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18 May 2016

ASX Release

MANTRA GROUP LIMITED (ASX: MTR) ALA MOANA ACQUISITION AND EQUITY RAISING

Mantra Group Limited ("Mantra Group") is pleased to announce that a wholly owned subsidiary of Mantra Group has entered into an agreement to acquire ALM Management Services LLC ("ALMMS"), (a limited liability company in Hawaii), which operates the Ala Moana Hotel, Honolulu ("Ala Moana") and associated manager's lot real estate at Ala Moana which is held by ALM LLC (a related company of ALMMS), for a purchase price of US\$52.5 million, excluding transaction costs and subject to certain customary completion adjustments and conditions ("Ala Moana Acquisition").

As a result, Mantra Group is today launching a fully underwritten institutional placement (the "Placement") of approximately 27.0 million shares, the "Placement Shares", to raise approximately A\$100 million (at the underwritten floor price of A\$3.70 per share) to fund the Ala Moana Acquisition as well as providing Mantra Group with additional capital to fund pipeline opportunities. Mantra Group will also offer all existing eligible shareholders in Australia and New Zealand the opportunity to acquire additional shares (up to a fixed amount) via a non-underwritten share purchase plan (the "SPP" and, together with the Placement, "the Equity Raising").

A copy of the investor presentation relating to the Ala Moana Acquisition and the Equity Raising has been lodged separately with ASX.

Ala Moana Acquisition

Mantra Group, via a wholly owned subsidiary, has agreed to acquire ALMMS, which operates Ala Moana, and to acquire associated manager's lot real estate at Ala Moana from ALM LLC.

The assets to be acquired under the Ala Moana Acquisition consist of:

- High performing condominium hotel business (1,086 keys participating out of a total 1,176 keys participating in the letting pool);
- Freehold title to reception, administration areas, and all car parking;
- Freehold title to 6 food and beverage outlets; and
- Freehold title to 9 function rooms, totalling 1,350m²

The condominium hotel operating model is similar to the Management Letting Right business model that Mantra Group currently operates and is an area of expertise for Mantra Group.

The Ala Moana Acquisition is consistent with Mantra Group's strategy to selectively expand its presence in key offshore regions via the acquisition of complementary properties in destinations favoured by Australian travellers and other key international markets.

Ala Moana is located in Honolulu, Hawaii which has consistently been a strong performer as a holiday and business events destination. Honolulu is Hawaii's most popular tourism precinct with proven appeal to United States domestic, Australian, European and Asian visitor markets, providing a strong base occupancy for the Ala Moana property.

Comprising a total of 1,086 keys under management, plus freehold title to the Managers Lot real estate (restaurants, conference facilities, reception, car parking and other key management areas), the Ala Moana Acquisition presents Mantra Group with a significant investment opportunity which is aligned with Mantra Group's growth strategy and is aimed at delivering ongoing shareholder value.

The Ala Moana Acquisition is expected to contribute approximately US\$7 million in Underlying EBITDAI in the first full year of ownership, before synergies from operational improvements, providing a material Underlying EBITDAI uplift to Mantra Group's Resorts segment. Ala Moana represents one of the major identified pipeline opportunities that management have been pursuing for FY2017. The impact of the Ala Moana Acquisition and today's Placement is expected to be accretive to Underlying EPS (excluding transaction costs) in FY2017.

Settlement of the Ala Moana Acquisition is expected to occur end of July 2016, subject to closing conditions customary for an acquisition of this nature.

Mantra Group's CEO, Mr Bob East, said: "The Ala Moana Acquisition is an exciting opportunity for the Mantra Group providing a platform to enter a new offshore market with a significant property that is well aligned to Mantra Group's core business, expertise and growth strategy."

"This acquisition complements our existing portfolio and is expected to make a significant contribution to Mantra Group's business" Mr Bob East said.

Institutional Placement

Mantra Group has launched a fully underwritten placement to eligible institutional investors, of approximately 27.0 million shares, the "Placement Shares", to raise approximately A\$100 million (at the underwritten floor price of A\$3.70 per share) to fund the Ala Moana Acquisition, as well as providing Mantra Group with additional capital to fund pipeline opportunities.

The Placement Shares have been underwritten by Macquarie and UBS at a floor price of A\$3.70 per share ("Underwritten Price"), which represents a 7.7% discount to the last closing share price on 17 May 2016. The price at which shares will be issued to investors under the Placement ("Placement Price") will be determined under a bookbuild which is expected to be completed today.

The Placement Shares will represent approximately 10.1% of Mantra Group's issued share capital after the Placement has been completed (excluding any shares issued under the Share Purchase Plan). New shares issued under the Placement will rank equally with existing shares of Mantra Group.

