



Chairman's address to Lantern AGM 18 November 2013

Fellow security holders, this past year has been one of transformation.

Transformation from a land and hotel owning business that leased the operations to third parties to one where we not only own the land and buildings but also we own the licences and operate the hotels, making us a complete business-- fully integrated.

The profit we recorded for the year ending June 30 2013 was \$3.7 million after tax compared to the prior year's loss of \$9.3 million. The \$3.7 million whilst an improvement reflects the early stages of our new model and the impact of a disruptive capital upgrade programme to some of our hotels.

The capital upgrade program continues and will during next year as well. This means that we don't expect our earnings to reflect outcomes from our reinvestment until during calendar year 2015.

Besides the 5 remaining hotels in New Zealand, that we are actively looking to exit, we own 14 hotels within Australia. Of those 14, 3 remain leased to third party operators. Of the 11 we own and operate, The Courthouse is in Cairns and the remainder are in NSW- predominantly in and around the Sydney basin.

Those near here that you could easily visit are; The Commodore on the North Shore, The Dolphin in Surry Hills and the recently acquired Crown Hotel also in Surry Hills and Five Dock. Besides two country based hotels, The Lawson Park in Mudgee and The Bowral hotel in Bowral the remainder are in Sydney - The General Gordon [in Sydenham], The Ambarvale Hotel in Campbelltown, El Toro Hotel and Motor inn [in Liverpool], The Five Dock Hotel in Five Dock, and Uncle Bucks [in Mt Druit].

Besides overseeing the significant change to Lantern's operating model the senior management team have been very busy improving the strength of the balance sheet and undertaking due diligence on potential new acquisitions.

The repayment of the \$78 million loan by the Panthers group was a significant achievement by the team and the receipt of this money has allowed the group to complete a new and forward looking banking arrangement with our principal bankers (CBA) with sufficient room within our new facilities to undertake further acquisitions.

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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Besides the changes to our frontline teams there have also been upgrades to our stock and profit control systems plus our compliance and control programs. In line with our announced plans about ongoing capital management, the company has purchased 88.7 million stapled securities on market at weighted a average price of 7.86c.

In closing, it has been a very busy year and whilst trading results have been negatively impacted by the ongoing capital works program the platform that is being built will provide a very firm foundation to support sustainable business operations and allow for growth in the years ahead.

We are pleased with the progress to date and look forward confidently to steady and profitable growth.

