Edwardes Lake Hotel, Reservoir VIC

HPI

ACQUISITIONS AND EQUITY RAISING PRESENTATION

14 September 2021

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Transaction overview

Acquisitions	▶ Hotel Property Investments ("HPI") has entered into an agreement to acquire Edwardes Lake Hotel and is in advanced stages on a further asset, for which terms have been agreed, but which is subject to final contract approvals (the "Asset Acquisitions"):
	  ▶ Edwardes Lake Hotel: a mixed-use complex in northern Melbourne, comprising a sports bar, gaming room, family bistro, bottle shop, kids zone and car parking for consideration of $28.0m[1] which is leased to Francis Group (an existing tenant in the HPI portfolio)
	  ▶ HPI is in advanced stages on a second acquisition which is expected to be acquired for $7.9m[1]
	▶ The Asset Acquisitions deliver on HPI's strategy of investing in attractive markets and are leased to experienced pub operators with strong track records
	▶ HPI is also undertaking a lease harmonisation program (the "Lease Harmonisation") involving a $38.8m[1] payment to QVC to standardise leases across HPI's portfolio, strengthening HPI's position as landlord and generating additional rental income (together with the Asset Acquisitions, the "Acquisitions")

Acquisition funding	▶ HPI will undertake a fully underwritten institutional placement ("Placement") of $50.0m to partially fund the Acquisitions and associated transaction costs ▶ The balance of the funding for the Acquisitions and associated transaction costs will be sourced from existing debt facilities
Equity raising	▶ The issue price for the Placement has been set at $3.40 per security ("Issue Price") ▶ HPI will be supplementing the Placement with a non-underwritten Security Purchase Plan ("SPP") to eligible securityholders[2] to raise up to $10.0m ▶ The offer price under the SPP will be $3.40 per new security ("New Security"), being the issue price under the Placement ▶ Further information in relation to the SPP will be dispatched to eligible securityholders[2] on or around 22 September 2021

Financial impact	▶ Including the impact of the Acquisitions and the Placement, and barring any unforeseen events and no material change in market conditions, HPI is pleased to maintain its FY22 distribution guidance of 20.5 cents per security
	▶ Following the Acquisitions and the Placement, HPI's pro forma metrics as at 30 June 2021 are:
	  ▶ Balance sheet gearing of 37.8%
	  ▶ NTA per security of $3.28

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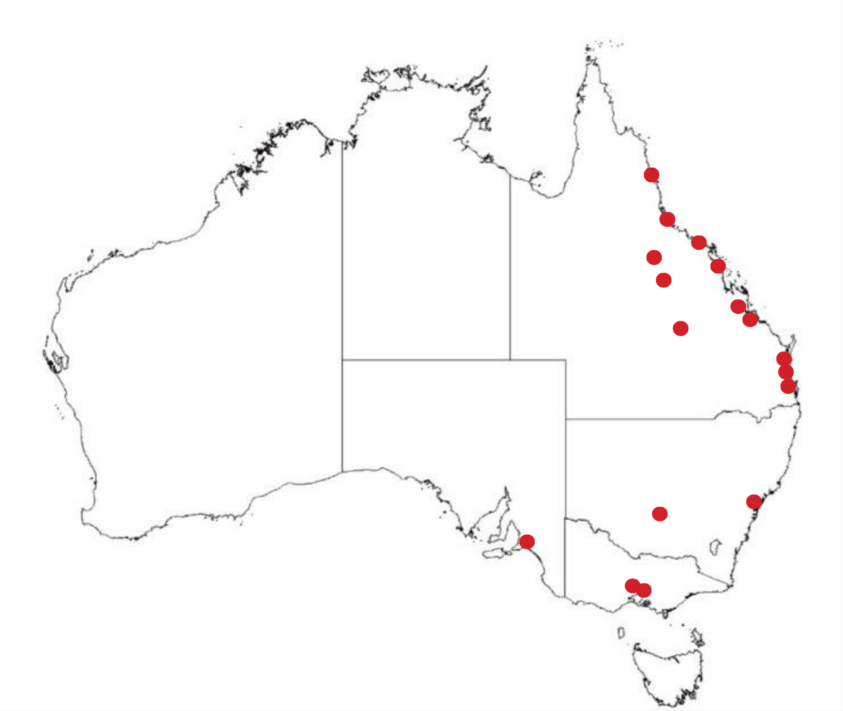
Notes:
1. Excludes transaction costs
2. Eligible securityholders are holders of existing HPI securities as at 7:00pm (AEST) on Monday, 13 September 2021 with a registered address in Australia or New Zealand. The SPP is targeted to raise $10m and will not be underwritten. If total demand for the SPP exceeds $10m, HPI may accept applications (in whole or in part) that results in the SPP raising more than this amount at its absolute discretion

Portfolio update

Attractive portfolio of hotel assets located along Australia's eastern seaboard, leased to high quality operators

Continuing HPI's growth following 9 assets acquired in FY21



Queensland

Cairns
Barron River Hotel
Dunwoody's Tavern
Grafton Hotel
Palm Cove
Q Sports Bar
Trinity Beach

