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ASX ANNOUNCEMENT

23 November 2012

Chairman's Address

Annual General Meeting 2012

Chairman's Address

Ladies and Gentlemen, welcome to our 2012 Annual General Meeting. My name is Frank Zipfinger. I am the Non-Executive Chairman of Aspen Group, and I have the privilege of being your Chairman for this meeting.

Chairman's Report

At the outset, I record that the past financial year has been a very disappointing one for Aspen and its securityholders. I will not sugar coat what has been an extremely poor financial result for the year, with the announcement of a substantial statutory loss after tax of \$147 million, the reduction in distributions to securityholders, a major dilutive capital raising and, as a consequence of those and other factors, the substantial deterioration of our share price.

It may be little comfort to be told that the steps taken by the Board this past year were necessary for the preservation of the Company and of Securityholders value – but that was indeed the case.

The Annual Report for 2012 outlines in some detail the results for the year and some of the challenges faced by the Group which led to these steps being taken. So, rather than recount this, I would like to give securityholders a sense of where your business is placed and where we are going.

This year has seen significant challenges which have impacted across a number of elements of our business, but most notably those parts which were exposed to residential and commercial development risks. For a number of years Aspen had made substantial investments in these syndicates and had provided financial assistance to support the longer term growth of the developments, in an environment where external finance had been, and continues to be, extremely difficult to procure. During 2012, the environment for these projects deteriorated further on the back of poor sales levels, increased development costs and ongoing planning delays. Importantly, the future outlook for these residential and development assets in the coming years had significantly deteriorated to such an extent that the revamped Board undertook an urgent and comprehensive strategic review of the entire business.

In short, one of the findings of the review was that the business had, over time, become unnecessarily too complex with an increasing exposure to development risk. As a consequence, future earnings and cashflows were likely to become more volatile, which would make the servicing of debt and the provision of distributions to securityholders more difficult. The Group needed immediately to re-position itself by divesting the residential and development interests for the sake of the overall business.

In addition to these risks, the Group also had to address a number of other legacy issues, such as a \$25m commitment under a put option given to an investor in the development fund over five years ago, an obligation that falls due this month and will now be paid in full at the end of this month. The commitment had significantly impacted the capital position of the Group and presented a substantial funding hurdle that needed to be addressed urgently, at a time when the Group's banking facilities were already strained.

The strategic review undertaken by the Board has been critical in identifying the path forward for the Group and commencing the task of restoring the confidence of securityholders. In his presentation, Mr Martin will provide greater insight into the outcomes of the strategic review. However, I'm delighted that we can announce that the review has been concluded and, as a consequence, clear objectives have been set, actions identified and, in many cases, those actions are under way.

Foremost among these objectives was the requirement to de-risk the balance sheet and to increase liquidity. To do this, we undertook a fully underwritten accelerated pro-rata non-renounceable entitlement offer to raise \$101m which has allowed the Group to de-risk its balance sheet and provide the flexibility for the Group to operate from an improved position of financial strength.

The decision to raise capital is never taken lightly, especially with the share price at such low levels. The alternative was to immediately attempt to dispose of the Group's assets in a subdued market crowded with distressed assets and low levels of investor appetite.

Simply put, it was essential that we immediately address the Group's debt position and covenant compliance with our bankers in order to provide a stable funding platform from which to execute the next stages of the review and to retain as much securityholder value as possible.

Simplification of the business model has been a key element of our strategic review. As we have communicated in recent months, our core business has been identified as being:

- the investment property portfolio; and
- the funds management of, and investment in, the Aspen Parks Property Fund.

There have been recent media articles and comment from investors speculating on the intent, or otherwise, of the Company to dispose of these core business assets. Our message in this regard is twofold:

First, the Board is absolutely committed to maximising securityholder returns through strengthening of the core businesses and it will assess all opportunities and be very active in this regard; and secondly, speculation about sales of assets and the direction of the Group clearly undermines the process of executing the divestment of the Group's non-core assets that is now underway, distracts from management resources and ultimately hinders both the retention and the creation of securityholder value.

I reiterate that the Board remains focussed on creating and delivering value for all securityholders and it will do this through a combination of strategies aimed at lifting the share price closer to the net tangible asset value, including the disposal of assets in a controlled and positive manner to deliver cash to reduce debt and, when prudent, to return capital to securityholders.

