WAMA

Financial Analysis of Operating Model

Version 2

June, 2018

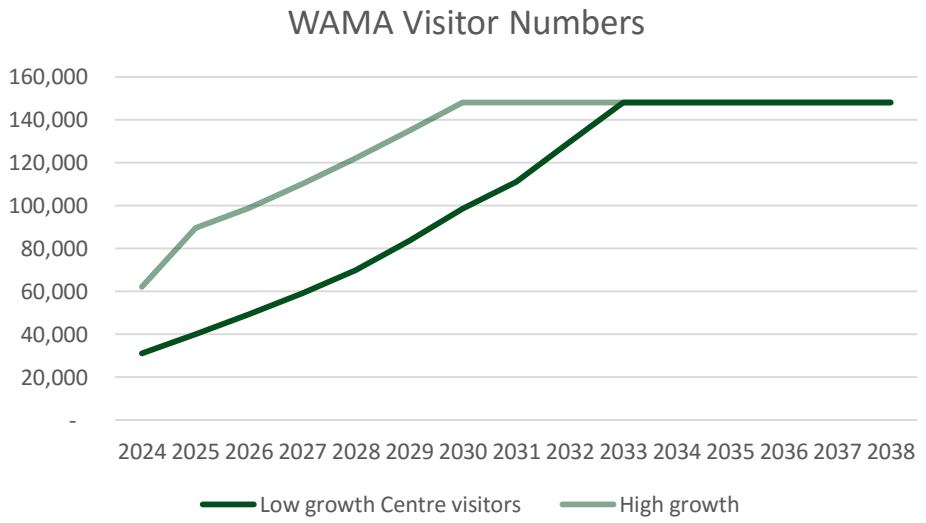
Introduction & assumptions

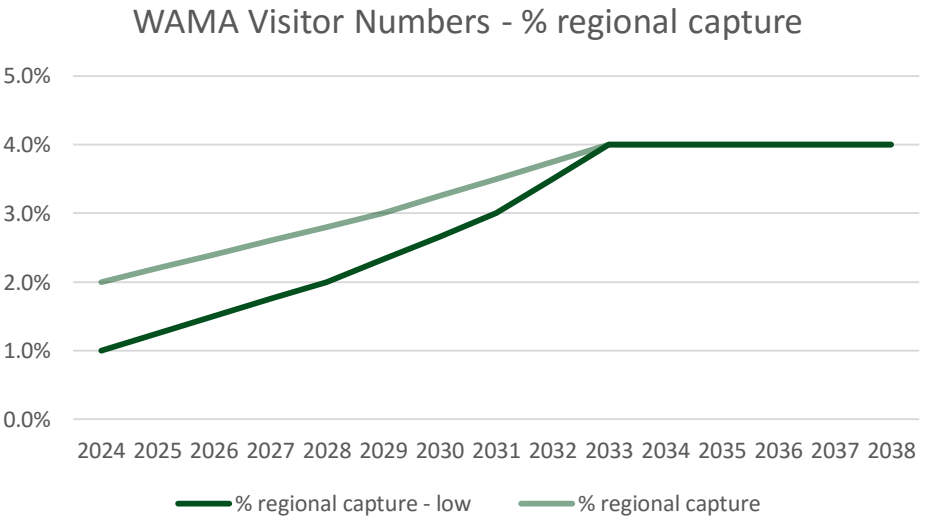
- Presentation outlines preliminary results from business and operational modelling for the WAMA site
- Based on previous modelling completed and workshop conducted with Board Members
- Major assumptions are shown in the table opposite
- Where practical, information presented in the following presentation compares results to the initial financial model created for WAMA