Townsville
Hotel Allen
Royal Hotel
Tom's Tavern

Airlie Beach
Magnum's Hotel
Jubilee Tavern

Mackay
Boomerang Hotel
Kooyong Hotel

Rockhampton
Berserker Tavern
Leichhardt Hotel

Gladstone
Club Hotel

Sunshine Coast
Bribie Island Hotel
Chancellor's Tavern
Kings Beach Tavern
Royal Mail Hotel
Surfair Beach Hotel

Brisbane and suburbs
Acacia Ridge Hotel
Beenleigh Tavern
Bonny View Hotel
Brighton Hotel
Crown Hotel
Cleveland Sands Hotel
Cleveland Tavern
Everton Park Hotel
Hotel HQ
Fitzy's Loganholme
Fitzy's Waterford
Finnigan's Chin Kallangur
Lord Stanley Hotel
Mango Hill Tavern
MiHi Tavern
New Inala Hotel
Regatta Hotel
Sundowner Hotel
Woodpecker Bar and Grill

Gold Coast
Coomera Lodge Hotel
Ferry Road Tavern
Wallaby Hotel

Roma
Commonwealth Hotel
White Bull Tavern

Capella
Capella Hotel

Clermont
Commercial Hotel
Grand Hotel

Victoria

Melbourne and suburbs
Summerhill Hotel
Edwardes Lake Hotel

New South Wales

Griffith
Quest Griffith

Sydney and suburbs
Gregory Hills

South Australia

Adelaide and suburbs
Brighton Metro Hotel
Grand Junction Hotel
Waterloo Hotel

Assets acquired in FY21
Acquisition

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Acquisitions overview

Edwardes Lake meets HPI's investment criteria

Strongly performing asset	✓ Metropolitan and strategic regional locations ✓ Edwardes Lake Hotel is located in Reservoir VIC, in northern Melbourne ✓ Acquisitions provide geographic diversification
Quality operator	✓ Experienced operators with proven track records ✓ Properties with diversified income streams (i.e. a mix of F&B, gaming, accommodation and retail)
Attractive lease terms	✓ Long lease terms with further options to extend ✓ Attractive terms includes triple net lease with 2.5% annual increases ✓ 20-year initial term (19.4 year WALE at settlement), 2x 20-year options remaining ✓ Rent set at sustainable levels ✓ Net lease with tenant responsible for property outgoings

Acquisitions summary

Acquisitions	Location	State	Purchase price[1]	Cap rate	Land area (sqm)	WALE[2] (years)	Hotel occupancy[3]
Contracted							
Edwardes Lake	Reservoir	VIC	$28.0m	5.0%	48,900	19.4	100%
Lease Harmonisation	Multiple		$38.8m	4.5%			-
Total contracted acquisitions			**$67.8m**	**4.7%**		**19.4**	**100%**
Subject to contract							
Second potential acquisition[4]			$7.9m	5.4%		20.0	100%
Total/weighted average			**$74.7m**	**4.8%**		**19.5**	**100%**

Portfolio impact	Current[6]	Acquisitions	Pro forma
Investment properties value	$952.6m	$74.7m	$1,027.3m
Number of properties	54	2	56
Weighted average capitalisation rate	5.9%	4.8%	5.9%
Weighted average hotel lease expiry (years)[5]	10.9	19.4	11.3
Hotel occupancy[3]	100%	100%	100%

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Notes:
1. Excludes transaction costs
2. WALE metrics as at expected settlement date
3. Excludes specialties
4. If this Acquisition does not complete, HPI intends to use the proposed purchase price to repay existing debt
5. WALE metrics are as at 31 December 2021
6. Balance as at 30 June 2021 (Excluding WALE)

Acquisitions overview – Edwardes Lake Hotel

- A mixed-use complex in northern Melbourne, comprising a sports bar, gaming room, family bistro, bottle shop, kids zone and car parking
  - The property occupies a commanding position with high exposure to Edwardes Street and an extensive street frontage of around 189 metres
  - The site is zoned Industrial 3 Zone (IN3Z) under the City of Darebin Planning Scheme with a Development Contributions Plan Overlay affecting the land
- Diverse income streams across F&B, bottle shop and 100 Electronic Gaming Machines
- The Francis Group have been one of the most rapidly expanding hotel groups in recent times within Victoria. A family-run business, the group have both owned and operated various venues for 30+ years and have since cemented their position as one of Victoria's leaders in the hotel industry
- Management do not expect The Francis Group to seek rent relief assistance as a result of COVID-19

KEY LEASE TERMS	
Location	Reservoir, VIC
Tenants	The Francis Group
Purchase Price[1]	$28.0m
Yield	5.0%
Lease Structure	triple net lease
Passing rent (p.a.)	$1.4m
Lease and option terms	Lease expiry in March 2041 (2x20 year option)
Rent review mechanisms	2.5% annual increase
Outgoings	Tenant responsibility
Land area	48,900 sqm Industrial 3 Zone (IN3Z)
Refurbishments	At landlord's reasonable request
Gaming entitlements	Gaming entitlements transferred to Landlord upon lease expiration or termination

