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MARKET RELEASE

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MARCH 2015 QUARTERLY BUSINESS UPDATE

KEY POINTS

- Continued strong progress on the finalisation of Aspen's strategic shift to focus on the accommodation sector
- Aspen Parks Property Fund (APPF), 42% owned by Aspen Group, like-for-like net property income for the quarter was down 4% compared with the March 2014 quarter, while net property income for the short-stay/residential portfolio continued to be positive, up 2% year-on-year
 - Continuing cost discipline saw operating margins expand despite subdued revenue conditions
 - Resources sector weakness was reflected in performance from resources properties
- \$13.4m of asset acquisitions settled during the quarter, with further acquisitions under assessment
- APPF sold three WA tourism properties, including both remaining resorts
- Sale of approximately half of the Spearwood Industrial Estate, the last remaining material non-accommodation asset
- Corporate office relocated to Sydney as part of the strategic refocus of the business

Aspen Group (ASX: APZ) is pleased to provide securityholders with a quarterly update on business activities for the period ended March 2015.

Operating performance

On a like-for-like basis, unaudited net property income was down 4.1% for the March 2015 quarter, compared with the March 2014 quarter, due principally to weakness in the Western Australian resources sector.

Despite a relatively subdued domestic economy, in particular in Western Australia, the main short-stay/residential portfolio continued to show positive like-for-like net income growth, up 2.1%.

Cost discipline remains a focus, as demonstrated by a 5% reduction in like-for-like operating costs in the March 2015 quarter, compared with the March 2014 quarter.

As a result, operating margins improved, up 0.2% from 37.2% to 37.4%.

Ongoing improvement in operating performance from the existing portfolio is a key management focus going forward.

Aspen Group summary of operating performance, March 2015 quarter vs March 2014 quarter

	Mar-15	Mar-14	Change
Net income			
Short-stay/residential	4.3	4.2	2.1%
Resources	0.6	0.9	-35.8%
Resorts	0.2	0.2	7.0%
Total	5.1	5.3	-4.1%
Margin			
Short-stay/residential	47.6%	46.6%	0.9%
Resources	29.3%	36.7%	-7.4%
Resorts	9.0%	7.8%	1.2%
Total	37.4%	37.2%	0.2%

Development

An asset optimisation program was recently initiated to relocate bungalow cabins from the Pilbara property in north-west WA to Perth based properties to be sold as permanent residential. This process serves to satisfy strong demand for affordable residential accommodation, and at the same time address weakness in demand from the resources sector.

Following the operational and financial success of the initial relocation, a further four bungalow cabins have been relocated, and we will look to continue with additional relocations, subject to DA, at the Perth properties.

At the newly acquired Leppington property, the sale of the first new residential cabin was undertaken during the quarter (with settlement due in 1H FY16). Further residential development opportunities are underway at this property.

At the Dubbo property work commenced on the development of an additional four short-stay cabins and associated waterpark; this development is expected to be completed early in 1H FY16.

Further development work continues to be undertaken at other parks, with a particular focus on increasing existing permanent residential accommodation.

Acquisitions

During the quarter, \$13.4m of property acquisitions were completed, in line with the strategy of refocussing the business on accommodation.

APPF acquired the Australiana Holiday Park in Hervey Bay, Queensland during the quarter. The purchase price of \$6.3m, including acquisition costs, represents a yield of 10%.

Australiana Holiday Park is situated in Hervey Bay some 290km north of Brisbane on the Fraser Coast, a popular town for both tourism and retirement. Australiana Holiday Park provides exposure to the Queensland central coast market, with income generation underpinned by both visitors and permanent residents.

Aspen Group's acquisition of the fully residential Four Lanterns property in Leppington, Sydney, settled during the quarter. The property was acquired on a yield of 7.6%.

Further acquisitions are in various stages of assessment. The focus is on increasing exposure to permanent residential accommodation in both pure residential and mixed short-stay properties, and in particular on assets with scope for additional development.

Disposals

APPF has conditionally sold three properties in North West Western Australia – Monkey Mia Dolphin Resort, Ningaloo Reef Resort and Exmouth Cape Holiday Park – for a price of \$33.7m, in line with APPF’s carrying values at 31 December 2014. This is consistent with the strategy of reducing exposure to resorts which have extensive food and beverage operations and highly seasonal tourist demand.

A conditional contract has been executed for the sale of a portion of the Spearwood Industrial Estate in Perth. The sale price is \$35.0 million for this portion, which is consistent with the valuation for 100% of Spearwood of \$68 million as at 31 December 2014.

The Spearwood property is Aspen Group’s sole remaining material non-core asset. The remaining portion of the site, which is on an existing separate title, is fully leased with an approximate 5 year lease term until expiry.

One of the two remaining rural residential lots at Upper Swan was settled during the quarter, in line with carrying value.

End

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