



INVESTMENT OVERVIEW

C A S T A W A Y S
R E S O R T & S P A
M I S S I O N B E A C H



INVESTMENT HIGHLIGHTS

Castaways Resort & Spa – An unprecedented opportunity to own up to 200 metres of absolute beachfront at Mission Beach, one of the most unique, unspoiled Great Barrier Reef destinations in Tropical North Queensland.

- Nestled between World Heritage rainforest, beaches and a tropical island at Mission Beach in Tropical North Queensland, Castaways Resort & Spa is a centrepiece asset in this boutique Great Barrier Reef destination which simply cannot be replicated.
- The iconic Mission Beach – serving as a picturesque gateway to the Great Barrier Reef – was the birthplace of the Great Barrier Reef Marine Park and is the closest mainland point to the outer reef.
- The destination is uniquely positioned to capitalise on the resurging Australian tourism sector, underpinned by a falling Australian Dollar and constrained supply, driving growth in occupancy rates and RevPAR.
- The established business offers a significant development upside, with land holdings secured and approvals in place for a development-ready four-phased expansion to significantly increase capacity, occupancy and economies of scale.
- Additional organic growth strategies are also in place to drive already industry-beating occupancy rates.
- Three additional development sites also offered at the exclusive 'Lugger Bay' gated estate (approximately 5km south of Castaways) with stunning island oceans views and beach access. Set on a secluded bay with magnificent views of Dunk, Bedarra and Hinchinbrook Islands, Lugger Bay totals approximately 50 acres of private rainforest.



THE OPPORTUNITY

The family owner of this truly unique asset seeks expressions of interest on the basis of:

- A\$35 million for 100% purchase of the business and freehold land (11,112 m2); or
- A\$18 million joint venture investment for a one-third interest in the development project.

Offers also sought for three development sites at the nearby exclusive 'Lugger Bay' gated estate: Lot 1 (5,241 m2), Lot 6 (4,633 m2) and 12 (4,967 m2) of. Details available upon request.

Offered by private tender. Please address expressions of interest to:

James Neville-Smith, Chairman of Castaways Resort & Spa.
jns@falcon1.com.au
Mobile: +61 418 877236

Having spent several years optimising the existing operations, aggregating surrounding properties and securing development approvals for a four-stage expansion, the family owner now seeks an investor with the capacity to realise the full potential of this exciting project.

The project is development-ready, with approvals in place to expand the existing inventory of 48 rooms to relieve current constraints on business growth and drive economies of scale and profitability. The development (increased inventory) would see the revenue mix – currently weighted heavily to weddings and conferences – rebalanced in favour of the leisure market, driving increases in the average length of stay and occupancy rates.

KEY FEATURES

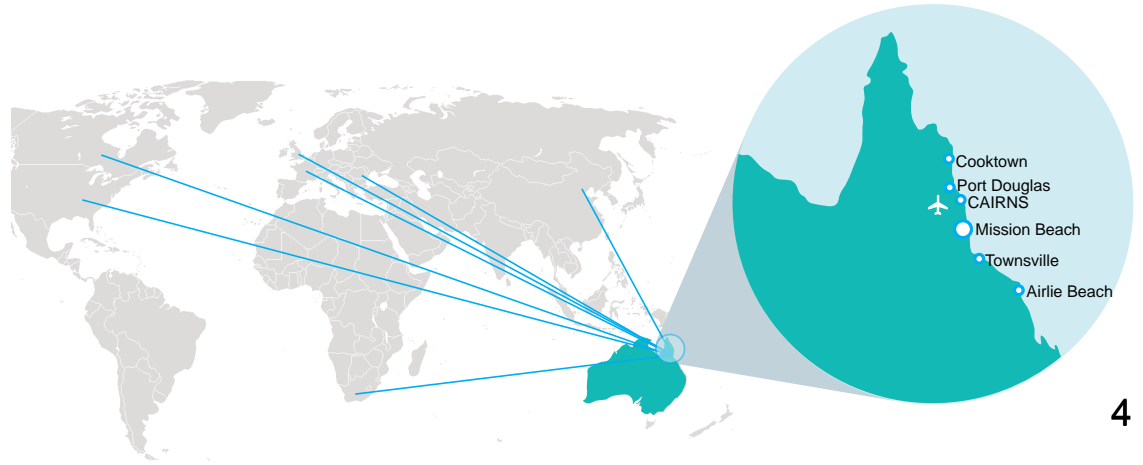
- On the edge of the Coral Sea and Mission Beach's 14 kilometres of pristine tropical beaches.
- Offers a mixture of accommodation styles to suit a variety of markets; offering guests the choice from 7 room types with ensuites and stunning ocean views.
- Guests can enjoy the relaxed, secure, fun and friendly atmosphere in comfort and have access to on-site facilities including 2 resort style pools, bar, restaurant, tour desk, free Wi-Fi and guest laundry.



