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ASX ANNOUNCEMENT

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Aspen Group

Chairman Address to EGM and Business Update

Chairman's Address

Welcome to Aspen Group's Extraordinary General Meeting (EGM) relating to the proposed acquisition of Marina Hindmarsh Island Fund (MHIF) which owns Coorong Quays, Hindmarsh Island, South Australia (CQ). MHIF is an unlisted fund with 30 sophisticated wholesale shareholders, most with extensive experience in real estate and capital markets. Coorong Quays is a high quality, mixed-use residential, retirement and park community with over 3,000 approved sites spanning about 300 hectares.

The purchase price of MHIF is approximately \$25 million (inclusive of net working capital), and the consideration paid to MHIF shareholders is predominantly Aspen Group securities (APZ) that were valued at \$1.507 per security, being Aspen's net asset value on 31 December 2021. Aspen offered a cash election facility to MHIF shareholders for a portion of the consideration, and in total they have elected to receive only \$1.16 million in cash instead of APZ securities. We welcome the MHIF shareholders to Aspen's register.

The proposed acquisition was announced with Aspen's half year financial results in late February after an Independent Board Committee (IBC) comprising myself and Mr Guy Farrands assessed the proposal with legal advice provided to the IBC by Corrs Chambers Westgarth. A Notice of the EGM and proxy forms for the meeting were released in late April. The notice included an Independent Expert Report prepared by Hall Chadwick Corporate (NSW) Limited who concluded that the transaction is fair and reasonable and in the best interests of the Non-Associated Securityholders of Aspen.

Aspen's IBC views the transaction favourably. Aspen is highly familiar with MHIF and CQ, having managed the fund over the past few years. The property generates income from multiple sources including rental income from a range of tenants, and development profits from the sale of residential land and new houses in a land lease retirement community. As new residents move into CQ after acquiring or leasing land, they tend to use CQ's other facilities such as marina berths, caravan storage and the tavern, which drives rental income growth. The valuation metrics determined by the external independent valuer are attractive in our opinion, equating to an 8% capitalisation rate on net rental income, residential development land at c.\$39,000 per approved site, and retirement land lease community development land at c.\$21,000 per approved site. Current contracts on hand for residential land sales and land lease community houses total over \$8 million. The transaction reduces Aspen's gearing and is expected to increase underlying earnings per security.

I am very pleased that the proposal has been strongly endorsed by both groups of shareholders. 100% of MHIF's shareholders have agreed to the transaction by entering into a sales and purchase agreement and about 99.7% of Aspen securityholder proxies received before the Meeting are in favour of all three resolutions relating to the proposal.

The acquisition of MHIF is expected to settle in the first week of June 2022.

CEOs' Address and Business Update

Aspen provides quality accommodation in residential, retirement and park communities on attractive terms. Demand for our accommodation and services is very strong because there is a severe shortage of affordable housing. The business has continued to perform well in the second half of FY22.

Residential

Across our residential properties we have only frictional vacancy and rents and values have continued to grow.

The refurbishment of our Perth Apartment Portfolio is progressing well, with costs and timeframes as expected, and we are leasing refurbished units within a week at rents above budget. As at the end of April, 256 units were leased at an average rent of \$284 per week, ahead of our initial guidance of \$275 per week. The new leases typically have agreed rent increases of \$20-30 per week after the first six months. We expect around 300 units to be leased by 30 June 2022. We now expect to achieve a net rental yield on cost of about 6% on this portfolio once it is fully refurbished and leased, up from our initial guidance of 5%.

We recently contracted to sell one of our Perth houses for \$660,000 which was 44% above total cost and 25% above book value (adjusting for subsequent capex). The expected net rental yield is under 3%. We aim to redeploy the capital into accommodation more suited to our core customer base at lower rents, whilst generating higher returns for shareholders.

The refurbishment of our Burleigh Heads townhouses is being completed in stages and we are leasing the first six at an average expected rent of about \$780 per week. Cooks Hill Co-living is expected to be completed around September, which is behind schedule, but the quality of the accommodation will be superior to our initial plans, and we expect higher rents. At The Ridge, Mount Barker our first stage of the land subdivision of 35 lots will be completed around late June and sales contracts will start settling from this time.

Retirement

Land rents across our retirement communities continue to steadily increase at around the inflation rate. Our land rents are below the maximum cap for Commonwealth Rent Assistance, therefore some of the increase is funded by Government, making rental growth more affordable and sustainable. Including CQ, we are now selling new houses at six of our retirement communities compared to only one in FY20, and development profits have continued to increase materially at attractive margins. At Wodonga Gardens our first stage of 12 houses will start completing in late June and contracts will start settling from this time. Because we have been very disciplined on our land purchases, we also expect to generate a valuation uplift above total cost on the land once it is leased, adding to our net asset value.

Parks

Activity has picked up across our parks portfolio post the relaxation of Covid restrictions and borders reopening. Darwin Freespirit Resort has entered its peak trading period with forward bookings ahead of the same time last year. At Aspen Karratha Village (AKV), we have cultivated a broad range of new corporate customers and weekly occupancy has typically been 30-50% after the Perth border reopened in early March, however proposed major projects in the region are yet to commence and AKV's net operating income is volatile. Our parks were impacted by Covid restrictions over the past two years, in particular Adelaide Caravan Park, Tween Waters and Koala Shores, and they are now recovering. Combined net operating income from these three parks increased by 82% over the first 4 months of calendar 2022 compared to the previous corresponding period.

Guidance

As announced previously, we continue to expect Aspen's underlying earnings per security and/or net asset value per security to increase by at least 10% per annum over the medium term.

Announcement authorised by the Board of Aspen Group Limited.

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