Annexure—Schedule of Document

Doc No	Date	Description of Doc	Decision
1	16 Dec 2008	Board report from meeting 123 attaching: a. Corrs Chambers Westgarth Lawyers advice of 11 Dec 2008 b. Grant Samuel advice of Dec 2008 c. Appendix to Grant Samuel advice of Dec 2008	Release in full
2	15 April 2009	Board report from meeting 126	Release in full
3	18 Feb 2010	Board briefing paper from meeting 132	Release in full
4	15 April 2010	Resubmitted board briefing paper from meeting 133	Release in full
5	16 June 2010	Board briefing paper from meeting 134	Release in full
6	Aug 2010	Board brief power point slides	Release in full
7	1 Oct 2010	Board land acquisition proposal meeting 136 attaching: a. CBRE valuation of 26 May 2009 b. Appendix to CBRE valuation of 26 May 2008 c. Draft Baker and McKenzie advice of 27 Sep 2010 d. Grant Samuel advice of Sep 2010 e. Horwth HTL advice	Release in full
8	4 June 2009	Email to ILC director David Baffsky attaching financial model	Release in full
9	22 June 2009	Facsimile to ILC director Kevin Driscoll attaching trading results	Release in full
10	25 May 2010	Email to ILC director David Baffsky attaching cash flow projections	Release in full
11	Oct 2010	Grant Samuel sensitivity analysis	Release in full

Australian Government
Indigenous Land Corporation

ABN: 59 912 679 254
Freecall: 1800 818 490
Website: www.ilc.gov.au

STRATEGIC LAND ACQUISITION PROPOSAL

Special Board Meeting
Date: 16 December 2008

Project: Indigenous Resorts in Central & Northern Australia

Project ID: A3182

Stream: Socio-economic

Mechanism: Strategic Project

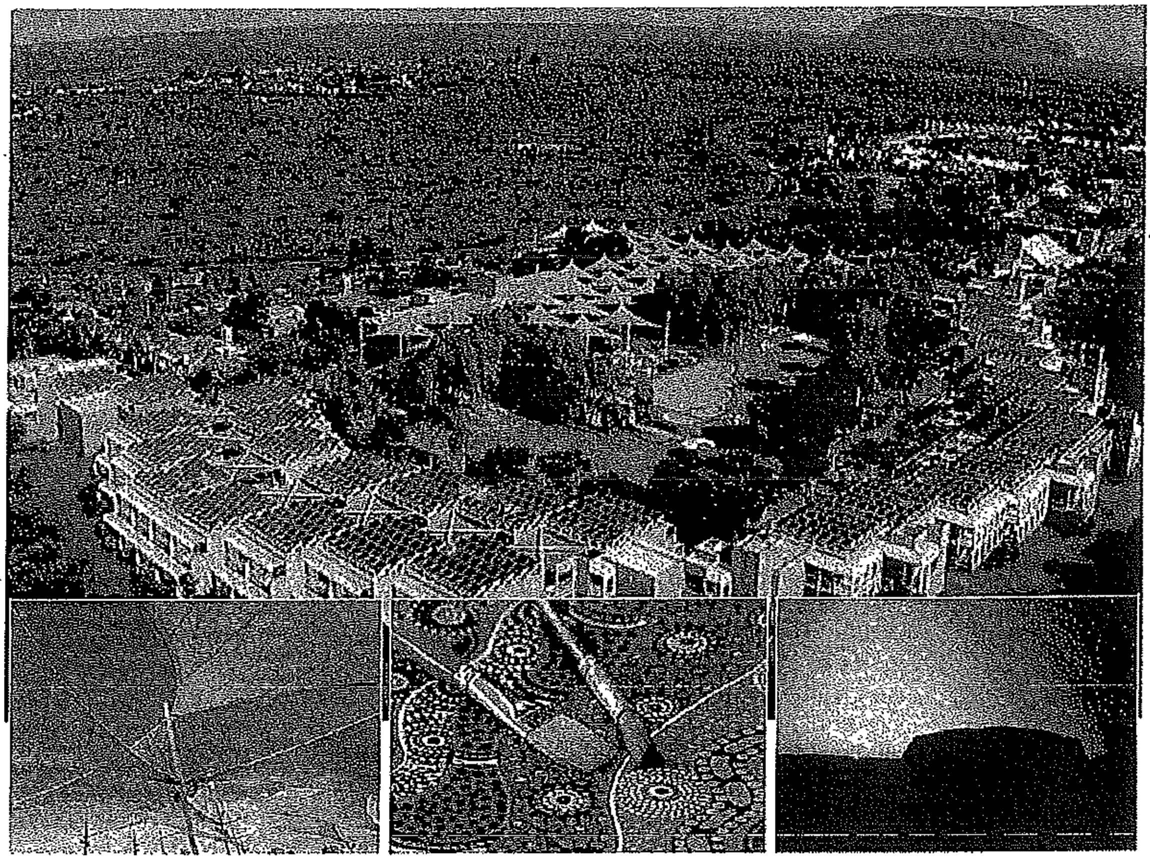


Table of Contents

Executive Summary 4

1. Background & Project Scope 7
1.1. Previous Board Discussions 7
1.2. Discussions with the Minister 7
1.3. Background of the project 8
1.4. The Business proposition 8
1.5. Uniqueness of the opportunity for the ILC 9
1.6. Project objectives 9
1.7. Project scope and timeframe 9
2. Rationale for the acquisition and benefits 10
2.1. Regional Context 10
2.2. Indigenous benefits to be delivered 12
2.2.1. Employment benefits to be delivered 12
2.2.2. Training participation 13
2.2.3. Generation of new or increased income 14
2.2.4. Expansion of the Indigenous estate 14
2.2.5. Maintenance of land of significant cultural value 14
2.3. Alignment with the ILC's strategic direction and need for ILC involvement 14
3. The Properties & Voyages Business 15
3.1. Ayers Rock Resort 15
3.1.1. Description of ARR 15
3.1.1. Market Position 15
3.1.2. Key infrastructure 16
3.1.3. Native title & Traditional Owners 18
3.1.4. Cultural and environmental heritage 18
3.2. Alice Springs Resort 19
3.2.1. Description of property 19
3.2.2. Market Position 19
3.2.3. Native title & Traditional Owners 19
3.2.4. Cultural and environmental heritage 20
3.3. Kings Canyon Resort 20
3.3.1. Description of property 20
3.3.2. Market Position 20
3.3.3. Native title & Traditional Owners 21
3.3.4. Cultural and environmental heritage 21
3.4. El Questro 22
3.2.1 Description of property 22
3.4.1. Market Position 22
3.4.2. Native title & Traditional Owners 23
3.4.3. Cultural and environmental heritage 23
3.5. Wrotham Park Lodge 24
3.2.1 Description of property 24
3.5.1. Market Position 24
3.5.2. Native title & Traditional Owners 25
3.5.3. Cultural and environmental heritage 25
3.6. The Voyages Business 25
3.6.1. Description of the business 25
3.6.2. Voyages – respecting and supporting local communities 25
3.6.3. Voyages – using sound environmental management practices 26
4. Due diligence 27
4.1. Overall analysis and options for the Business structure 27
4.2. Summary of Valuations 27
4.3. Property condition issues 27
4.4. Legal due diligence of the target assets and businesses 27

4.5. Financial due diligence 28
4.6. Specific due diligence 28
4.7. Legislative compliance 28
4.8. Wana Ungkunytja agreement 28
5. ILC Considerations and Risk Assessment 29
5.1. Developing and implementing the ILC's Training to Employment model 29
5.1.1. Education and Job Readiness 29
5.1.2. Recruitment and retention for direct employment 29
5.1.3. Recruitment and retention to the Training to Employment model 30
5.1.4. Cultural nuances and sensitivities 30
5.2. Costs of implementing training to employment model 30
5.2.1. Direct Recruitment 30
5.2.2. Training to Employment (National Training Academy) 30
5.2.3. School Based Sponsorship and Job Guarantee Project 31
5.3. Operators 31
5.4. Funding the acquisitions 31
5.4.1. ILC current financial position 31
5.4.2. Funding sources 34
5.5. Return on investment to ILC 34
5.5.1. Income available from the businesses to support the training model 34
5.6. SWOT analysis 34
5.7. Initial risk identification 35
6. PROJECT PHASE 1: Acquisitions & Project Planning 37
6.1. Governance of Phase 1 37
6.2. Project plan for Phase 1 if Board approves project 38
6.3. Stakeholders and Communication Strategy 39
6.4. Risk Management Plan development 40
7. Implementation: 40
- **Project Phase 2 Management of Businesses 40**
- **Project Phase 3 Grant of properties 40**

7.1. Project governance and management 40
7.2. Communication, marketing and change management strategy 41
7.3. Project monitoring, audit and evaluation 41
7.4. Divestment Strategies 42
7.4.1. Overview 42
7.4.2. Ayers Rock Resort 42
7.4.3. Alice Springs Resort 43
7.4.4. Kings Canyon Resort 43
7.4.5. Wrotham Park Lodge 43
7.4.6. El Questro 43

APPENDIX 1: Risk Identification and Treatments

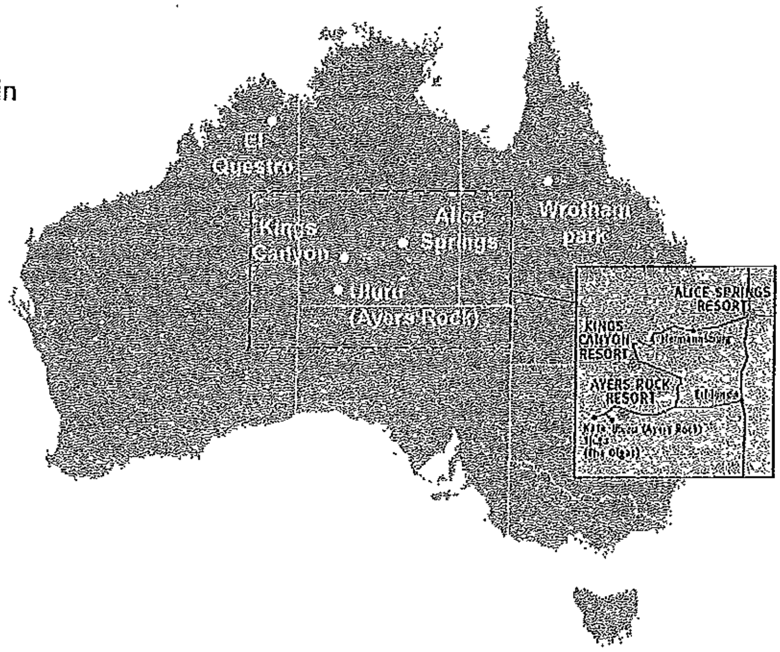
The documents listed below will be available at the meeting:
- Grant Samuel – ILC Board report
- Planned Property Management report
- Baker & McKenzie Solicitors report
- Horwath HTL report
- BeachFame report
- Corrs Chambers Westgarth Lawyers legal advice

EXECUTIVE SUMMARY

Project Title: Indigenous Resorts in Central & Northern Australia

Project ID: A3182

Stream: **Socio-**Economic



The Business proposal

- Acquisition of five tourism resorts with their operating businesses and a suitable management platform to operate the businesses.
- The resorts are owned by Global Property Trust (GPT) and include Ayers Rock Resort (ARR), Alice Springs Resort, Kings Canyon Resort, El Questro and Wrotham Park Lodge, and are offered for sale as a package collectively known as the *'Central Australian Assets'*.
- The properties were valued at $440m in 2007 and the global economic crisis may present a unique opportunity to acquire the resorts and their businesses off value weaknesses, at a time when there are limited investors in the market.
- Analysis by Grant Samuel suggests that the assets and businesses may be purchased for $290 million.
- Wana Ungkunytja Pty Ltd ("Wana Ungkunytja") has a pre-emptive right of first refusal to acquire Ayers Rock Resort and Alice Springs Resort under a Deed dated 3 December 1997. Wana Ungkyunytja approached the ILC regarding the opportunity to potentially acquire these assets, with the understanding that they are both significant and relevant to Indigenous people. The ILC and Wana Ungkunytja formed a consortium to investigate acquisition of the assets for which Wana Ungkunytja has right of first refusal, the other Central Australian assets (Kings Canyon Resort, El Questro and Wrotham Park Lodge), and the Voyages platform to manage the businesses.
- The Consortium is one of a small number of parties who have been invited to proceed to due diligence with final binding offers for the acquisitions due on 17 December 2008.

Due diligence

The ILC engaged the following parties to conduct due diligence on acquisition of the properties, the businesses and the Voyages platform:

1. Grant Samuel (coordination of due diligence and business structure proposal)
2. Planned Property Management (Property due diligence)
3. Baker & McKenzie Solicitors (Legal due diligence of the properties and businesses)
4. Horwath HTL (Accounting due diligence of the businesses)
5. BeachFame (Bob Teague - Specific due diligence)

6. Corrs Chambers Westgarth Lawyers (legal compliance of acquisitions)
7. Simon Barlow (Hotel expert)

The outcomes of their analyses are summarised in this Board paper, and their full reports are tabled at the Board meeting.

Indigenous benefits to be delivered – key opportunities

- Establishment of up to five Indigenous-controlled tourism enterprises
- Employment of 300 Indigenous staff in the resorts by 2013 and 400 by 2016 (representing 40% and 50% respectively of existing employment in the resorts). The resorts and their operating businesses currently employ almost 900 people, with only 10 being Indigenous.
- Development of a national Indigenous tourism and hospitality training academy at Yulara that produces accredited Indigenous graduates and transitions them to employment in the acquired resorts and mainstream tourism and hospitality industries, including through the Aboriginal Employment Covenant
- The acquisition of land of significant cultural value to Indigenous people
- Granting of over 378, 000 ha of acquired land to appropriate Indigenous title holding bodies, on condition of negotiated lease-back agreements of up to 99 years
- Build partnerships and programs with local Indigenous communities, including Mutitjulu, to support the education and training of Indigenous youth and to assist their transition into employment in the resorts and the tourism industry.

This project is an opportunity to create real jobs and economic development for the significantly disadvantaged communities in the vicinity of the resorts, and to provide training and job opportunities for Indigenous people from other parts of the country.

Costs of acquisitions and project

Acquisition of Central Australian Assets	$282.0m	
Acquisition of balance of Kings Canyon Resort	$ 8.0m	
Capital expenditure for infrastructure/modernisation	$ 93.4m	($79.6m at ARR)
Management of the businesses (for at least the first 2 years)	$ 32.9m	
Delivery of the employment and training model (capital)	$ 1.5m	
Delivery of the employment and training model (operational)	$ 0.86m pa	

Income and Financial Returns

Cash Flows from Central Australian Assets ($ millions) (Grant Samuel)

	2009F	2010F	2011F	2012F	2013F
EBITDA					
Ayers Rock Resort	18.5	21.3	30.2	33.6	37.1
Alice Springs Resort	0.9	1.1	1.4	1.4	1.4
Kings Canyon Resort	1.2	1.4	2.2	2.7	3.1
El Questro	1.0	1.2	1.5	1.6	1.6
Wrotham Park	(0.4)	(0.5)	(0.5)	(0.6)	(0.5)
Total EBITDA	**21.2**	**24.5**	**34.8**	**38.7**	**42.7**
Less:					
Net interest paid	(5.9)	(6.8)	(8.0)	(8.6)	(7.9)
Working Capital[1]	1.0	(0.7)	(1.7)	(0.7)	(0.6)
Capital expenditure	(23.7)	(42.5)	(12.1)	(7.8)	(9.5)
Net Cashflows	**(7.4)**	**(25.5)**	**13.0**	**21.6**	**24.8**

Note: 1. Reflects movement in working capital

Cash flow from the resorts and operating businesses

The above table, prepared by Grant Samuel, assumes the acquisition to be debt funded as to 30% and future capital expenditure is fully debt funded. Given the significant capital expenditure requirements in 2009 and 2010, the loan to value ratio is just under 60% in 2010. However, as stated below in section 5.4.2, the ILC may need considerably more borrowings.

Key risks

- The need for the ILC to borrow up to $300m, especially given the uncertainty of income from the Aboriginal and Torres Strait Islander Land Account and the world economic crisis that will impact adversely on tourism
- The negative returns from the businesses in the first two years
- The need to expend an estimated $93.4m on capital expenditure for infrastructure/ modernisation of the resorts
- Native Title issues impacting variously on the properties
- Environmental contamination issues on some properties that could be costly to remedy
- Assuming responsibility for municipal services and governance for the township of Yulara and administration of the airport

1. Background & Project Scope

1.1. Previous Board Discussions

At its Meeting No 121 of 27 August 2008, the Board indicated its support for the ILC to pursue the acquisition of ARR. At its Meeting No 122 of 22 October 2008, the Board made the following decision:

That the Board:

- ***Notes that the ILC has progressed to the second round of the purchase process regarding Ayers Rock, Alice Springs, Kings Canyon, El Questro and Wrotham Park Resorts.***
- ***Notes and approves that Grant Samuel's fee for progressing the due diligence regarding the above properties will be $70,000 per month, for a maximum of three months, and rebatable against the completion fee, as below.***
- ***Notes, in the event that the ILC completes the acquisition of part or all of the Voyages Hotels and Resorts portfolio, either on its own or as a member of a consortium, the completion fee of one per cent of the total consideration paid or payable in respect of the transaction.***
- ***Notes that out of pocket expenses (including travel and accommodation costs) will also be reimbursed by the ILC to Grant Samuel, with prior approval of the ILC to be obtained for any of these expenses.***
- ***Authorises the General Manager to sign the agreement with Grant Samuel on the above terms and to engage other specialists/consultants for the due diligence, as required.***

Moved: Director Baffsky
Seconded: Director Goolagong-Cawley
Carried

1.2. Discussions with the Minister

On 25 September 2008 the Chairperson and the General Manager met with Minister Macklin and, among other matters, discussed the ILC's possible purchase of ARR. The Chairperson floated with the Minister the possibility of having $100m of the Land Account's funds forward-committed to the ILC for the purchase of the resort. The Minister indicated she would not support such a measure as she wished to preserve the capital value of the Land Account. The Minister also indicated that she would not like to see the ILC use any of its existing funds on the project as it would be detrimental to other projects and other regions across Australia. She believed that the ILC was doing very good work through its current programs and it would be unfair to divert those resources into one project. However, she indicated that if the ILC could fund the proposal through borrowings that did not draw on the ILC's existing resources, then she would have no difficulty with the ILC pursuing the possible purchase.

The Minister also asked whether the ILC could discuss joint funding of the project with IBA. The General Manager subsequently contacted the IBA General Manager who stated that IBA was not overly interested in the project and if it was interested it would only commit up to $20m of its own funds. Further discussions revealed that IBA was not interested in pursuing the acquisition of ARR.

1.3. Background of the project

GPT Group ("GPT") is one of Australia's largest listed property groups. GPT has decided to sell some assets in its hotel and tourism portfolio, Voyages Hotels & Resorts ("Voyages"). The Voyages portfolio includes 21 hotels, resorts and lodges. Of these assets there are five businesses located in central and northern mainland Australia:

- Ayers Rock Resort;
- Alice Springs Resort;
- Kings Canyon Resort;
- El Questro Wilderness Park & Homestead ("El Questro"); and
- Wrotham Park Lodge;

(collectively referred to as the "Central Australian Assets"). GPT has appointed Jones Lang LaSalle ("JLL") to sell the assets.

Wana Ungkunytja Pty Ltd ("Wana Ungkunytja") has a pre-emptive right of first refusal to acquire Ayers Rock Resort and Alice Springs Resort under a Deed dated 3 December 1997. Wana Ungkyunytja has approached the ILC regarding the opportunity to potentially acquire these assets, with the understanding that they are both significant and relevant to Indigenous people. The ILC and Wana Ungkunytja formed a consortium (the "Consortium") to investigate acquisition of the assets for which Wana Ungkunytja has right of first refusal, the other Central Australian assets (Kings Canyon Resort, El Questro and Wrotham Park Lodge), and the Voyages platform to manage the businesses.

The Consortium is one of a small number of parties who have been invited to proceed to due diligence with final binding offers for the acquisitions due on 17 December 2008.

The ILC engaged the following parties to conduct due diligence on acquisition of the properties, the businesses and the Voyages platform:

1. Grant Samuel (coordination of due diligence and business structure proposal)
2. Planned Property Management (Property due diligence)
3. Baker & McKenzie Solicitors (Legal due diligence of the properties and businesses)
4. Horwath HTL (Accounting due diligence of the businesses)
5. BeachFame (Bob Teague - Specific due diligence)
6. Corrs Chambers Westgarth Lawyers (legal compliance of acquisitions)
7. Simon Barlow (Hotel expert)

This Board Paper describes the results of the due diligence, and presents the business case for the acquisitions for the Board's consideration.

1.4. The Business proposition

The proposal is that the ILC acquire the *Central Australian Assets* and an appropriate management platform to operate the businesses.

Approximately 881 people are currently employed across the Central Australian Assets, of which only 10 are Indigenous. Therefore, there is a significant opportunity to create Indigenous-controlled tourism enterprises and over 300 Indigenous jobs in these resorts by the fifth year of operation.

The **vision** is:

- To establish up to five Indigenous-controlled tourism enterprises that employ significant numbers of Indigenous staff;
- To establish a national Indigenous tourism and hospitality training academy at Yulara that produces accredited Indigenous graduates and transitions them to employment in the Resorts and mainstream tourism and hospitality industries, including through the Aboriginal Employment Covenant;
- To acquire land of significant cultural value and to grant that land to appropriate Indigenous title holding bodies, with arrangements that allow the continuing operation of the Resorts and their businesses;
- For the ILC to work in partnership with local Indigenous communities to train Indigenous youth and assist their transition into employment in the resorts and the tourism industry.

1.5. Uniqueness of the opportunity for the ILC

These properties were valued at $440 million in 2007. Due to the global financial crisis, there may be a unique timing opportunity to buy off value weakness and when there are only a few investors in the market.

The prospective purchase price of $290 million represents a possible opportunity for the ILC to attempt to acquire the land and the businesses for the interests and benefits of Indigenous people.

This project represents an opportunity to create real jobs in land-based tourism and will contribute significant flow-on economic, environmental, social and cultural benefits for Indigenous people in regions that severely lack economic development opportunities and that suffer chronic social disadvantage. Through the Academy, the ILC would be a source of recruits in response to the Australian tourism industry's demand for work ready and trained Indigenous employees.

1.6. Project objectives

1. Acquire ARR, Alice Springs Resort, Kings Canyon Resort, El Questro and Wrotham Park Lodge to establish five Indigenous-controlled tourism enterprises
2. Employ up to 40% Indigenous staff in the resorts by 2013 and greater than 50% by 2018 and beyond;
3. Develop a national Indigenous tourism and hospitality training academy at Yulara that will produce accredited Indigenous graduates and transition them to employment in the Resorts and mainstream tourism and hospitality industries, including through the Aboriginal Employment Covenant;
4. Grant the acquired land to Indigenous title holding bodies under appropriate arrangements, on condition of negotiated lease-back agreements of up to 99 years;
5. Build partnerships and programs with local Indigenous communities, including Mutitjulu, to support the education and training of Indigenous youth and to assist their transition into employment in the resorts and the tourism industry.

1.7. Project scope and timeframe

If the Board approves the acquisitions, the project will involve the following three phases:

PHASE 1: ACQUISITIONS & BUSINESS MANAGEMENT PLANNING

1. A bid will be made to acquire the properties and Voyages platform.

2. If the bid is successful, lawyers, Baker & McKenzie have indicated that it will take at least three months from completion of the acquisitions to settlement.

