

9 December 2016

Onterran Limited (ASX:OTR)

ASX Announcement

Further Couran Cove Update

Further to our recent announcements we provide the following additional detail relating to our view of each part of the Couran Cove project, its value to shareholders and when the individual transactions are planned to occur.

This is to give shareholders a more thorough view of the extent of the project and its short and long term benefits.

The parts of the project can be described as follows:

1. Detail and sale of existing apartments purchased;
2. Construction and sale of approximately 200 Eco Cabins on the Eco Development Land;
3. Construction and sale of 14 waterfront lots on the Lagoon Lodges Development Land;
4. Construction and sale of 12 waterfront lots on the Broadwater (the Point); and
5. Construction and rental of beachfront cabins on oceanfront leasehold land.

1. Detail and sale of existing apartments purchased

As previously advised we have acquired the following existing apartments. Our agents have begun marketing and have already made a number of sales which will settle in the new year. These sales are in accordance with our price list below:

Apartment type	Number acquired	Size	Detail
Marine Studios	62	62m ²	<p>The bulk of these are now renovated and strongly let over the Christmas period.</p> <p>Our agents have advised us that we should be able to obtain an average price of \$200,000 for these apartments. This should lead to gross realisations of around \$12.4m for marine studios</p> <p>Note that this price being sought for a renovated apartment is around 30 percent lower than the price achieved in 2006.</p>
Marine Suites	37	74m ²	<p>Our agents have advised us we should achieve an average sales price of around \$250,000 for these apartments. This should lead to gross realisations of \$9.25m for Marine Suites. Most of these are now renovated.</p> <p>As with Marine Studios this price represents nearly 30 percent lower price than 2006 for a renovated apartment.</p>

Apartment type	Number acquired	Size	Detail
Lagoon Lodges	7	117m ² to 126m ²	Our agents have advised us we should achieve an average price of \$380,000 for these large 2 bedroom apartments This should lead to gross realisations of \$2.66m. These prices are around 10 percent lower than 2006.
Broadwater Villas	2	209m ²	Our agents estimate is \$500,000 for these 4 bedroom houses. This is similar to 2006 prices. This leads to a total of \$1.0m for these apartments.
Eco Cabin	1	76m ²	Our agent estimates \$150,000 for this small house.

In respect to the above apartments, our agents are of the view they can make around 7 sales per month and achieve total sales of approximately \$25.5m for existing stock over the next 15 months.

Assuming the above realisation amounts are achieved, (being slightly higher than the purchase price for all Couran Cove assets), all other assets acquired in the Couran Cove transaction will have effectively been acquired at nil cost. These other assets being: (1) the development land for the Eco Precinct (approximately 200 lots), Lagoon Precinct (14 lots) and the Point (12 lots); (2) the Arrivals Building; (3) various leasehold lots including the oceanfront land; (4) the ferry; (5) the General Store; (6) various other buildings throughout the resort; and (7) plant and equipment.

2. Construction and sale of approximately 200 Eco cabins on the Eco Development Land

As previously announced, we are at the final design and pricing stage in respect of significantly extending the existing Eco village by building and selling a further approximately 200 houses. The development lot has an existing development approval and in many cases, full services for the land have already been installed by previous owners. This makes development far simpler and faster.

For this site we have: (1) assessed a demand for permanent rental and owner occupiers; and (2) completed designs and pricing, and believe we can sell 4 to 5 a month over a 3 to 4 year period. We cannot release pricing of construction, but as the land will come at no cost, we will have a strong gross margin on these properties. We expect an average sales price of \$275k, giving a \$55m gross realisation for this project over the next 3 to 4 years.

We feel we are in a position to start this project now to take advantage of the current strong property market at the Gold Coast.

3. Construction and sale of 14 waterfront lots on the Lagoon Lodges Development Land

There is a development approval in place to build 14 houses located on the Lagoon Lodges Development Land at the Couran Cove Resort. We have prepared preliminary designs and are of the view that these will sell when completed for an average of \$550k. We do not have pricing for these as designs are preliminary, however, again the land is free and sale will be at a very strong margin. This project is expected for 2017 - 2018 and would give estimated gross revenue of \$7.7m

4. Construction and sale of 12 waterfront lots on the Broadwater (the Point)

Development approval is currently being sought for 12 houses to be built on the Broadwater. Each house is planned to be around 200m² and likely boast a boat mooring. It is expected that these houses will be worth \$1.0m each. This project is expected for 2017 – 2018, with no pricing yet as designs are preliminary. The land has no implicit cost causing a sale to be at a very strong cash margin.

5. Construction and rental of beachfront cabins on oceanfront leasehold land

As previously advised, part of the Couran Cove acquisition is a long-term lease over 20.8 hectares of Oceanfront Land at South Stradbroke Island. This land has views to the Gold Coast to the South, but is virtually uninhabited as most of South Stradbroke is predominantly National Park with a very limited population. This is a substantial parcel of beachfront land currently leased until 2058 with 30 year extensions. We have received advice that our proposed glamping cabins meet state legislation for camping and that as the site is an existing camping ground, this usage in accordance with the lease and development approval. The cabins in question will not be permanent structures, will be environmentally friendly, and specifically meet legislation and requirements of the lease.

Full designs will not be released at this time, but the price per cabin is expected to be approximately \$140k and achieve a rental rate of \$400 per night. The land has no implicit cost, so even at 50% occupancy, the prime beachfront land will generate a very high return. Over time, we believe a substantial number of these long-term, high-yielding glamping cabins can be installed on this 20.8 hectare land.

Overall, we see gross realisations of around \$100,000,000 from the site, whilst building a strong long-term income stream from the oceanfront land.

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