Aspect	Assumption
Visitor numbers	Low case based on Business Case and previous analysis of capture of regional visitation
Pricing	WAMA only WAMA + Exhibition
CPI	2%
Building costs & sequence	From QS report, uplifted using CPI to start date of 2019
Taxation	Non tax paying – charity exemption received
Interest rate	6.5% on all loans and working capital
Maintenance	Qs standard 2.15% over life of building
Depreciation	Average of assets purchased equates to 29 years (assuming building depreciated over 50 years)
Operating commencement	Building commencement 2020, operations commence – 2024
WAMA contributions	Initial WAMA contributions do not repayment

Visitor Capture

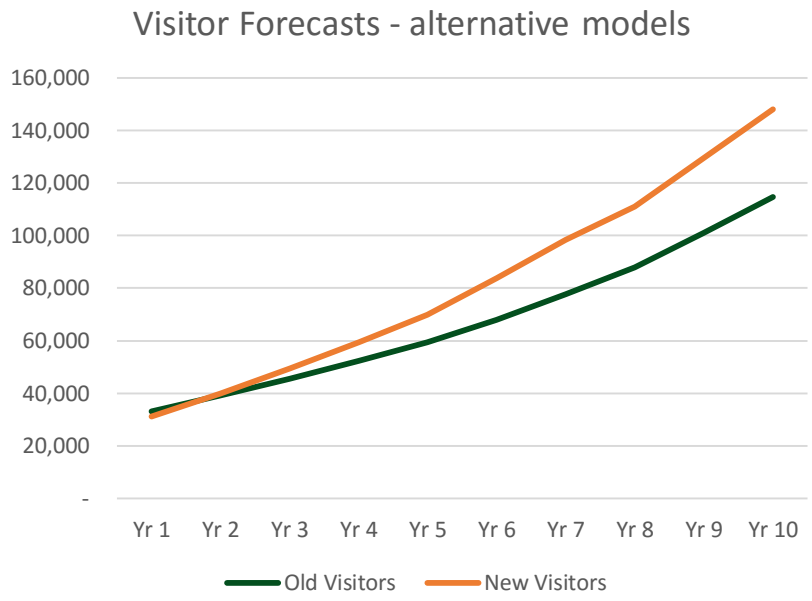
- 2 models for Visitor capture have been created, a high growth and low growth model
- The forecasts are presented on the low growth model
- Regional tourism forecasts do not extend beyond 2030, so it has been assumed that capture is consistent from this point

