ASX Announcement

Lantern hotels

LANTERN HOTEL GROUP (ASX: LTN)

4 July 2016

Distributions and re-financing of primary loan facility

Special distribution to security holders

In line with Lantern's transformation plan, during the last 11 months Lantern has realised in excess of $50 million from the sale of the El Toro Hotel and other non-core hotels. In addition, as announced to the market, Lantern has exchanged contracts for the sale of the Exchange Hotel for $6.625 million.

A significant portion of the sale proceeds has been applied to reducing debt, such that Lantern has significantly reduced gearing levels.

As a result of the sale of hotels completed, the ongoing programme to realise funds from the sale of non-core hotels and the improved performance of the core hotels, the financial strength of Lantern has improved significantly. Given this, and as foreshadowed in previous announcements, the Board has determined it is appropriate to return a portion of funds realised from the hotel sales to security holders. The Board has today announced a special distribution by Lantern Real Estate Trust amounting to 2 cents per security ($17.7 million).

The distribution will be paid as a return of unit capital.

Relevant dates for the distribution:

- Declaration date: 4 July 2016.
- Record date: 27 July 2016.
- Payment date: 10 August 2016.

In addition to the special distribution, the Board will consider ongoing distributions for future periods. Any decisions in relation to such ongoing distributions will be subject to the actual performance and capital requirements of the business.

Re-financing of primary loan facility

Lantern has re-financed its primary loan facility on 30 June 2016, which was originally due to expire on 31 August 2016.

Key terms of the new facility:

- Three year term.
- $60 million total facility, allowing for future growth of the business.
- Covenants consistent with industry norms.

The facility has been successfully put in place prior to the end of the financial year, and provides certainty in relation to the funding of the business for the foreseeable future.

With the re-financing of the primary facility, Lantern has total facilities in place of $72.2 million.

Capital management

As previously announced to the market, the programme for the divestment of non-core hotels is continuing with sale processes for the Lawson Park Hotel Mudgee, Courthouse Hotel Cairns and Central Hotel Bundaberg underway. To the extent further funds are realised from future non-core hotel sales, after an appropriate amount is applied to debt, the Board will consider the options available to Lantern. These options may include further special distributions to security holders, debt reduction or investing in existing and other hotels that meet Lantern's strategic criteria.

The Board will continue to review the ongoing approach to capital management, including considering the payment of regular distributions from the operating profits of future periods, taking into account the completion of the programme for the divestment of non-core hotels, the performance of the core hotels and alternative uses for capital.

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