3. During this 3 month period, the following planning will be completed by the ILC and a comprehensive Project Plan will be presented to the Board that includes the following detailed reports:
   a) Project Governance report describing roles and responsibilities of Voyages and the ILC;
   b) Human resource plan including recruitment and retention of key staff;
   c) Communication, marketing and change management strategy;
   d) Revised project risk treatment plan including how the businesses will be managed in accordance with ILC policies and legislation; and
   e) Plan for development of divestment strategies for the properties.

PHASE 2: MANAGEMENT OF THE BUSINESSES

1. Development of Indigenous employment and training plan describing how the employment model will be implemented in the businesses.

2. Properties and businesses managed in accordance with Project Plan.

3. Monitoring and evaluation of the progress and success of the project through regular reports to the Board and the Audit and Risk Committee.

PHASE 3: GRANT OF THE PROPERTIES & ONGOING OPERATION

1. Grant of the properties to Indigenous organisations, with land leased back, for up to 99 years, to the ILC where required.

2. Rationale for the acquisition and benefits

2.1. Regional Context

Mutitjulu, a community of 217 Indigenous people[1], is situated less than 30 km from ARR. The Mutitjulu community has been identified as a community in extreme need by a variety of Indigenous organisations and government departments. There are significant issues with education, health, housing, and alcohol and drug abuse including petrol sniffing.

Mutitjulu came into the public spotlight in 2006 through reports of sexual abuse including in exchange for petrol for petrol-sniffers. The ABC's *Lateline* report described the story as one of "despair and addiction to alcohol, marijuana and petrol sniffing. It's a story of Government failure".

People of Mutitjulu are joint managers of the Uluṟu-Kata Tjuta National Park, which is 1,325km^2, with Parks Australia, and receive royalties from Uluṟu and Yulara. Andrews (2006[2]) describes

[1] Australian Bureau of Statistics, 2006 Census.

[2] G. Andrews (2006). Mutitjulu Tjungu Waakaripayi Project 'Working Together' Discussion Paper

dependency on passively derived income sources (welfare, royalty payments and unconditional free service provision) as a significant contributing factor to the social dysfunction currently facing Mutitjulu. Around 70% of adults in Mutitjulu receive welfare payments and two-thirds of residents' income is passively derived. Most working-age residents rely on passive welfare as their primary source of income and participate in the market economy only to 'top up' their welfare payments.

"The primary sources of actively derived income earnings are employment activities at MCI and Uluru-Kata Tjuta National Park. Other significant employers include Anangu Tours and Mutitjulu Health Clinic. ***No Anangu residents of Mutitjulu work at the Yulara resort.***"[2] (emphasis added)

Other communities Hermannsburg (Ntaria), Imanpa, Kaltukatjara (Docker River) and in Alice Springs itself, face similar issues and disadvantage statistics (refer to Table 1).

Unemployment in these areas is described as long-term, chronic and often intergenerational, and as "the fundamental cause of many of the problems commonly associated with Aboriginal people in the Northern Territory (eg., health problems, substance abuse, violence, poor school retention rates, high crime and incarceration rates and anti-social behaviour problems)"[3].

Table 1 2006 Census data - Indigenous statistics on population, labour force and individual income for locations in the vicinity of the Resorts

	Indigenous population	No. employed	No. unemployed	No. over 15 years not in labour force	Avg Individual weekly income
Mutitjulu	217	27	5	117	$209
Imanpa	131	*Data not available*			
Kaltukatjara (Docker River)	341	34	3	179	$186
Hermannsburg (Ntaria)	506	80	11	208	$210
Alice Springs	4,494	1109	126	1371	$248
Wyndham	178	85	6	29	$237
Kununurra	993	286	14	287	$275
Chillagoe	55	*Data not available*			

[3] G. Phelps and T. Linn (2002). Indigenous Employment and Training at the Alice Springs Desert Park

2.2. Indigenous benefits to be delivered

The acquisition of the properties and operation of the businesses will deliver the following categories of benefits:

- Employment creation
- Training participation
- Generation of new or increased income
- Creation of up to five Indigenous-controlled tourism enterprises
- Expansion of the Indigenous estate
- Maintenance of land of cultural significance

2.2.1. Employment benefits to be delivered

Currently, only 10 of the 881 staff employed at the resorts are Indigenous. The Indigenous staff are employed in the following roles:

- 7 at ARR (1 Tour Guide; 1 Housekeeping; 1 Residents Club Assistant Manager; 1 Landscaping Gardener; 1 Kitchen Steward; 1 Chef Apprentice; 1 Kitchen Steward Shift Leader).
- 2 at Alice Springs Resort (1 Laundry Attendant; 1 Room Attendant)
- 1 at El Questro (1 General Hand)
- 0 at Kings Canyon or Wrotham Park

Table 2 gives a summary of the staff employed at each of the Central Australian Assets. It excludes employees employed in the Voyages business.

Table 2 Current employment at each resort and full-time equivalents (FTE)

	Full Time	Part Time	Casual	Grand Total	FTE[1]
Ayers Rock Resort	527	74	28	629	571
Alice Springs Resort	34	19	27	80	51
Kings Canyon	73	-	10	83	76
El Questro	79	-	-	79	79
Wrotham park	8	-	2	10	8
Total	**721**	**93**	**67**	**881**	**785**

Source: Horwath

Note 1 Theoretical FTE based on a conversion of 2 part-time = 1 FTE and 4 casual = 1 FTE

Table 3 Employment opportunities in each of the resorts

Number of existing jobs	Full time	Part time	Casual	Trainee / apprentice / cadet	Total
Target for Indigenous jobs in 2009/10					
Ayers Rock Resort	20	8	2	40	70
Alice Springs Resort	2	2	2	2	8
Kings Canyon Resort	4		2	10	17
El Questro	5			10	15
Wrotham Park	1				
TOTAL	62	10	6	62	110
Target for Indigenous jobs in 2010/11					
Ayers Rock Resort	80	16	4	40	100
Alice Springs Resort	6	4	4	2	14
Kings Canyon Resort	8		2	10	20
El Questro	10			10	20
Wrotham Park	2				
TOTAL	106	20	10	62	154
Target for Indigenous jobs in 2011/12					
Ayers Rock Resort	140	20	6	40	166
Alice Springs Resort	10	8	4	2	24
Kings Canyon Resort	15		5	10	35
El Questro	20			10	30
Wrotham Park	2				
TOTAL	187	28	15	62	255

NB These are point in time figures. Factoring in turnover, the number of people placed in employment will need to be in excess of 500.

2.2.2. *Training participation*

There is an opportunity to dramatically increase the share of jobs held by Aboriginal or Torres Strait Islander people (The Beachfame Due Diligence Report indicates that annual staff turnover is over 100%). Job offers could be lodged with the Australian Employment Covenant which would support the effort by locating jobseekers, provide pre-employment training where necessary and support for on-site mentoring.

The vision is to also develop Yulara to be a national Indigenous tourism and hospitality training academy that will produce accredited Indigenous graduates (including trainees, apprentices and management cadets) and transition them to employment in the Resorts and mainstream tourism and hospitality industries. The scale of training would enable a Registered Training Organisation (possibly Indigenous-operated) to establish a permanent presence at Yulara. Home Valley/El Questro, Mossman Gorge, Kings Canyon and the National Indigenous Development Centre could become Annexes of the Academy.

It is also proposed to establish a sponsorship/job guarantee program at the local Nyangatjatjara secondary college and Tirara College in Alice Springs.

2.2.3. *Generation of new or increased income*

Regional tourism is well known as generating economic (income and employment), socio-cultural and environmental benefits for local communities[4]

2.2.4. *Expansion of the Indigenous estate*

Acquisition of the five Resorts would see 378,236 hectares secured in the Indigenous estate as illustrated in Table 4.

Table 4 Areas (ha) of land of each property

Property	Hectares
Ayers Rock Resort	104,000
Alice Springs Resort	362
Kings Canyon Resort	285
El Questro	273,489
Wrotham Park Lodge	100
Total	**378,236**

Granting of the acquired land to appropriate Indigenous title holding bodies would take place on condition of negotiated lease-back agreements of up to 99 years and could occur within three to five years.

2.2.5. *Maintenance of land of significant cultural value*

As described in Section 3 of the report, there are significant cultural values on some properties. Indigenous-control of these properties will help ensure that the values are maintained and protected.

2.3. Alignment with the ILC's strategic direction and need for ILC involvement

Acquisition of these properties and businesses to create employment and training outcomes aligns with the ILC's key priorities described in the National Indigenous Land Strategy (NILS). It is also consistent with the Government's priorities. The employment outcomes, and the flow-on benefits that the project will produce, will contribute significantly to the Government's Closing the Gap, Overcoming Indigenous Disadvantage and the Aboriginal Employment Covenant targets.

The ILC's priority of working collaboratively with other agencies, organisations and industries will include the following:

- DEEWR contributions to resourcing of traineeships (through existing MoU as per the ILC Pastoral Businesses)
- State/Territory training authorities for funds for vocational training
- IBA for the establishment of contracting enterprises
- Group Training Australia and Registered Training Organisations

[4] Hossain, A., Heaney, L., and Carter, P. (2005). *Cultural tourism in regions of Australia*, Tourism Research Australia, Canberra.

- Nyangatjatjara College (independent Indigenous school at Yulara) and Yirara College in Alice Springs
- Tourism Training Australia and NT Tourism to assist with marketing and industry training requirements
- Major hotel chains for job opportunities

The acquisition of these properties falls within the functions of the ILC and is extremely unlikely to be achieved through another Government initiative. This project is an extension of the ILC's current work with its pastoral and tourism businesses, and development of its Training to Employment model, which can be applied to secure Indigenous employment outcomes.

3. The Properties & Voyages Business

3.1. Ayers Rock Resort

3.1.1. Description of ARR

ARR is uniquely located adjacent to the Uluru-Kata Tjuta National Park. It is the only resort within several hundred kilometres of this landmark and is the principal economic driver in the South West region of the Northern Territory. The resort as it is currently managed, operates not just the eight accommodation choices, but also the township of Yulara which includes a visitor's centre, a shopping square, petrol station, and a conference centre. It also has the leasehold interest in Ayers Rock Airport, and manages out-of-room experiences such as tours.

3.1.1. Market Position

ARR is the key asset and the largest asset of the Central Australian Assets. It represents 80% of total revenue for the Central Australian Assets in 2008.

ARR is one of Australia's leading experiential destinations. It captures the essence of the Australian outback and provides visitors with access to the unique cultural and natural experience of the Uluru-Kata Tjuta National Park.

Within the National Park, the key attraction for visitors is underpinned by the region's Indigenous culture and natural landscapes. The visitor experience is supported by a wide range of touring options which feature strong educational themes.

The resort essentially enjoys a monopolistic situation in its location to the unique attractions and further commercial development is extremely unlikely. The nearest alternative accommodation is located in Alice Springs approximately 461km away.

ARR's wide accommodation offering (from the five-star Sails in the Desert or the Desert Gardens Hotel, to the self contained Emu Walk Apartments, the Lost Camel Hotel, the Outback Pioneer Hotel and Lodge and the Ayers Rock Campground offering powered campsites and air conditioned cabins), caters to a wide range of market segments, including tour groups, free independent travellers, families and backpackers.

3.1.2. Key infrastructure

Ayers Rock (Connellan) Airport is the gateway to the Uluru-Kata Tjuta National Park and is situated approximately 7 km from ARR. The Ayers Rock Airport is owned by the Northern Territory Government and leased on a long term basis by the Resort.

Significantly upgraded in 1996, the Airport encompasses a terminal building and runway that is capable of servicing fully loaded Boeing 737s and Airbus A320s. The terminal also includes a general aviation area, car rental and associated tour company support services.

The Resort has considerable infrastructure and maintenance facilities which support the overall property. Management and staff are accommodated in over 700 units and dwellings which range in size from shared accommodation through to free standing homes. A number of dwellings are also leased to third parties such as concessionaires, tenants and other service providers for commercial rentals. Staff facilities include swimming pools, a recreation centre, bar and restaurant and sporting facilities and extensive maintenance facilities.

Table 5 Summary of Ayers Rock Resort

Location	Adjacent to the world heritage listed Uluru-Kata Tjuta National Park, 30 km north-west of the based of Uluru (Ayers Rock) and 60 km from Kata Tjuta (the Olgas).
Title / Tenure	Freehold site Ayers Rock Airport owned by NT Government and leased on a long term basis by the Resort
Area	104,000 ha
Land use	8 resorts and facilities
Year opened	Developed in 1984 to cater for growing international and domestic travel to Uluru and Kata Tjuta.
Access	Air access to the Resort's Airport from Alice Springs, Perth, Cairns and Sydney. Coach and car access also available from Alice Springs (465 kilometres to the north east) via the Lasseter Highway, off the Stuart Highway.
Guest rooms ***refer to Table 6 for details**	Longitude 131° - 15 luxury tents Sails in the Desert – 232 luxury rooms Desert Gardens Hotel – 218 deluxe rooms Outback Pioneer Hotel – 137 mid market rooms Emu Walk Apartments - 60 serviced apartments The Lost Camel – 99 mid market rooms Outback Pioneer Lodge – 332 backpacker beds Ayers Rock Campground – 421 campground and caravan sites
Other Amenities and Facilities	The Resort encompasses the town of Yulara and manages all aspects of Yulara other than statutory services (e.g. police and fire station, government funded school, power, water, ambulance and royal flying doctor medical service etc). These include retail shopping centre, petrol station, visitor information centre, various food and retail outlets, spa, conference centre and recreational facilities
Infrastructure	The ARR also leases and operates the nearby Ayers Rock (Connellan) Airport
Closest Indigenous populations	Mititjulu, Imanpa, Kaltukatjara (Docker River)
Native Title	Unsuccessful native title claim for compensation; limited issues due to freehold nature of title
Cultural values	High cultural value of surrounding lands
Environmental values	High biodiversity values on some areas of the land

Table 6 Summary of Hotels of Ayers Rock Resort

Hotel	Style & Rating	Facilities	Average Room Rate (2007)
Longitude 131°	Luxury ☆☆☆☆☆	• 15 luxury tents with views of Uluru • Dune House restaurant • Swimming pool • Library	$712 - Includes all meals, beverages and touring
Sails in the Desert Hotel	Luxury ☆☆☆☆☆	• 232 guest rooms & suites • 3 restaurants and Bar • Swimming pool • Spa • Art gallery and retail outlet • Tennis courts	$286 - Room only
Desert Gardens Hotel	Deluxe ☆☆☆☆ 1/2	• 218 guest rooms • 2 restaurants and Bar • Swimming pool • Retail outlet • Guest laundry	$239 - Room only
Emu Walk Apartments	Serviced Apartments ☆☆☆☆	• 60 one and two bedroom apartments • Access to recreational facilities and food and beverage outlets at Desert Gardens	$223 - Room only
The Lost Camel	Mid market ☆☆☆ 1/2	• 99 studio rooms • Lobby bar • Swimming pool • Access to Town Square cafés and bars and Desert Gardens facilities	$197 - Room only
Outback Pioneer Hotel & Lodge	☆☆☆ 1/2 Backpacker	• 125 standard hotel rooms • 42 budget rooms • 168-bed dormitory-style lodge • Restaurant and Bar • Self-cook kitchens • Retail outlet	$189 - Room only
Ayers Rock Campground	Camping/budget N/A	• 14 A/C cabins • 14 village tents • 201 powered caravan sites • 220 standard tent sites • Communal cooking facilities • Guest laundry • Convenience store • BBQ areas • Pool	Various

3.1.3. *Native title & Traditional Owners*

ARR, comprising 104,000 hectares, and Uluru-Kata Tjuta National Park are located in the traditional lands of the Pitjantjatjara and Yankunytjatjara Aboriginal people (locally known as Anangu). They are surrounded by the Katiti and Petterman Aboriginal Land Trusts and the Mutitjulu Community sits within the Uluru -Kata Tjuta National Park. The majority of the people at Mutitjulu are Pitjantjatjara but there are also associated Yankunytjatjara and Ngaanyatjarra with the languages spoken being Pitjantjatjara, Luritja and Yangkunytjatjara. The Arrernte people also have a traditional relationship with Uluru.

Given that the majority of the Ayres Rock Resort land (except for the airport) is freehold, this will limit the likely impact of native title claims since the grant of freehold land generally extinguishes native title.

The case in Jango v Northern Territory of Australia [2006] FCA 318 involved a claim for compensation over Yulara under s 61(1) of the Native Title Act 1993 (Cth) (NTA). To be successful in the claim for compensation the claimant group were required to establish that they had native title rights and interests over the area at the time the 'compensation acts occurred'. It was ultimately found that the applicants failed to establish critical elements of the threshold issue – namely, that the applicants observed and acknowledged the traditional laws and customs of the Western Desert bloc as pleaded[5].

Traditional Owners were handed the title deeds of Uluru-Kata Tjuta National Park in 1985 by the Australian Government. The land was leased back to the Government for 99 years. Traditional Owners now make up the majority of directors on the Board of Management for Uluru-Kata Tjuta National Park, which is operated by Parks Australia. The Traditional Owners for the ARR property are likely to be the same as those granted titled to Uluru.

3.1.4. *Cultural and environmental heritage*

Uluru - Kata Tjuta National Park is one of the few properties inscribed on the World Heritage List for both its natural and cultural values. The huge rock formations of Uluru and Kata Tjuta are remarkable geological and landform features set in a contrasting, relatively flat, sand-plain environment. They are a part of an important cultural landscape and have special significance to Anangu. Rock art in the caves around the base of Uluru are evidence of the enduring cultural traditions of Anangu. The Kata Tjuta area is sacred under Anangu men's law and, as such, detailed knowledge of it is restricted.

The ARR land has had multiple surveys of its ecological values. It is known to have a variety of species of flora and fauna, including over 566 plant species, 24 species of native mammals, 161 species of birds, and 72 reptiles. Threatened species exist, such as the Mulgara (a small marsupial) and the Great Desert Skink. These species are reported to be faring well under the mosaic-burning regime that is being used. Since the development of ARR, consideration has been given to preserving the environment and emphasis has been placed on the cultural importance of the surroundings. The position of the Resort adjacent to the joint managed National Park facilitates sound environmental management of the biodiversity values on the Resort land.

The resort was also designed to integrate with the landscape, to minimise use of energy and allow the resort to handle the temperature extremes of the region. Buildings have been positioned to shade each other, double roofs, bull-nosed verandas and fabric roofs and sails are used to shade guests and external walls.

[5] AIATSIS (2007). Jango: Native Title Compensation Determination. http://ntru.aiatsis.gov.au/research/jango/jango.html

3.2. Alice Springs Resort

3.2.1. Description of property

Table 7 Summary of Alice Springs Resort

Location:	Within walking distance of Alice Springs' town centre.
Title / Tenure:	Freehold (main resort) Leasehold (surplus land)
Zoning:	B3 – Tourist / Commercial
Area:	229 ha + adjoining vacant 133 ha
Land use:	Four star deluxe resort
Year opened	Originally built in the 1960's, subsequent upgrades
Access:	Major airport in Alice Springs with daily services from Darwin, Sydney, Melbourne, Perth, Adelaide, and to ARR. By vehicle from the Stuart Highway, and the Darwin to Adelaide rail link (Ghan) has weekly services.
Guest rooms:	139 guest rooms
Price structure:	Room only
Food and Beverage:	Barra on Todd Restaurant, The Barra Bar, Barra Poolside Bar
Other Amenities and Facilities:	Gumtree conference room with dedicated bar Outdoor heated swimming pool
Infrastructure	Main utilities supply
Closest Indigenous populations	Alice Springs
Native Title	Traditional Owners are the Arrernte peoples; No native title claims
Cultural values	Limited information, but potentially scar trees on vacant land
Environmental values	Limited information, but Coolabah swamp area is likely to have significant biodiversity value

3.2.2. Market Position

Due to the quality of the Resort, the Alice Springs Resort is the market leader within its competitive set, attracting a mix of leisure, corporate and government guests. This strong market mix and the opportunities within the conference market, positions the property to achieve further growth in the future.

The Alice Springs Resort has a conference centre that can cater for 1,200 guests. Natural attractions and the Indigenous art industry also draw visitors to Alice Springs. However, Uluru remains the most popular and iconic tourist attraction

3.2.3. Native title & Traditional Owners

Traditional Owners are the Arrernte peoples. There are a number of opportunities to enhance Aboriginal employment and business development within Alice Springs through the Alice Springs Resort. See section 7.4.3.

3.2.4. *Cultural and environmental heritage*

Limited information was able to be sourced from the Virtual Data Room about whether cultural and environmental heritage values are present on the Alice Springs Resort and vacant land. However, its location on the Todd River and the size of the properties (229 ha & 133 ha) suggests that it includes Coolabah swamp which has high biodiversity value, and potentially scar trees. Further investigation and visitation of the properties would be required to confirm the presence of these values and the impact that these values may have on future development.

3.3. Kings Canyon Resort

3.3.1. *Description of property*

Table 8 Summary of Kings Canyon Resort

Location:	Bounded by the Watarrka National Park in central Australia. The resort is 461 km (4.5 hours drive) west of Alice Springs or 300 km by the Red Centre Way (Meerenie Loop Road), and 300 km (3 hours drive) north of ARR. Kings Canyon Resort is 7 km from the entrance to Kings Canyon.
Title / Tenure:	Freehold - main resort Leasehold - bush camping area
Zoning:	Tourist Resort (consistent with conservation of the natural environment)
Area:	285 hectares
Land use:	4 and a half star resort and camping / caravan sites
Year opened:	1991
Access:	Most access by car or coach from both Uluru and Alice Springs via Luritja Road and the Lasseter Highway. Air strip in the region which is suitable for light private or charter aircraft.
Guest rooms:	128 guest rooms; 36 budget lodge rooms; 66 caravan sites; 83 camping sites; Bush Camping Area
Price structure:	Room Only
Food and Beverage:	Carmichael's Restaurant; Sounds of Firelight; Outback BBQ & Grill; Desert Oaks Café; George Gill Bar
Other Amenities and Facilities:	Two swimming pools; Tennis court; Guest laundry; General store; Petrol station; Meeting room; Helipad
Staff Accommodation:	53 accommodation units with various bedding configurations to accommodate up to 70 staff
Infrastructure:	Mains utilities supply
Closest Indigenous population:	Imanpa; Hermannsburg (Ntaria)
Native Title:	No native title claims or determinations
Cultural values:	Limited information
Environmental values:	Limited information, but potentially biodiversity values given position within the National Park and land management practices

3.3.2. *Market Position*

Kings Canyon Resort is located 300 kilometres from the ARR. Its tourism experience is based on the attractiveness of Watarrka National Park and its unique rock formations, numerous waterholes and vegetation. The park offers a range of walking trails and areas to explore. The Kings Canyon

Resort is the most significant and closest accommodation facility in the immediate area servicing tourists to Kings Canyon.

The situation of Kings Canyon on the Mereenie Loop Road allows private 4WD vehicles to complete a round trip from Ayers Rock or Alice Springs without having to back track.

Kings Canyon Resort is the largest and leading accommodation provider in the area and caters for this destination's two largest market segments, self drive visitors and coach tours.

3.3.3. Native title & Traditional Owners

Kings Canyon Resort is currently majority Aboriginal owned[6] and it is surrounded by a number of small Aboriginal communities who have traditional affiliations with the Watarrka National Park and the Kings Canyon Resort. The surrounding areas are traditional and significant Western Arunta and Luritja lands. The National Park is managed by the Northern Territory Department of Natural Resources, Environment, The Arts and Sport. The Watarrka National Park is managed by a Board of Management that includes traditional Aboriginal representation. The relationship between the Kings Canyon Resort and the Watarrka National Park is critical to the successful operation of both entities.