The Placement is expected to settle on Monday, 23 May 2016 and the Placement Shares will be allotted on the following business day, Tuesday, 24 May 2016. No shareholder approval is required for the Placement, as Mantra Group will utilise, in part, its placement capacity under Listing Rule 7.1.

Mantra Group's shares will remain in trading halt today while the Placement is conducted. Trading in Mantra Group shares is expected to recommence normal trading tomorrow or such other time as the completion of the Placement is announced to the market.



Share Purchase Plan

A SPP will accompany the Placement, under which eligible existing Mantra Group shareholders will be given the opportunity to acquire additional shares in the Mantra Group.

Shareholders on the Mantra Group's share register at 7.00pm on Tuesday, 17 May 2016 ("Record Date"), whose registered address is in Australia or New Zealand will be entitled to subscribe for up to A\$15,000 worth of Mantra Group shares through the SPP, subject to the terms and conditions of the SPP which will be set out in the SPP booklet and dispatched to eligible shareholders in due course. Shares issued under the SPP will rank equally with existing shares of the Mantra Group. The issue price for shares under the SPP will be the lower of (i) the Placement Price and (ii) a 1% discount to the volume weighted average price (VWAP) of Mantra Group shares on the ASX over a 5 trading day period ending on the close of the SPP offer period (Wednesday, 8 June 2016).

The SPP offer period will be open from Wednesday, 25 May 2016 and will close at 5:00pm, Wednesday, 8 June 2016, subject to Mantra Group's discretion to amend these dates. Participation in the SPP is optional and Mantra Group reserves the right to scale back any applications under the SPP.

Trading Commentary

Mantra Group reconfirms FY2016 guidance provided on 19 February 2016 of EBITDAI, NPAT and NPATA of between A\$88.5m – 90.5m, A\$41.5m – 43m and A\$44.2m - 45.7m respectively. Guidance excludes the impact of the Ala Moana Acquisition that is expected to settle end of July 2016, as well as any additional conditional or uncontracted properties as at the date of this announcement and any transaction costs associated with FY2016 acquisitions.

Highbury Partnership Pty Ltd is acting as Mantra Group's financial adviser.

Macquarie Capital (Australia) Limited and UBS AG, Australia Branch are acting as Joint Lead Managers and Joint Underwriters to the Placement.

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Important Notices

This announcement is for information purposes only and is not a financial product or investment advice or a recommendation to acquire Mantra Group shares (nor does it or will it form any part of any contract to acquire Mantra Group shares). The information in this announcement is in summary form and does not contain all the information necessary to fully evaluate the transaction or investment. It should be read in conjunction with the other materials lodged with ASX in relation to the Ala Moana Acquisition and the Equity Raising (including the investor presentation and the key risks set out therein), and the Mantra Group's other periodic and continuous disclosure announcements lodged with ASX. This announcement has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives and financial situation and seek legal and taxation advice.

This announcement contains certain forward-looking statements. The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan", "guidance", "will", "predict" and other similar expressions are intended to identify forward-looking statements. Forward-looking statements in this announcement include statements regarding: the timetable and outcome of the Ala Moana Acquisition and the Equity Raising, the use of the proceeds thereof and business strategic initiatives. Indications of, and guidance on, future earnings or distributions and financial position and performance are also forward-looking statements. Forward-looking statements, including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including the Company). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. Actual results, performance or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Mantra Group, and its officers, employees, agents, or associates, that may cause actual results to differ materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward looking statements and the Mantra Group assumes no obligation to update such information.

Non-IFRS information

This announcement may include certain financial measures that may be considered "non-GAAP financial measures" under Regulation G of the U.S. Securities Exchange Act of 1934, as amended, and are not recognized under Australian Accounting Standards ("AAS") or International Financial Reporting Standards ("IFRS"). These measures include EBITDAI. Such non-GAAP and non-IFRS financial measures do not have a standardized meaning prescribed by AAS or IFRS and therefore may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. The information is presented to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business. Mantra Group uses these measures to assess the performance of the business and believes that information is useful to investors. Recipients are cautioned not to place undue reliance on any non-GAAP and non-IFRS financial measures included in this presentation.

About the Ala Moana Acquisition and the Equity Raising

Further information in relation to the specific details of the Ala Moana Acquisition and the Equity Raising described in this announcement including important notices and key risks in relation to certain forward looking information is set out in an investor presentation released on 18 May 2016 by the Mantra Group. The information in the "Important Notice and Disclaimer" and "Key Risk" sections of the investor presentation applies to this announcement as if set out in full in this announcement.