Note:
1. Excluding transaction costs

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Acquisitions overview – Lease harmonisation

HPI will make a payment to QVC (in exchange for increased rent) to modify Leases and standardise lease agreements across its portfolio[1]

Transaction Details	
Payment	$38.8m
Tenant	QVC
Rental Yield	4.5%
Rental Review	Predominately lower of CPI x2 or 4% (63% of additional rent)

Standardising lease terms, including acquiring a reversionary interest in liquor licences and gaming entitlements (consistent with most other HPI leases), places HPI in a superior position as landlord

Standard HPI Lease Structure	
Term & option to extend	The leases typically have either: • an initial term of 15 years from the commencement dates of the relevant lease, with 5 additional terms of 5 years; or • an initial term of 20 years from the commencement date of the relevant lease, with 2 additional terms of 10 years.
Review	• Lower of 2x CPI or 4% (63%); • Fixed 3% (18%); • Lower of 2x CPI or 3% (16%); • Lower of 2.5x CPI or 4% (2%); or • CPI, no more than 3% of previous rent (1%)
Operating Expenses	Recoverable outgoings for HPI include rates, landlord's special risk insurance and maintenance of common areas with the exception of land tax
Capital expenditure	Under the Leases, the Tenants must keep the premises in good repair but HPI is responsible for structural repairs and maintenance where repair is not economical or practicable The majority of the Leases include redevelopment of land provisions. Redevelopment may occur, subject to HPI and the Tenant agreeing to a concept plan which sets out the proposed works.
Licences	The liquor and original gaming entitlements associated with the hotel revert to the landlord at lease expiry. In addition, HPI has the right to purchase any additional gaming entitlements used in respect of its hotels on lease expiry The Lease Harmonisation further standardises lease agreements across HPI's portfolio resulting in a greater majority of gaming entitlements reverting to HPI at lease expiry

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Notes:
1. The terms of variation deeds amending the relevant exiting leases have been agreed to by those tenants

Equity raising

Equity raising	▸ HPI is today undertaking a fully underwritten Placement of $50.0m to partially fund the Acquisitions and associated transaction costs ▸ The issue price for the Placement has been set at $3.40 per New Security ("Issue Price") ▸ HPI will be supplementing the Placement with a non-underwritten Security Purchase Plan ("SPP") to eligible securityholders to raise up to $10.0m ▸ The offer price under the SPP will be $3.40 per New Security, being the issue price under the Placement[1]
Use of proceeds	▸ Proceeds of the Placement and SPP are to be used to partly fund the Acquisitions and associated transaction costs for a total consideration of $74.7m[2]

Pricing	▸ Issue Price under the Placement of $3.40 per New Security represents a:
	  ▸ 4.0% discount to the last close of $3.54 on 13 September 2021
	  ▸ 4.9% discount to the 5-day VWAP of $3.58 on 13 September 2021
	  ▸ 6.0% FY22 distribution yield[3]

Ranking	▸ New Securities issued under the Placement and SPP will rank pari passu with existing securities and will be entitled to the distribution for the six months ending 31 December 2021
Underwriting	▸ The Placement is fully underwritten by E&P Corporate Advisory Pty Ltd and J.P. Morgan Securities Australia Limited
Security Purchase Plan	▸ Eligible securityholders in Australia and New Zealand will be invited to subscribe for up to $30,000 in additional securities, free of any brokerage or transaction costs, at the Issue Price of $3.40 per New Security, which is the same as the Placement price ▸ The SPP is targeted to raise $10m and will not be underwritten. Further information on the SPP will be set out in the SPP offer booklet which is expected to be lodged with the ASX and sent to eligible securityholders on or around 22 September 2021

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Notes:
1. Further details of the SPP will be announced to ASX on or about Tuesday, 21 September 2021. Shareholders who participated in the HPI SPP in November 2020 may only participate in the new SPP to the extent that their aggregate participation in both SPPs does not exceed $30,000. Applications which exceed this amount will be subject to scale-back.
2. Excluding transaction costs
3. Based on FY22 distribution guidance of 20.5 cents per security

Sources and Uses of Funds

- HPI is today undertaking a fully underwritten Placement of $50.0m to partially fund the Acquisitions and associated transaction costs
- The balance of the funding for the Acquisitions and transaction costs will be sourced from existing debt facilities and any potential funds raised under the SPP. The information below assumes no funds are raised under the SPP

Sources of funds	$m
Placement[1]	50.0
Debt	30.2
Total sources	**80.2**

Uses of funds	$m
Contracted Acquisitions	66.8
Acquisition subject to contract approval[3]	7.9
Transaction costs	5.6
Total uses	**80.2**

Key metrics	
Issue price under the Placement	$3.40
Discount to last close	4.0%
Discount to 5-day VWAP	4.9%
FY22 DPS yield (at Placement Issue Price)[2]	6.0%
Pro forma Gearing (see Appendix 1)	37.8%