Native title searches did not reveal any claims or determinations current over the Kings Canyon area. There is an ILUA over Watarrka National Park between the Central Land Council and the Northern Territory, that deals with the grant of freehold title over the Park, the lease of the Park to the Territory, execution of the Joint Management Deed and actions taken in accordance with the Plan of Management for the Watarrka National Park.

3.3.4. Cultural and environmental heritage

Little information was available in the Virtual Data Room about the presence of cultural and/or environmental heritage values on the Kings Canyon Resort land. Given the size of the property (285 hectares) and its location within the Watarrka National Park, it is likely that significant biodiversity values are present. The close relationship between the Resort and the National Park, would ensure that the land management practices used were effective in maintaining and preserving any biodiversity values.

6 Voyages owns 46% of the units in the Kings Canyon (Watarrka) Resort Trust (KC Trust), which owns and operates the King's Canyon Resort. The remainder of the units are owned by Indigenous Business Australia (IBA) and CentreCorp Aboriginal Investment Corporation Pty Ltd (CentreCorp). The trustee of the Kings Canyon (Watarrka) Trust is Kings Canyon (Nominees) Pty Limited, which is owned in approximately equal shares between three parties, one of which is Voyages Hotels & Resorts Pty Limited (Voyages).

3.4. El Questro

3.2.1 Description of property

Table 9 Summary of Property and Resort

Location:	On the eastern perimeter of the Kimberley region of Western Australia; neighbours ILC-held Home Valley and Durack River properties
Title / Tenure:	Pastoral Lease (large majority of property) – with tenure to 2046 Special Leases to allow tourist accommodation uses – Emma Gorge and the Homestead: Expire 2023 with a further option of 21 years
Zoning:	Currently not zoned, however this will change when an interim development plan is introduced in 12 months. Wyndham – East Kimberley Shire Council have advised that the existing use will conform
Area:	273,489 ha
Land use:	Luxury, four star and camping; Cattle agistment on the property
Year opened:	1991
Access:	By air into Kununurra via Broome or Darwin or directly into the Resort via charter aircraft; by vehicle via the Gibb River Road. Access is only possible by air during the wet season.
Guest rooms:	Homestead – 6 suites Emma Gorge Resort – 60 tent style cabins with ensuites The Station Township – 12 bungalows and over 200 camping sites
Price structure:	Homestead – inclusive of room, all meals, beverages and selected touring and activities Emma Gorge Resort – room only The Station Township – room/site only
Food and Beverage:	Homestead communal and private dining; Emma Gorge Restaurant and Bar; Township Steakhouse and Bar; Swinging Arm Bar
Other Amenities and Facilities:	Two swimming pools; general store; mechanics garage; helipad; two airstrips
Staff Accommodation	Homestead – 1 host accommodation unit; Emma Gorge Resort – 22 accommodation rooms; The Station Township – a number of rooms that can cater for up to 50 staff
Infrastructure	Water – river water and treatment plant Sewerage – septic tank/settling ponds Electricity – diesel powered generators
Stock:	The property currently has carrying capacity of 4,685 cattle units pursuant to a Rangeland Condition Report dated 28 July 2005. The cattle are owned by the agistee, who have an agistment agreement over the pastoral lease area which expires in June 2046. This agreement could be terminated after 12 months if the vendor initiated this prior to sale.
Closest Indigenous populations	Wyndham; Kununurra
Native Title	Two native title claims
Cultural values	Significant cultural values including rock art
Environmental values	Significant environmental values including diverse ecosystems and presence of threatened species

3.4.1. Market Position

El Questro Resort neighbours the ILC's Home Valley Station and has three separate and distinct levels of accommodation, being the Homestead, Emma Gorge Resort and the Station Township.

Due to its size and range of accommodation, it offers luxury accommodation through to riverside camping. El Questro is open to guests between April and October (dry season) due to the monsoon rain season that spans the remaining months.

El Questro's key attraction is its scenery and diverse range of touring options. The Property offers guests a wilderness based experience, with wildlife including native animals, fish, crocodiles and bird species. Guests are offered numerous walking adventures, horse back rides, sightseeing tours and chartered helicopter trips. Parts of El Questro also operate as a working cattle station. The region was recently used to film parts of Baz Luhrmann's motion picture epic, *Australia*.

3.4.2. Native title & Traditional Owners

There are two native title claims over the El Questro property: (1) the Wanjina-Wunggurr claim; and (2) the Balanggarra No.3 claim (Baker & McKenzie Report 2008).

Baker & McKenzie (2008) summarise the state of these claims as follows:

> "**Pastoral Leases:** In the Wanjina – Wunggurr claim, the Court found that native title had been partially extinguished over most of the areas on which pastoral leases historically existed or currently exist. Partial extinguishment means that although the rights of pastoral lessees prevail over the native title claimants' rights, the claimants still have certain rights within these areas.
>
> **Special Leases:** All special leases in the claim area were either found to be excluded from the determination area or native title was extinguished over the area subject to the special lease. We understand from the correspondence that we have reviewed that some pastoral leases on which the El Questro resort is situated were surrendered and special leases in relation to the homestead and the Emma Gorge were registered. Correspondence in the Data Room prior indicated that this resulted in the extinguishment of native title. However, we have requested the Seller to clarify this situation. Importantly, the special leases would have to have been entered into prior to 23 December 1996 in order to definitively extinguish native title for the special lease area.
>
> **Draft Indigenous Land Use Agreement:** We have reviewed a draft Indigenous Land Use Agreement (***ILUA***) between the Wanjina-Wunggurr (Native Title) Aboriginal Corporation and Voyages Hotels and the Kimberley Land Council dated 2007 (***Agreement***). The Agreement is not signed or dated by the parties. The Native Title Search we conducted did not reveal the presence of this ILUA, which means that it is not registered. We asked the Seller about the status of this ILUA and whether or not it has been further negotiated. The Seller has stated that "*this agreement has not been executed by the parties although the terms are largely settled as between the current parties to it. Finalisation of the agreement is presently on hold at Voyages' request pending completion of the Voyages' sale. The Voyages purchaser will need to decide whether they wish to proceed with the agreement as it is presently proposed, or not*". The Seller also states that there are no further ILUAs being negotiated at this stage."

3.4.3. Cultural and environmental heritage

There are both significant cultural and environmental heritage values on El Questro. There is extensive Wandjina rock art and other culturally significant sites.

The 273,000 ha property features a diversity landscapes ranging from rugged ranges and broad tidal flats, to rainforest pockets, gorges, waterfalls, thermal pools, and four major rivers. Over the previous 5 years, surveys have been conducted over parts of the Wilderness Park. Government authorities, specialists and El Questro's Wilderness Park employees have collated data on the local flora, fauna and cultural heritage information. Some threatened species have been identified.

Major environmental issues on the property are fire management, erosion and land degradation, and the impact of visitors on the environment. Satellite imagery shows a tremendous increase in uncontrollable and destructively hot fires in recent years, the majority of which have been deliberately lit. Some weeds are also becoming present.

3.5. *Wrotham Park Lodge*

3.2.1 Description of property

Table 10 Summary of property and resort

Location:	300 km west of Cairns in north west Queensland. Situated on a working cattle station, 'Wrotham Park', that is owned by Great Southern Cattle Holdings Pty Ltd and runs over 50,000 head of Brahman cattle over 595,000 ha. The station neighbours ILC-granted property Bulimba. The Station's homestead is 42 km from the Lodge.
Title / Tenure:	Occupational Licence over a portion of the underlying cattle station's pastoral lease - expires 2017 with options to renew subject to extension of underlying pastoral lease. A lease will replace the Licence and is currently being finalised.
Zoning:	Tourist Resort (consistent with conservation of the natural environment)
Area:	100 hectares (approximately)
Land use:	Luxury resort
Year opened	2004
Access:	Access to the Lodge is by light plane or helicopter from Cairns International Airport, or vehicle access takes approximately four hours from Cairns.
Guest rooms:	10 luxury 'Quarters'; maximum 20 guests
Price structure:	Inclusive of room, all meals, beverages and selected touring and activities
Food and Beverage:	Homestead dining room Self serve bar
Other Amenities and Facilities:	Wet edge pool with large open deck and Library and guest lounge Horse stables R.M. Williams focused retail area Airstrip
Staff Accommodation	Twelve units
Infrastructure	Water – treated river water Sewerage – treatment plant Electricity – diesel powered generators
Closest Indigenous populations	Chillagoe (55 Indigenous people resident)
Native Title	No native title claims, but possibility of native title issues
Cultural Values	No information suggests values present
Environmental values	No information suggests values present

3.5.1. Market Position

Having opened only four years ago (in 2004), Wrotham Park Lodge is still in its establishment phase of operation. The Lodge is expected to progressively increase occupancy as additional tour wholesalers begin to sell the product.

Situated on the edge of a naturally formed escarpment overlooking the Mitchell River, Wrotham Park Lodge provides an outback experience that brings together wilderness, wildlife, intimacy and luxury. Wrotham Park Lodge provides guests with an opportunity to experience outback station life at a premium resort. Activities at the Lodge include cattle mustering, Wrotham Park Station tours, Horseback and quad bike guided tours, nature walks, fishing and scenic helicopter tours.

3.5.2. Native title & Traditional Owners

As Wrotham Park is on a pastoral holdings lease from the Crown, there is the possibility of native title issues arising on this parcel of land.

The native title search revealed that there are two registered ILUAs near the area in conjunction with the PNG gas pipeline and mining activities. These ILUAs do not directly relate to the purchase of Wrotham Park Lodge, but they indicate that there are interested parties in the area of Wrotham Park (Baker & McKenzie 2008).

3.5.3. Cultural and environmental heritage

There is no information available to suggest that there are significant cultural and environmental heritage values on the 100 ha Wrotham Park Lodge licence. If the property is acquired, the presence of any heritage values will be confirmed.

3.6. The Voyages Business

3.6.1. Description of the business

Voyages Hotels and Resorts was formed in March 2000. This was a rebranding of the old Ayers Rock Resort Company Limited (operating since 1992) to better reflect the geographic diversification of the company which was happening at the time with new properties at Alice Springs and Kings Canyon. In July 2004, Voyages acquired P&O Resorts adding properties in Tasmania's Central Highlands and Queensland's Outback and Great Barrier Reef to their portfolio. In July, 2005, El Questro Resort in the Kimberley region in Western Australia was added to the portfolio.

Note: the proposed acquisition is for a pared-back version of Voyages that excludes some of the properties described above.

Voyages states that it has a dual commitment to operating in harmony with the local communities via:

- Respecting and supporting local communities; and
- Sustainable environmental tourism practice.

3.6.2. Voyages – respecting and supporting local communities

Voyages states that it takes seriously its commitment to supporting local communities as demonstrated through:

- Financial/cultural partnerships
- Joint venture agreements and partnerships with aboriginal tour operators so that guests might experience an understanding for the land from its Traditional Owners
- Education programs – including work experience agreements with local aboriginal colleges

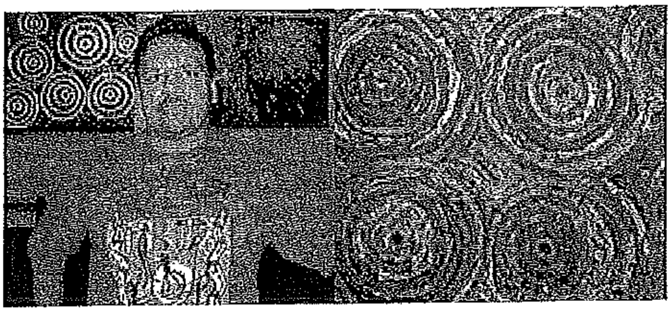
- Arts and Crafts programs
- Sponsorships

Key initiatives have been the Mutitjulu Foundation and the Artists in Residence Program.

Mutitjulu Foundation
Voyages started the Foundation with members of the community in December 2003, with the aims to relieve poverty, improve health standards, improve education and provide vocational training which will lead to employment for the Mutitjulu community. The Foundation was started with a contribution of $250,000 from the GPT Group and Voyages, and resort staff encourage guests to contribute to the Foundation which Voyages matches dollar-for-dollar, up to $200,000 each year. To date, the Foundation has raised $900,000.

The construction of a respite care centre at the Mutitjulu Community in September 2007 represented the first major project for the Mutitjulu Foundation, which was identified as the priority need by members of the Community to provide medial care and services that are not available locally, eg dialysis to Mutitjulu elderly.

Artists in Residence Program
ARR has been responsible for the management and coordination of a successful 'Artist in Residence' program in Mulgara Gallery at Sails in the Desert Hotel, as well as the sale of authentic Aboriginal artwork through Mulgara Gallery and Craftworks retail outlets throughout ARR.



Every month, Mulgara Gallery has an 'Artist & Craftsperson in Residence' program, with high-profile indigenous artists exhibiting and selling their work. Authentic Aboriginal art is purchased from a variety of suppliers including Mbantua, Alice Springs, Better World Arts, South Australia, and Waringari Arts, in Western Australia, and sold to guests ensuring strong and consistent economic benefits to Aboriginal communities in Central Australia and the Top End.

Other Indigenous initiatives supported include:

- Anangu Tours is a successful Aboriginal owned and operated touring company, which received financial support for establishing the company and benefits from ongoing marketing and promotion by ARR. Anangu Tours provides a range of touring activities that portray some of the most important aspects of Uluru, its history and religious meaning; and
- Providing land and some initial funding to the Nyangatjatjara College. This college provides secondary schooling for Aboriginal children in surrounding communities. Groups of children spend four weeks schooling at the college and four weeks schooling at their community and receive a secondary education and still learn their unique culture from their own people; and

3.6.3. Voyages – using sound environmental management practices

Voyages identifies itself as a leader in sustainable environmental tourism practice. In 2007 it received Luxury Travel Magazine's Award for Outstanding sustained environmental achievement. In 2007, it also received the HM Awards, for an Ecotourism Property for Longitude 131.

Voyages states its key commitments to the environment include:

- Compliance with all relevant environmental legislation

- Minimising environmental impacts through comprehensive assessment of all developments
- Continual development of our Environmental Management System and site Environment Management Plans
- Efficiently using resources and reducing greenhouse emissions, including energy and fuel;
- Minimising waste to landfill through reduction, reuse and recycling initiatives;
- Focussing on efficiently managing water resources; and
- Conserving the unique environmental values surrounding all resorts and properties.

4. Due diligence

4.1. Overall analysis and options for the Business structure

Refer to Grant Samuel – ILC Board Report

4.2. Summary of Valuations

Table 11 Summary of property valuations

	Valuation (GST excl.) (Colliers 01.12.08)
Ayers Rock Resort (Dec 2008)	$290,000,000
Alice Springs Resort (Mar 2007)	$ 11,000,000
Kings Canyon Resort (Jun 2007)	$ 14,000,000
El Questro (Jun 2008)	$ 19,000,000
Wrotham Park (May 2007)	$ 2,000,000
TOTAL	**$336,000,000**

4.3. Property condition issues

The Planned Property Management report describes the due diligence on the properties.

4.4. Legal due diligence of the target assets and businesses

Baker & McKenzie Solicitors report describes legal due diligence of the issues and risks of acquisition of the target assets (properties and infrastructure) and the Voyages business.

4.5. Financial due diligence

Horwath HTL report describes accounting due diligence of the businesses.

4.6. Specific due diligence

BeachFame report describes "specific" due diligence, including staff survey and involvement of the local Indigenous community in the operations of the resorts.

4.7. Legislative compliance

Corrs Chambers Westgarth Lawyers legal advice examines compliance of the acquisitions and project with legislation, including the ATSI Act 2005 and the CAC Act 1997.

4.8. Wana Ungkunytja agreement

Wana Ungkunytja Pty Ltd was formed in 1993 as the business arm of the Nyanjatjara Aboriginal Corporation and established and operated a number of businesses, including Anangu Tourism, based at Uluru. It has been a winner of an Australian National Tourism Award, as well as winner of the Legacy Tourism Award as the best cultural tour in the world.

Wana Ungkunytja was represented on the board of the Ayers Rock Resort Company from 1993-1997, the board of the Ayers Rock Resort Management Voyages from 1997-2000, and subsequently on the GPT/Wana Ungkunytja Advisory Board from 2003 to the current time. In 1997 it signed a deed and "first right of refusal" with GPT to purchase ARR assets, including the Alice Springs Resort.

Grant Samuel views the first right of refusal as an important strategic document that has limited potential bidders and allows Wana Ungkunytja, in a bidding process, to match the highest bid price for ARR and Alice Springs Resort. Wana Ungkunytja approached the Minister's Office stating that it wanted access to Government funding to purchase ARR and the Minister's Office referred Wana Ungkunytja to the ILC. As a result, the ILC and Wana Ungkunytja agreed to work in partnership to bid for Ayers Rock/Alice Springs Resorts (including the airport). That document indicated the ILC was prepared to consider Wana Ungkunytja's share of net profit up to 20%.

Subsequently, Wana Ungkunytja indicated that it valued the first right of refusal at $10 million and wished that it received a minimum of 3% of net profit through vested equity in the operating entity. The General Manager wrote to Wana Ungkunytja's lawyers[7] stating that the ILC would be prepared to provide 3% of vested equity in the ILC's share of the consortium, but advised that it was subject to the approval of the ILC Board. In subsequent discussions with Mr Glendle Schrader, Wana Ungkunytja's representative in the bid process, he indicated that Wana Ungkunytja would like the Board to consider 3-4% of net profit. Wana Ungkunytja was advised that the Board would be informed of that request.

Advice from the ILC's due diligence lawyers states that if the Board was to agree to Wana Ungkunytja having 3% of the net profit of the operating entity of Ayers Rock/Alice Springs Resorts, then this should be done through contract and not as equity in the operating entity.

The Board is at liberty to decide whether it wishes to put in a joint bid with Wana Ungkunytja and then consider whether it wants to provide it with 3% of the net profit and/or equity in the

[7] Available at the meeting

operating entity. The Board is also at liberty to advise Wana Ungkunytja that it no longer wishes to enter into a joint bid and put in a separate ILC bid for the properties.

5. ILC Considerations and Risk Assessment

5.1. Developing and implementing the ILC's Training to Employment model

The ILC's residential Training to Employment model, developed in its existing pastoral and tourism businesses, will be used at the resorts and extended to a range of apprenticeships.

The Indigenous employment and training plan for the resorts would be developed between April – December 2009. The ILC's MoU with the Department of Education, Employment and Work Place Relations will facilitate contributions to the funding of the trainees.

The target employee figures in Section 2 are based on the assumption that the Australian Employment Covenant will find and train the bulk of the Indigenous workforce and that about half of those that complete the Training to Employment model will go to permanent employment.

5.1.1. Education and Job Readiness

Education levels particularly in Central Australia are generally poor and literacy and numeracy levels are low (Table 12). There are few role models in employment to motivate students to attend school and to apply themselves. A long term vocational guidance and motivation strategy is required from the early years of schooling to help give students something to aspire too.

Table 12 Census 2006 Education data for communities in the vicinity of the resorts

	No. individuals with year 10 or equivalent	No. individuals with year 12 or equivalent	No. individuals with a qualification
Mutitjulu	16	6	23
Kaltukatjara (Docker River)	33	8	17
Hermannsburg	26	14	62
Alice Springs	554	355	1105
Wyndham	44	13	42
Kununurra	182	92	200

5.1.2. Recruitment and retention for direct employment

Recruitment and retention will be difficult. Voyages has been spectacularly unsuccessful, most especially in respect to Indigenous employment, and their practices should be replaced with a more strategic approach. Recruits will need to be sourced from across Australia and will require a specially designed marketing campaign. There is an opportunity to partner with the Australian Employment Covenant which would support recruitment by locating the employees providing short-term job specific training and assisting workplace mentors. Retention is a problem for the resorts' workforce generally. Staff accommodation is reported as being a contributing factor at Yulara.

A structured mentoring program with support from AEC will be put in place together with a workplace co-ordinator. DEEWR would be approached to fund a job placement officer (with an Anangu offsider) to identify local people for employment or training.

5.1.3. *Recruitment and retention to the Training to Employment model*

The contracted Group Training Company and Job Network member will be responsible for sourcing trainees and apprentices for training at the Academy. The model provides for supervision and mentoring to achieve a 70% retention rate

5.1.4. *Cultural nuances and sensitivities*

The bulk of the workforce will be sourced from other parts of Australia. Special attention will need to be given to local recruitment. There may be some opportunities for jobs to be designed to accommodate the mobile nature of local residents. Cross-cultural training would need to be provided for all staff, and having key staff acquire some knowledge of Pitjantjatjara would also be beneficial.

Voyages has had a partnership with Nyangatjatjara College, Australia's first traditional independent Aboriginal high school situated in Yulara to transition high school students into working in the resort. The Transition to Work program won the NT 2005 Prime Minister's Award for Excellence in Community Business Partnerships. The program places students in a variety of positions at ARR, facilitating their transition from secondary education to employment, and further education through a supported employment and Vocational Education and Training program. It is proposed that this be taken further by offering an attractive sponsorship / job guarantee program for all students commencing secondary school at Nyangatjatjara College and for targeted students at Yirara College in Alice Springs.

5.2. Costs of implementing training to employment model

5.2.1. *Direct Recruitment*

The cost of recruitment will be met by the AEC and Job network members. A coordinator / supervisor and a local jobs placement officer and offsider would be funded by DEEWR. Wages costs would be met by the enterprise. Cross-cultural training costs for all staff would be met by the enterprise with funding support from the federal government. There should be no costs that need to be met by the ILC for direct recruitment.

5.2.2. *Training to Employment (National Training Academy)*

This program would be funded under similar arrangements to the model recently approved by the ILC Board for operational expenses. This includes $15,000 per capita from DEEWR for employment costs in addition to the costs required by the Registered Training Organisation for training delivery. For 180 training participants this would cost approximately $2.38 million over 3 years.

Without inspecting the properties to assess the adequacy of accommodation and other training related facilities, allowance should be made for a contingent amount of $1.5 million for capital expenditure if required.

5.2.3. *School Based Sponsorship and Job Guarantee Project*

It is estimated that this project to work in collaboration with Nyangatjatjara and Yirara colleges would cost the ILC up to $100,000 per year with contributions from DEEWR for school based traineeships.

5.3. Operators

As part of Grant Samuel's remit, they were also asked to canvass possible resort operators. Grant Samuel approached a number of potential operators, which culminated in the International Hotel Group (IHG), Accor, Rydges and Delaware North providing detailed expressions of interest to be operators of the resort. All four companies presented to Grant Samuel, Horwath HTL, Simon Barlow, Bob Teague, Glendle Schrader and the ILC General Manager. Each presentation was approximately two hours. In essence, it was decided that Delaware North and Accor were shortlisted for further discussions. However, Delaware North wishes to operate the resort in its entirety, including all municipal functions as well as all retail outlets. Delaware North has this expertise as it manages similar operations in a number of United States national parks. Accor, as a prominent hotel/resort operator, indicated its preference was to manage only the resort aspects of ARR, but indicated it would be prepared to manage all of the facilities.

If the ILC bids and is successful, then further discussions will have to take place between the ILC, Delaware North and Accor. It would also be necessary for both companies to present their proposals to the ILC Board.

If the ILC Board did not want to proceed with Delaware North, the ILC's advisers believe that discussions should then begin with Accor and IHG to ensure that the most competitive price is elicited from Accor.

Delaware North wishes to take equity in the operating entity and has stated it will provide up to $50 million as part of its equity. Accor (together with IHG and Rydges) did not seek equity participation, but was willing to put in up to $3 million for rebranding costs. Their proposals are as resort managers, not equity partners.

5.4. Funding the acquisitions

5.4.1. *ILC current financial position*

Table 13 summarises the ILC's current financial position against budget for the current year and the two forward years. The table also shows the estimated balance in investments at the end of year.

