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MARKET RELEASE

ASX ANNOUNCEMENT 30 August 2016

Financial results for the year ended 30 June 2016

KEY POINTS

- Aspen Group FY16 financial results
 - Statutory profit after tax of \$9.9 million (loss of \$31.7 million in FY15)
 - 2HFY16 distribution of 4.6 cents per security; full year FY16 distribution of 9.2 cents per security
 - Total operating profit after tax attributable to Aspen Group of \$4.8 million
 - No debt, with \$49 million in cash
 - Net Asset Value (NAV)¹ per security of \$1.26
- Aspen Group has transitioned to a focused accommodation provider
 - Property assets at 30 June total \$78.2 million; accommodation represents 63% of portfolio
 - Future acquisitions focused on the accommodation sector

Aspen Group (ASX: APZ) today announced its financial results for the year ended 30 June 2016 recording a statutory profit of \$9.9 million, the significant components of which include:

- Operating profit of \$12.4 million from its core property portfolio
- A profit on its divestment of APPF of \$22.5 million
 - Includes profit of \$5.0 million on the sale of its management rights of APPF
- Impairment of the value of its sole resource accommodation asset by \$10.7 million

Operating profit before tax, attributable to the Aspen Group securityholders, was \$4.8 million – down 52.9% from FY15. The fall largely reflects the reduced contribution of APPF following its sale which took effect in December 2015, as well as the sale of Spearwood North in August 2015.

In commenting on the result, Aspen Group Chairman Clive Appleton, said, “FY16 was a year of substantial change within the Group – its focus however remains on building a strong accommodation business.

“Our objectives last year were clear: simplify the business, reduce debt, lower the cost base of Aspen Group and grow our asset base within the affordable accommodation sector.

“The divestment of our interest in APPF was a significant event during the year. Whilst the divestment resulted in a materially lower scale business, the decision to divest was considered to be in the best interests of the securityholders. The transaction realised a significant profit against the value of our investment in

¹ NAV is an unaudited non-IFRS measure that, in the opinion of the Directors, is useful in understanding and appraising the Group's performance. NAV is an asset measure that includes the recognition of property assets on the basis of their current valuation. Further detail is included within the FY16 statutory accounts.

APPF – a gain on sale of \$17.5 million and a further \$5.0 million secured through the sale of our management rights of APPF. Importantly, the transaction allowed Aspen Group to extinguish all of its debt and establish cash reserves to reinvest in high quality affordable accommodation assets.

“The cost base of the business has largely been addressed and lowered to match the operating requirements of the business in its current position.

“Re-establishing scale within the business is now a key priority of Aspen Group. The portfolio currently stands at six key assets – four accommodation parks, one resource accommodation park in Karratha and one industrial property in Perth. Aspen Group is actively pursuing opportunities to build upon the two park acquisitions totalling \$19.8 million² secured during 1HFY16, and currently has \$10 million of additional assets in due diligence. Whilst establishing scale is a priority, it is important to note that acquisitions will only be made when a target asset fits key financial and operating performance criteria.

“As at 30 June, Aspen Group had available cash reserves of approximately \$40 million to deploy. Additionally, Aspen Group is working to establish appropriate finance facilities to support its acquisition objectives.

“The cash generated by the APPF divestment also provided an opportunity to execute a security buyback to further drive securityholder value. In total, 10.7 million securities, equating to nearly 10% of the securities on issue, were acquired at an average price of \$1.20.”

Further to the executive leadership changes announced on 8 June 2016, Aspen has appointed Mr Emmanuel Zammit as interim Chief Financial Officer.

FY17 Outlook

Aspen Group advises its distribution guidance for 1HFY17 is 2.1 cents per security. This guidance assumes no material change in the business and is in line with expected earnings. Aspen expects to maintain a high payout ratio on operating earnings after stay in business capex.

Aspen Group’s earnings in FY17 will be dependent on a number of variables including the performance of current operations, as well as the size, timing and magnitude of earnings of acquisitions executed during FY17. These remain uncertain at this time. An update will be provided later in the first half.

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² Excluding acquisition costs