Notes:
1. Includes the impact of the fully underwritten Placement of $50m but does not include potential proceeds from the non-underwritten SPP (see page 15 for further details in relation to the Placement and the SPP)
2. Based on FY22 distribution guidance of 20.5 cents per security
3. If this Acquisition does not complete, HPI intends to use the proposed purchase price to repay existing debt

Indicative timetable

Event	Date
Record date for SPP	7pm Monday, 13 September 2021
Trading halt and announcement of the Placement, SPP and Acquisitions	Tuesday, 14 September 2021
Trading halt lifted – trading of securities recommences on the ASX	Wednesday, 15 September 2021
Settlement of New Securities issued under the Placement	Friday, 17 September 2021
Allotment and normal trading of New Securities issued under the Placement	Monday, 20 September 2021
SPP offer opens and booklet is dispatched	Wednesday, 22 September 2021
SPP offer closing date	5pm Wednesday, 13 October 2021
SPP allotment date	Wednesday, 20 October 2021
Despatch of holding statements and normal trading of New Securities issued under the SPP	Thursday, 21 October 2021

All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to Melbourne time.

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Appendix

Appendix 1 – Pro Forma Balance Sheet

$'m	30 June 2021	Sep 2021 DRP Impact	Contracted Acquisition and Placement[1]	Acquisition subject to contract approval[4]	30 June 2021 pro forma
Cash and cash equivalents	0.5				0.5
Receivables	6.0				6.0
Investment properties	952.6		66.8	7.9	1,027.3
Other assets	1.9				1.9
Total assets	**961.0**		**66.8**	**7.9**	**1,035.7**
Creditors and payables	(4.5)				(4.5)
Provisions for shareholder distributions	(16.9)				(16.9)
Loans and borrowings	(363.6)	2.3	(22.3)	(7.9)	(391.5)
Prepaid Establishment Costs	2.3				2.3
Other liabilities	(3.3)				(3.3)
Total liabilities	**(386.0)**	**2.3**	**(22.3)**	**(7.9)**	**(413.9)**
Net assets	**575.0**	**2.3**	**44.5**	**-**	**621.8**
Unit of Issue[2] (#'000)	**174,273**	**734**	**14,706**		**189,713**
NAV per security ($)	**3.30**				**3.28**
Gearing[3]	**37.8%**				**37.8%**

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Notes:
1. Includes the impact of the fully underwritten Placement of $50m but does not include any impact attributable to the SPP (see page 11 for further details in relation to the Placement and the SPP)
2. Excludes treasury securities
3. Gearing is calculated as (Drawn Debt minus Cash)/(Total Assets minus Cash)
4. If this Acquisition does not complete, HPI intends to use the proposed purchase price to repay existing debt

Appendix 2 – Key risks

HPI's business activities are subject to risks, specific to its investment in property, as well as of a general nature. Many of these risks are outside of the control of HPI and, if they were to eventuate, either individually or in combination, these risks may affect the future operating performance of HPI and the value of an investment in HPI.

Prospective investors should note that this section identifies the HPI Directors' current views on the key risks of an investment in HPI and is not intended to be exhaustive. Prospective investors should carefully consider the risk factors identified, in addition to the other information in this presentation, before deciding to invest in securities. Prospective investors should ensure they have sufficient awareness of the risks and have regard to their own investment objectives, financial circumstances and taxation position before deciding to invest.

If you do not understand any part of this presentation, or are in doubt as to whether to invest in securities or not, it is recommended that you seek professional guidance from your broker, solicitor, accountant or other qualified professional adviser before deciding whether to invest.

Risks specific to the Placement	
Acquisitions risk	HPI expects the Acquisitions to proceed as advised in this presentation. If an acquisition in fact fails to complete or completion is delayed, the expected financial performance of HPI could be adversely affected. Specifically, the second acquisition is still subject to final approval of the board of 2 of the parties and therefore there is a higher risk that funds raised for that acquisition cannot be unitized as proposed, or the settlement of that acquisition may be delayed or deferred. There is also a risk that the Acquisitions will not perform as expected and will not enhance the returns for securityholders. While HPI's policy is to conduct a thorough due diligence process in relation to any acquisitions, risks remain that are inherent in all acquisitions. For example, if any of the data or information provided to and relied upon by HPI in its due diligence process and its preparation of this presentation provides to be incomplete, inaccurate or misleading, there is a risk that the financial position and performance of the Acquisitions may be materially different to that expected by HPI as reflected in this presentation. Settlement of each of the Acquisitions is subject to a number of conditions. If one of more of the completion conditions are not satisfied or waived, the Acquisitions will not proceed.
Underwriting risk	HPI has entered into an underwriting agreement with the Joint Lead Managers for the Placement (**Underwriting Agreement**). The Joint Lead Managers' obligations to underwrite the equity raising are subject to customary terms and conditions, including termination rights for the Underwriters in specific circumstances. If either or both of the Joint Lead Managers are entitled to, and do, terminate the Underwriting Agreement, HPI may not otherwise be able to raise sufficient equity capital to meet its obligations and commitments in respect of the Acquisitions and for all of the intended purposes as set out in this presentation, which may materially and adversely affect HPI's financial position and the market price for HPI securities.