A substantial amount of work remains to be done to execute the strategic plan of the Group and restore value. However, I am delighted that we have a diligent and hardworking senior management team, terrific people who have acted with great integrity in recent months and have taken on the task of strengthening the business.

During this time we have been fortunate to have had Mr Hugh Martin, one of the Group's newest non-executive directors, take on the role of Interim CEO following the departure of Gavin Hawkins as Managing Director in August 2012. Hugh has excellent skills and the right experience for the Interim CEO role. He accepted the role willingly and he has performed it tirelessly. I extend my sincere appreciation to Hugh for his outstanding efforts to date.

The role for Hugh was always intended to be a transitional one, initially up to the date of this AGM. However, given the upheaval that the Group has gone through, and the Board's determination to maximise value for securityholders, provide support to the management team and maintain the momentum of the value accretive initiatives already underway, I am delighted to announce that, at the request of the Board, Hugh has agreed to continue on as Interim CEO of the Group at least until 30 June 2013 if required by the Board.

At this point I turn to the matter of remuneration strategy.

The Board has been very mindful of the feedback received from securityholders at the annual general meeting last year, when in excess of 30% of securityholders who cast a vote, did not approve the Group's Remuneration Report. This year, in presenting the 2012 financial results, the directors announced important changes to the remuneration philosophy moving forward, including a 5% reduction in all directors fees, a substantial reduction (approximately 27%) in the CEO remuneration, no short term incentive bonus for the former Managing Director and an amended short term incentive policy that escrows 25% of any future incentive bonus awarded to key management personnel for a further 12 months.

The clear intent of the revised strategy is to align even more the respective interests of the senior executive team and the Board with those of the securityholders.

In reflecting on our business during the past year, with its many disappointments as we addressed the numerous legacy issues that had to be dealt with, it would be easy to overlook the significant achievements of the Group in 2012 and the strength of the core areas which will take us forward. In this regard I note:

- The Group's core investment property portfolio performed strongly, with valuations increasing 23% for the 12 months, on a like for like basis;
- The newest part of the Group's property portfolio, the ATO building in Adelaide, that city's largest office tower, which was undertaken by Aspen in a 50/50 joint venture with Telstra Super, was completed last month on time and on budget. This building is 99% let on long term leases to Commonwealth Government tenants;
- We secured substantial leasing deals for over 190,000 square metres of warehouse and hardstand in our Spearwood industrial estate; and
- We continued to grow the Aspen Parks Property Fund, attracting net inflows of nearly \$35m during the year, the highest level since 2008.

In terms of the outlook for the business, we believe we are well placed to deliver on the Group's forecast guidance. The property portfolio will underpin the Group's operations into FY13 with net rental income expected to grow by 30% compared to FY12. Our focus in this area remains that of being an active asset manager, to secure and extend the lease terms on properties and to trade assets if required.

The Aspen Parks Property Fund continues this financial year to attract investment in line with last year's record inflows, which positions that Fund for further growth.

With respect to capital management, we remain cautious about the timing of the exit from the residential and development business. These sectors of the market continue to see subdued

sentiment and low activity levels among purchasers. Despite this caution, we have made an excellent start with the divestment of our interests in the St Leonards Estate and we are well progressed with a number of other transactions.

The formal earnings guidance for the FY13 year is for Core Operating Earnings per security of 1.8 cents and the forecast distribution per security of 1.5 cents. We have previously announced that we intend to re-commence distributions for FY13, with the move to pay half yearly distributions commencing in February 2013 at a forecast earnings payout ratio of 80% of cash Core Operating Earnings. We are on track to achieve this result.

I thank my fellow Board members and all Aspen staff for their hard work and dedication this year.

This year also has seen a significant transition in our Board with the appointment of Mr Hugh Martin and Mr Clive Appleton as non-executive directors, men with very significant property and funds management experience, who have also displayed outstanding leadership and integrity.

During the year our former Chairman Reg Gillard retired after more than 10 years in the role.

Today we also note the retirement of Terry Budge following more than 7 years as a non-executive director. I thank Reg and Terry for their significant contribution to Aspen.

I also note, as announced by the ASX today, that the Board resolved yesterday to appoint Mr Guy Farrands as a director, with effect from Monday, 26 November 2012. We welcome Mr Farrands to the Board and look forward to his future contribution.

Most importantly, on behalf of the Board, I extend our appreciation to securityholders for their continued support of Aspen Group.

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