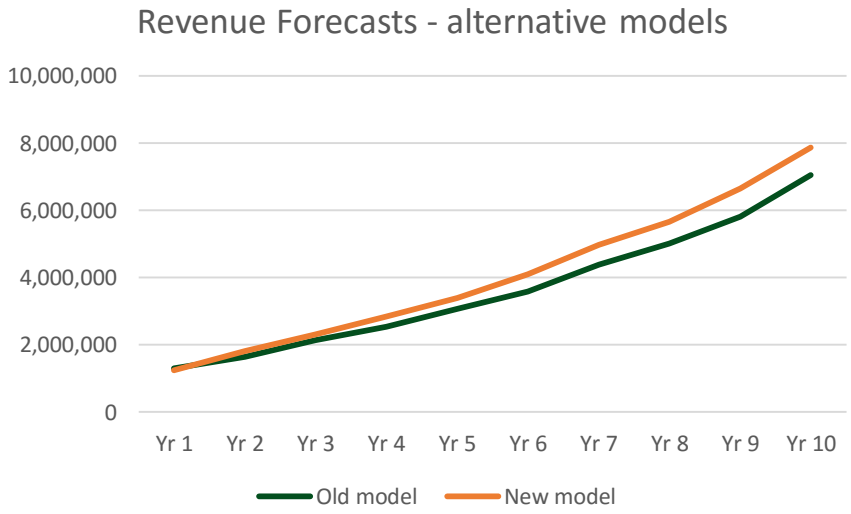




Visitation and revenue impact

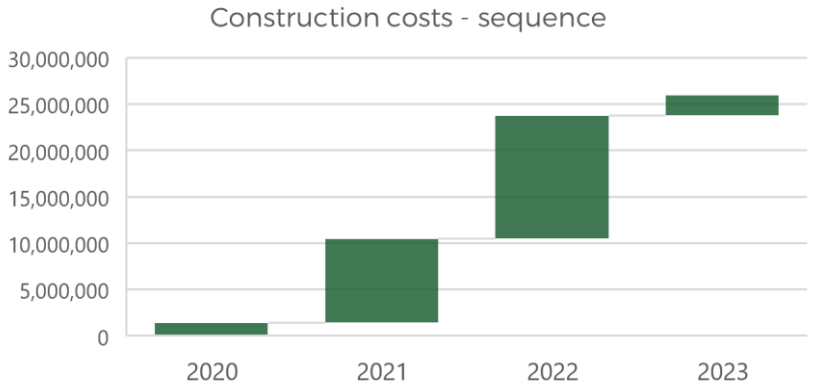
- Visitor forecasts are driven from previously commissioned work analysing regional visitation / tourism and the expected capture rate for WAMA
- These calculations result in increased visitor numbers to WAMA than previously forecast, by year 10, visitation is 29,000 more than under the previous scenario (143,000 – 114,000)
- Revenue impacts impact more towards end of forecast period
- With the majority of the revenue being driven from visitor throughput, the impact is to increase revenues in the operating model

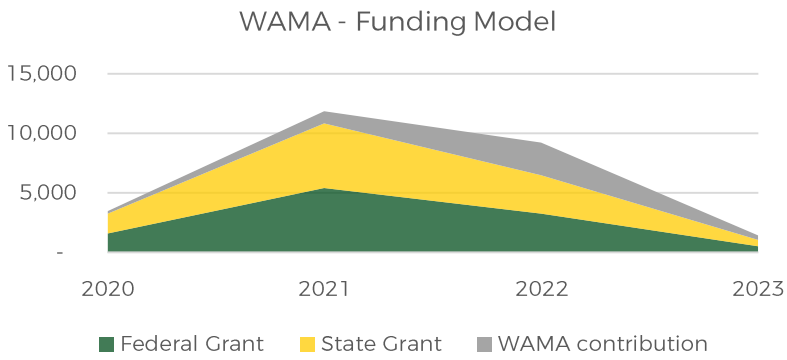


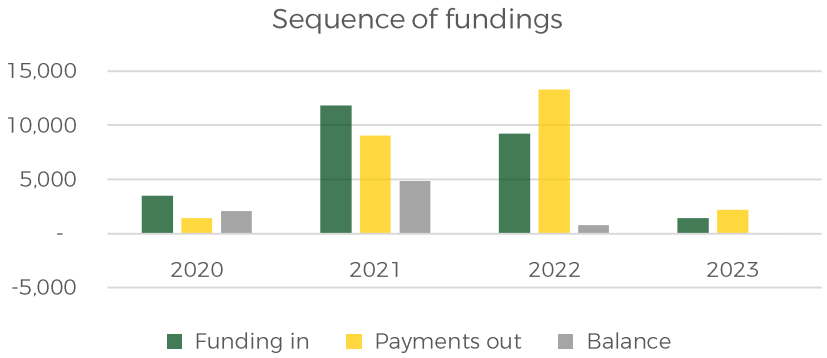


Construction and grant funding

- Commence 2019, 4 year build
- Modeling based off existing capital works adjusted for inflation
- Cost estimate adjusted for inflation - $25.9m
- Sequencing of build based off QS
- Major funding in model (>$21m), 83% total capital
- Recommendation – building costs and sequence be revisited
- No funding shortfall in any year of development
- Funding burden
  - Federal Govt 42% -$10.8m
  - State Govt 42%- $10.8m
  - WAMA Sourced 17% - $4.3m