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Appendix 2 – Key risks *(continued)*

Industry specific risks	
Property valuations	Valuations ascribed to each property and any properties held by HPI in the future will be influenced by a number of on-going factors including: ▸ supply and demand for pubs and liquor store freehold assets as investor preferences for particular sectors and asset classes change; ▸ general property market conditions; ▸ changes to gaming and/or liquor licensing laws and regulations ▸ the ability to attract and implement economically viable rental arrangements; ▸ re-leasing of the properties; ▸ capitalisation rates (the rate of return from an investment); ▸ future planning zone changes; and ▸ general economic factors such as the level of inflation, interest rates and economic growth.
Re-leasing	There is a risk that if the Tenants do not exercise any options to extend the lease terms, HPI may not be able to negotiate suitable lease extensions with existing Tenants or replace outgoing Tenants with new Tenants on substantially the same terms. HPI could also incur additional costs associated with re-leasing the Properties. Re-leasing the Properties would depend on market conditions and financial considerations prevalent at that time. Should replacement or existing Tenants lease a Property on less favourable terms, this may have an adverse impact on the value of the Property and the overall performance of HPI and may lower the rental return to HPI.
Property liquidity	HPI may not be able to realise its property assets within a short period of time or may not be able to realise its property assets at book valuation. As a result, the realisable value of those property assets may be less than the full value of those property assets currently included in the balance sheet.
Environmental	As with any property, there is a risk that one or more of the properties may be contaminated now or in the future. Government environmental authorities may require such contamination be remediated. There is always a residual risk that HPI may be required to undertake any such remediation at its own cost. Such an event would adversely impact upon HPI's financial performance. Environmental laws impose penalties for environmental damage and contamination which can be material in size.
COVID-19	The ongoing COVID-19 pandemic has resulted in significant national and global market turbulence and has created substantial volatility in the prices of securities trading on the ASX, including the price of securities in HPI. The uncertainty associated with the pandemic means that the broader impacts of it and how long they will occur for are unknown. Among other things, this relates to the state and federal responses to mitigate COVID-19, the closure of many businesses across the country, affiliated unemployment and travel restrictions, all of which may have some impact on the performance of HPI, tenants of HPI, the Australian share market and the broader economy. Given the high degree of uncertainty surrounding the extent and duration of COVID-19, it is not currently possible to assess the full impact of COVID-19 on HPI's business or predict the length of time that HPI's business will be impacted. A number of HPI's tenants directly or indirectly affected by government, regulatory or health authority actions, work stoppages, lockdowns, quarantines and travel restrictions associated with COVID-19, including government imposed shut-downs and closures of pubs and hotels. This may negatively impact their ability to meet their rent obligations.

HOTEL PROPERTY INVESTMENTS

Appendix 2 – Key risks *(continued)*

Specific risks relating to HPI's portfolio	
Rental income and inflation	HPI's income is generated through the leasing arrangements on its portfolio. Therefore, HPI's financial performance and ability to fund distributions is dependent, in part, on rents received from those assets. There is a risk that tenants may default on their obligations under their Leases. The ability of the tenants to meet their obligations may be adversely affected by a number of factors including overall macroeconomic conditions, property market conditions, competition from other pub / liquor properties, financial condition of tenants, increase in rental arrears and vacancies and additional expenses associated with re-leasing or enforcement actions. The severity of this risk is enhanced by the ongoing COVID-19 pandemic and government regulations implemented to mitigate the spread of the virus. Recently announced regulations and any further changes to legislation yet to be announced may adversely affect HPI's ability to manage the performance of their tenants and may limit HPI's availability to recourse for any tenants in default during the term of the regulations.
Sector concentration	The portfolio is predominantly comprised of pubs and specialty shops. As a result of this exposure, adverse events to these property sectors may impact the value of the portfolio and the future growth prospects of the current portfolio.
Tenant concentration	HPI are the owner of 54 pub and accommodation assets, of which 44 are currently leased to Queensland Venue Co (**QVC**). Therefore the performance of HPI is materially dependent on the leasing arrangements in place with QVC and the ability of QVC to continue to meet its obligations under the leases. Further, there is a risk that if QVC does not exercise its options to extend the lease terms (and therefore ceases to be a tenant), HPI may not be able to find replacement tenants prepared to lease those properties on a basis which would result in the same return to HPI.
Geographic concentration	The portfolio comprises properties located predominately in Queensland, as well as New South Wales and South Australia, which may involve a greater geographic concentration risk than an investment in a more geographically diverse portfolio of properties. If the property markets in Queensland, New South Wales or South Australia or their economies experience a downturn in activity, HPI's performance and the valuation of its properties may be adversely impacted.
Occupational health and safety	There is a risk that liability arising from occupational health and safety matters at a property may be attributable to HPI as the landlord instead of, or as well as, the tenants. To the extent that any liabilities may be borne by HPI, this may impact upon the financial performance of HPI (to the extent not covered by insurance). In addition, penalties may be imposed upon HPI which may have an adverse impact on HPI.
Operator risk	While HPI is not an operator of pubs, bottle shops or speciality stores, HPI's performance, the valuation of its properties and the ability of HPI to fund distributions could be materially adversely affected by a number of operational risks of its tenants. In particular, HPI may be affected by: ▸ (competition) increased competition in the pub, gaming, retail liquor markets and other speciality stores in the regions of Australia in which its tenants operate; ▸ (regulation of operators) changes in legislation and government policies that regulate liquor and gaming venues or gaming laws may adversely impact on the profitability of the tenants; and ▸ (actions of a tenant) the actions of a tenant (including by omission), which cause conditions to be placed on a liquor, gaming or other licence, or for that licence to be revoked.

