

Half Year Update - Fund Performance & NTA

31 December 2017 Half Year (subject to audit review)	
Portfolio value	\$48 m
Gearing (total debt / total assets)	48%
Net Tangible Asset (NTA) value per unit	\$1.11
Distribution (cents per unit per annum)	9 cpu
EBITDA excluding fair value adjustments	\$1.4 m

The first half of the 2017/18 financial year marked another period of successive growth for Pelathon Pub Group, with its portfolio now holding seven assets at a combined value of \$48 million.

The Group diversified its revenue mix with the acquisition of the Diplomat Motel – a 3.5 star motel in Alice Springs. The asset is already outperforming budgets and management is exploring a number of initiatives to continue to improve its profitability.

Three more assets joined the portfolio in the half: Tandara Hotel Motel (Sarina, Qld), Queens Hotel Motel (Gladstone, Qld) and Que Restaurant & Nightclub (Wagga Wagga, NSW). Having been bought as a component of the Tandara Hotel Motel acquisition, the Queens Hotel Motel was immediately placed back on market. The Directors have fielded a number of enquiries and are confident contracts will be exchanged in the coming months. Net proceeds from any sale will be allocated to debt amortisation, in line with the Group's strategy to manage its gearing so it can respond quickly to new market opportunities, while driving operational performance of existing assets.

The Consolidated Financial Report of Pelathon Pub Group for the half year ended 31 December 2017 will be made available online at www.pelathon.com following completion of the audit review.

Further Capital Raising

The Group is observing a strong flow of transactions in the market with numerous opportunities to acquire assets suited to the Group's investment profile, that is, established regional hotels with potential to grow revenue through diversification of income streams, better management and/or efficient refurbishment. The Group is finalising a Prospectus & Product Disclosure Statement, with the expectation of release to the market in the coming months, subject to ASIC review.

Distributions, Reinvestment and Taxation

- **DRP now available. Discount investment opportunity.** Review the enclosed **DRP booklet** and complete the enrolment form.
- **ACT NOW Complete and return the enclosed TFN/ABN Notification Form**

The distribution for the quarter ended 31 December 2017 was paid on 25 January 2018 at a rate of 2.25 cents per unit, fully tax deferred. The distribution statement is now available for download from the online registry. If you require a hardcopy of this particular statement, please contact us. A complete list of distribution payments for the current financial year will be included in the annual periodic and tax statement, to be sent to all investors following financial year end.

From the March 2018 quarter distribution, the Group is offering investors the opportunity to participate in a Distribution Reinvestment Plan (DRP). Instead of taking your quarterly distribution in cash, you can now reinvest the amount at a discount to NTA. The Directors have resolved to price the reinvestment at a 3% discount to prevailing NTA for the next 12 months. On a \$1.11 NTA, this would represent a yield of 8.4% p.a. at the current 9 cents per unit annual distribution rate. There is no minimum participation limit. To sign up, please read the enclosed **DRP Booklet** and return the completed **DRP Election Form** by **31 March 2018**.

The Group is now at the stage where it has utilised the majority of its carried forward tax losses from prior years, meaning, with effect from the March 2018 quarter, distributions will contain an element of taxable income. It is therefore important to advise your TFN or ABN if you wish to avoid having tax withheld at the top marginal rate. To ensure our records are current, we are asking all investors to complete and return the enclosed **TFN/ABN Notification Form** and return it to us by **31 March 2018**.

More Information

To register your interest for the upcoming capital raising, or for any other information or assistance with your investment, please contact Lucy Partridge, Head of Funds Management, on (02) 9098 9100 or lucy@pelathon.com