



**Managing Director's address to Lantern Shareholders  
Annual General Meeting on 14 November 2014**

Thank you Bryan, and good morning ladies and gentlemen,

Building on the work started in the 2013 financial year and consistent with our advice last year, we have continued to invest in our portfolio to ensure we have a stable platform to grow the business.

Significant progress has been made in this respect over the last year, however the ongoing capital works continue to negatively impact operational performance in the short term (more so than in the prior financial year). This disruption is short term in nature and necessary to ensure that the Group is geared for sustained growth from a solid base in future years.

Aspects of this growth have begun to show through into the 2014 financial results and as outlined in our recent update performance from venues completed during last financial year have strongly outperformed prior year performance to date in the current financial year.

During the year to June 2014 we:

- Completed full renovations of Ambarvale, Bowral, Commodore, General Gordon, Lawson Park and Uncle Bucks, together with first phase of works at the Dolphin.
- Broadened the target clientele, attracting a diverse demographic.
- Significantly improved food offerings, allowing the venues to cater for a wider variety of patrons and events for longer stays.
- Overhauled the group's gaming machines decreasing the average age of the machines from over 10 years to less than 3 years. We also installed Ticket-In Ticket-Out as well as an enhanced gaming monitoring system.
- Improved customer satisfaction and awareness and development of the group loyalty program which is in the process of being progressively rolled out across the Group.
- Continued to progress exit from New Zealand and are actively working to finalise full exit during the course of the current financial year.
- Improved employee culture and contentment

During the year we acquired the Crown Hotel in Surry Hills and since June 2014 we have acquired the Waterworks Hotel in Botany and the Beaumont Exchange Hotel in Hamilton, Newcastle. We have maintained a disciplined approach in respect to acquisitions and continue to look for quality acquisitions to expand the portfolio.

While disruption associated with ongoing capital works across the portfolio will continue throughout 2015, as we continue reinvesting to enhance quality of our offering and unlock expansionary opportunities, we expect that this disruption will in part be offset by strong growth from venues completed during the 2014 financial year.

Lantern Hotel Group Limited (ABN 145 967 899), part of the Lantern Hotel Group

Lantern Hotel Group, a stapled entity comprising Lantern Hotel Group Limited (ABN 71 145 967 899) and Lantern Real Estate Trust (ARSN 108 982 627) and their subsidiaries. Lantern RE Ltd (ABN 54 145 968 574 Licence 386569) is the responsible entity of Lantern Real Estate Trust.

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Capital works for the current financial year are expected to impact Bowral (second round of expansionary investment), Courthouse, Crown (works commenced earlier this year), Dolphin, Beaumont Exchange, General Gordon and Waterworks.

Plans for redevelopment of Five Dock have now been finalised and submitted for Development Approval. Subject to completion of the above works programme and approval being received, current intention is to commence redevelopment of this venue during FY16.

Intention remains to formalise plans for holistic redevelopment of El Toro over the coming year.

Our strategy for the 2015 financial year is to continue to grow the business with a key focus on:

- Improving operational performance from completed venues
- Ongoing reinvestment in the existing portfolio
- Complete rollout of our loyalty programme to all venues
- Acquisition of additional operating assets
- Finalising our exit from New Zealand
- Ongoing capital management via buy-backs
- Progressing redevelopment of Courthouse and Five Dock

The quality of our operational team and standard of food being delivered throughout all venues has continued to improve over the last year. The continued focus on food to drive foot traffic within venues is reflected in 12 finalist nominations in the upcoming AHA Awards for Excellence across 6 venues, including Chef of the Year for Daniel Menzies at the Commodore Hotel and Best Group Hotel Operator of the Year.

This is a pleasing acknowledgement for the quality of our kitchen team led by Executive Chef Mitchell Davis.

Momentum in our completed venues continues to build month on month and we expect this to continue over the course of this financial year. We are continuing to make progress towards our goal of being a leading hotel operator, providing a range of entertainment for all ages, and look forward to further growth over not only the course of the coming financial year, but subsequent years as well.