HOTEL PROPERTY INVESTMENTS

Appendix 2 – Key risks *(continued)*

Acquisition and divestment risk	There is no guarantee that HPI will be able to complete all current acquisitions. To the extent that the current acquisitions are not successfully integrated with HPI's existing business, the financial performance of HPI could be materially adversely affected. There is also a risk that HPI will be unable to identify future acquisition opportunities that meet its investment objectives, or if such acquisitions are identified, that they can be acquired on appropriate terms, thereby potentially limiting the growth of HPI and its business. Any failure to identify appropriate assets or successfully acquire such assets could materially adversely affect the growth prospects and financial performance of HPI. While it is HPI's policy to conduct a thorough due diligence process in relation to any such acquisitions, risks remain that are inherent in such acquisitions. HPI may also pursue opportunities to divest existing assets. If such investments are undertaken, no assurances can be given that the price paid to HPI by a purchaser of such assets would be an accurate reflection of any future market value of such assets had HPI retained ownership of such assets.
Capital expenditure and development risk	HPI is responsible for structural repairs to the properties, repair of the roof and exterior of the building and the car parks. HPI must also replace major parts of plant and equipment where repair is not economical or practical. Capital expenditure to be incurred or supported by HPI may exceed the current forecasts which could have an adverse impact on the value of the portfolio and could lead to either or both increased funding costs and lower distributions. There is a risk that future developments or re-developments of the properties, could be delayed. Completion of a development may be delayed for a number of reasons, including industrial disputes, dealings with counterparties, inclement weather, permitted variations to the works, changes to legislative requirements, delays in authority inspections or approvals or a builder experiencing financial difficulties. As a result, HPI may suffer loss of rent in respect of a delay in completion of the relevant development. This may negatively impact the financial performance of HPI and/or potentially lower distributions.
Other risks relating to HPI	
Funding	HPI's ability to raise funds from either debt or equity markets on favourable terms for future corporate activity is dependent on a number of factors including: ▸ the general economic and political climate; ▸ the state of debt and equity capital markets; ▸ the performance, reputation and financial strength of HPI; and ▸ the value of the Properties. Changes to any one of these underlying factors could lead to an increased cost of funding, limited access to capital, increased refinancing risk for HPI and/or an inability to expand operations or purchase assets in a manner that may benefit HPI and its Securityholders.

HOTEL PROPERTY INVESTMENTS

Appendix 2 – Key risks *(continued)*

Extension and refinancing	HPI's ability to refinance or repay its debts as they fall due will be impacted by market conditions, the financial status of HPI, the value of the properties, and prevailing economic conditions, including interest rates, at the time of maturity or refinancing. There is a risk that HPI may not be able to extend or refinance its debts before expiry, and the terms of such extension or refinancing (if any) may not be on substantially the same or improved terms as the existing facilities. There is also a risk that HPI is unable to hedge future borrowings to mitigate future interest rate risk, or that the terms of such hedging are worse than currently available. Possible increases in the interest rate, the cost of interest rate hedges and the level of financial covenants required by lenders may adversely impact on the operational and financial results of HPI, the level of distributions available to Securityholders, HPI's ability to raise equity and/or enter into new debt facilities. Further, there is a risk that HPI may need to dispose of assets in order to repay its debts or increase its available liquidity and such disposal may be at a lower market value than could otherwise have been realised in a different interest rate environment.
Debt facility undertakings and covenants	HPI is subject to a number of undertakings and covenants in relation to its debt facilities, including in relation to gearing levels and interest cover ratios. An event of default may occur if HPI fails to maintain these financial covenants. This may be caused by unfavourable movements in interest rates (to the extent interest rates are not hedged) or deterioration in the income or the value of the portfolio. In the event that an event of default occurs, the lender may require immediate repayment of the debt facilities. HPI may need to dispose of some or all of its properties for less than their face value, raise additional equity, or reduce or suspend distributions in order to repay the debt facilities.
Change of Responsible Entity or change of control of Responsible Entity	There is a risk that the Responsible Entity may be removed as the responsible entity of the Trust. A change of the Responsible Entity or a change of control may constitute a default under HPI's material agreements, which may result in a right for the counterparty to terminate the agreement. For example, a debt review event is triggered on the change of control of the Responsible Entity. A change of control of the Responsible Entity may affect the Responsible Entity's role or the composition of the Responsible Entity Board.
Counterparties	There is always a risk that, notwithstanding appropriate safeguards, parties with whom HPI has dealings may experience financial or other difficulties which may affect that parties ability to perform its obligations to HPI. This may affect the value of, and returns from, an investment in securities.
Litigation	HPI may in the ordinary course of business be involved in possible litigation and disputes (for example, tenancy disputes, occupational health and safety claims or third party claims). While the extent of any disputes and litigation cannot be ascertained at this time, any dispute or litigation may be costly and may adversely affect the operational and financial results of HPI.
Compliance	The Trust is a managed investment scheme which means the Responsible Entity is subject to strict regulatory and compliance arrangements under the Corporations Act and ASIC policy. If the Responsible Entity fails to comply with the conditions of its Australian Financial Services Licence, then ASIC may take action to suspend or revoke the licence, which in turn could adversely impact HPI.
Insurance and Force majeure	HPI carries insurance coverage in line with industry practice, however no assurance can be given that such insurance will be available in the future on a commercially reasonable basis, or will provide adequate insurance cover against claims made. If HPI incurs uninsured losses or liabilities, its assets, profits and prospects may be materially adversely affected. Further, HPI may not be able to recover under its insurance if the company or companies providing the insurance (or any reinsurance) are under financial distress or fail. Some risks are not able to be insured at acceptable premiums. Examples include where the properties held by HPI may be damaged or destroyed by flood, fire, earthquake or other disaster. Any losses incurred due to uninsured risks, a loss in excess of the insured amounts, or an increase in insurance premiums, may adversely affect the performance of HPI.

