

ASX Announcement



LANTERN HOTEL GROUP (ASX:LTN)

24 June 2015

Update on Proposed Buy-Back Transaction

On 18 June 2015, Lantern announced that the Administrative Appeals Tribunal (AAT) has ruled in favour of Lantern, paving the way for Lantern to be granted ASIC exemptions from certain provisions of the Corporations Act 2001.

These exemptions enable Lantern to proceed with its proposed selective buy-back (Buy-Back) of all of the Lantern stapled securities (Borg Fund Securities) held by Millinium Asset Services Pty Limited as trustee for the Borg Fund (MAS).

The Lantern Board believes it is in Lantern's best interests to proceed with the Buy-Back

After taking into account the AAT decision, the terms of the Settlement Deed agreed with MAS (which sets out the terms of the Buy-Back) and other relevant considerations, the Lantern Board has decided that the Buy-Back continues to be in the best interests of Lantern and its security holders and presents a very attractive transaction if implemented in accordance with the terms of the Settlement Deed.

The Lantern Board believes the Settlement Deed is enforceable, accordingly, the Lantern Board intends to proceed with implementation of the Buy-Back, including taking all necessary steps to ensure that MAS performs its obligations under the Settlement Deed.

Lantern has at all times been, and continues to be, ready, willing and able to perform its obligations under the Settlement Deed.

Benefits of the Buy-Back for Lantern and its security holders

As disclosed in the Explanatory Booklet distributed to Lantern security holders ahead of the 31 July 2014 general meeting at which the Buy-Back was overwhelmingly approved, the Lantern Board considers:

- the commercial terms of the Buy-Back are very attractive and result in Lantern acquiring the Borg Fund Securities at a price which is 23% below yesterday's market close price;

- the Buy-Back allows Lantern to acquire its own securities at a discount of approximately 35% or \$8.5 million to net asset value, creating significant value for the remaining security holders.
- the Buy-Back will result in an increase of approximately 11% or 1.27 cents in net asset value per security (before costs) from 11.46cps to 12.73cps (based on 31 Dec 2014 financial statements adjusted for the sale of the five dock bottleshop land).
- the Buy-Back is in line with Lantern's previously announced medium term capital management strategy and represents an opportunity for Lantern to buy back a significant portion of Lantern securities more quickly and with more certainty than would have been possible with the continued on-market buying back of securities; and
- Lantern is in a position to proceed with the Buy-Back on the basis of its current financial position and the Buy-Back will provide Lantern with the opportunity to acquire the Borg Fund Securities on a deferred consideration basis, allowing up to 31 July 2016 for Lantern to make payment in full (subject to interest being payable at 8% per annum);

Terms of the Buy-Back as set out in the Settlement Deed

The terms of the Buy-Back as agreed with MAS were set out in Lantern's 29 July 2015 announcement entitled "Update on Proposed Transaction - Revised Draft Buy-Back Agreement", and include:

- all and not some of the Borg Fund Securities will be acquired from MAS;
- cash consideration of 7.5 cents per stapled security is payable;
- the transaction must be implemented no later than 2 years after security holder approval, which was obtained on 31 July 2014; and
- the transaction would occur in three tranches with deferred payment of buy-back consideration being permitted, with 8% interest payable to MAS and a final payment date of 31 July 2016.

Next Steps

The Lantern Board will now move forward to enforce the terms of the Settlement Deed.

Russell Naylor
Executive Director
Lantern Hotel Group
GPO Box 5337
Sydney NSW 2001
+61 2 8223 3602

Leanne Ralph
Company Secretary
Lantern Hotel Group
GPO Box 5337
Sydney NSW 2001
+61 2 8223 3602