MARKET POSITION

LOCATION

- Mission Beach, one of Tropical North Queensland's most desirable absolute beachfront locations, is located mid-way between Townsville and Cairns and comprises four beach villages linked by approximately 14 kilometres of wide golden beaches.
- A unique holiday destination where the wonders of world heritage rainforest meet the blue waters of the Coral Sea and the Great Barrier Reef.
- The region attracts a range of visitors from honeymooners, families, birdwatchers, backpackers, adventurers, campers and caravanners.
- Mission Beach is so environmentally unique visitors come from all over Australia. In recent years due to the current owners marketing efforts the European Market numbers have soared and in the 2015 Chinese New Year period groups of Chinese tourists used Castaways Resort & Spa as their Reef and Rainforest product in Nth Queensland instead of Cairns.
- Home to the endangered Cassowary and gateway to the Family Group of Islands, including Dunk Island, Bedarra Island, Timana Island, Wheeler Island, Coombe Smith Island, Bowden Island and Hudson Island; all accessible by water taxi, charter or private boat.
- With a laid back ambiance, the local town offers a variety of activities including white water rafting, sea kayaking, SCUBA diving, snorkelling on the Great Barrier Reef, sky-diving, walking tracks and secluded beaches.
- The village itself offers outdoor cafes, gourmet restaurants, bistros, bars, galleries and fashion stores.



MARKET FUNDAMENTALS FAR NORTH QUEENSLAND

DEMAND GROWTH

- The region has seen significant improvement in the tourism market in Cairns and Tropical North Queensland over the past 18 months, driven by increasing demand (+1.8% for FY2013) and contracting supply (-1.0% for FY 2014).
- International visitor nights increased by 18.2% for the period ended June 2014.
- Significant further tailwinds moving forward due to the near 20% pullback in the Australian Dollar (from US\$0.95 in July 2014 to US\$0.77 in February 2015).
- **Greatest impact has been felt from China, with a 45% increase in Chinese visitors and 55% increase in visitor nights.**
- Long term average growth rate out to 2022 has recently been revised up to 2.8%.
- \$1 Billion redevelopment of the Cairns Airport expected to be positive for structural growth in tourism in the region over the medium to long term.

CONSTRAINED SUPPLY

- In calendar year 2014 supply decreased by 2.2% against 3.5% growth expectations
- Supply growth for FY2015 is expected to be consistent with previous forecasts of 1.0% growth with no live projects currently in the construction phase.
- Long term supply expectations to FY2022 have been upgraded with 2.1% p.a. average growth expected.
- Castaways is the only leisure resort in the Mission Beach area

OCCUPANCY RATES

- **Minimal room stock growth is driving a strong recovery in occupancy rates, with occupancies expected to average in the high 60's out to 2022.**

