

ASX Announcement



LANTERN HOTEL GROUP (ASX: LTN)

27 November 2015

Buy-Back Transaction Not Proceeding

Since the change of the Lantern Board and senior management following the Lantern securityholders' meeting on 24 June 2015, the Lantern Board has undertaken a detailed and extensive review of the commercial, financial and legal aspects of the proposed selective buy-back transaction under which the Lantern stapled securities held by Millinium Asset Services Pty Limited as trustee of the Borg Fund (**Millinium**) were to be acquired by Lantern in light of the changes in circumstances since the buy-back was proposed in early 2014. The terms of the proposed buy-back were the subject of a Deed of Settlement and Release between Lantern, Millinium, CVC Limited (**CVC**) and Totem Holdings Pty Limited (**Totem**) dated 4 April 2014 (**Deed of Settlement**).

Following that review, the Lantern Board is of the view that the proposed buy-back is not capable of being implemented and so has today entered into a release with the parties to the Deed of Settlement of all outstanding rights and obligations under that document with the result that the buy-back is not proceeding. In coming to this decision, the Lantern Board has considered the relevant circumstances including:

- the conditions precedent to the buy-back set out in the Deed of Settlement have not all been satisfied including that the consent of Lantern's financier has not been obtained and that the securityholder approval of 31 July 2014 is no longer valid as it is more than 12 months old
- the extremely challenging financial position of Lantern at the time of the change in the Lantern Board in June 2015 and the unacceptable financial performance of Lantern since the Deed of Settlement was signed in April 2014
- the strategic review of Lantern's business since the change in the Lantern Board in June 2015 and change in strategy from that of the previous Board when the Deed of Settlement was signed in June 2014
- that Lantern does not have sufficient funds available to pay for the buy-back

- Millinium’s opposition to the buy-back and Millinium’s contention that the terms of the buy-back have not been agreed between Millinium and Lantern
- the Lantern Board’s belief that Lantern could not presently compel Millinium to participate in a buy-back on particular terms
- the continued time and resources required to be expended by Lantern on the buy-back and the distraction to the Lantern Board and management at a time when pressing operational, financial and strategic issues are facing Lantern.

The Lantern Board has no current intention of pursuing other buy-back proposals.

John Murphy Chairman Lantern Hotel Group GPO Box 5337 Sydney NSW 2001 +61 2 8223 3601	John Osborne Chief Executive Officer Lantern Hotel Group GPO Box 5337 Sydney NSW 2001 +61 2 8223 3601
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