Appendix 2 – Key risks *(continued)*

General risks relating to the offer and securities	
Payment of distributions	Payment of distributions is at the discretion of the HPI Directors. Securityholders should be aware that HPI will only pay distributions having regard to the financial circumstances of HPI and there is no guarantee that any or all distributions will be paid.
ASX market volatility	The market price of HPI's securities will fluctuate due to various factors, many of which are non-specific to HPI, including recommendations by brokers and analysts, Australian and international general economic conditions, inflation rates, interest rates, exchange rates, changes in government, fiscal and regulatory policies, changes to laws, global geopolitical events and hostilities and other factors that may affect HPI's financial performance and position. In the future, these factors may cause HPI's securities to trade at or below their issue price.
Liquidity and realisation risk	There can be no guarantee that there will be an active market in HPI securities or that their value will increase. There may be relatively few or many buyers or sellers of HPI securities on the ASX at any one time which may lead to increased price volatility and affect the price at which securityholders are able to sell their HPI securities.
Macro-economic	Changes in the general economic outlook both in Australia and globally may impact the performance of HPI and its portfolio. General economic factors such as interest rates, exchange rates, inflation, business and consumer confidence and general market factors may have an adverse impact on HPI's earnings or value of its assets.
Tax and stamp duty	Changes in tax or stamp duty law or changes in the way they are expected to be interpreted in Australia may adversely impact HPI's returns and the distributions made to Securityholders. Future changes in taxation law may also impact the taxation treatment of your investment in HPI securities or the holding and disposal of those securities.
Dilution risk	HPI securityholders who do not participate in the Placement will have their investment in HPI diluted. HPI securityholders may have their investment in HPI diluted by future capital raisings.

Appendix 3 – International Offer Restrictions

This document does not constitute an offer of securities in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the securities may not be offered or sole in any country outside Australia, except to the extent permitted below.

HONG KONG

WARNING: The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Placement. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32, Laws of Hong Kong) (the "C(WUMP)O"), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, (i) the New Securities may not be offered or sold in Hong Kong by means of this document or any other document other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the C(WUMP)O or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and (ii) no person shall issue or possess for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the New Securities which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the New Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

No person allotted New Securities may sell, or offer to sell, such Securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such Securities.

NEW ZEALAND

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The New Securities are not being offered to the public within New Zealand other than to existing securityholders of HPI with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than in the Placement, the New Securities may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

HOTEL PROPERTY INVESTMENTS

Appendix 3 – International Offer Restrictions *(continued)*

SINGAPORE

This document and any other materials relating to the New Securities has not been and will not be registered as a prospectus with the Monetary Authority of Singapore ("MAS"). Accordingly, the New Securities may not be offered or sold or made the subject of an invitation for subscription or purchase, nor may this document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New Securities be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person under Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the New Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, or

b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

Securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the New Securities pursuant to an offer under Section 275 of the SFA except:

1. to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
2. where no consideration is or will be given for the transfer;
3. where the transfer is by operation of law;
4. pursuant to Section 276(7) of the SFA; or
5. as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Notification under Section 309B(1)(c) of the SFA - In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the "CMP Regulations 2018") of Singapore, HPI has determined the classification of the New Securities as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

HOTEL PROPERTY INVESTMENTS

Appendix 4 – Underwriting Agreement

HPI has entered into an underwriting agreement with the Joint Lead Managers for the Placement (**Underwriting Agreement**) pursuant to which the Joint Lead Managers have been appointed as joint bookrunners, joint lead managers and joint underwriters of the Placement.

