIF.*

*Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with Aspen, its related parties or associates that would compromise our impartiality.*

*Mr Drew Townsend, director of Hall Chadwick Corporate (NSW) Limited, has prepared this report. Neither he nor any related entities of Hall Chadwick Corporate (NSW) Limited has any interest in the promotion of the Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. Our fee is not contingent upon the success or failure of the proposed transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, HCC does not have any pecuniary*

*interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.”*

HCC has internal complaints-handling mechanisms and is a member of the Financial Ombudsman Service, membership number 11442.

HCC is only responsible for the Report and this FSG. Complaints or questions about the Notice should not be directed to HCC who is not responsible for that document. HCC will not respond in any way that might involve any provision of financial product advice to any retail investor.



## **APPENDIX IV - MHIF PROPERTY VALUATION REPORT EXTRACTS**

[over page]

6 April 2022

Guy Farrands  
Aspen Group Limited  
Suite 21, 285A Crown Street  
SURRY HILLS NSW 2010

Dear Guy

**RE: VALUATION SUMMARY – COORONG QUAYS COMMUNITY, HINDMARSH ISLAND, SA**

## Introduction

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We refer to your request (email dated 4 April 2022) for m3property to prepare a summary letter in relation to the market valuations of the freehold interest that were prepared for the abovementioned property (Subject Property). These valuations (Valuation Reports) include the following:

- Commercial Component, Coorong Quays Community, Hindmarsh Island, SA dated 24 February 2022.
- Undeveloped Land, Coorong Quays Community, Hindmarsh Island, SA dated 24 February 2022.
- Alexandrina Cove Lifestyle Village, Coorong Quays Community, Hindmarsh Island, SA dated 24 February 2022.

We have been advised this summary letter is to be included by way of an annexure to the independent expert report (IER) who we have been advised is providing advice to shareholders on a proposed transaction of shares in the ownership entities of the above-mentioned property.

## Reliance on this Letter

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This letter has been prepared for Aspen Group Limited (ASX: APZ) and Evolution Trustees Limited as responsible entity for the Aspen Property Trust.

This summary letter is subject to the comments within our full Valuation Reports dated 24 February 2022 which contains details of the considerations and assumptions/conditions/qualifications impacting on value.

This correspondence is subject to and should be read in conjunction with all qualifications, assumptions, conditions and disclaimers contained within the Valuation Reports.

## Basis of Valuation

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The purpose of the valuation was to assess the “Market Value” of the Subject Property. The term “Market Value” is defined by the International Valuation Standards Committee (IVSC) and endorsed by the Australian Property Institute (API):

*“Market Value is the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.”*

Included in the amount of this valuation are items of building fixtures, fittings, together with all building plant and equipment.

Our valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements and factors specific to the particular property). We do not accept responsibility of liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume responsibility or accept liability where the valuation is relied upon after the expiration of 90 days from the date of the valuation or such earlier date if you become aware of any factors that have an effect on the valuation.

## Brief Property Description

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The Subject Property comprises the Coorong Quays estate which is a waterfront residential and marina estate development located on Hindmarsh Island in South Australia that commenced in the 1990's and is now in its advanced stages. We are advised the master plan provides approval for some 1,465 allotments, 600 marina berths, 160 retirement sites and other caravan, storage and associates uses. For valuation purposes we have assessed the Subject Property's value in three components:

- Commercial component operated by Coorong Quays Pty Ltd and currently disposed as 11 tenancies in various detached buildings used for hospitality, retail and industrial uses. Additionally, there is rental income received from marina berths and residential encumbrances as well as sundry income from various storage areas.
- Undeveloped land that includes various parcels that are proposed to be developed with 254 residential allotments, 132 Land Lease Community sites, 200 site caravan park, former waste water treatment plant (WWTP) for commercial purposes and a rural zoned parcel improved with an established dwelling.
- Alexandrina Cove Lifestyle Village comprising 17 detached and semi-detached Independent Living Units (ILUs), 9 completed Land Lease Community (LLC) sites, 2 LLC sites with dwellings under construction and a community centre. The ILUs and community centre were constructed circa 2010 and the LLC sites between 2020 and 2022. The occupied ILU's are subject to loan licence agreements under the Retirement Villages Act and the LLC sites subject to a 25 plus 25 year licence term, under the Residential Parks Act.

## Valuation Rationale

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In assessing the Market Value of the Subject Property, we conducted various investigations including the analysis of available market evidence, applying that analysis to the primary valuation approaches being the capitalisation of income, discounted cash flow and direct comparison where applicable.