Grant Samuel has recommended that the ILC offer $282m for the purchase the Central Australian Assets plus $8m for the 54% balance of Kings Canyon Resort. In addition, there is an estimate of $93.4m to undertake necessary refurbishment to bring ARR up to acceptable and marketable standards, ie, a total cost of $383.4m. The ILC has spoken to officers of the Future Fund to see if they are interested in funding 49% of the purchase. However, those officers informed the ILC that while they usually did not invest directly into resorts, they would be interested to discuss matters once the ILC had conducted all relevant due diligence on the projects. As the due diligence process, to the extent possible, has only been completed on Monday, 15 December 2008, further discussions have not proceeded with the Future Fund officers. Consequently, at this stage the ILC would have to fund both the purchase and refurbishment costs. The cash flows prepared by Grant Samuel indicate that without the costs of borrowing on the purchase price, the first two years of operations indicate a negative cash flow when taking into account the financing of the refurbishment. This may be somewhat alleviated by Delaware North's proposal to become an

5.2.3. *School Based Sponsorship and Job Guarantee Project*

It is estimated that this project to work in collaboration with Nyangatjatjara and Yirara colleges would cost the ILC up to $100,000 per year with contributions from DEEWR for school based traineeships.

5.3. Operators

5.4. Funding the acquisitions

5.4.1. *ILC current financial position*

Table 13 summarises the ILC's current financial position against budget for the current year and the two forward years. The table also shows the estimated balance in investments at the end of year.

Grant Samuel has recommended that the ILC offer $282m for the purchase the Central Australian Assets plus $8m for the 54% balance of Kings Canyon Resort. In addition, there is an estimate of $93.4m to undertake necessary refurbishment to bring ARR up to acceptable and marketable standards, ie, a total cost of $383.4m. The ILC has spoken to officers of the Future Fund to see if they are interested in funding 49% of the purchase. However, those officers informed the ILC that while they usually did not invest directly into resorts, they would be interested to discuss matters once the ILC had conducted all relevant due diligence on the projects. As the due diligence process, to the extent possible, has only been completed on Monday, 15 December 2008, further discussions have not proceeded with the Future Fund officers. Consequently, at this stage the ILC would have to fund both the purchase and refurbishment costs. The cash flows prepared by Grant Samuel indicate that without the costs of borrowing on the purchase price, the first two years of operations indicate a negative cash flow when taking into account the financing of the refurbishment. This may be somewhat alleviated by Delaware North's proposal to become an equity partner in the business with equity of $50m. This could be used to part fund the refurbishment, which would mean that the ILC would need $333.4m for the purchase and refurbishment. If this was then borrowed at 8%, the repayments would be $22.8m pa.

There may be a possibility that the ILC could use up to $100m of its funds that are on deposit, but these are allocated over the next 2.5 years. Therefore, there would be a significant cash flow shortage, which may place the ILC in a precarious financial position. Consequently, the ILC Board would have to strongly consider whether the possible acquisition of the resorts jeopardise the ILC's strong financial position, particularly given what the Minister has indicated above, and that there has been no resolution of the issue of the ILC receiving a minimum amount of $55m per year from the Land Account.

Also, as stated above, there would need to be approximately $2.38m spent by the ILC or the business for 180 training participants, approximately $1.5m for capital expenditure to ensure training-related facilities and accommodation were appropriate, as well as $100,000 per year for school-based traineeships. Such expenditure is crucial for the training and employment of Indigenous people to be successful. However, such expenditure would have to be funded by the ILC or the business and it, in turn, negatively affects the cash flow required to finance the business operations of the resort.

Table 13 Budgets for 2008-09, 2009-10 and 2010-11, with actual expenditure to 30 November 2008

Indigenous Land Corporation
Actual vs Budget Income and Expenditure
As at 30 November 2008

Expenditure	*Actual YTD ($,m)*	*Estimate# 2008/09 ($,m)*	*Budget Remaining ($,m)*	*Estimate# 2009/10 ($,m)*	*Estimate# 2010/11 ($,m)*
LAND ACQUISITION					
Land Held for Long Term Divestment Acquisition costs and capital development (Strategic Projects)	13	63	50	28	19
Land Held for Short Term Divestment Acquisition costs	4	7	3	0	0
	17	70	53	28	19
LAND MANAGEMENT					
Land Held for Long Term Divestment Land Management (net operating costs* and training programs)	11	20	9	15	4
Land Held for Short Term Divestment Land Management - (care, use or improvement of land held by the ILC)	1	10	9	3	2
Land Management - Other Land Management on other Indigenous Held Land (not owned or leased by the ILC, including Strategic Projects, collaboration with other agencies and remediation program)	5	34	29	28	19
	17	64	47	46	25
Administration	6	15	9	16	17
Total Expense	40	149	109	90	61
Income					
Income from Land Account	0	44	44	3	36
Other Income**	7	11	4	7	3
Total	7	55	48	10	39
Net spend	(33)	(94)	(61)	(80)	(22)
Balance of Investments	*186*	*134*	*(52)*	*54*	*32*

Based on figures provided in Table 3 of Annual Budget Review presented to the Board on 22 October 2008
* Net of cattle sales
** Budget for other income is not included as it is expected to be the unrealised gains on investments, now interest received

5.4.2. *Funding sources*

It is proposed that the ILC negotiates the following loans to fund the acquisition.

Table 14 Summary of funding

Funding Source	Amount
Loan to the ILC – Westpac and/or NAB	Up to $335m
IBA contribution	Nil
Future Fund contribution	As stated above

Both the NAB and Westpac have expressed an interest in providing loan funds to the ILC. However, because of the lateness of the partial completion of the due diligence, the quantum of the loans has not been discussed. Such discussions can only take place once the ILC has considered all the information in the Board Report, Grant Samuel's Report and the due diligence by the accountants, lawyers and other expert consultants.

5.5. Return on investment to ILC

5.5.1. *Income available from the businesses to support the training model*

If the enterprise at Yulara could contribute half the wages cost for the Training to Employment model, this will bring the ILC's operational costs to around $1.5 million.

As the Grant Samuel report suggests, cash flow will be negative for the years 2009 (-$7.4m) and 2010 (-$25.5m). Therefore this result will not cover delivery of the training to employment model. Funds would have come from the ILC's own resources.

5.6. SWOT analysis

Each due diligence report has considered a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats). This provides useful information in terms of a quick analysis of immediate risks and identification of potential opportunities for improvement associated with this investment. Each analysis has identified similar salient points which have been consolidated in the following list:

Strengths:

- ARR is irreplaceable and situated in a world famous tourist destination and accounts for 90% of the Target Assets Value.
- Acquisition at steep discounted rate to original and/or replacement costs.
- Collection of compatible resorts in remote outback locations enhances marketing synergies.
- Accommodation mix across several resorts enables wide spread of guest types, appeal and revenue types.

- A portfolio of resorts provides staff with alternative work and training opportunities.

Weaknesses:

- Nature, location and age of all resorts, constrains value add components and increases vulnerabilities in terms of heavy reliance on external impacts: Airline strikes; global financial crises; reduction in international travel; and increased operational costs in terms of staff recruitment and retention; repairs and maintenance and capital improvements.
- Major capital expenditure requirements in early years, reduces the level of investment returns.
- Low repeat visitation across the portfolio adds to operating challenges.
- Closure of part of portfolio for 7 months each year limits performance capability.
- Common seasonality fluctuations across the resort portfolio, adds to operating challenges.
- Corporate overhead costs of Management company impacts significantly on the portfolio revenues and cash flow.
- Airport needs to be upgraded to take longer aircraft.
- Airport may be sold to another party, thereby changing the overall control of the business operations.

Opportunities:

- 881 jobs in a range of roles, of which only 10 are currently Indigenous
- Timing opportunity, buying off value weakness when there are possibly no or limited number of other portfolio investors.
- Poor current portfolio management strategies, provides an opportunity to change and create value add potential.
- Promote identify of Consortium members to harness domestic support.
- Increase cultural presence in the resorts to create revenue opportunities and add to guest experience.
- El Questro's proximity to Home Valley and is operated in the same vein as Home Valley Station

Threats:

- Pricing risk in purchase due to limited time for full assessment of portfolio and factoring in all pricing considerations.
- Risk of over capitalisation in this sector and lack of capacity to move assets on either by divestment or re-sale.
- Heightened risk of unplanned major capital expenditure costs emerging, given the age of the resorts.
- Competitive risks from increasing numbers of eco and cultural based local and international resorts.
- Unknown results of the world economic crisis.

5.7. Initial risk identification

Consideration has been given to the likelihood and consequences of risks of the project. Appendix 1 gives a table of identified risks, many of which have been collated from the due diligence reports.

The ILC's Corporate Risk Management Framework has been used to rate the level of risk and action required. The Risk Analysis Matrix and definitions in Table 15 have been applied.

Table 15 ILC risk rating matrix on the basis of likelihood and consequences

RISK	Consequences				
Likelihood	Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
A (almost certain)	M	H	H	E	E
B (likely)	M	M	H	H	E
C (possible)	L	M	M	H	H
D (unlikely)	L	L	M	M	H
E (rare)	L	L	L	M	M

Definitions:

E = Extreme:	Demands immediate action in conjunction with corporate management – a treatment plan is required.
H = High:	Requires attention from corporate management – a treatment plan is required.
M = Moderate:	Should be managed by specific monitoring procedures
L = Low:	Controlled by standard procedures.

Table 16 Risks rated as Extreme/ High after application of treatments

Risk rated Extreme / High after treatment
Purchase price offered for the target assets is not commensurate with the value.
ILC not able/eligible to obtain certification, authorisation and insurance requirements to operate the airport.
Non-compliance with Act/delegations/NILS with particular reference to the Ayers Rock Airport.
Employment standards and conditions not in accordance with standard/ILC practices.
Decision/acquisition not supported by Sector/Govt.
Unable to change the focus of the Target Assets following acquisition in terms of private for profit to not for profit and focus on training and employment.
Timing of acquisition process too short to meet ILC timeframes in terms of due diligence.
Access to funding is denied / restricted / changed / modified / not available within required timeframes.
Remoteness of Target Assets means visitor levels heavily dependant upon external parties. Qantas continues regular flights to and from major centres such as Melbourne and Sydney. Negative impact of International Visitors global financial downturn.
Not able to guarantee current pricing structure on an individual property basis as the current structure has been established as a result of the overall resort holdings and efficiencies gained.
Deferment of capital expenditure during recent years indicates that this expenditure will be required in the short/medium term to maintain standards at an appropriate level.
Environmental issues identified on one or more of the properties require significant expenditure to remedy.

- Access to and climbing of the Rock is banned by the current Indigenous Land Holders.
- Dramatic slump in visitor numbers as a result of the world economic crisis.

6. PROJECT PHASE 1: Acquisitions & Project Planning

6.1. Governance of Phase 1

If the ILC was to bid for the property, was successful and proceeded to contract, there is likely to be a significant period of between two to six months before settlement. The ILC would continue to deal with due diligence issues alerted to by its due diligence experts. Further due diligence would be carried out by the ILC's due diligence consultants and also by ILC staff members and Directors as deemed necessary.

When settlement occurred, the ILC basically would have two options.

1. The first is to retain the existing Voyages management structure and the vast bulk of its employees for a period of up to one year so it can familiarize itself totally with the Voyages structure, which will enable the ILC to ensure it knows the exact costs of operating the businesses. This will allow the ILC to know where the maximum cost savings of the old Voyages operation can be made and it will be fully informed of such costs when negotiating a management agreement with the resort operator. Advice from the ILC's due diligence team believes that keeping the Voyages structure for up to 12 months will inform the ILC greatly of the operations of the Resort, which in turn will allow for a more favourable agreement to be struck with a resort operator.

2. Alternatively, the ILC would use the settlement period to conduct further due diligence and negotiate a deal with a resort operator, which would mean that, upon settlement, the resort operator would immediately take over the operation of the resort. The resort operator would be accountable to the ILC in delivering the key performance indicators under the resort operating agreement. The ILC would take an active role in ensuring the resort operator's performance was strongly monitored.

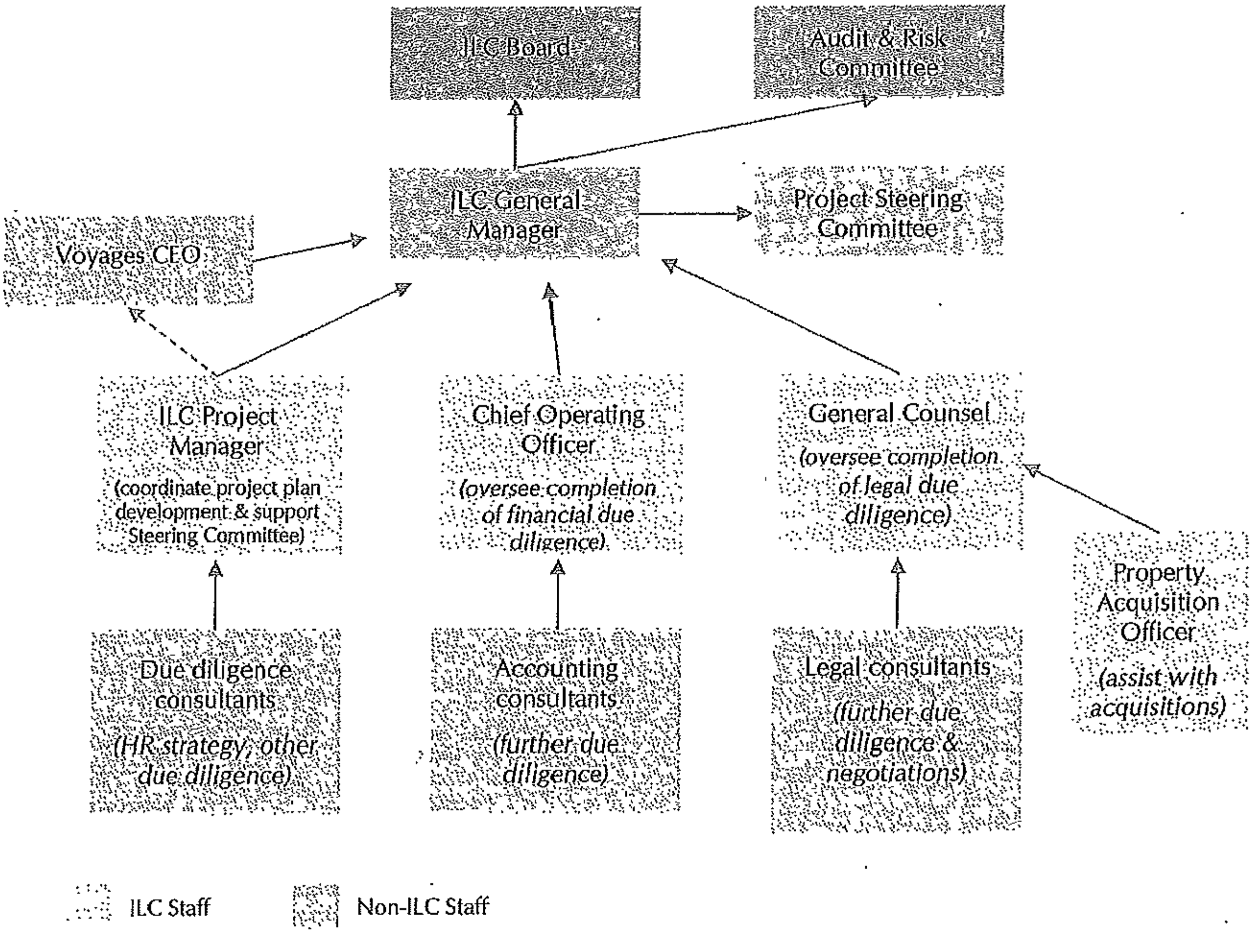
Under both scenarios, it would be essential for the ILC to appoint a hotel industry expert as the CEO of the old Voyages structure to ensure that the resort operations were managed in the utmost effective manner.

If the bid is successful, several elements of the project governance need to be in place immediately to manage Phase 1 of the project (the acquisition and project planning).

Figure 1 sets out the proposed governance structure for Phase 1. The Project Steering Committee would be chaired by the General Manager, and would be comprised of an ILC Board Director, the Voyages CEO, the Chief Operating Officer, General Counsel, and ILC project manager.

The ILC project manager would be responsible for all aspects of running the project steering committee, and will liaise extensively with the Voyages CEO. They would work with the Voyages CEO to develop the Project Plan for the Board's approval including: the HR strategy, Communication strategy, and the Risk Management plan.

Figure 1 Project Governance structure for Phase 1



6.2. Project plan for Phase 1 if Board approves project

Table 17 sets out the Implementation Plan & Budget for Phase 1 if the project is approved.

Table 17 Implementation Plan and Budget for Phase 1

Item	Q3 (Jan – Mar 09)	Q4 (Apr – Jun 09)	Total Expenditure (GST exc.)
Inform Minister of proposed bid	*Dependent on Board decision*		
Bid negotiations			
Supplementary due diligence to investigate further issues	*Dependent on Board decision*		
HR strategy developed	*Dependent on Board decision*		
Recruitment of Voyages CEO if Option # is pursued	*Dependent on Board decision*		
Project Plan developed for Board approval, including communication and marketing strategy, and risk management plan	*Dependent on Board decision*		
Settlement	*Dependent on Board decision*		
TOTAL			

6.3. Stakeholders and Communication Strategy

Table 18 describes the stakeholders that are involved, or affected by, the acquisitions, and the communication strategy for each stakeholder.

Table 18 Summary of communication in Phase 1

Stakeholder/s	Nature of communication	Timing
Wana Ungkuntja	Board decision whether bid will proceed to be communicated; Progress of bid?	17 December 2008
Minister for Families, Community Services and Indigenous Affairs (& Australian Government)	Board decision whether bid will proceed to be communicated *(Section 15 CAC Act: the ILC must inform the Minister when it is conducting substantial activities)*	17 December 2008
Minister for Tourism	Board decision whether bid will proceed to be communicated Seek Government support pursuant to election commitments to assist Indigenous tourism development	When appropriate
NT Government	Negotiate Airport lease	Dependent on Board decision
ILC staff		Dependent on Board decision
Voyages and resort staff		Dependent on Board decision
Public / media??		Dependent on Board decision

6.4. Risk Management Plan development

Appendix 1 identifies overall risks of the project. If the acquisitions are to proceed, Appendix 1 will be expanded into a comprehensive Project Risk Management Plan for the Board's approval prior to settlement.

The Risk Management Plan will include risks of both Phases 2 and 3 of the project and how the risks will be mitigated. It will incorporate thorough analysis of the following:

- How the businesses and resorts will be managed in accordance with the ILC's policies and principles;
- How sound business principles will be used;
- How sound land and environmental management practices will be used; and
- How the businesses will comply with relevant National, State and Territory legislation and regulations, including OH&S.

7. Implementation:

- **Project Phase 2 Management of Businesses**
- **Project Phase 3 Grant of properties**

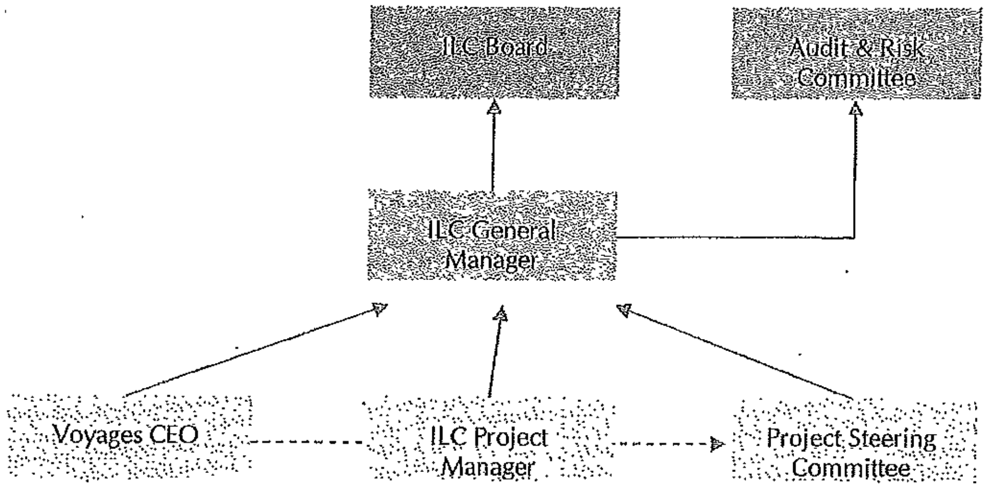
This paper seeks the Board's consideration of the acquisition of the properties only. However, the costs, risks, and strategies for the management of the businesses (Phase 2) and the grant of the properties (Phase 3) also require thorough consideration in making decisions around the ILC's potential involvement and commitment to the project.

7.1. Project governance and management

A detailed Project Governance Strategy will be developed as part of the Project Plan for the Board's approval prior to settlement. This strategy will include:

- The roles and responsibilities of the CEO Voyages, the Project Steering Committee, and the ILC Project Manager.
- The delegations and authorisations around decision-making, conflict and complaints handling
- Conflicts of interest in governance roles

Figure 2 Post-acquisition (Phase 2) Project Governance structure



7.2. Communication, marketing and change management strategy

A Communication, Marketing and Change Management Strategy will be developed as part of the Project Plan for the Board's approval prior to settlement. This strategy would include:

- How communication will occur throughout the project, including what, when and how information will be communicated inside the project (between Voyages and the ILC, and within the ILC) and outside (to Indigenous and other stakeholders);
- How the marketing strategy will be developed and implemented, including how the resorts will be rebadged and how the ILC and the contributions of other agencies/ partners be acknowledged through the project; and
- Identification of change management issues within the ILC, Voyages and the resorts, and strategies and initiatives will be put in place to manage these issues and transition the 'cultures' of the businesses to Indigenous-focussed.

7.3. Project monitoring, audit and evaluation

The Project Plan to be provided to the Board prior to settlement would describe in detail the mechanisms and schedule for project monitoring and evaluation. It would articulate the key milestones and deliverables that will be used to monitor the project's success.

<u>Reporting</u>

Included in the monitoring regime would be the following reports:

- Project overview reports to each meeting of the Board;
- Report against key risks to each meeting of the Audit and Risk Committee;
- More detailed reports on performance of the businesses and progress of the project plan, including the success of the employment and training model to the Project Steering Committee and as required to the General Manager;
- Monthly reports to the ILC from Voyages for capture of benefit data and for aggregation for the Annual Report;
- *Land Matters* stories and media releases as appropriate to report on positive outcomes of the project.

Internal audit and evaluation

As a key project, it would be featured on the ILC's Internal Audit calendar at the discretion of the Audit and Risk Committee. Internal audit will be used to examine compliance, but audit scopes may also be expanded to include elements of evaluation such as efficiency, effectiveness and impact of the businesses and the project.

7.4. Divestment Strategies

7.4.1. Overview

The proposed acquisitions would be pursuant to the ILC's statutory function contained in Section 191D(1)(b). The Board should note that in acquiring land pursuant to that provision, it has an obligation to grant the land to an Aboriginal or Torres Strait Islander Corporation within a reasonable time after acquisition (see also Section 191D(3)(b)).

If the acquisitions are successful, the Project Plan developed before settlement would include how the divestment strategies might be progressed.

The divestment strategies would be specific to each property. As these are strategic acquisitions (ie; not in response to applications), the divestment strategy would be made up of two components as follows:-

(i) identification of an appropriate grantee group; and
(ii) assessment of that group's capacity to sustainably discharge its land ownership functions.

In relation to (i) above, it is anticipated that each grantee group would primarily (and possibly exclusively) be made up of traditional owners of the relevant lands. The process of adequately identifying the appropriate traditional owners may vary from property to property.

