



ALTERNATIVE LENDING LTD

YEAR END 2023 REPORT

Finance:

The biggest problem confronting any small business nowadays is access to finance at a reasonable price. The major banks have left country towns in a hurry, leaving them totally unserved. Borrowers have no choice other than to request finance through Finance Brokers. This is a quick pathway to very expensive short term loans with persons and organisations of dubious repute.

We had no choice other than to go to these brokers. We could not raise money from shareholders for obvious reasons. We raised what we could privately by way of debentures from family and friends. We are extremely grateful to our Koorlong Avenue JV partner because he has allowed all of the JV property, including his 65% share, to be provided as first mortgage security. This amounts to \$10.0m in debentures, plus JV security of \$4.0m, without which neither RCP nor Alternative Lending would still be in existence.

At present we are looking past Riverside Avenue project and the capital requirements for the future. Please note the future is NOW.

We are preparing a finance application for presentation to our existing financier, Austar Financial Services Pty Ltd, and one other lender, who will provide sufficient finance to allow us to develop the 2 Armidale projects and the land we will acquire from the Koorlong Avenue JV. Of course, this assumes one or the other will be prepared to provide the finance we require.

Our Strategic Plan will be completed in 2 years, or less, depending on finance. At the end of the 2 years we will not owe a dollar to any subdivision lender. By investing money into non productive assets, and creating a saleable product, we will also generate sufficient cash to repay \$5.0m of the debentures and unsecured loans.

In summary:

We will have restored RCP's Capital and Reserves to \$6.5m
We will have restored Alternative Lending's Capital and Reserves to \$11.5m
We will have repaid \$5.0m out of \$10.0m of debentures and private loans
This will provide a total of \$23.0m in available funds.

Not mentioned above is we will have 10 rented houses, worth \$6.0m with a stand alone \$4.0m mortgage.

That adds another \$2.0m in equity, making a total of \$25.0m.

Contrast this with the situation we were facing only 3 years ago.

We would still welcome money from shareholders for the next 2 years. All money lenders want the earth! Their legal fees, brokerage fees, establishment fees, account keeping fees, penalties, commissions and interest are a time consuming burden. The use of remote capital city valuers and quantity surveyors adds substantial extra cost and much lost time. We would save hundreds of thousands of dollars on each project if we did not have to incur the time cost of these delays. We



have seen Riverside incur \$500k in such costs. We are at a loss to understand why such fees are charged, and paid. No doubt it is because the borrower has no choice.

The rate of interest currently paid on deposits with us is 10% for a 2 year term. Interest is calculated at the end of each quarter and can be accumulated by adding to the initial deposit.

Riverside Avenue Subdivision:

During 2023 we have been busy with starting, and now completing and selling, the Riverside Avenue Subdivision. The subdivision is called Central Park Stage 2.

The subdivision will comprise 39 blocks.

Alternative Lending will retain 10 blocks and build houses for rental.

Another 14 are allocated to other buyers.

This leaves 15 to be sold. This can be increased to 21 by further subdivision of 6 of these properties.

Since works started some costs have gone over budget, but this is balanced out because the selling prices have also increased. Estimated profit is \$1.5m plus at least another \$500k as equity in the 10 houses we will build for rental.

8 and 22 Uralla Road, Armidale NSW:

We have had no end of trouble in getting finance for these 2 projects. Lenders are extremely gun shy at lending to land developers and builders.

Both are excellent projects that will return to us in cash at least \$6.0m after repaying the development finance. Neither project will take longer than 12 to 18 months. If the projects overlap, this time would reduce to 18 to 24 months.

46-80 Koorlong Avenue, Nichols Point:

We are negotiating with our joint venturer to increase our holding from 12 acres to 18 acres. This is presently stalled until we seek an answer to the manner in which stamp duty and GST will be applied to the transaction. This development comprises 2 separate properties; one on northwest side of Koorlong Avenue, and the other on the southeast side. The acreages of both are not equal, hence the need for us to purchase 6 acres so that we will own one side and our JV partner will own the other. The JV will then be wound up as we will each hold our own title.

Proposed future developments:

We are always looking for further land to develop. Undeveloped land, recently rezoned for residential purposes has risen dramatically in the last 12 months. There have also been massive increases in fees as charged by Mildura Rural City Council, Lower Murray Water and other utilities. The effect of all these costs will be to further increase the cost of land. We are informed by our Real Estate Agent that buyers prefer at this time to buy a completed house, rather than a block of land, and build. We are also informed there has been a decrease in the number of houses available for rental. Vacancy rates are next to nil in Mildura. This, in turn, puts upward pressure on rentals.



We are negotiating for a 20 acre property in Etiwanda Avenue, Mildura South. We have investigated and refused a purchase in Gol Gol. There is another property off Deakin Avenue, Mildura South, we would be pleased to purchase, subject to pricing.

Our relationship with builders and developers:

Our Mildura site works contractor, MEE Pty Ltd, has been very supportive and very patient. The lender, Austar, will only advance money when the Quantity Surveyor signs off and authorises a progress payment. Due to a problem in communication between ourselves, the contractor, the lender and the QS, the contractor has completed almost \$500k of work that the QS has overlooked and the money is still owing. I cannot see why it has become such a complicated issue. No doubt with the contract within days of total completion this difference must become obvious and the contractor will be paid. We have substantial undrawn loan funds to cover this amount. When we look at developing Koorlong Avenue we will ask MEE to quote, however, they will think twice before doing anything else with us.

In Armidale JNC Constructions Pty Ltd were the successful contractor to undertake the site works. We have since discovered JNC are substantial builders, as well as contractors. Our Armidale Works Supervisor, Mark Symons, negotiated an agreement where Alternative Lending will sell the 33 strata blocks to various owners for market price. Alternative Lending will enter into a contract with each new owner to provide a house at a predetermined price. JNC will be contracted by Alternative Lending to build each house at a price which includes a reduced builders margin. Alternative Lending receive the profit on the sale of the land plus the net profit per unit.

In Mildura we will build 10 houses for Alternative Lending, plus another 10 or more houses for investors. Our Mildura Works Supervisor, Chris Dunning, is in the process of re registering as a builder. A company Dunning Prestige Homes Pty Ltd has been incorporated for this purpose. In order to satisfy the stringent financial requirements to be a builder it has been necessary for the writer to be the sole Director of Dunning Classic Homes. As soon as Chris Dunning is registered he can become a builder qualified Director of Dunning Classic Homes. Warranty insurance is under way and then the company can start building. The writer will need to stay on as a Director for the time being to provide financial support.

Conclusion:

We now have the skills and the personnel to be successful in property development and building.

The only thing we do not have is access to finance without all the restrictions, costs and inconvenience that I alluded to earlier.

I do not expect anyone to appear with a spare \$10m to lend us for 2 years at 10%. However, when you compare the financial health we now enjoy compared to only 3 years ago, it is no comparison.

Anyone with \$500k or more is considered to be a sophisticated investor. This means we do not have to spend a lot of money on preparing a Prospectus. We can accept amounts less than \$500k without a prospectus so long as we do not exceed 20 such investors.

As each day passes we are closer to bringing to account some very substantial profits. In 2023-2024 the profits will not be a fraction of what will be brought to account in 2024-2025.



I have not gone into great detail in the above summary. If you have specific questions, please direct them to me at bill@altlending.com