



Transmetro Corporation Ltd

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Sydney NSW 2007

Thursday 8th December 2011

The Company has acquired the freehold property of the Metro Hotel Ipswich International from Butterfield Projects Pty Ltd., (Butterfield).

The Company entered into a put and call option with Butterfield in September 2008 to acquire the Ipswich freehold property for \$18 million on or before September 22 2012.

The Company was recently approached by Butterfield to settle the property purchase earlier in exchange for a reduction in the price of \$2 million.

The Company settled the purchase on Thursday 8 December 2011 at the discounted price of \$16 million. The acquisition was financed by Bankwest, which has become the Company's principal banker. The Company has secured a 3 year finance facility of \$20.5 million from Bankwest which has been applied to the Ipswich purchase and clearance of the Company's existing bank loan facilities.

The Metro Hotel Ipswich International is a 97-room 4 ½ star hotel with substantial conference and functions facilities in the centre of Ipswich, near Brisbane. The Company has operated the hotel since September 2008. The property was recently valued at \$9.35 million, a significant difference from the purchase price, which was negotiated prior to the GFC. While the population of Ipswich is estimated at 168,000, the size of the Ipswich hotel market is small, comprising 485 rooms of which 40% have been added in the past 3 years at a time when demand has declined. The Company is confident demand is building again, and the profitability of the hotel will recover and the value of the property will be restored.

As a result of the purchase the after tax profit of the company in the half year to December 31 2011 will be adversely impacted by the differential between the purchase price and the valuation, a sum of \$6.17 million after tax. The impact on profit will be a one-off extraordinary event. On an ongoing basis the interest cost on the purchase will be only modestly more than what the company has been paying in rent for the past three years. The purchase will also impact the Company's balance sheet by the same amount as the Income Statement, however a revaluation of the Perth hotel was confirmed on 5th October 2011 at \$21.65million. This is \$6.11 million (after tax) over and above the current book value of the hotel so the impact on the Company's balance sheet after netting the two revaluations will be insignificant.

Jakin Agus

Company Secretary