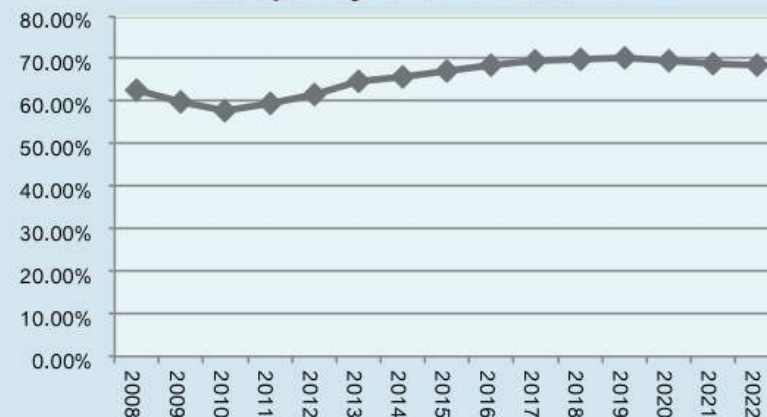
REVPAR GROWTH

- The region enjoyed the strongest RevPAR growth in Australia for the six months to June 2014, with a significant 12.4% increase, driven primarily by rates in the second half of the year, up 9.3% against expectations of 4.0%.
- The outlook for RevPAR growth remains strong, with forecasts as follows:
 - 7.1% in the short term (year ended June 2015)
 - 6.4% in the medium term (year ended June 2017)
 - 4.1% over the long term

Note: Source of data above detailed on page 14 (last page)



Occupancy Growth 2009-2024



KEY FINANCIAL METRICS

Castaways Resort & Spa continues to lead market benchmarks in both average rate and RevPar, through a combination of product offering and supply and demand in the Mission Beach area.

The business is currently operating on the basis of the following key commercial indicators (full year forecast for FY15). Recent financial performance, outlined in Appendix 1, evidences the strong existing demand for a product of this nature in the region, but also illustrates the capacity limitations that are currently constraining the asset. The proposed redevelopment, outlined below, is aimed at capturing opportunities currently forgone.

FINANCIAL FORECAST

Key Data	FY15 Full Year Forecast
Rooms Available	18,612
Room Occupied	11,136
Occupancy	59.80%
Average Rate	\$138.38
RevPar	\$82.79
F7B RevPar	\$99.72
Total RevPar	\$190.50
Total Revenue	\$3,545,670



GROWTH STRATEGY

Research from Tourism Australia indicates that three out of every four visitors to Australia travel to the Great Barrier Reef. Other more mature destinations like Port Douglas and Palm Cove in the region are over developed, overcrowded and oversupplied with inventory at the mature end of its lifecycle.

Castaways Resort & Spa at Mission Beach, on the other hand, is an emerging destination of choice, ideally suited to the discerning traveller who seeks a unique experience as opposed to a mainstream mass market holiday.

Castaways Resort & Spa is currently featured in 40 different wholesale brochure programs in Europe. Growth efforts are also increasingly focused on the Asian region.

In 2013, Frommers Guide Books (USA's most famous travel guide advisory service) placed Castaways Resort and Spa, Mission Beach in its world's top ten best value for money ABSOLUTE beach front resorts.