In relation to (ii), the extent of capacity to be exhibited by each group may to some extent depend on the nature of any eventual grant of the land. If the grant were to include a leaseback component to the ILC (or another nominated operator), it is arguable that the capacity of the grantee group may be relatively minimal if the group's landowner responsibilities are relatively passive. However, in contrast, if the grantee group was to have a significant involvement as landowner in the running of the relevant business, then the capacity requirement would be considerably greater.

7.4.2. Ayers Rock Resort

As this property is surrounded by Aboriginal land titles issued pursuant to the *Aboriginal Land Rights (Northern Territory) Act 1976 (Cth)* (***ALRA***) and given the recent compensation claim heard in the Federal Court, it is anticipated that there should be a considerable wealth of reliable information to identify the traditional owning group through the good offices of the central Land Council. It would then be necessary to consider whether that group have a present corporation which could appropriately be the grantee or whether a new corporation would need to be established.[8]

It would then be necessary to test the capacity of the group to own the land. If the grant took place that enabled the group to have relatively unsophisticated landowning obligations, then it is feasible that the land could be granted within three to five years.

[8] This assumes the existing Land Trust would not be empowered to hold the titles given the limited statutory roles that Land Trusts are confined to under the ALRA.

7.4.3. Alice Springs Resort

As the Alice Springs town area has been the subject of a successfully native title claim in favour of the Arrente people, it is anticipated that there should be a considerable wealth of reliable information to identify the traditional owning group through the offices of the Central Land Council. It would then be necessary to consider whether that group has a present corporation which could appropriately be the grantee or whether a new corporation would need to be established.

It would then be necessary to test the capacity of the group to own the land; if the grant took place that enabled the group to have relatively unsophisticated landowning obligations, then it is feasible that the land could be granted within a relatively short duration.

7.4.4. Kings Canyon Resort

The King's Canyon Resort is surrounded by a Watarrka National Park over which an Indigenous Land Use Agreement (ILUA) was registered to regularise the legal status of that park. In the course of progressing the ILUA, it is anticipated that the appropriate traditional owners (or more exactly, native title holders of claimants) would have had to be identified with a high degree of certainty and in all likelihood with the active involvement of the Central Land Council.

Accordingly, it is anticipated that there should be a considerable wealth of reliable information to identify the traditional owning group through the good offices of the Central Land Council. It would then be necessary to consider whether that group has a present corporation which could appropriately be the grantee or whether a new corporation would need to be established.

It would then be necessary to test the capacity of the group to own the land; if the grant took place that enabled the group to have relatively unsophisticated landowning obligations, then it is feasible that the land could be granted within a relatively short duration.

7.4.5. Wrotham Park Lodge

As this property is in Queensland and has not been the subject of a native title determination, it is unknown how much information would presently be available regarding traditional ownership of the land. If there were a dearth of reliable information (as is usually the case in Queensland), it may be a lengthy matter to determine which group of people might properly be described as traditional owners. The ILC does not have in-house expertise to properly identify such people. In the event that native title applications are afoot, it is possible that the outcome of those applications may provide a definitive identification of native title holders. Of course, this is by no means guaranteed, as many native title applications do not proceed to a successful determination of native title.

Assuming these above difficulties of identification of an appropriate grantee group were overcome, it would then be a necessary to test the group's capacity.

As there is some prospect of this particular property being sold as surplus pursuant to section 191J, then it may be premature to develop the detailed divestment strategy in the foreseeable future.

7.4.6. El Questro

While there has been some limited native title activity in terms of federal Court applications proceeding, there has been no positive determination of native title over the majority of the El Questro parcels. However, given the native title activity and the probable involvement of the

Kimberley Land Council, it is likely that there would be a significant body of work already carried out to properly identify the traditional owners. It would be appropriate for the ILC to ascertain the extent of KLC corporate knowledge regarding traditional ownership of the El Questro parcels.

Assuming these above issues of identification of an appropriate grantee group were overcome, it would then be necessary to consider whether that group has a present corporation which could appropriately be the grantee or whether a new corporation would need to be established.

It would then be necessary to test the capacity of the group to own the land; if the grant took place that enabled the group to have relatively unsophisticated landowning obligations, then it is feasible that the land could be granted within a relatively short duration.

6. Assessment checklist and endorsements

4.1 Quality Control Checklist

Quality Control Checklist

Compliance with the ATSI Act

- ☐ Project complies with the NILS and relevant RILS
- ☐ Land will be acquired for granting to an Aboriginal or Torres Strait Island corporation
- ☐ The acquisition is not the responsibility of another agency by Australian, State and Territory law
- ☐ Registers of the National Native Title Tribunal have been searched
- ☐ Sound business principles will be used
- ☐ Sound land and environmental management practices will be used
- ☐ Sacred material has not been disclosed in violation of Indigenous traditions
- ☐ Land Management funds will be used in accordance with the Land Management function

Compliance with the NILS, RILS and Program Criteria

- ☐ A primary purpose has been identified
- ☐ Environment and Heritage values on the land have been identified

Due Diligence

- ☐ Information has been verified by accessing other sources or experts in the relevant field
- ☐ All evidence and decisions have been documented on file
- ☐ All costs have been identified and verified, and the support of other partners has been confirmed
- ☐ Risks and treatments associated with the project and the ILC's management of the project have been identified
- ☐ Project management and monitoring details have been determined and described

4.2 Endorsement and Recommendation

We consider that this application is consistent with the:

- ATSI Act;
- NILS; and
- relevant RILS.

We endorse the project to the Board, with the following considerations:
[outline pertinent legal / political / financial / capital issues]

	Legislative Authority for Funding		Amount (ex GST)	GST	GST Comment
1	ILC to carry on land management activities under S191E(1)(a)	Y/N			
2	Grant funds for land management under s191E(1)(d)	Y/N			
3	Make loans of money for land management activities under s191E(1)(e)	Y/N			
4	Guarantee loans for land management activities under s191E(1)(d)	Y/N			

General Manager: **Signature:** **Date:**	

APPENDIX 1: RISK IDENTIFICATION AND TREATMENT

Risks and level of risk in the absence of controls				Risk treatments and their expected effectiveness			
	Untreated Risk Rating				Treated Risk Rating		
Risk	**Consequence**	**Likelihood**	**Level of Risk**	**Proposed risk treatments**	**Consequence**	**Likelihood**	**Level of Risk**
Purchase price offered for the target assets is not commensurate with the value.	5	*B*	*Extreme*	• Thorough and timely due diligence conducted by professional consultants.			
				Revised level of risk after these treatments are completed	5	C	*High*
Ayers Rock Airport ILC not able/eligible to obtain certification, authorisation and insurance requirements to operate the airport.	5	A	Extreme	• Obtain certification as a pre-condition of sale.			
				• Obtain Ministerial approval as a pre-condition of sale.			
				• $300m public risk insurance requirements achievable through Comcover.			
				Revised level of risk after these treatments are completed	5	D	*High*
Ayers Rock Resort – Interspersed Land/Titles not owned by the Sellers. Private ownership issues create a negative impact on surrounding owned land and/or Resort operations/future expansion opportunity etc.	2	C	Moderate	• Review current relationship data to support communication strategy.			
				• Inclusion of these stakeholders in Communication Strategy.			
				Revised level of risk after these treatments are completed	2	D	Low
Current insurance claims liability at an unacceptable level.	2	C	Moderate	• Ensure indemnities and warranties are obtained from seller as part of settlement arrangements.			
				Revised level of risk after these treatments are completed	2	D	Low

Risks and level of risk in the absence of controls				Risk treatments and their expected effectiveness			
	Untreated Risk Rating				Treated Risk Rating		
Property Risk	**Consequence**	**Likelihood**	**Level of Risk**	**Proposed risk treatments**	**Consequence**	**Likelihood**	**Level of Risk**
Target Assets not clearly identified/quantified/categorised. Including WDV and depreciation rates and registers of property, plant and equipment, motor vehicles etc not appropriately maintained. **Kings Canyon** "Land Swap" (Kings Canyon Nominees Pty Ltd) and Power and Water Authority. **ARR** – Artwork missing valued at $33K. Limited capacity to ascertain correct assets for settlement.	3	B	High	• Land swap arrangements require clarification and further consideration prior to completion of transaction.			
				• Ensure registration of lease of bush camping area to be finalised prior to completion of sale.			
				• Physical asset audit required to ascertain WDV and maximise depreciation deduction capability prior to purchase.			
				Revised level of risk after these treatments are completed	3	C	Moderate
Employee profile/culture does not fit ILC intentions in terms of future Indigenous Benefits.	*3*	*C*	*Moderate*	• Development of HR strategy within project plan to address this issue specifically. This will include a further assessment of current practices and culture as part of further due diligence prior to acquisition.			
				Revised level of risk after these treatments are completed	3	C	Moderate
Information systems software and hardware and communications networks require major upgrade/maintenance/repairs and additional licensing arrangements.	3	C	Moderate	• Ensure licensing arrangements are transferrable prior to sale.			
				• Audit assets to identify upgrade requirements prior to sale.			
				• *Outcome of audit to influence bid price.*			
				Revised level of risk after these treatments are completed	3	C	*Moderate*
Potential for liability of current, pending Workers compensation claims.	2	C	Moderate	• Historical information for the past 5 years to be considered and indemnities sought where necessary.			
				• Clarify liability as part of due diligence prior to sale.			
				Revised level of risk after these treatments are completed	2	*D*	*Low*

Risks and level of risk in the absence of controls				Risk treatments and their expected effectiveness			
	Untreated Risk Rating				Treated Risk Rating		
Risk	**Consequence**	**Likelihood**	**Level of Risk**	**Proposed risk treatments**	**Consequence**	**Likelihood**	**Level of Risk**
Lack or loss of key personnel / expertise.	3	B	High	• Development of HR strategy and Communication Strategy targeted at retention of key personnel.			
				• HR strategy to include a succession plan.			
				Revised level of risk after these treatments are completed	3	C	Moderate
Statutory/Political/Reputation Non-compliance with Act/delegations/NILS with particular reference to the Ayers Rock Airport.	5	C	*High*	• *Specific response identified as a result of proper due diligence.*			
				• *Seek additional scope/approval/agreement through separate Ministerial approval.*			
				Revised level of risk after these treatments are completed	5	C	*High*
Physical / Personnel / Operational Employment standards and conditions not in accordance with standard/ILC practices. Compliance aspects in terms of variety of awards/ standards / conditions. Staff employed under Common Law Contracts which do not comply with the Australian Fair Pay and Conditions Standard as set out in the workplace Relations Act.	4	C	High	• Offers of employment from the Consortium include terms which comply with the Standard and ILC practices.			
				Revised level of risk after these treatments are completed	4	C	High
Ayers Rock – 60 Subleases. Capacity to manage/operate and maintain 60 Subleases in terms of rates, maintenance, compliance, collection of rent etc.	2	C	Moderate	• Business platform engaged to appropriately manage the sub leases.			
				Revised level of risk after these treatments are completed	2	D	Low
457 Visa Holders – Compliance, monitoring and management requirements of employees on 457 visa's including costs of returning employees to home country, medical costs whilst in Australia and cost of location if employees go missing.	3	C	Moderate	• Consider in HR strategy the ramifications and minimisation of this impact prior to employment negotiations and completion of sale.			
				Revised level of risk after these treatments are completed	3	D	Moderate

Risks and level of risk in the absence of controls				Risk treatments and their expected effectiveness			
	Untreated Risk Rating				Treated Risk Rating		
Risk	Consequence	Likelihood	Level of Risk	**Proposed risk treatments**	Consequence	Likelihood	Level of Risk
Unable to transfer/grant/obtain necessary licences, permits, certificates from current holder (Leasee / Landlord) to Consortium. **Kings Canyon** – Liquor Licence limited to freehold portion of Resort. **Ayers Rock** – Sounds of Silence event licensed to AAT Kings. Unable to locate licence arrangements. A new agreement will nee to be negotiated. **Wrotham** – Water licence for Mitchell River expired 2007. **All properties** have a range of permits, licences and registrations. Licences and permits that are unassignable. Consortium will need to apply for new licences/permits/registrations to be issued. This may cause significant delays in terms of transitional arrangements for continuing operations.	5	D	High	• Ensure legal due diligence prior to sale.			
				Revised level of risk after these treatments are completed	4	D	Moderate
Voyages Platform – Large administrative burden in terms of resort management platform. (152 staff)	3	B	High	• Legal due diligence propose appropriate structure to ensure streamlining of management platform.			
				Revised level of risk after these treatments are completed	3	C	Moderate
VHR Sydney Office space – GPT Funds Management refuses to assign sublease to Consortia to allow VHR to continue to operate from this location. Unable to assign the lease unless the Consortia is purchasing the entire portfolio. **Sydney Office space** – Not able to re-locate VHR office as a result of GPT not agreeing to a sublease following completion of sale.	3	C	Moderate	• Ascertain GPT requirements and/or an undertaking to "not exercise its rights for first refusal". • Alternative accommodation arrangements will need to be made in the event of a satisfactory agreement with the seller not being reached.			
				Revised level of risk after these treatments are completed	3	C	Moderate

Risks and level of risk in the absence of controls				Risk treatments and their expected effectiveness			
	Untreated Risk Rating				Treated Risk Rating		
Risk	Consequence	Likelihood	Level of Risk	Proposed risk treatments	Consequence	Likelihood	Level of Risk
Wrotham – Seller occupies and uses this resort under an "Occupation Licence" and an unregistered Sublease. Consortium would not be able to purchase or operate this resort without its own "Occupation Licence". Performance Criteria not stipulated within draft sublease documentation. **Wrotham** – Minister (Land Act 1994 (QLD)) does not give consent for the Sublease and Sub-sublease. Head Lease expires 2017 and draft sublease and sub-sublease contains obligations to renew at least until 2024.	2	D	Low	• Sublease and sub-sublease to be finalised and registered prior to the sale to ensure consortium has right to "Occupation Licence" • Performance Criteria to be clarified in terms of Consortia obligations prior to sale. **Revised level of risk after these treatments are completed**	2	D	Low
Ayers Rock – Anti-social behaviour of local community causing a negative impact on reputation of resort and long term damage to the tourism industry at Uluru.	2	D	Low	**Revised level of risk after these treatments are completed**	2	D	Low
Branding and Business names – Voyages brand. The issue of third party rights will require consideration and appropriate restrictions may need to be included. Voyages Lodges Pty Ltd is not party to the Sale Agreements and owns certain trade marks used within the businesses.	2	C	Moderate	• Incorporation requirements for the assignment, transfer of necessary Trade Marks and Branding to the buyer on the sale. **Revised level of risk after these treatments are completed**	2	C	Moderate
Wana Ungkunytja withdraw or refuse agreement with the ILC.	5	D	High	• Agreement in place prior to bid. **Revised level of risk after these treatments are completed**	5	E	Moderate
Negative reactions from media, staff and public.	3	D	Moderate	• Public Affairs / Media Strategy for managing communications internally/externally. **Revised level of risk after these treatments are completed**	3	D	Moderate

Risks and level of risk in the absence of controls				Risk treatments and their expected effectiveness			
	Untreated Risk Rating				Treated Risk Rating		
Risk	Consequence	Likelihood	Level of Risk	**Proposed risk treatments**	Consequence	Likelihood	Level of Risk
Decision/acquisition not supported by Sector/Govt.	*5*	C	*High*	• Garner ministerial support and engage other agencies in collaborative arrangements.			
				Revised level of risk after these treatments are completed	5	*D*	*High*
Unable to change the focus of the Target Assets following acquisition in terms of private for profit to not for profit and focus on training and employment.	5	C	High	• Development of thorough project plan which includes a comprehensive marketing strategy and HR strategy.			
				Revised level of risk after these treatments are completed	5	C	High
Timing of acquisition process too short to meet ILC timeframes in terms of proper due diligence.	*5*	*A*	*Extreme*	• *Submit non-conforming bid to allow sufficient time for necessary due diligence and ensure process is compliant with ILC requirements.*			
				• *Retain opportunity to withdraw from process.*			
				Revised level of risk after these treatments are completed	5	C	High
Access to funding is denied / restricted / changed / modified / not available within required timeframes.	5	A	Extreme	• Submit conditional non-conforming bid.			
				• Formalise funding arrangements.			
				Revised level of risk after these treatments are completed	5	C	High
Remoteness of Target Assets mean Visitor levels heavily dependant upon external parties. Qantas continue regular flights to and from major centres such as Melbourne and Sydney. Negative impact of International Visitors global financial downturn.	5	C	High	• Establish strong relationships with service providers.			
				• Develop marketing strategy which includes strong linkages to domestic and overseas travel companies and Govt. tourism authorities.			
				Revised level of risk after these treatments are completed	5	C	High
Pricing Structure – Not able to guarantee current pricing structure on an individual property basis as the current structure has been established as a result of the overall resort holdings and efficiencies gained.	5	C	High	• Legal due diligence propose appropriate structure to ensure streamlining of management platform.			
				• Development of thorough project plan which includes a comprehensive marketing strategy and HR strategy.			
				Revised level of risk after these treatments are completed	5	C	High

Risks and level of risk in the absence of controls				Risk treatments and their expected effectiveness			
	Untreated Risk Rating				Treated Risk Rating		
Risk	Consequence	Likelihood	Level of Risk	**Proposed risk treatments**	Consequence	Likelihood	Level of Risk
Deferment of capital expenditure during recent years indicates that this expenditure will be required in the short/medium term to maintain standards at an appropriate level.	5	B	Extreme	• Ensure the financial viability analysis includes the costs required to undertake this work within the first 2 years of operation. • Ensure acquisition prices reflects the need for this work to be undertaken.			
				Revised level of risk after these treatments are completed	5	C	High
Native title issues make divestment problematic.	3	C	Moderate	• Involve peak Indigenous bodies in negotiations and building stakeholder relationships.			
				Revised level of risk after these treatments are completed	3	C	Moderate
Environmental issues identified on one or more of the properties require significant cost to remedy. **Ayers Rock** – Soil and/or water contamination as a result of the landfill, Giles St industrial complex, Mobil Service Station and Airport. Questionable previous waste acceptance controls and current management under sub-leasing arrangments. **El Questro** – Oil fuel and chemical storage tanks, waste tips and burning of waste. DEC issues notices mid 2008. **Kings Canyon** – 18 mths of operation left of landfill. 2 unlined landfill sites. Rehabilitation plan required. Method of removal of future landfill. Mobil Service Station – Underground storage tanks, risk of contamination. **Wrotham** – Diesel fuel, above ground storage tanks, sewage treatment plant and waste disposal.	*4*	*B*	*High*	• Re-negotiation of sub-leases to include environmental responsibilities and compliance with relevant laws. • Phase II environmental report to be obtained prior to purchase to ensure Mobil Oil and Sellers responsibilities /liabilities in terms of environmental damage. • Obtain additional protection from Seller and/or re-negotiate the Deed of Covenant if one exists. • Conduct an environmental audit to ascertain the condition of the land prior to sale.			
				Revised level of risk after these treatments are completed	*4*	*C*	*High*

Risks and level of risk in the absence of controls				Risk treatments and their expected effectiveness			
	Untreated Risk Rating				Treated Risk Rating		
Risk	Consequence	Likelihood	Level of Risk	**Proposed risk treatments**	Consequence	Likelihood	Level of Risk
Ayers Rock – 257 Yulara Drive Yulara sale agreement contains restrictions on future use with a Deed of Covenant to be negotiated by the Consortium and Mobil Oil Australia Pty Ltd directly.	3	C	Moderate	• Ensure suitable arrangements are negotiated as part of the sale.			
				Revised level of risk after these treatments are completed	3	C	Moderate
Ayers Rock – Deed of Covenant contains various environmental indemnities and warranties. Mobil are not prepared to resign this Deed of covenant with the Consortium.	3	C	Moderate	• Ensure suitable arrangements are negotiated as part of the sale.			
				Revised level of risk after these treatments are completed	3	C	Moderate
Ayers Rock – Existence of Sacred Sites restricts future development opportunities surrounding the airport.	4	D	Moderate	• Cultural surveys conducted post acquisition.			
				Revised level of risk after these treatments are completed	3	D	Moderate
Greenhouse Reporting – Collection of data and reporting against National Greenhouse and Energy Reporting Act 2007 (Cth). Target Assets added to ILC assets would cumulatively reach the threshold in relation to energy usage requiring additional compliance and reporting for all ILC held assets.	2	C	Moderate	• Audit energy consumptions post acquisition and understand total ramifications of compliance.			
				Revised level of risk after these treatments are completed	2	C	Moderate
Ayers Rock – Access to and climbing of the Rock is banned by the current Indigenous Land Holders.	5	C	High	Negotiate agreement with Indigenous stakeholders and build relationships as part of the settlement arrangements.			
				Revised level of risk after these treatments are completed	5	C	High
Target Asset sites – contain hazardous materials: Asbestos and synthetic material fibres. This material is unstable or friable state and poses a risk to human health and or not been appropriately monitored/maintained in accordance with relevant legislation.	3	C	Moderate	• Regular audit of hazardous materials.			
				• Maintenance and replacement plan established and implemented.			
				• Conduct an environmental audit to ascertain the condition prior to sale.			
				• Hazardous materials registers to be reviewed prior to transfer and sale and any repair work identified to be implemented immediately.			
				Revised level of risk after these treatments are completed	3	C	Moderate

Our reference
PC/AW/IND(1561-9058279

Governor Phillip Tower
1 Farrer Place Sydney NSW 2000
GPO Box 9925 NSW 2001
Tel (02) 9210 6500
Fax (02) 9210 6611
www.corrs.com.au

CORRS CHAMBERS WESTGARTH
lawyers

Sydney
Melbourne
Brisbane
Perth

11 December 2008

By email: David.Baffsky@Accor.com,
David.Galvin@ILC.gov.au

Mr David Baffsky AO and Mr David Galvin
Indigenous Land Corporation
Level 1
3-5 Phipps Close
Football House
DEAKIN ACT 2600

Contact
Annabelle Welsh (02) 9210 6560

Partner
Peter Calov (02) 9210 6215
Email: peter.calov@corrs.com.au

Dear David and David

Legal opinion regarding structure of Project Red Rock acquisition

1 Scope of Legal Advice

We have been engaged by the Indigenous Land Corporation (**ILC**) to review and provide comments on a structure proposed for the acquisition by ILC and its wholly owned subsidiaries (**Subsidiaries**) for Project Red Rock.

Project Red Rock involves the acquisition by ILC of the following assets:

(a) Ayers Rock Resort (including airport) in the Northern Territory;

(b) Alice Springs Resort in the Northern Territory;

(c) El Questo Resort in the Kimberley Region of Western Australia;

(d) Kings Canyon Resort in the Northern Territory; and

(e) Wrotham Park Station in Western Queensland,

(together **Sites**).

Our scope in advising ILC on this matter is limited to addressing the following matters:

(a) the structure's compliance with the *Aboriginal and Torres Strait Islander Act 2005 (Cth)* (**ATSI Act**) generally including, without limitation, confirmation that the proposed purchase (in all its aspects) by ILC will comply with ILC's land acquisition function as contained in section 191D(1)(a); and

(b) compliance with the *Commonwealth Associations and Corporations Act 1997 (Cth)* (**CAC Act**) generally including, without limitation confirmation that, on the basis of the information we have to hand, no aspect of the purchase would breach that Act and that, the requirements of section 15 in particular have been complied with; and

(c) the tax status of the Subsidiaries and any structuring considerations arising from that status;

In particular we note that our scope of works has not involved undertaking any due diligence of the Sites or assets in question or advising on any stamp duty or tax and revenue issues (other than item (c) above) associated with the acquisition.