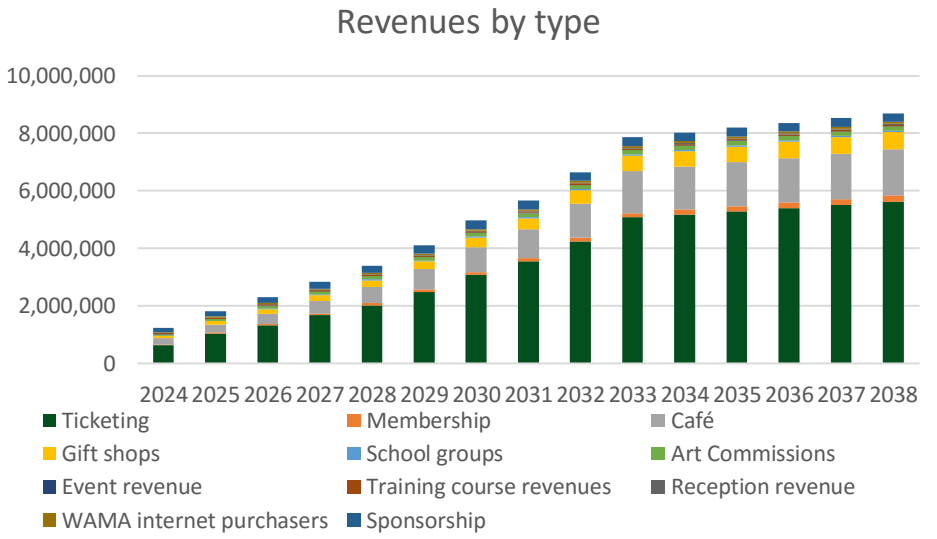


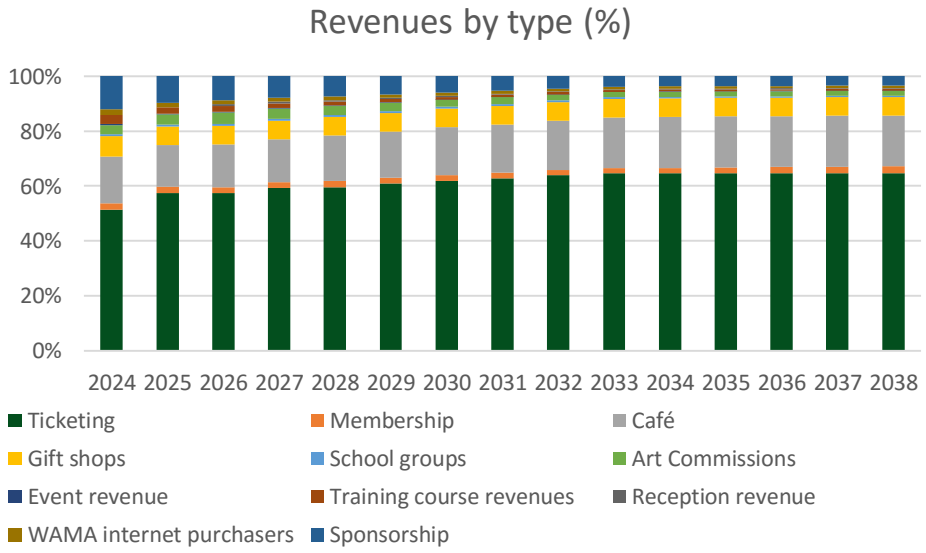




Revenue Mix

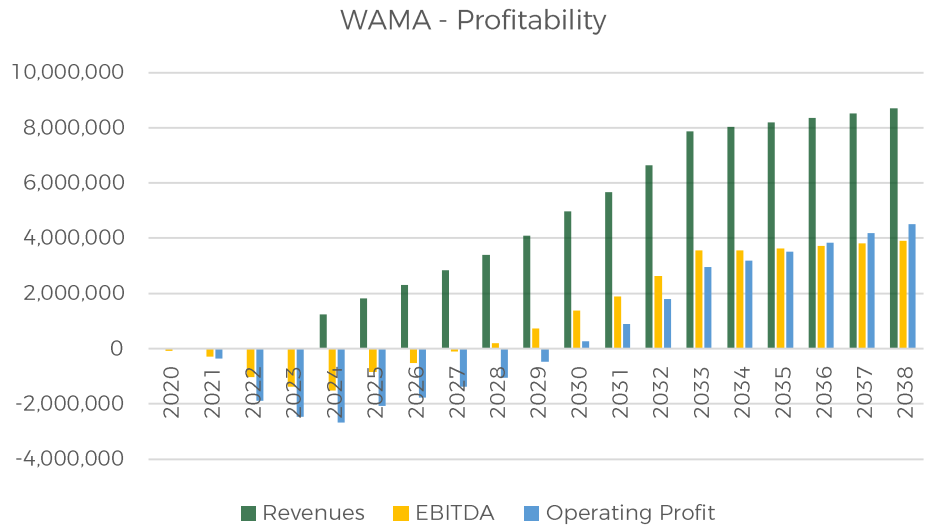
- Ticketing and revenues associated with throughput are the primary revenues sources
- Without visitation and numbers revenue will fall away
- Ticketing revenues account for just over 60% of total revenues by 2038

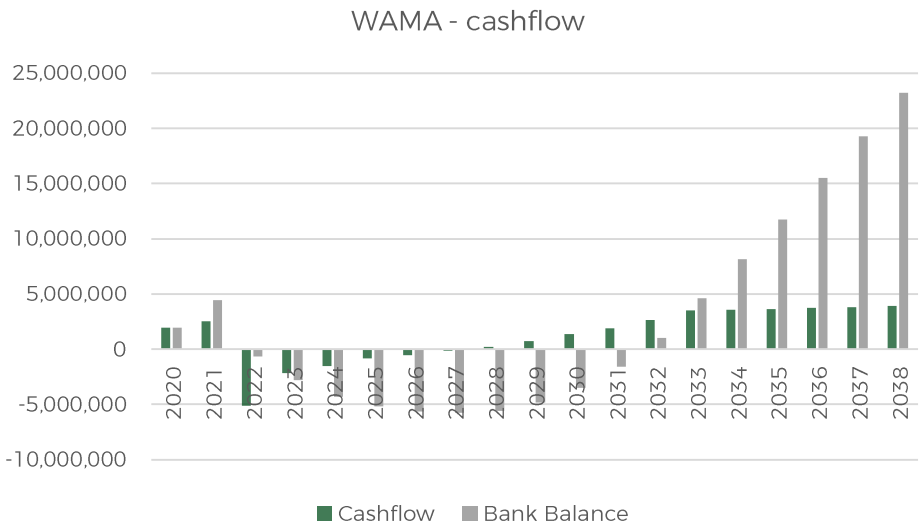




Profitability and Cashflow

- Business incurs operating losses in first years of operations until scale develops
- Breakeven 2030, with revenues of $4.9m
- Profitability increases with revenues past this point as large parts of the revenue base (ticketing) have only small levels of marginal costs, that is once fixed costs are covered (at around $4.9m of revenue), the cost base of the business does not increase at the same rate as revenues so the business becomes increasingly profitable
- Reserves are $10.9m by 2038
- Because capital / building costs are largely covered by grants and other contributions that do need to be repaid, cashflows follow operating profitability
- Working capital needs through to 2031, with maximum need $5.8m 2027
- Once breakeven is reached, business becomes cashflow positive, generating around $3.9m by 2038





Scenario – Visitation @ 90%

- If visitation is at 90% of forecast levels the business model still holds, but the following impacts are noted:
  - Breakeven occurs a year later, around 2031
  - Profitability is eroded quite significantly as revenues decline
  - Working capital needs increase to $6.4m from $5.3m and are required for at least 12 months longer
  - Reserves at 2028 fall from $10,9 to $2.7m
  - Cash on hand declines from $23m to $17m