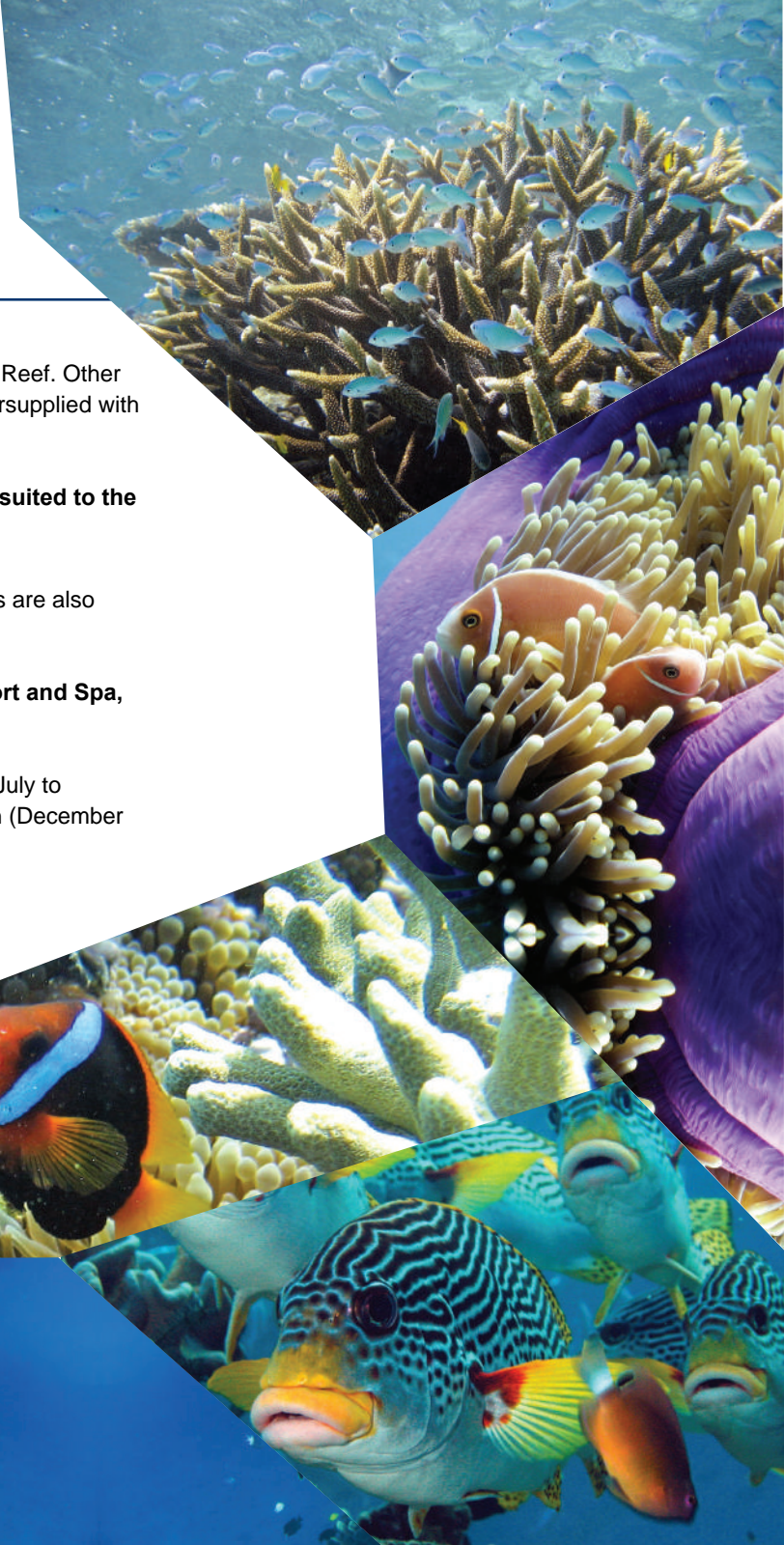
Occupancy rates in Tropical North Queensland are typically constrained by the region's climate. The High Season (July to November) accounts for the majority of the resort's annual revenues, with very limited activity during the wet season (December to June). These seasonality challenges will be addressed via the following key strategies:

1. Capitalising on the recent influx of Chinese New Year holidaymakers during low season.¹
2. Increased capacity, coupled with an expanded leisure market to increase average length of stay;
3. Leveraging conference facilities to drive growth in occupancy arising from MICE (meetings, incentives, conferences and events)
4. Establishment of reef operations to enable access to specialist dive market

The proposed redevelopment will also provide additional inventory, enabling far greater flexibility to cater for both the leisure market, as well as the conference market, which presently clash.

Note: Source of data above detailed on page 14 (last page)

¹ The region had 709,000 visitors from China to Australia for calendar year 2013, an increase of 14.5 per cent relative to 2012. Visitors from China generated \$4.8 billion in total expenditure in 2013. The Tourism 2020 Strategy estimates that China has the potential to grow to between \$7.4 billion and \$9 billion in total expenditure by 2020.



FOUR-PHASED REDEVELOPMENT

The current owner has spent several years amalgamating contiguous parcels of land surrounding the existing facilities and undertaking feasibility investigations to position the site for an exciting four-staged \$18.3 million development. The expansion would drive occupancy growth by:

- Alleviating capacity constraints during High Season; and
- Rebalancing the revenue mix in favour of the leisure market.

Development approvals have been secured to enable the expansion, beyond the current 48 rooms to 158 rooms.