The Underwriting Agreement contains representations, warranties and indemnities in favour of the Joint Lead Managers. Each Joint Lead Manager may terminate its obligations under the Underwriting Agreement on the occurrence of certain termination events (in some circumstances, having regard to the materiality of the relevant event) including, but not limited to, where:

- any of the conditions precedent under the Acquisition agreement or deed to effect the Lease Harmonisation (**Harmonisation Deed**) are, or become, not capable of being satisfied in accordance with their terms or if either of the Acquisition agreement or Harmonisation Deed are materially amended or varied without the consent of the Joint Lead Managers, terminated or rescinded, materially breached, cease to have effect or become void voidable, illegal, invalid or unenforceable;
- a statement in any of the Offer documents is or becomes misleading or deceptive or is likely to mislead or deceive (including by omission) in a material particular, or a matter required to be included is omitted from an Offer document that would render it misleading in a material respect;
- HPI withdraws the Placement;
- at any time the S&P/ASX 200 Index or the S&P/ASX 200 A-REIT Index falls to a level that is 90% or less of the level as at the close of trading on the trading day prior to the date of the Underwriting Agreement;
- certain ASIC orders are issued or applied for, or certain investigations are commenced by ASIC or other government agencies in relation to this presentation or certain other documents issued in connection with the Offer; ASX announces that HPI will be removed from the official list or that any Securities will be delisted or suspended from quotation by ASX;
- a director of HPI is charged with an indictable offence or disqualified from managing a corporation under the Corporations Act;
- HPI is prevented from allotting and issuing the Placement Securities within the time required by the timetable, ASX Listing Rules, applicable laws, an order of a court of competent jurisdiction or a government agency;
- a change in the Managing Director and Chief Executive Officer, Chief Financial Officer or in the board of directors of HPI is announced or occurs, except as disclosed to the Joint Lead Managers in writing at least 2 business days prior to the date of the Underwriting Agreement;
- there is an application to a government agency for an order, declaration or other remedy, or a government agency commences any investigation or hearing or announces its intention to do so, in each case in connection with the Placement (or any part of it) or any agreement entered into in respect of the Placements (or any part of it);
- approval is not given for the quotation of the Placement Securities to be issued under the Offer; or
- a delay in an event specified in the timetable causes settlement to be delayed by more than 1 business day;
- any statement in a certificate provided to the Joint Lead Managers under the Underwriting Agreement is false, misleading or deceptive;
- any information supplied by or on behalf of HPI to the Joint Lead Managers in final form is or becomes misleading or deceptive in a material respect, including by way of omission;
- a contravention by HPI or a member of HPI and its subsidiaries (**Group**) of the Corporations Act, a constituent document of HPI, the ASX Listing Rules or any other applicable law;
- HPI fails to perform or observe any of its obligations under the Underwriting Agreement on or before the date of allotment, or fails to do so after that date and does not remedy that failure within 2 business days (or by 8.00am on the Settlement Date if earlier);
- other than as set out in the Offer documents or otherwise disclosed to ASX prior to the date of the Underwriting Agreement, there is a change in the business, assets, liabilities, financial position or performance, profits, losses, operations, results or prospects of HPI or the Group, or there is an event which makes it reasonably likely that such a change will occur;
- a representation or warranty made or given by HPI under the Underwriting Agreement proves to be, or has been, or becomes, untrue or incorrect;
- a government agency commences any public action against a director of HPI or announces that it intends to take any such action.

The Underwriting Agreement also contains a number of other customary termination events (e.g. changes in law, specified disruptions in financial markets, the outbreak of hostilities and HPI being or becoming insolvent).

HOTEL PROPERTY INVESTMENTS

Appendix 5 – Glossary

Defined term	Meaning
AFSL	Australian financial services licence issued under the Corporations Act
Acquisitions	The Asset Acquisitions and Lease Harmonisation
Asset Acquisitions	The acquisition of Edwardes Lake Hotel and a second acquisition subject to final contract approval
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Coles	Coles Ltd
Corporations Act	Corporations Act 2001 (Cth)
CPI	Consumer Price Index
Distribution	A distribution made in relation to the Securities
DPS	Distribution per Security
F&B	Food and Beverage
Gearing	Calculated as (Drawn Debt minus Cash)/(Total Assets minus Cash)
Lease Harmonisation	The lease harmonisation program between HPI and QVC
HPI	Hotel Property Investments Limited (ACN 010 330 515)
Issue Price	$3.40 per Security
Joint Lead Managers	E&P Corporate Advisory Pty Ltd and J.P. Morgan Securities Australia Limited

Defined term	Meaning
NAV	Net asset value
New Securities	The Securities to be offered under the Institutional Placement and SPP
Placement	Fully underwritten institutional placement to raise $50m at an issue price of $3.40 per Security
Transaction	The Acquisitions and the Institutional Placement
Security	A security in HPI
Securityholder	A holder of a Security
SPP	Security Purchase Plan
QVC	Queensland Venue Co
VWAP	Volume weighted average price
WARR	Weighted Average Rental Review
WALE	The average lease term remaining to expiry across the portfolio, weighted by gross property income

HOTEL PROPERTY INVESTMENTS