

ASX Announcement



LANTERN HOTEL GROUP (ASX: LTN)

18 June 2015

Changes to the Board

Today Lantern Hotel Group Limited (**Lantern**) announces some Board changes which come after the completion of the successful reconstruction of the Lantern Group that occurred following the change in control from ING in December 2011.

Since the change the group has restructured and stabilised its balance sheet, added 3 new hotels to the group, added significant skills to the management team and approximately doubled the security price (assuming full participation in the 2012 rights issue).

Lantern is pleased to announce the appointment of Ms Shirley Liew as an independent non-executive director. Ms Liew is an experienced non-executive director with a strong finance and hospitality background. Ms Liew has over 20 years in the finance sector, including as a partner with Moore Stephens and Grant Thornton, during which time she was audit partner for various large hospitality groups.

Ms Liew currently holds a number non-executive director positions and audit committee chair roles. She has today been appointed as Chair of the Lantern Audit and Risk Committee, taking over from Ms Deborah Cartwright who is incapacitated due to a very serious illness. Given the proximity of the 2015 year-end this new role is critical to the ongoing success of Lantern.

At yesterday's board meeting, it was agreed to formalise Lantern's arrangements with Russell Naylor, currently Managing Director, as CEO of Lantern Hotel Group. A management services agreement to that effect has been agreed and signed with Mr Naylor's company Naylor Partners Pty Ltd (**NPPL**), pursuant to which Mr Naylor will continue to provide the management services (**Management Services Agreement**). A summary of the key terms of the Management Services Agreement is set out below. At a time of uncertainty for Lantern, the board felt that it was important to ensure the continuity of ongoing services from Mr Naylor.

In addition, Mr Julian Davidson, an Independent Non-Executive Director, was voted by the board to replace Mr Bryan Mogridge as Chairman.

Mr Mogridge has tendered his resignation, as he believed that his role as a catalyst for the turnaround has been largely completed and it is time to refresh the board table as the

company embarks upon a significant growth phase. Mr Mogridge said he had absolute confidence that the Lantern Group will grow strongly and as a 2.3% shareholder he will follow with interest that growth on his and other shareholders' behalf.

Mr Davidson thanks Mr Mogridge for his hard work and contribution to the turnaround and value growth of the Lantern Group.

Summary of the Key Terms of the Management Services Agreement with Naylor Partners Pty Limited

NPPL, via Mr Russell Naylor, has been providing management services to the Lantern Group since Mr Naylor's appointment to the Lantern board on 31 October 2011.

From commencement date of 17 June 2015, NPPL will receive \$35,000 (plus GST) per month for the performance of the management services. NPPL will receive a Performance Optimisation Fee payable in line with an agreed performance fee framework, which aligns the interests of Mr Naylor with the remuneration structure of all hotel operating management.

NPL will receive a Capital Optimisation Fee payable as a proportion of the value created by the relevant initiative used for the successful restructuring of the Lantern Group's balance sheet, provided that any payment determined by the Lantern board in its discretion must be consistent with the requirements of the ASX Listing Rules. The relevant proportion will be determined annually by the Lantern remuneration committee, at its discretion, and will be between 0% and 5%.

NPPL has been appointed for an ongoing term subject to termination by either Party. Lantern may terminate the Management Services Agreement with NPPL at any time on six months' notice or payment in lieu of notice. NPPL may terminate the Management Services Agreement at any time on six months' notice. The Management Services Agreement may also be terminated by Lantern in circumstances such as serious and persistent breach or failure to provide the service in accordance with specifications.

NPPL and Mr Naylor will be restrained for up to six months after termination of the Management Services Agreement from, amongst other things, being engaged in competition with Lantern and from soliciting Lantern employees or interfering with Lantern's transactions or business.

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