2 Project Documents

Late on 9 December 2008 we were provided with the following project documents by Baker & McKenzie in relation to Project Red Rock:

(a) Memorandum dated 9 December 2008 from Mr Ben McLaughlin and Mr Robert Williams addressed to Ms Jacoline Bekker of Grant Samuel and Mr Peter Calov of our offices, setting out the proposed structure of the acquisition;

(b) Copy of the Master Sale Deed;

(c) Copy of the Ayers Rock Resort Sale Agreement which we understand is to be used as a template for the acquisition of the Alice Springs, El Questro and Wrotham Park,

(together **Project Documents**).

We note that Baker & McKenzie in the above memorandum make explicit reference to further changes to the Project Documents. If further amendments occur to the Project Documents we will need to review those changes and reaffirm the opinion contained in this letter.

3 Acquisition and land holding structure in Project Documents

The structure for acquisition and land holding for the project involves the following:

3.1 GPT Funds Management 2 Pty Limited (**GPT**), Voyages Hotels & Resorts Pty Limited (**Voyages**), Voyages Lodges Pty Ltd and Wrotham Park Lodge Pty Ltd (as **Vendors**) and Indigenous Land Corporation, ILC Alice Springs Pty Ltd, ILC Ayers Rock Pty Ltd, ILC El Questro Pty Ltd, ILC Voyages Pty Ltd and ILC Wrotham Park Pty Ltd (as **Puchasers**) will enter into the **Master Sale Deed** which will govern the acquisition as a whole.

We understand that ILC Alice Springs Pty Ltd, ILC Ayers Rock Pty Ltd (**ILCAR**), ILC El Questro Pty Ltd, ILC Voyages Pty Ltd and ILC Wrotham Park Pty Ltd have yet to be incorporated but are intended to be Subsidiaries;

The Master Sale Deed is subject to certain conditions precedent.

3.2 The Master Sale Deed will annex the form of **Sales Agreement** that is to specifically govern the acquisition of each asset. On completion of the Master Sale Deed the Vendor is required to deliver to the Purchasers the Sales Agreements duly executed.

3.3 Under the terms of the **Ayers Rock Resort Sale Agreement** (which we understand acts as a template for the Sales Agreement and will be replicated for the Alice Springs, El Questro and Wrotham Park assets):

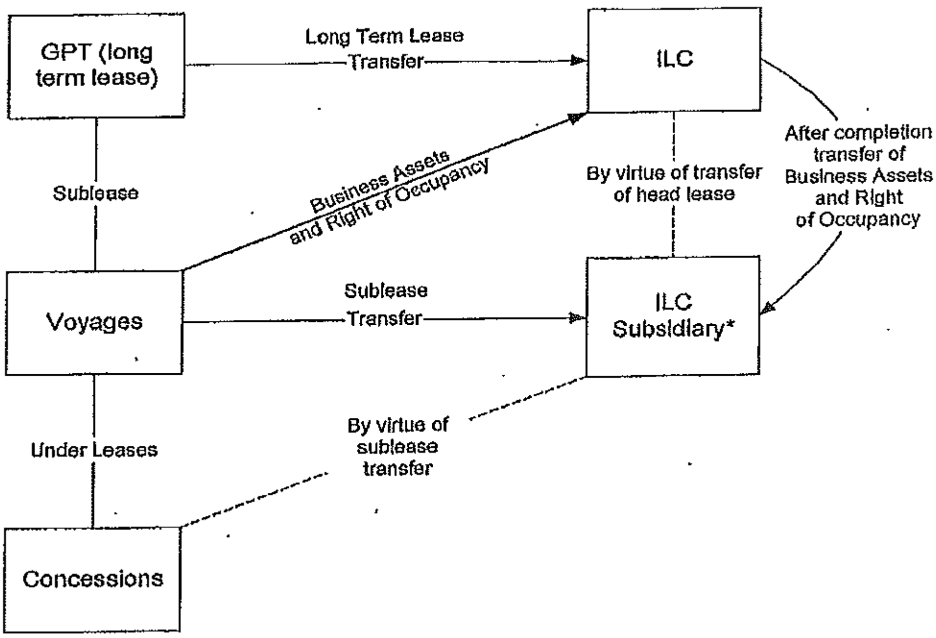
(a) GPT sells to ILC its freehold interest in parts of the Ayers Rock site and its leasehold interest in parts of the Ayers Rock site;

(b) Voyages sells to ILCAR its interest as lessee under each of the leases, subleases and sub-subleases from GPT (**Subleases**) and its interest as landlord under each of the sublease or licence which Voyages has granted (**Under Leases**), subject to the reservation by Voyages in favour of itself of a right of occupancy to the extent necessary to carry on the business on the premises (**Right of Occupancy**); and

(c) Voyages sells to ILC the assets used in the operation of the business and the Right of Occupancy.

3.4 We understand that following Completion of the acquisition, ILC will transfer the business and the Right of Occupancy to ILCAR.

4 Structure Diagram



Notes:

* For each resort there will be a separate subsidiary.

5 Compliance with the ATSI Act

Compliance Generally

We have been instructed that the intention of ILC in acquiring the Sites and assets is to eventually make a grant to an ATSI company in accordance with section 191D(1)(a) of the ATSI Act. We understand that ILC has taken a long term view regarding the strategic acquisition of the Sites and that it may take some time before a suitable ATSI Company is identified for the purpose of making a grant in accordance with section 191D(1)(a) of the ATSI Act.

We are of the opinion that the proposed structure, which involves the following acts by ILC and its Subsidiary:

5.1 the acquisition by ILC of GPT's interests in land (being a combination of freehold estates and long term leasehold estates);

5.2 the acquisition by ILC from Voyages of assets used in the operation of the business and the Right of Occupancy; and

5.3 the disposal by ILC to the relevant Subsidiary of the business and the Right of Occupancy;

5.4 the acquisition by the relevant Subsidiary from Voyages of Voyages interest as lessee under the Subleases as well as Voyages' interest in any Under Leases; and

5.5 the acquisition by the relevant Subsidiary from the ILC of the business and the Right of Occupancy

complies with provisions of the ATSI Act. In particular, we confirm:

(a) ILC's act in 5.1 is within the ILC's land acquisition function under section 191D(1)(b) of the ATSI Act;

(b) ILC's acts in 5.2 and 5.3 are within the ILC's general *power to do all things that are necessary or convenient in connection with the performance of its functions* (section 191H of the ATSI Act) being either the land acquisition or land management function;

(c) the Subsidiary's acts in 5.4 and 5.5, are within the power of the Subsidiary, provided that there is in place an arrangement within the meaning of section 191G(1) of the ATSI Act, being an arrangement for the performance by the Subsidiary of ILC's land acquisition or land management function. We have presumed for the purpose of this opinion that the necessary arrangement will be put in place at the time of incorporation of the Subsidiary;

(d) the proposed structure is in our view consistent with ILC having had regard to the National Indigenous Land Strategy and the relevant Regional Indigenous Land Strategies (being Western Australia, Northern Territory or Queensland as the case may be). As such, ILC is performing its functions in accordance with section 191Q of the ATSI Act by entering into the transaction;

(e) the ILC (and the Subsidiary) have complied with the requirement when performing the land acquisition function under section 191D(4) of the ATSI Act, to search relevant registers of the National Native Title Tribunal to ascertain whether any claims have been lodged, accepted or determined in relation to the relevant land. Baker & McKenzie have on the ILC's behalf conducted the relevant searches and furnished a report to the ILC in the form **attached.**

Disposal of Surplus Land following completion of the acquisition

In the event that following completion of the acquisition by the Purchasers, ILC or its relevant Subsidiary forms the view that it no longer needs the relevant Site (or leasehold interest) for the purpose of making a grant to an ATSI Company, then ILC or relevant Subsidiary will be entitled under section 191J of the ATSI Act to dispose of the Site (or leasehold interest) to any person or body.

6 Compliance with the *Commonwealth Associations and Corporations Act 1997 (Commonwealth)* (CAC Act)

6.1 We have reviewed the provisions of the CAC Act and confirm that on the basis of all information with which we have been provided in relation to this matter, subject to paragraph 6.2 below, the proposed acquisition by the ILC and the Subsidiaries complies with the CAC Act generally and, no aspect of the acquisition would breach the CAC Act.

6.2 In relation to complying with the ILC's obligations under section 15 of the CAC Act, once the ILC proposes to proceed with the acquisition and ideally prior to the lodgement of the bid, Directors of the ILC must give to the Minister for Families, Community Services and Indigenous Affairs written particulars of:

(a) ILC's proposal to form the Subsidiaries;

(b) ILC's proposal to acquire the assets pursuant to the Project Documents.

In this regard we note that our information from Baker & McKenzie is that the offer being lodged is not a binding offer as it is merely an expression of interest at this stage.

6.3 We are not aware of any:

(a) exemption given by the Minister for Families, Community Services and Indigenous Affairs to ILC (under section 15(2) of the CAC Act) from the requirement to comply with section 15(1) of the CAC Act; or

(b) any guidelines given by the Minister under section 15(3) of the CAC Act,

which would change the position in paragraph 6.2.

7 Advice as to the tax status of ILC subsidiaries

Following our analysis of the relevant legislation we have come to the conclusion that a Subsidiary is unlikely to be a tax exempt entity.

We set out in this section our analysis as to why a Subsidiary is unlikely to be tax exempt and why a fixed trust structure could be adopted to overcome the income tax issues created by this situation.

Baker & McKenzie have advised that the use of a fixed trust will mean that the transaction requires the payment of stamp duty by the Subsidiary, whilst the use of a company of which ILC owns all the shares can potentially involve nil stamp duty for the transaction. Baker & McKenzie assessment is based upon the corporate reconstruction relief provisions in Western Australia which only allow stamp duty relief for group companies and not for group trusts.

An analysis was undertaken by Grant Samuel and Baker & McKenzie as to the potential stamp duty saving (from using a company) against the income tax saving (from using a fixed trust). We have been informed that the results of that analysis concluded in favour of using a company. Accordingly, the fixed trust structure will not proceed. The taxable income of a company may be manageable through deductible rent, interest and management fees. Notwithstanding that position we think that our analysis below should be provided for ILC's benefit.

7.1 Aboriginal and Torres Strait Islander Act

Section 193P of the ATSI Act provides that:

> *"The Indigenous Land Corporation is not subject to taxation under a law of the Commonwealth, a State or a Territory."*

The term "Indigenous Land Corporation" is defined in section 4 of the ATSI Act to mean "the Indigenous Land Corporation established by section 191A." Section 191A of the ATSI Act makes no reference to a Subsidiary. Accordingly, the Subsidiaries will not have the benefit of an express statutory exemption from taxation.

Section 191G of the ATSI Act provides that ILC may make an arrangement with a Subsidiary about the performance by the Subsidiary of functions corresponding to one or more of ILC's functions. Section 4(2) of the ATSI Act provides that:

> *"The question whether a company is a subsidiary of the Indigenous Land Corporation or of Indigenous Business Australia shall be determined in the same manner as the question whether a corporation is a subsidiary of another corporation is determined for the purposes of the Corporations Act 2001."*

The extension of the statutory exemption from taxation to a Subsidiary could conceivably be implied where ILC has made an arrangement with the Subsidiary to perform one of more of ILC's functions. However, we consider the better view is that the extension of the exemption is not so implied. Relevantly, section 193R of the ATSI Act exempts certain transactions from State and Territory taxation. A Subsidiary may be a party to such a transaction. If a Subsidiary was exempt under section 193P of the ATSI Act, it would not need the exemption under section 193R.

We also note that, from a policy standpoint, there is no reason why a company carrying on a trading business should be exempt from tax (and therefore at a competitive advantage over other companies) because the company is controlled by ILC.

We therefore consider that the Subsidiaries are unlikely to have the benefit of ILC's statutory exemption from taxation.

7.2 Income Tax Assessment Act

Exempt entities

Division 50 of the *Income Tax Assessment Act 1997 (Cth)* (**1997 Act**) exempts the income of various entities from tax. These include:

(a) charitable institutions;

(b) government entities; and

(c) societies or associations established for the purpose of promoting the development of primary and secondary resources, and tourism.

Many entities established for indigenous purposes are charitable institutions. However, the exemption is subject to obtaining the endorsement of the Commissioner of Taxation. An application for endorsement could be made but having the Subsidiaries carry on a trading business on a for profit basis will count against the application, making endorsement unlikely. The decision of the High Court in *Commissioner of Taxation v Word Investments Limited* [2008] HCA 55 may be of some assistance. However, the taxpayer in that case was a company limited by guarantee having charitable objects.

The government entities which are exempt are municipal corporations, local governing bodies, public authorities constituted under an Australian law, and constitutionally protected funds. The Subsidiaries will not be municipal corporations, local governing bodies or constitutionally protected funds. However, they could conceivably be public authorities where they are performing one or more of ILC's functions pursuant to an arrangement made with ILC under section 191G of the ATSI Act.

The Subsidiaries could also conceivably be associations established for the purpose of promoting the development of tourism. Relevantly, an association can be incorporated.

We would not recommend the Subsidiaries rely on the exemptions for public authorities or tourism associations without first obtaining a private ruling from the Commissioner. In our view, the carrying on of a trading business by the Subsidiaries on a for profit basis makes a favourable private ruling unlikely.

State/Territory bodies

Certain State/Territory bodies (STBs) are exempt from tax under Division 1AB of Part III of the *Income Tax Assessment Act 1936 (Cth)* (**1936 Act**).

Broadly, an STB is a company in which all the shares are beneficially owned by one or more government entities. The term "government entity" is defined to mean a State, a Territory, a municipal corporation or other local governing body, or another STB. Accordingly, the Subsidiaries will not be STBs because ILC is not a "government entity" as defined.

For completeness, we have also considered the doctrine of "crown immunity" or "sovereign immunity". Generally, this only applies to entities performing the functions of governments (usually foreign) and does not extend to commercial activities.

7.3 Taxation of the Subsidiaries

On the above analysis, it is likely that the Subsidiaries will be taxable. In that case, the taxable income of the Subsidiaries will equal their assessable income less their allowable deductions. The payments the Subsidiaries make to ILC under the Subleases and to third parties under management agreements will be deductible to the Subsidiaries thereby reducing their taxable income.

To the extent the Subsidiaries pay tax, they will generate franking credits. However, if the Subsidiaries pay franked dividends to ILC, ILC will not pay tax on the dividends but will also not be entitled to a refund of the franking credits. This is because ILC does not satisfy the definition of an "exempt institution that is eligible for a refund" in section 207-115 of the 1997 Act.

7.4 Subsidiaries as trusts

Given that ILC is exempt from tax but the Subsidiaries are most likely taxable, we considered whether another entity which is "flow through" for tax purposes could be used in place of the Subsidiaries.

A unit trust in which ILC, being an exempt entity, holds 20% or more of the units would be a public trading trust taxed like a company under Division 6C of Part III of the 1936 Act. However, a fixed trust which is not a unit trust would not be a public trading trust taxed like a company.

As noted above, we discussed the use of fixed trusts with Baker & McKenzie. Based on an analysis undertaken by Grant Samuel and Baker & McKenzie, it was determined that the potential stamp duty saved by using companies outweighed the potential income tax saved by using fixed trusts. Accordingly, the Subsidiaries will be companies.

7.5 Stamp duty

The statutory exemption applicable to ILC in section 193P of the ATSI Act extends to stamp duty.

In relation to the ability of the Commonwealth to override State and Territory stamp duty laws, we note that section 51(ii) of the constitution gives the Commonwealth the power to make laws with respect to "*taxation; but so as not to discriminate between States or parts of States*". Further, section 109 of the Constitution provides:

> "*When a law of a State is inconsistent with a law of the Commonwealth, the latter shall prevail and the former shall, to the extent of the inconsistency, be invalid.*"

For the reasons outlines above in relation to income tax, the Subsidiaries are unlikely to be exempt from stamp duty. We understand this is consistent with a view obtained from the North Territory Revenue Office by Baker & McKenzie. However, we agree with Baker & McKenzie that the Subsidiaries may be eligible for corporate reconstruction relief from stamp duty in some jurisdictions.

CORRS CHAMBERS WESTGARTH lawyers

7.6 Goods and services tax

We note the structure should provide for the GST-free supply of a "going concern", subject to the agreement of the sellers. In that case, the sellers should not be liable for GST and should not seek to gross-up the sale price by 10%.

Yours faithfully
Corrs Chambers Westgarth

Jonathon Leek.

Peter Calov
Partner

Jonathon Leek
Partner

attachments

Indigenous Land Corporation

Project Red Rock

PRIVATE & CONFIDENTIAL • DECEMBER 2008

GRANT SAMUEL

1. Introduction 3
2. Executive Summary 7
3. Overview of Resorts 18
4. Structuring 23
5. Due Diligence Summary 25
6. Management of Resorts 32
7. Future Financial Performance 36
8. Valuation and Bid Price 44
9. Risks 52
10. Next Steps 55

Appendices
1 Capital Expenditure Comparison
2 Key Performance Indicators – Future Financial Performance Assumptions
3 Management of Resort – Comparison of Hotel/Resort Operator Presentations
4 Planned Property Management Pty Ltd (David Wylie) – Property Due Diligence Report
5 Baker & McKenzie – Legal Due Diligence Report
6 Horwath HTL – Accounting Due Diligence Report
7 Bob Teague – Miscellaneous Due Diligence Report
8 Extracts from the Financial Model
9 Colliers – Ayers Rock Resort Valuation (as at 1 December 2008)

Contents

- GPT Group ("GPT") has appointed Jones Lang LaSalle ("JLL") to sell GPT's Hotel and Tourism portfolio. The portfolio has been offered to the market in one parcel with an information memorandum distributed to Grant Samuel on 16 September 2008.
- The Indigenous Land Corporation ("ILC") has expressed an interest in acquiring the following assets in the GPT portfolio (referred to as the "Central Australian Assets" in this report):
  - **Ayers Rock Resort**: the key asset and the largest asset. It is an integrated resort destination located close to Uluru (Ayers Rock) and neighbouring Kata Tjuta (the Olgas) – the only resort located in this region. It has six hotels with 790 rooms covering a wide range of accommodation styles, extensive food, beverage and retail outlets and an airport;
  - **Alice Springs Resort**: a four-star resort with 139 guestrooms, restaurant / bar facilities, meeting space and contemporary facilities that cater for both business and leisure travellers;
  - **46% of Kings Canyon Resort**: the most significant and closest accommodation facility in the immediate area servicing tourists to Kings Canyon with 128 guest rooms and campground facilities. GPT owns 46% of Kings Canyon Resort but 100% is available for sale as the other two owners also wish to sell;
  - **El Questro**: three separate and distinct levels of accommodation: the Homestead (six luxury suites), Emma Gorge Resort (60 cabins) and the Station Township (12 bungalows and camping sites) located on approximately 273,000 hectares of land in the Kimberly region of Western Australia;
  - **Wrotham Park**: 10 luxury quarters on 100 hectares of land (leased from a working cattle station) in north west Queensland; and
  - **Voyages management platform**: GPT's internal management company which includes the Sydney head office, administration functions, IT assets and central reservation system that supports the Voyages portfolio.
- Grant Samuel Corporate Finance Pty Limited ("Grant Samuel") was appointed by ILC to manage the acquisition of the Central Australian Assets. Grant Samuel's role includes:
  - development of a bidding strategy;
  - advice on valuation;
  - appointment of a hotel operator;
  - in conjunction with legal and tax advisers, advice in relation to transaction structures;
  - development of a financial model to facilitate transaction analysis;

  - oversee due diligence;
  - advice on potential post transaction governance and management structures; and
  - negotiate with JLL and GPT.

- Grant Samuel, on 10 October 2008, lodged an expression of interest in the Central Australian Assets with JLL. ILC is not interested in acquiring the whole GPT portfolio and consequently Grant Samuel also lodged an expression of interest in the balance of the portfolio (mainly small island resorts) on behalf of Anthology Pty Limited ("Anthology") and Gresham Private Equity ("Gresham"), the main shareholder in Anthology. These assets for simplicity are referred to as the "Island Resorts" in this report. The cooperation with Anthology/Gresham does not involve any commitment or obligation to them on the part of ILC and was merely to submit to GPT a conforming expression of interest that would allow GPT to quit the whole portfolio.
- The indicative price put forward by ILC for the Central Australian Assets was $300-340 million. There was limited information on which to base a price and this pricing was principally determined for the objective of getting through to the second stage of the process.
- ILC was invited to proceed to undertake due diligence and submit final offers by midday, 17 December 2009 (extended from the initial date of 9 December 2009).
- GPT had in 1997 granted a right of first refusal over Ayers Rock Resort and Alice Springs Resort to Wana Ungkunytja Pty. Ltd ("Wana Ungkunytja"). That right requires GPT to first offer Ayers Rock Resort and Alice Springs Resort to Wana Ungkunytja but if the offer is declined GPT cannot sell at a lower price without again offering the resorts to Wana Ungkunytja at that lower price. ILC and Wana Ungkunytja have agreed to work in partnership to bid for Ayers Rock Resort (including the airport) and Alice Springs Resort and to commit the resources to achieve this outcome.
- Wana Ungkunytja Pty. Ltd , as Trustee of the Wana Ungkunytja Trust, was formed in 1993 as the business arm of the Nyangatjatjara Aboriginal Corporation ("NAC"). NAC is a regional Aboriginal social development organisation whose focus has been upon the improvement of Aboriginal community members lives and circumstances. The member communities of NAC are Kaltukatjara at Docker River, Mutitjulu at Uluru and Imanpa on the Lasseter Highway. These communities and NAC are the beneficiaries of the Wana Ungkunytja Trust.
- Wana Ungkunytja was represented on the board of the Ayers Rock Resort Company from 1993-1997, on the board of Ayers Rock Resort Management (Voyages) from 1997-2000 and since 2003 on the GPT/Wana Ungkunytja Advisory Board.

- After GPT had received and evaluated the expressions of interest, GPT made an offer on 28 October 2008 to sell Ayers Rock Resort and Alice Springs Resort to Wana Ungkunytja under the right of first refusal at $293 million. That offer was open until 12 December 2008. However that offer excluded certain assets – trading stock, the Ayers Rock airport and a service station at Ayers Rock. GPT did not nominate an asking price for those excluded assets and proposed that Wana Ungkunytja/ILC specify a price for them if it wished to exercise the right of first refusal. A value of $55 million-$65 million can be attributed to those excluded assets which makes GPT's offer equivalent to $352 million-$362 million. Grant Samuel recommended against acceptance of that offer.
- The following team was appointed to undertake due diligence on behalf of ILC:
  - Horwaths HTL – accounting, tax and IT overview advisers;
  - Baker & McKenzie – legal advisers. It was not known whether ILC would bid as part of a consortium or on its own. Baker & McKenzie was appointed on the basis that if a consortium was formed, ILC would need its own legal advice from Corrs separate from the advice to the consortium. Baker & McKenzie is also very experienced in the hotel sector. Baker & McKenzie and Corrs are liaising closely;
  - David Wylie – independent engineering consultant advising on estimated future capital expenditure;
  - Bob Teague – principally overseeing independent engineering consultant's work and reviewing and advising on financial model inputs;
  - Simon Barlow – hotel industry adviser to the ILC; and
  - Wayne Kirkpatrick and Glendle Schrader – advisers to Wana Ungkunytja. Wayne was Managing Director and Chief Executive Officer of Ayers Rock Resort from 1992 to 1996 and Glendle was on the board of Ayers Rock Resort for a number of years and in more recent times a member of its Advisory Board while CEO of Wana Ungkunytja Pty Limited.
- Due diligence reports were completed by Monday, 8 December 2008 and those reports have been summarised in this report.
- A financial model of the Central Australian Assets has been developed by Grant Samuel. The model covers a ten year period (from 2009 to 2018) and was developed to analyse the financial performance and cash flows under a range of assumptions. The cash flows for each of the five resorts are separately detailed. The financial model for the resorts with multiple accommodation styles (Ayers Rock Resort, Alice Springs Resort and El Questro) is built from the bottom up for each accommodation style. The key drivers for the financial model are room rates and room occupancy. The Voyages management 2009 forecast was used as a starting point but adjusted downward.