The phasing of any development is flexible, as each stage can be undertaken either sequentially or simultaneously. For illustrative purposes, the following scenario has been modelled:

PHASE 1

- 22 room expansion
- \$3.5m capex in FY16
- \$1.2m p.a. EBITDA uplift from FY17
- Launch Reef Boat Operation
- \$1m capex in FY15
- \$875k p.a. EBITDA uplift from FY16
- Area of Land 5,028 m2

PHASE 2

- 20 room expansion + Conference Room refurb.
- \$5m capex in FY16
- \$650k p.a. EBITDA uplift from FY17
- Area of land 647 m2

PHASE 3

- 12 new Private Villas (keyed for 36 rooms)
- \$4.8m capex in FY17
- \$1.4m EBITDA uplift from FY18
- Area of land 3,512 m2

PHASE 4

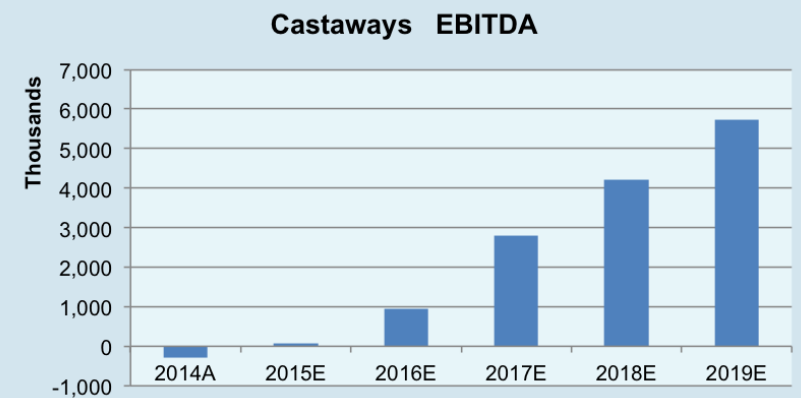
- 16 new Private Villas (keyed for 32 rooms)
- \$4m capex in FY18
- \$1.5m EBITDA uplift in FY19
- Area of land 1,925 m2





FINANCIAL FORECASTS

Forecasts indicate that the \$18.3 million investment would deliver significant EBITDA over the forecast five year period, stabilising at approximately \$5.7 million from FY19 onwards, as illustrated below:



More detailed forecasts, including departmental revenues and margins, are outlined at Appendix ¹.



APPENDIX 1
- FINANCIALS

KEY DATA / ASSUMPTIONS

The key Assumptions used in preparation of the Financial Forecast on the next page are detailed below:

Key Data	2015E	2016E	2017E	2018E	2019E
Nights per Available Room	365	365	365	365	365
Total Rooms Available	18,612	18,612	32,859	45,990	57,670
Occupancy Rate	59.80%	59.8%	52.0%	54.1%	57.2%
Rooms Occupied	11,136	11,136	17,082	24,901	33,011
Average Room Rate	138.38	138.38	173.33	180.16	187.60
Growth		0%	25.3%	3.9%	4.1%
Room RevPar	82.79	82.79	90.13	97.55	107.39
Room Revenue	1,540,948	1,540,948	2,960,880	4,486,230	6,192,960
Total F&B Revenue	1,855,921	1,855,921	3,216,623	4,410,454	5,518,210
F&B RevPar	99.72	99.72	97.92	95.9	95.69
Reef Revenue		1,459,562	1,687,176	1,975,015	2,227,722
Capex Spend		9,500,000	4,800,000	4,000,000	