In the case of advice provided in the valuation report which is of a projected nature, we must emphasise that specific assumptions have been made which appear reasonable based upon current market sentiment and forecasts. It follows that any one of the associated assumptions may change over time and no responsibility can be accepted in this event. Accordingly, the indicated figures should not be viewed as absolute certainty.

## Rental and Sales Evidence Summary

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Analysis and application of market derived evidence considered for the Subject Property is as contained within the Valuation Reports.

## Critical Assumptions

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Our valuation is subject to the Critical Assumptions, Conditions and Limitations as contained within and throughout the Valuation Reports.

## Valuation Summary

Having regard to each of the valuation approaches outlined within the Valuation Reports, we summarise below our assessment of Market Value.

- Commercial component - \$7,500,000 exclusive of GST.
- Undeveloped Land – Gross Realisation of \$15,050,000 exclusive of GST.
- Alexandrina Cove Lifestyle Village - \$1,500,000 exclusive of GST.

## Qualifications

We consent to the inclusion of this summary letter in the IER on the following conditions:

- This letter is a summary of the valuation only and has not been prepared for the purpose of assessing the Subject Property as an investment opportunity.
- m3property has not been involved in the preparation of the IER nor have we had regard to any material contained in the IER. This letter does not take into account any matters concerning the investment opportunity contained in the IER.
- m3property consents to this Summary Letter being included in the IER, noting m3property was involved only in the preparation of this Summary Letter and the Valuation Reports referred to herein, and specifically disclaims any liability to any person in the event of any omission from, or false or misleading statement included in the IER.
- m3property has not operated under an Australian financial services licence in providing this letter and makes no representation or recommendation to a prospective investor in relation to the valuation of the Subject Property or the investment opportunity contained in the IER.
- The formal valuation and this letter are strictly limited to the matters contained within them and are not to be read as extending, by implication or otherwise, to any other matter in the IER. Without limitation to the above, no liability is accepted for any loss, harm, cost or damage (including special, consequential or economic harm or loss) suffered as a consequence of fluctuations in the real estate market subsequent to the date of valuation.
- Neither this letter nor the full Valuation Reports may be reproduced in whole or in part without the prior written approval of m3property.
- m3property has prepared this letter solely in reliance upon the financial and other information (including market information and third party information) provided by the Aspen Group and has assumed that information is accurate, reliable and complete. We confirm that we have not tested the information in that respect.
- m3property is not related to Aspen Group and is therefore independent of them. m3property have no interest in the Subject Property and no personal interest with respect to the parties involved.
- This summary letter is to be read in conjunction with our Valuation Reports dated 24 February 2022 and is subject to the assumptions, limitations and disclaimers contained therein. We refer the reader to Aspen Group to obtain a copy of the full report.
- m3property has received a fee from Aspen Group for the preparation of the valuation report and this summary letter.
- m3property are participants in the Australian Property Institute (API) limited liability scheme. This scheme has been approved under professional Standards legislation and is compulsory for all API members.

## Liability Disclaimer

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This letter has been prepared subject to the conditions referred to in this letter. Neither m3property nor any of its directors makes any representation in relation to the IER nor accepts any responsibility for any information or representation made in the IER, other than this summary letter.

m3property was involved only in the preparation of this summary letter and the Valuation Reports referred to herein, and specifically disclaims any liability to any person in the event of any omission from, or false or misleading statement included in the IER, other than in respect of the valuation report and this summary letter.

Yours sincerely

**m3property**



Simon Hickin

Director

[simon.hickin@m3property.com.au](mailto:simon.hickin@m3property.com.au)

If you are attending the meeting  
in person, please bring this with you  
for Securityholder registration.

Aspen Group Limited | ABN 50 004 160 927

Holder Number:

Your proxy voting instruction must be received by **4:00pm (AEST) Tuesday, 24 May 2022**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

## SUBMIT YOUR PROXY VOTE ONLINE

**Vote online at <https://investor.automic.com.au/#/loginsah>**

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting form.

- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.



## SUBMIT YOUR PROXY VOTE BY PAPER

Complete the form overleaf in accordance with the instructions set out below.

### YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

### STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

### DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

### STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

### SIGNING INSTRUCTIONS

**Individual:** Where the holding is in one name, the Shareholder must sign.

**Joint holding:** Where the holding is in more than one name, all Shareholders should sign.

**Power of attorney:** If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

**Companies:** To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

**Email Address:** Please provide your email address in the space provided.

**By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.**

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