- Competition for the Central Australian Resorts:

  It is believed that there is limited competition for the Central Australian Assets although this is not certain. A range of parties submitted expressions of interest but it is quite likely that some were not serious. It is known that some parties were not invited into the second stage – presumably based on price. One party which did not proceed reportedly proposed a price of $250 million for Ayers Rock Resort and Alice Springs Resort. It is thought that there are no parties interested in the whole portfolio. One party which was invited into the second stage has subsequently withdrawn. It appears that there have been few site inspections at Ayers Rock by competitors, possibly two at the most. In the current economic climate, potential competitors face a range of attractive investment opportunities, debt funding is limited and the deteriorating financial performance of the Central Australian Assets will raise question marks. In previous more buoyant economic conditions, property trusts and financial buyers would have been prominent amongst potential buyers. Few, if any, will be involved in this process.

- This report to the Board outlines the recommendations of Grant Samuel and the background to those recommendations.

RECOMMENDATION

It is recommended that ILC submit an offer of $282 million to buy the Central Australian Assets plus $8 million for the 54% balance of Kings Canyon Resort. That offer would also cover those elements of the Voyages management platform required by ILC.

The Ayers Rock Resort represents approximately 90% (by value) of the Central Australian Assets and this offer is essentially an offer for Ayers Rock Resort. There is commercial logic in acquiring Kings Canyon Resort and Alice Springs Resort in conjunction with Ayers Rock Resort and El Questro adjoins an existing ILC property. However the four resorts other than Ayers Rock Resort are relatively small and the recommendation to acquire a group of resorts is based on the understanding that GPT is unlikely to sell Ayers Rock Resort separately. ILC could subsequently sell the Alice Springs Resort and the Homestead at El Questro – both should sell relatively easily. Wrotham Park could be (and probably should be) closed.

BIDDING STRATEGY

ILC does not need to bid aggressively because ILC has the benefit of the Wana Ungkunytja right of first refusal. As long as any competing offer that is more attractive to GPT than ILC's offer is not greater than $293 million for Ayers Rock Resort and Alice Springs Resort (excluding the airport, service station and trading assets), GPT is obligated to revert to Wana Ungkunytja giving it the opportunity to match that competing offer.

However there is real risk that if ILC offers a very low price GPT will not regard ILC as a serious buyer and in the absence of other attractive offers, GPT will decide to retain the Central Australian Assets. A decision by the GPT Board not to proceed with the sale is unlikely to be reversed quickly in the absence of a competing new offer.

PRICING

A price of $282 million ($290 including the 54% balance of Kings Canyon Resort) will not be particularly attractive to GPT. It is almost certainly considerably less than expected by GPT. One potential buyer was excluded from the short list because it offered $250 million for just two of these assets (Ayers Rock Resort and Alice Springs Resort) and that buyer would still be a potentially serious competitor. The figure of $282 million represents a very large discount (and therefore potential writedown) based on the carrying value of the Central Australian Assets in GPT's accounts at 30 June 2008 of approximately $400 million. GPT acquired Ayers Rock Resort in 1997 for $220 million and has since invested $110 million in capital expenditure.

The figure of $282 million is substantially less than the aggregate investment in Ayers Rock Resort alone – believed to be $560 million. The replacement cost of Ayers Rock Resort is presumably well in excess of $560 million.

Colliers valued Ayers Rock Resort as at 8 December 2008 on the instructions of ILC at $290 million. Colliers had previously prepared the valuation of Ayers Rock Resort for GPT on which GPT based its book values at 30 June 2008.

ALLOCATION OF VALUE

For the purposes of analysis the $290 million total price is allocated as follows:

	$ millions	2008F EBITDA[1]	Implied EBITDA Multiple
Ayers Rock Resort	255	30.1	8.5x
Alice Springs Resort	10	1.2	8.1x
Kings Canyon Resort	15	2.0	7.4x
El Questro	10	1.0	9.9x
Wrotham Park	-	(0.4)	-
Voyages Management Platform	-		na
Total	290	34.0	8.5x How determined

Notes: 1 2008 figures are actuals up to October 2008 (August for Kings Canyon)

STRATEGIC VALUE TO ILC

The Central Australian Assets represent a unique opportunity for ILC to further its objectives in terms of indigenous training and employment. The timing of this opportunity means that ILC has an opportunity to buy at a time when asset prices are low and there are few, if any, competing buyers.

It is possible that given ILC's charter, it can attribute strategic value to the Central Australian Assets and offer a higher price than might be justified on strict economic grounds. However no such strategic value has been incorporated into the pricing proposed by Grant Samuel.

MANAGEMENT OF THE CENTRAL AUSTRALIAN ASSETS

Ayers Rock Resort is of a different scale and complexity than the other tourist businesses owned by ILC. The management of Ayers Rock Resort if acquired by ILC will be critical to the performance of the business, the economic returns to ILC and the success of measures to enhance indigenous training and employment.

Three alternative approaches to the management of the Central Australian Assets have been considered:

Option 1: ILC directly manages the resorts and hotels as GPT does through Voyages. In this approach ILC would take on most of the Voyages staff relating to the Central Australian Assets, operations and systems.

Option 2: ILC directly manages the services and infrastructure at Ayers Rock Resort and Kings Canyon Resort and some of the accommodation facilities, in particular Outback Pioneer Hotel and Lodge and campground at Ayers Rock Resort, the campground at Kings Canyon and El Questro. An external manager would be appointed to operate the other hotels at Ayers Rock Resort, Alice Springs Resort and Kings Canyon Resort. In this approach ILC would take on some of the Voyages staff and most of its operations and systems.

Option 3: An external manager would manage all the resorts (including infrastructure and services) and hotels.

Initial proposals were obtained from Hilton, IHG, Accor, Rydges, Minor International (a Thai hotel and resort operator) and Delaware North which runs resorts in national parks in the United States (e.g. Yosemite) and facilities management operations in Australia (Melbourne and Olympic Parks, Telstra Dome, WACA, Sovereign Hill Museum etc). Certain managers (Hilton and IHG) were not interested in Option 3.

More detailed proposals were subsequently sought from IHG, Rydges, Accor and Delaware North. IHG, Rydges and Accor were asked to respond on the basis of Option 2 and Delaware North was asked to respond on the basis of Option 3.

All parties were asked whether they would be willing to invest in the Central Australian Assets. Delaware North was the only party willing to consider a significant investment. It is willing to view an arrangement as a long term partnership in which it would contribute up to $50 million capital initially. There are complexities created with the introduction of an equity partner but these can be dealt with.

In Grant Samuel's view Accor was preferred amongst the first three hotel managers on the basis of its breadth of experience and presence (both in Australia and internationally) and overall quality of presentation. IHG put forward a strong proposal and in particular its experience managing a resort in Kakadu National Park. However that resort is small.

Delaware North also put forward a good proposal but would be reliant on bringing hotel management expertise from the United States. Delaware North is only recommended if ILC decides that it wishes to make a smaller investment and introduce an equity partner.

Each party has proposed terms on which they would undertake the management role. Each proposal will require considerable further negotiation to achieve terms that are satisfactory to the ILC. To retain competition during that negotiation, it would be preferable to proceed with two parties.

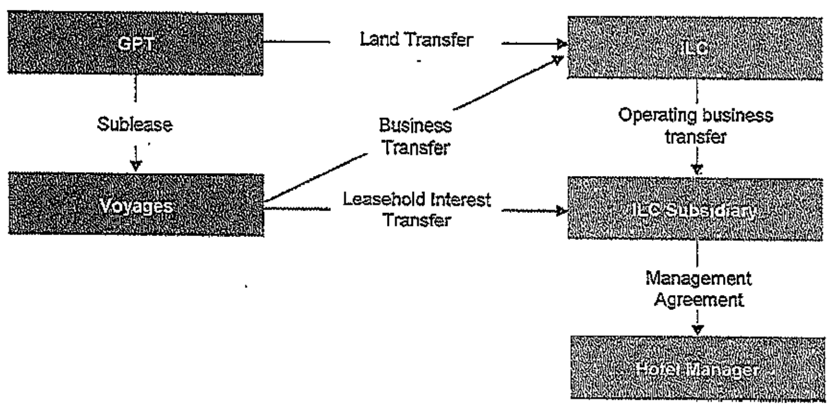
The preferred hotel operator would be selected after ILC has lodged its bid and after ILC has been nominated as preferred buyer.

Even when a single preferred hotel operator is chosen, a lot of work remains to be done jointly – due diligence, planning transition arrangements etc.

STRUCTURING OF THE ACQUISITION

- ILC would buy the Central Australian Assets through asset purchases rather than share purchases. At completion ILC will buy the land (or head leases) and all the businesses but with the Voyages leasehold interests being transferred from Voyages to separate wholly-owned subsidiaries of ILC (OpCos). After completion ILC will transfer each business to an OpCo. Six OpCos will be created – one for each asset:
  - Ayers Rock Resort
  - Alice Springs Resort
  - Kings Canyon Resort
  - El Questro
  - Wrotham Park
  - Voyages management platform
- There will be a master sale agreement and a series of subsidiary agreements – one for each asset.

Structure of Ayers Rock Resort



PERFORMANCE OF THE CENTRAL AUSTRALIAN ASSETS

The financial performance of Ayers Rock Resort has deteriorated in the last two years with revenue falling on lower occupancies and a significant drop in profit. In contrast the performance of Alice Springs Resort and Kings Canyon Resort has strengthened in that period:

Revenue

($ '000)	12 months to 31 December		
	2006A	2007A	2008F[1]
Ayers Rock Resort	119,191	114,843	110,646
% change YOY		*(3.6%)*	*(3.7%)*
Alice Springs Resort	6,064	5,882	6,736
% change YOY		*(3.0%)*	*14.5%*
Kings Canyon Resort	12,091	11,822	12,390
% change YOY		*(2.2%)*	*4.8%*
El Questro	7,877	7,764	8,203
% change YOY		*(1.4%)*	*5.7%*
Wrotham Park	561	645	460
% change YOY		*15.0%*	*(28.7%)*
Total	145,784	140,955	138,435
% change YOY		*(3.3%)*	*(1.8%)*

EBITDA (After Corporate Costs)[2]

($ '000)	12 months to 31 December		
	2006A	2007A	2008F[1]
Ayers Rock Resort	38,460	36,127	30,141
% change YOY		*(6.1%)*	*(16.6%)*
Alice Springs Resort	821	994	1,238
% change YOY		*21.0%*	*24.6%*
Kings Canyon Resort	1,670	1,829	2,032
% change YOY		*9.6%*	*11.1%*
El Questro	1,144	1,160	1,013
% change YOY		*1.4%*	*(12.6%)*
Wrotham Park	(624)	(490)	(427)
% change YOY		*(21.4%)*	*(12.9%)*
Total	41,471	39,620	33,997
% change YOY		*(4.5%)*	*(14.2%)*

Notes: 1 2008 figures are actuals up to October 2008 (August for Kings Canyon)
2 Allocation of corporate costs as per Voyages management

The downturn at Ayers Rock Resort in part reflects a downturn in tourism generally. It probably also reflects the fact that tourism and leisure are not core to GPT and Ayers Rock Resort has been restricted in access to capital and has become "tired". Moreover the management lacks flair and the limited visitor out of room experience has contributed to a relatively short average stay of 1.8 days.

The outlook for the near future is negative. Discretionary spending and international travel will contract with the economic crisis although the fall in the Australian dollar will assist inbound tourism. Earnings in 2009 are expected to fall from 2008 but during 2010 it is reasonable to anticipate recovery both as a result of improving economic conditions and the benefit of capital expenditure and better marketing of Ayers Rock.

PERFORMANCE OF THE CENTRAL AUSTRALIAN ASSETS (CONT'D)

The forecasts incorporated in the financial model developed to analyse the acquisition shows a significant decline in revenue in 2009 as a result of declines in both occupancy and average room rate. In contrast 2009 budgets prepared by Voyages management show both occupancy and room rates increasing in 2009. Consequently the financial model shows a very large downturn in profit in 2009 only recovering over the following three years. Room rates and occupancy at Ayers Rock Resort in this period also reflect the inevitable disruption from a major program of catch up capital expenditure required to bring rooms and facilities back to standards required at the resort.

GPT had underinvested and there is a need for substantial capital expenditure at Ayers Rock Resort. The financial model allows for $79.6 million capital expenditure at Ayers Rock Resort over the next five years compared to $29.2 million over the last five years under GPT ownership. The major items are room refurbishments and a rebuild of the conference centre, but a significant expenditure on infrastructure is also required.

Base Case Forecast - Revenue

	12 months to 31 December			
	2008[1] Voyages Forecast	2009 Model Forecast	2010 Model Forecast	2009[2] Voyages Budget
Ayers Rock Resort	110,646	101,596	108,483	115,024
% change YOY		*(8.2%)*	*6.8%*	*4.0%*
Alice Springs Resort	6,736	6,266	6,798	7,089
% change YOY		*(7.0%)*	*8.5%*	*5.2%*
Kings Canyon Resort	12,390	11,769	12,372	12,263
% change YOY		*(5.0%)*	*5.1%*	*(1.0%)*
El Questro	8,203	8,811	9,546	9,038
% change YOY		*7.4%*	*8.3%*	*10.2%*
Wrotham Park	460	473	530	820
% change YOY		*2.8%*	*12.1%*	*78.4%*
Total	138,435	128,915	137,729	144,235
% change YOY		*(6.9%)*	*6.8%*	*4.2%*

Notes: 1 2008 includes actuals up to October 2008 (August for Kings Canyon)
2 Voyages management budget for 2009. Percentage change is relative to 2008

Base Case Forecast - EBITDA (After Corporate Costs)

	12 months to 31 December			
	2008[1] Voyages Forecast	2009 Model Forecast	2010 Model Forecast	2009[2] Voyages Budget
Ayers Rock Resort	30,141	18,463	21,306	31,015
% change YOY		*(38.7%)*	*15.4%*	*2.9%*
Alice Springs Resort	1,238	921	1,141	1,328
% change YOY		*(25.6%)*	*23.8%*	*7.3%*
Kings Canyon Resort	2,032	1,223	1,380	2,113
% change YOY		*(39.8%)*	*12.8%*	*4.0%*
El Questro	1,013	995	1,246	1,403
% change YOY		*(1.8%)*	*25.2%*	*38.5%*
Wrotham Park	(427)	(439)	(546)	(244)
% change YOY		*2.9%*	*24.3%*	*(42.8%)*
Total	33,997	21,164	24,527	35,616
% change YOY		*(37.7%)*	*15.9%*	*4.8%*

VALUATION

- The discounted cash flow valuation of the Central Australian Assets (including 100% of Kings Canyon) is $290 million. This valuation is based on:
  - cash flow forecasts in the base case financial model;
  - a discount rate of 9.5% (9.0% for the Ayers Rock airport) - 9.5% is the weighted average cost of capital; and
  - capital expenditure of $97.2 million over five years ($79.6 million at Ayers Rock Resort).
- This valuation represents an assessment by a third party commercial buyer. It assumes that the buyer pays full tax, unlike the ILC which is exempt from income tax or stamp duty. If income tax is excluded from the model the discounted cashflow valuation would be $99 million higher.
- The discounted cashflow valuation is sensitive to changes in assumptions:

	DCF Valuation ($ millions)
Base Case	290
Discount rate – increase 0.5% point	265
Occupancy – increase 1.0% point	303
Occupancy – decrease 1.0% point	276
Average room rate – increase 5.0%	312
Average room rate – decrease 5.0%	268
Capital expenditure – increase 10.0%	274
Capital expenditure – decrease 10.0%	305

- It is difficult to value the resorts, in part because they are unique and there have been few if any transactions in comparable resorts that might provide valuation evidence. Moreover, in the current market there is a very limited universe of potential buyers.

VALUATION (CONT'D)

- A valuation of $290 million represents an 8.5 times multiple of 2008 forecast EBITDA. This is arguably a low multiple both because Ayers Rock Resort is iconic, not capable of replication and core to Australian tourism and because 2008 earnings are considerably lower than earnings in prior years albeit probably not yet at the bottom of the cycle. Higher multiples have certainly been evident in the past. GPT purchased Ayers Rock Resort on an EBITDA multiple of 11.1 times historical EBITDA. However, in the current economic climate, valuations (and earnings multiples) for all assets have declined and in addition there is a requirement for substantial capital expenditure.

- Colliers has valued Ayers Rock Resort at 8 December 2008 on behalf of the ILC at $290 million, $35 million in excess of the $255 million value attributed by the proposed ILC offer. Colliers DCF valuation of $305 million is based on higher earnings in the early years than shown in the Base Case forecasts but uses a higher discount rate of 11.75%. Colliers applied a capitalisation rate of 9.00% to passing income of $25.7 million to give a value of $285 million. However, a major difference arises because Colliers allows for $44.1 million less capital expenditure in the first five years than the base case forecasts.

- Colliers had previously valued Ayers Rock Resort at $363 million at 30 June 2008. This reflected a higher capitalisation rate (8.5%) and more optimistic cashflows.

- The airport is a significant contributor to profits at Ayers Rock Resort ($5.6 million EBITDA in 2008), Voyages budgets allow for significant growth in airport earnings. The value of the airport in the discounted cashflow valuation is significant - $57 million. A lower discount rate (9.0%) was used for the airport reflecting a judgement on its appeal to potential buyers. The airport could be sold subsequently by the ILC to release cash.

KEY RISKS

- Occupancy / visitor numbers. The tourism industry can be volatile and is seriously impacted by external events – political, economical or social. Occupancy and visitor numbers have been in decline at Ayers Rock Resort but it is believed that this could be turned around with refurbishment, better facilities, better out-of-room experiences, smarter marketing and the guidance of strong management.
- Air access. The costs and availability of flights to Ayers Rock/Alice Springs are key to Ayers Rock Resort but are not within its control. Access is a key issue to be handled by management going forward.
- Management of resorts. Taking on a management platform of this scale is a new challenge for ILC.
- Remoteness of resorts. Management of remote resorts is inherently difficult and presents unique challenges including high staff turnover.

DUE DILIGENCE ISSUES

- Due diligence has identified a number of key issues:
  - Qantas currently has an effective monopoly on flights to Ayers Rock Resort and without competition there is a risk that Qantas can adversely impact the number of visitors to Ayers Rock Resort by sustained high ticket pricing or by reducing capacity. Access remains a key issue to be managed going forward;
  - There is a requirement for significant catch-up capital of approximately $75 million for the Central Australian Assets. This has been taken into account in the suggested bid price for the Central Australian Assets;
  - Earnings have trended downward in the last few years and current economic conditions will exacerbate that trend in the short term. The management budget is considered optimistic;
  - Ayers Rock Resort is a large and integrated, remote resort requiring strong management with diverse skills;
  - Environmental - there are contamination concerns at Ayers Rock Resort where contamination monitoring has been inadequate and some soil remediation will be required. The transaction documents subject to negotiation are drafted so that any pre-transaction contamination is the liability of the vendor;
  - Voyages has the aerodrome certificate required to operate the Ayers Rock airport. This certificate is not transferable and application for a new certificate is required. This is a condition precedent in the draft transaction documentation;
  - Voyages indicates runway resurfacing in 2009 would cost $1 million and a runway overlay in 2012 plus other changes would cost $12 million. The overlay is required if an exemption for larger sized aircraft is not obtained for the existing runway (the airport has been receiving larger aircraft since 2002/03). The cost of the overlay has not been included in forecasts;
  - Purchase of leasehold interests will require consents of the landlords, the most material is the Northern Territory Government. The consents of landlords is a condition precedent of the transaction;
  - There are native title and indigenous claims at El Questro. It is not concluded whether native title has been extinguished at the Alice Springs leasehold site;
  - There is a considerable churn of staff particularly at Ayers Rock Resort. With a large headcount, a dedicated human resources team is required;
  - Wrotham Park is not commercially viable; and
  - The large number of permits and certificates for the Central Australian Assets means that there will be a significant administrative burden in assigning these or securing new permits. The cooperation of GPT for a period is necessary (a condition precedent). This task will take at least three months to complete.

Description of Resorts

INTRODUCTION

Ayers Rock Resort, Alice Springs Resort and Kings Canyon Resort are located in central Australia. Ayers Rock Resort is the key asset and the largest of the Central Australian Assets. It is 300 kilometres to the south of Kings Canyon (approximately three hours drive) and Alice Springs is 300 kilometres to the east of Kings Canyon (approximately three hours drive). El Questro is located in the Kimberly region of Western Australia and Wrotham Park is in north west Queensland.

AYERS ROCK RESORT

Ayers Rock Resort is unique with a location adjacent to the world heritage listed Uluru-Kata Tjuta National Park, 18 kilometres north-west of Uluru (Ayers Rock). It is the only resort within several hundred kilometres of Ayers Rock.

The Ayers Rock Resort is located on 94 square kilometres of freehold land and provides a range of accommodation options - from the luxury Longitude 131, five-star Sails in the Desert or the four and a half star Desert Gardens Hotel, to the self contained Emu Walk Apartments, the Lost Camel Hotel, the Outback Pioneer Hotel and Lodge and the Ayers Rock Campground offering powered campsites and air conditioned cabins.