CASTAWAYS FINANCIAL SUMMARY

Year to 30 June	2014A	2015E	2016E	2017E	2018E	2019E
DIVISIONAL PROFIT SUMMARY (AUD)						
Sales revenue						
Room Revenue	1,587,080	1,540,948	1,540,948	2,960,880	4,486,230	6,192,960
F&B Revenue	1,866,162	1,855,921	1,855,921	3,216,623	4,410,454	5,518,210
Other Revenue	146,274	148,801	148,801	336,339	434,299	525,438
Reef Revenue	0	0	1,459,562	1,687,176	1,975,015	2,227,723
Sales	3,599,516	3,545,670	5,005,232	8,201,017	11,305,998	14,464,331
EBITDA						
Room Revenue	1,039,830	956,738	956,738	2,072,616	3,140,361	4,335,072
F&B Revenue	(8,036)	106,689	106,689	619,698	831,529	1,028,250
Other Revenue	(18,596)	28,603	28,603	162,544	203,026	238,986
Reef EBITDA	0	0	907,348	1,048,923	1,227,959	1,385,144
Coporate Expenses	(1,309,604)	(1,028,241)	(1,060,760)	(1,110,796)	(1,178,780)	(1,249,499)
Total EBITDA	(296,406)	63,789	938,617	2,792,986	4,224,095	5,737,952
Sales growth						
Room Revenue		-2.9%	0.0%	92.1%	51.5%	38.0%
F&B Revenue		-0.5%	0.0%	73.3%	37.1%	25.1%
Other Revenue		1.7%	0.0%	126.0%	29.1%	21.0%
Total sales growth		-1.5%	41.2%	63.8%	37.9%	27.9%
EBITDA growth						
Room Revenue		-8.0%	0.0%	116.6%	51.5%	38.0%
F&B Revenue		-1427.6%	0.0%	480.8%	34.2%	23.7%
Other Revenue		-253.8%	0.0%	468.3%	24.9%	17.7%
Total EBITDA growth		-121.5%	1371.4%	197.6%	51.2%	35.8%
EBITDA margin						
Room Revenue	65.5%	62.1%	62.1%	70.0%	70.0%	70.0%
F&B Revenue	-0.4%	5.7%	5.7%	19.3%	18.9%	18.6%
Other Revenue	-12.7%	19.2%	19.2%	48.3%	46.7%	45.5%
Total EBITDA margin	-8.2%	1.8%	18.8%	34.1%	37.4%	39.7%
GROUP PROFIT SUMMARY						
Sales	3,599,516	3,545,670	5,005,232	8,201,017	11,305,998	14,464,331
Operating costs	(3,895,922)	(3,481,881)	(4,066,615)	(5,408,032)	(7,081,903)	(8,726,379)
EBITDA	(296,406)	63,789	938,617	2,792,986	4,224,095	5,737,952

* Excludes nonoperational/nonrecurring items and holding costs associated with land held for development.



APPENDIX 2 - DATA SOURCE



DATA SOURCE OF INFORMATION IN THE INVESTMENT OVERVIEW

Actual Data to FY2014 relating to Room Night Supply, Room Night Demand, Occupancy, Takings/Rate and RevPAR actuals, and calculated historical growth rates as published in:

- Survey of Tourist Accommodation (STA), Tourist Accommodation, Small Area Data (Cat. No. 8635).
- International Visitor Arrivals to Australia,: Total Movement, Visitor Arrivals – Category of Movement.
- Resident Departures, Total Movement, Resident Departures – Category of Movement (Short Term less than 1 year)

ABS – Australian Bureau of Statistics www.abs.gov.au

Data relating to historical and forecast demand as published through TRA and its affiliate TFC:

- Regional Forecasts – July 2014 (tables), Tourism Research Australia, Canberra. Data relating to Demand forecasts
- IVS – International Visitors in Australia: June 2014 Quarterly results of the International Visitor Survey
- NVS – Travel by Australians June 2014 quarterly results from of National Visitor Survey
- TRA Special Request: NVS and IVS overnight visitors in Hotel/Resort or Motor Inn

Tourism Research Australia (TRA) and The Tourism Forecasting Committee (TFC) www.tourism.australia.com

Sources of Data:

Airport Traffic Data as published by The Bureau of Infrastructure, Transport and Regional Economics (BITRE), which is a division of The Department of Infrastructure and Regional Development.

- Air Passenger Movements Through Capital and Non-Capital City Airports to 2030-31 (November 2012)

Tourism and Events Queensland (TEQ) is a statutory body of the Queensland Government and the state's lead marketing, destination and experience development and major events agency.

Source data NFQ Great Barrier Reef



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RESORT & SPA
MISSION BEACH