The Ayers Rock Resort includes a visitor's centre, a shopping square and a conference centre with 300 seat capacity. Related infrastructure at Ayers Rock includes an airport, staff accommodation, community infrastructures, power generation, water treatment plant, sewerage treatment plant, gas supply and distribution, and road infrastructure. *www.ayersrockresort.com.au*

Description of Resorts (cont'd)

Accommodation Details

	No of Rooms	Style
Ayers Rock Resort		
Longitude 131°	15	Luxury tented facility
Sails in the Desert	232	Luxury
Desert Gardens Hotel	218	Deluxe
Outback Pioneer Hotel	167	Mid market
Emu Walk Apartments	60	Serviced Apartments
The Lost Camel	99	Mid market
Outback Pioneer Lodge	168 beds	Backpacker
Campgrounds		Camping
Total rooms	791	
Alice Springs Resort	139	Four star
Kings Canyon Resort		
	128	Four and a half star
	36	Budget lodge rooms
	149	Caravan sites
Total rooms	164	
El Questro		
Homestead	6	Luxury
Emma Gorge Resort	60	Four star
Station Township	12	Bungalows
	200	Camping sites
Total rooms	78	
Wrotham Park Lodge	10	Luxury
Grand Total	1,182	

ALICE SPRINGS RESORT

In addition to accommodation, Alice Springs Resort has restaurant and bar facilities, a swimming pool and a meeting space. It is situated on 22,900m^2 site with an adjoining vacant 13,300m^2 perpetual leasehold. There are eight other four star hotels in Alice Springs. *www.alicespringsresort.com.au*

KINGS CANYON RESORT

The resort is bounded by the Watarrka National Park which features Kings Canyon on 285 hectares of land. The resort has five food and beverage outlets, a general store, a petrol station, two swimming pools and a tennis court. It is the most significant and closest accommodation facility in the immediate area servicing visitors to Kings Canyon. *www.kingscanyonresort.com.au*

EL QUESTRO

El Questro is remote, located on a property of 273,000 hectares in Kimberly, adjacent to two ILC owned properties.
www.elquestro.com.au

WROTHAM PARK

Wrotham Park is remote. It subleases approximately 100 hectares offered from a working cattle station (of over 595,000 hectares) which is adjacent to another ILC owned property. It has a limited trading period of approximately 6 months per year.
www.wrothampark.com.au

VOYAGES MANAGEMENT PLATFORM

Voyages is a wholly owned subsidiary of GPT. It is the internal manager of GPT's hotel and resort portfolio. It is based in Sydney with field support in Cairns and Ayers Rock.
www.voyages.com.au

Resorts' Individual Contribution and Historical Financial Performance

Revenue

$ '000	12 months to 30 December			2008 % Contribution
	2006	2007	2008	
Ayers Rock	119,191	114,843	110,646	79.9%
% change YOY		(3.6%)	(3.7%)	
Alice Springs Resort	6,064	5,882	6,736	4.9%
% change YOY		(3.0%)	14.5%	
Kings Canyon Resort	12,091	11,822	12,390	9.0%
% change YOY		(2.2%)	4.8%	
El Questro	7,877	7,764	8,203	5.9%
% change YOY		(1.4%)	5.7%	
Wrotham Park	561	645	460	0.3%
% change YOY		15.0%	(28.7%)	
Total	145,784	140,955	138,435	100.0%
% change YOY		(3.3%)	(1.8%)	

Source: Voyages Management

EBITDA (after corporate costs)

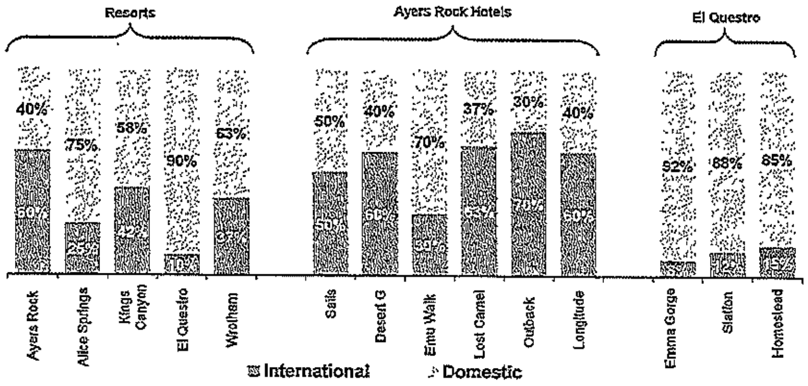
$ '000	12 months to December			2008 % Contribution
	2006	2007	2008	
Ayers Rock	38,460	36,127	30,141	88.7%
% change YOY		(6.1%)	(16.6%)	
Alice Springs Resort	821	994	1,238	3.6%
% change YOY		21.0%	24.6%	
Kings Canyon Resort	1,670	1,829	2,032	6.0%
% change YOY		9.6%	11.1%	
El Questro	1,144	1,160	1,013	3.0%
% change YOY		1.4%	(12.6%)	
Wrotham Park	(624)	(490)	(427)	(1.3%)
% change YOY		(21.4%)	(12.9%)	
Total	41,471	39,620	33,997	100.0%
% change YOY		(4.5%)	(14.2%)	

Source: Voyages Management

- **Ayers Rock Resort** is the most significant asset of the Central Australian Assets contributing approximately 80% of the revenue and approximately 90% of EBITDA. Although revenue has declined by approximately 4% over the last two years, EBITDA has significantly decreased by 6% and 17% in 2007 and 2008 respectively, primarily a result of a decline in occupancy and room rate, particularly in Sails in the Desert.
- **Alice Springs Resort** – revenue increased by 15% in 2008 which flowed through to an increase of almost 25% in EBITDA. In 2007, EBITDA increased by over 20% despite a revenue decline of 3%, mainly due to reduced staff numbers and a decline in marketing spend
- **Kings Canyon Resort** – EBITDA increased strongly in both 2007 and 2008
- **El Questro's** performance has been static with a decline in EBITDA of almost 13% in 2008 despite revenue growth of almost 6% due to a rise in fuel costs and staff accommodation costs
- **Wrotham Park** has made losses since opening. It is questionable whether performance can be turned around (much higher occupancy and room rates will need to achieved).
- The EBITDA numbers include allocated corporate costs of $13 million as presented in section 6.

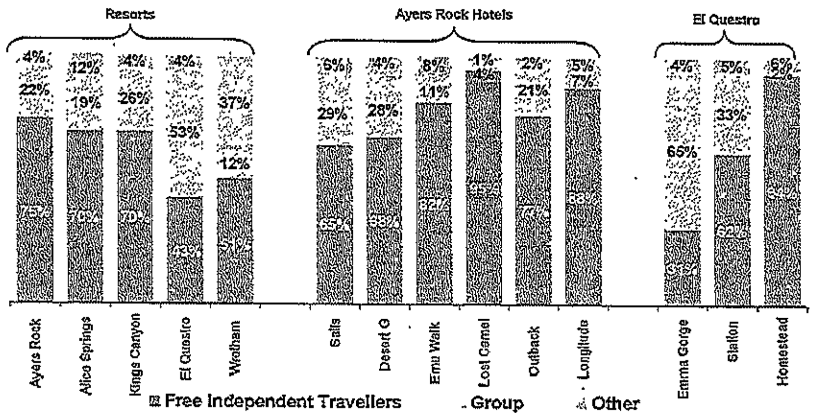
Resorts Source of Business

Geographic source of Business



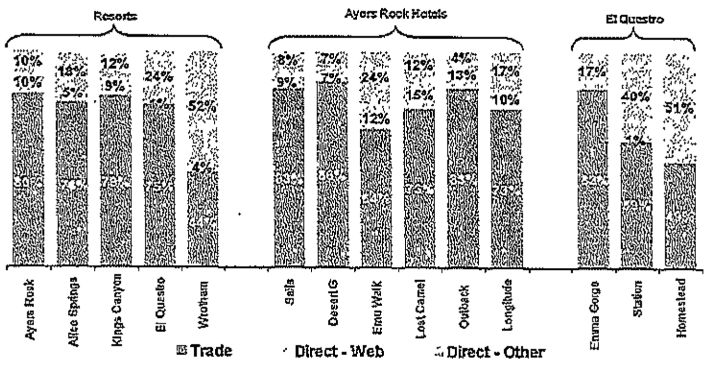
Source: Voyages Management

Channel source of Business (FIT vs Group)



Source: Voyages Management

Channel source of Business (Trade vs Direct)

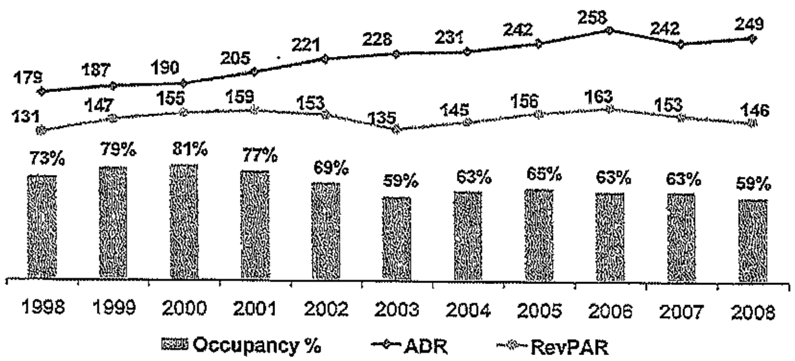


Source: Voyages Management

- International tourists account for 60% of visitors to Ayers Rock Resort. In contrast Alice Springs Resort and (to a lesser extent) Kings Canyon Resort are much more reliant on domestic visitors
- FIT's account for the bulk of visitors at all resorts – 75% in the case of Ayers Rock Resort

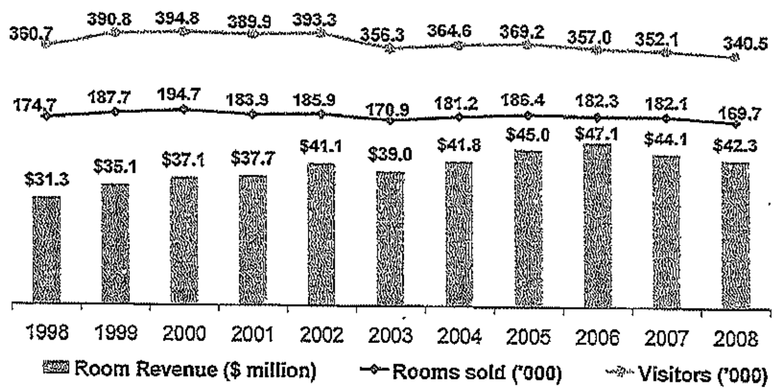
Key Performance Indicators at Ayers Rock Resort

Ayers Rock Resort Occupancy Rate



Source: Voyages Management

Ayers Rock Resort Visitors and Room Revenue



Source: Voyages Management

- Performance indicators at Ayers Rock Resort indicate a long term decline (or at best stagnation) since the peak years in 2000 and 2001.
- In particular, the graphs indicate:
  - Occupancy has been in a long term decline. The highest occupancy was achieved in 2000 when it peaked at 81%. Occupancy is currently at the lowest level of 59% (in line with 2003). In 2001 a number of additional rooms were added (which contributed to the drop in occupancy in 2001 and 2002)
  - The Average Daily Rate ("ADR") was boosted by the re-opening of Longitude 131° in 2005 but revenue per available room ("RevPAR") is back to 1999 levels
  - Visitor numbers and rooms sold peaked in 2000 and have been in decline since
  - Total room revenue has failed to keep up with inflation and has effectively tracked sideways since 2002

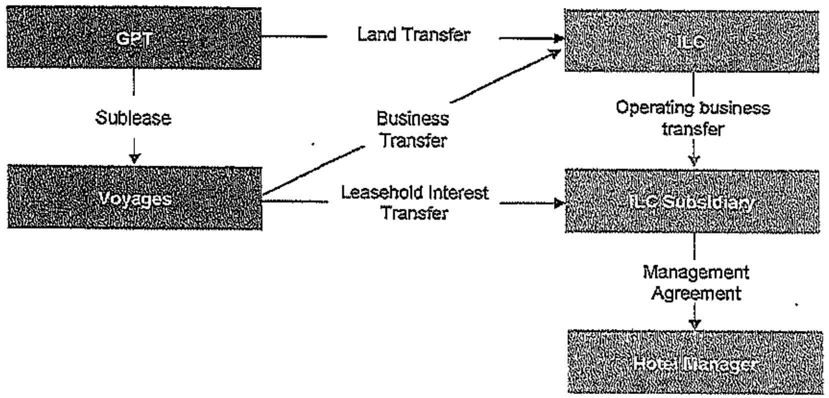
Existing GPT Structure

- The Central Australian Assets are owned by a range of companies and trusts within the GPT Group.
- Broadly the property interests (freehold and leasehold land) are owned by the Ayers Rock Resort Trust.
- The Ayers Rock Resort Trust leases or subleases the land to Voyages and its subsidiaries which own and conduct the resort businesses.
- Kings Canyon Resort is 46% owned by GPT:
  - Kings Canyon Resort is owned in a joint venture with GPT owning 46% of the units in the Kings Canyon (Watarrka) Trust. The trustee of the Kings Canyon (Watarrka) Trust is Kings Canyon (Nominees) Pty Limited which is owned in equal shares by Voyages, Indigenous Business Australia, and CentreCorp Aboriginal investment Corporation Pty Ltd; and
  - Potential buyers have been advised that the other owners of Kings Canyon Resort are sellers. Consequently 100% of the resort is offered for sale by the existing owners.

Structuring of the Acquisition

- ILC would buy the Central Australian Assets through asset purchases rather than share purchases. At completion, ILC will buy the land (or head leases) and all the businesses but with the Voyages leasehold interests being transferred from Voyages to separate wholly-owned subsidiaries of ILC (OpCos). After completion ILC will transfer each business to an OpCo. Six OpCos will be created – one for each asset:
  - Ayers Rock Resort
  - Alice Springs Resort
  - Kings Canyon Resort
  - El Questro
  - Wrotham Park
  - Voyages management platform
- There will be a master sale agreement and a series of subsidiary agreements – one for each asset.

Structure of Ayers Rock Resort



Property Due Diligence Overview

- Planned Property Management, headed by David Wylie, conducted property due diligence. David Wylie has significant experience in the hotel industry with almost eight years as Director of Engineering and Management Operations/Review Leader with Hyatt International Hotels. That experience included direct involvement in the Hayman Island Resort restructure.
- The scope of work was to review available vendor property due diligence reports and level of capital expenditure, conduct analysis regarding future capital expenditure required in the five year period ending 31 December 2013 and raise any material property concerns. This includes a review of related infrastructure (e.g. staff accommodation, airport, power generation).
- Property due diligence was based principally on the virtual data room provided by GPT, a vendor Due Diligence Report on property prepared for GPT by RLB Technical, physical inspection of the resorts (excluding El Questro and Wrotham Park) and public information.
- The key issues from the property due diligence are as follows:

Issue	Discussion
Significant capital expenditure required across Central Australian Assets	Forecast capital expenditure over the next five years of $97.2 million for the Central Australian Assets. Recommended capital expenditure at Ayers Rock Resort represents 82% of the total forecast capital expenditure. First year forecast capital expenditure required is $23.9 million across the Central Australian Assets. The largest single expense is $4.6 million for a soft upgrade of guest rooms (excluding bathrooms) at Sails in the Desert in 2009. Included in the total is $1.5 million for Wrotham Park. An infrastructure master plan should be developed in year 1.
Environmental issues	Ayers Rock: the Landfill site is contaminated due to dumping of oils and greases. Resort facilities are inadequate for safe storage and handling of chemicals and hazardous substances. Remediation of airport runway required. Asbestos management plan prepared for Ayers Rock Resort in Jan 2008 post Napier & Blakely asbestos report in Jan 2007, but asbestos management has not been followed. Estimated environmental related capital expenditure cost is $1.3 million for Ayers Rock (includes only testing for contamination related matters). Other resorts: similar but more minor issues at other resorts e.g. Kings Canyon and El Questro mainly landfill related and Alice Springs storage related. Cost to address these issues are not material. River erosion at Wrotham Park resulted in geo-fabric being laid on the riverbank – Document relating to the river erosion not in dataroom, recommend reviewing this report.
Ayers Rock airport issues	Qantas currently has a 12 month pavement concession for B737-800 aircraft to operate daily flights to Ayers Rock Airport. Recommended seeking advice as to the requirements for the continuation of that concession. Voyages indicate runway resurfacing in 2009 would cost $1 million and a runway overlay in 2012 plus other changes would cost $12 million (required if exemption for larger sized aircraft is not obtained for existing runway). The overlay has not been included in forecasts.

Legal Due Diligence Overview

- Baker & McKenzie conducted legal due diligence
- Legal due diligence covered structure (implications of existing business structure), title and property issues, material contracts, permits and licences, construction, planning, environment and native title, employment and intellectual property. The materiality threshold for Ayers Rock Resort, Alice Springs Resort and the Voyages Corporate Office was $1.0 million and for El Questro, Wrotham Park and Kings Canyon $0.5 million or where it may adversely impact the value of the relevant asset. Materiality thresholds included material non-financial issues.
- Legal due diligence was based principally on material from the virtual data room provided by GPT and public information
- The key issues from the legal due diligence are as follows:

Issue	Discussion
Consent of landlord	Purchase of leasehold interests of target assets will require consents of landlords (in most material cases being the Northern Territory Government). Expect this to be procedural matter and advise inclusion as condition precedent of transaction
Potential and identified land contamination	Number of areas identified at Ayers Rock, Kings Canyon and El Questro. Current and former landfills at Kings Canyon Resort are not lined with barrier and have only 18 months of operation left (rehabilitation required). Leachate potentially migrating into the groundwater aquifer at Ayers Rock landfill. This aquifer is the primary water source for the Yulara township and resort. Consider warranties and indemnities. Under sale agreement for services station land at Ayers Rock, Mobil undertook responsibility for contamination identified in the 2005 environmental report, but could avoid liability if additional or later identified contamination was not identified in the report. Recommend at Phase II, environmental report setting out the present condition of the land and seeking protection from GPT
Restrictions on Planning	Part of Alice Springs Resort is on Crown land and hence must be for the purpose of "recreation" and lease cannot be used for any other purpose. Pre any extensive development of area, should engage expert planning consultant with experience with Northern Territory
Native title and indigenous claims	Crown lease at Alice Springs entered into in perpetuity in 1986. Not conclusive whether 1986 lease partially or fully extinguished native title. El Questro has two different native title claims (1) Wanjina-Wunggurr claim (court held native title existed, exclusively or at least in part, a draft agreement has been prepared but not signed) and (2) Balanggarra #3 claim (expected to be consolidated with adjacent Balanggarra native title claim which is undergoing negotiation and may be resolved by 2009)

Legal Due Diligence Overview (cont'd)

Issue	Discussion
Demerger issues on material and other contracts	Significant permits and certificates disclosed for Ayers Rock (approximately 100), El Questro (40), Kings Canyon (20) and Wrotham (15). If assets are acquired as opposed to share purchase of Voyages, there is a significant administrative burden in assigning contracts, licences and certificates and securing novations, new licence and certificates where assignment is not possible. Recommend requiring GPT to agree to cooperate in securing the necessary transfers before and for an agreed period following completion of the transaction. In addition as third party consents are required for assignment of some material contracts and leases (or when terms are renegotiated (as the case may be if not all of the Voyages resorts are being acquired by the Consortium), these should be a condition precedent.
Ayers Rock airport	Voyages has the necessary aerodrome certificate to operate the Ayers Rock airport but this is not transferable and application for a new certificate is required. This is already a condition precedent in the draft Sale Agreement. The airport lease contains a number of unusual provisions to allocate responsibility for maintenance and operation of the airport onto the tenant, and includes an obligation to maintain the Aerodrome Licence under the Civil Aviation Regulations and to maintain $300 million of public risk insurance. No materials provided regarding non compliances with the lease. Tenant under the Airport lease has a right of first refusal to purchase the land if the Northern Territory Government should decide to sell it.
Kings Canyon land swap and licence	Proposed subdivision plans for Kings Canyon by Vendor and intention of "land swap" with power and water authority. Recommend these arrangements and documentation are reviewed prior to completion.
Wrotham Park sublease	Seller has used and occupied Wrotham Park under an occupation licence. This occupation licence will be formalised into a sublease. A draft sublease to a vendor entity has been provided but as the land is Crown land, the vendor does not have a formal legal interest in land until sublease is completed and registered. A sublease should be registered prior to completion and if not granted by signing, it will be a condition precedent to completion. Also a sublease between the vendor (GPT as sublease) and Great Southern Cattle Holdings (as lessor) requires GPT to achieve certain performance criteria (PC). The sublessor obligation to pay the sublessee for the written down value of its property on termination does not apply when the PC is not met.
Assignment of corporate office lease	GPT has a right of first refusal if Voyages wishes to assign or sublease the Voyages Sydney corporate office. If Voyages Sydney corporate office is expected to be retained by ILC, suggest undertaking from GPT not to exercise first rights of refusal. Vendor indicated it will not consider an assignment of office lease unless entire portfolio is purchased. ILC may need to consider identifying alternative premises to house staff and equipment.
Employment	Significant number of collective industrial instruments that bind Voyages and related entities will "transmit" to the buyers. Need to ensure compliance post completion with transmitted industrial instruments (including statutory notification). Failure to comply with statutory notification may result in imposition of significant fines.

Legal Due Diligence Overview (cont'd)

Issue	Discussion
Intellectual Property	Voyages Lodges Pty Ltd owns trademarks. The companies should be party to the Sale Agreements and trademarks assigned to Voyages. Consideration required for branding on assets not part of Central Australian Assets. Voyages has been target of cybersquatting. No legal action has been instituted.
Competition Considerations	Possible argument that owners of Ayers Rock Resort has substantial market power for the purposes of Trade Practices Act. This means the business owner has special responsibility not to misuse its market power in carrying on its business and dealing with third parties.
Insurance	Most public liability claims are minor in nature, however: Ayers Rock: In July 2008 a person was hit by a bus while riding their push bike. The person was airlifted to hospital; and Wrotham Park: In August 2008, a guest fell from a horse and later died as a result of those injuries. No formal claim has been received.

Accounting Due Diligence Overview

- Horwath HTL conducted accounting and tax due diligence.
- The scope of Horwath's work included:
  - Review of historical performance and forecast financial performance – identification of trends and impact of major events on a hotel by hotel basis for 2006, 2007 and YTD 2008, review FY2008 forecast and FY2009 budget, consider impact of separation of the target hotels from Voyages;
  - Quality of assets and liabilities – analyse the balance sheet and potential areas of subjectivity regarding value, provisioning, commitments and contingencies; and
  - Other - comment on existing depreciation and capital works, analysis on market mix, key contracts, IT platform and employment.
- Horwath's report was based principally on the virtual data room provided by GPT, discussions with Voyages management and JLL, physical inspection of the resorts (excluding El Questro and Wrotham Park) and public information.
- The key issues from the accounting due diligence are as follows:

Issue	Discussion
Corporate overheads material	Corporate office costs and re-charges are $20 million in 2008. Corporate staff totals 152. Horwath analysis identified that all corporate functions performed could be outsourced/transferred or a hotel operator engaged to provide. Inefficiency in many departments such central reservation team with call statistics half the industry average. Potential savings for purchaser. Size of existing Voyages platform is larger than required for plans for the Central Australian Assets.
IT costs have historically been high	Invested over $7 million in IT systems and infrastructure over past few years, resulting in "highly stable and reliable platform". Opportunity to further leverage system (extend the system to increase revenues from online bookings, cost savings from supply chain management add-ons) but costs not provided. Advice to maintain system as platform for growth. Need to review componentry required in a restructured Voyages management platform.
2009 budget is optimistic and historical performance weak	Budget for 2009 assumes either maintaining or increasing occupancy and room rate across the Central Australian Assets. Given current condition of the economy this is considered challenging, in addition, trading performance has been in decline in recent years. Consortium's base case model assumes commercial consultant forecasts and property consultant forecasts of capital expenditure.

Accounting Due Diligence Overview (cont'd)

Issue	Discussion
Wrotham Park not commercially viable	No revenue growth since it began operations in 2004 and continues to be loss making. Not considered a commercially viable operation
Staff issues	Significant headcount of 881 and FTE of 785. FTE understated given level significance of overtime, indicating staff shortages. Redundancy costs could be significant and adequate provisioning required if entire Voyages platform is not retained. There has been considerable churn of employees across the resorts, requiring a dedicated human resources team to constantly source new employees
Historical capital expenditure shortfall	Deferment of capital expenditure in recent years, indicating requirements for significant short and medium capital expenditure spend, some of which will be for non-income producing infrastructure
Ayers Rock airport	2009 budget numbers include benefit of an increase in passenger landing fee and a proposed transit passenger fee, although negotiations in relation to these items will not be concluded until December 2008. The Ayers Rock runway capacity can accommodate 737,767 and A330 aircraft. Widening and lengthening the runway for larger wide bodied aircraft will represent a significant capital cost (circa $15 million). Over the last three years there has been a reduction in passenger movements through the airport resulting from cancellation by Qantas of a number of flights, this highlights the issue of being serviced only by one airline
Characteristics of assets of asset	Nature, location and age of resort requires high premium for risk in valuation. Relatively complex asset makes it a challenging investment on owner time and given the risk/reward
Subsidy of essential services	Power, water and waste management is provided by a Northern Territory Authority (PAWA) on a subsidised rating basis which will revert back to an unsubscribed fee structure in 2018. Environmental and licence issues in relation to mobil petrol stations (see legal summary)
Fixed asset register review	Tracking of acquisitions and disposals has been poor and accordingly a complete review and inventory should be undertaken post completion
El Questro	There is an agistment agreement with a third party, Heliwork. The sale of this resort is subject to an assignment of this agreement to the purchaser by Heliwork. There is an option in favour of Heliwork to extend the agreement to 2046