

Our Ref: 09-16

3 June 2010

Shire of Denmark
PO Box 183
DENMARK WA 6333

Attention: Cindy Simpson

Dear Cindy,

KARRI MIA SCHEME AMENDMENT REQUEST

Further to our telephone discussion, I have talked to the Karri Mia owner, Mr Graeme Robertson and confirm the approach as discussed with yourself and Sam Williams on 24th February 2010, ie. to retain the Tourist zoning for lots fronting Mt Shadforth Road and provide for Special Residential lots to the rear, as indicated on the attached plan. We note that it is proposed to provide for 'Holiday Homes' within 'Special Residential' zones and the proponent fully supports this initiative in order to maximise the potential for the whole site to be continued to be used for holiday accommodation. The proponent also proposes to retain all the existing holiday chalets and short stay studio apartments within the proposed 'Special Residential' zone. Where necessary the existing buildings will be relocated to fit the revised plan of subdivision.

The proponent also supports 'Holiday Accommodation' being a discretionary use in the 'Special Residential' zone, in order to allow for one or two chalets to be developed in addition to a residence. Again this will help to achieve Council's objective which we understand is to retain as much tourist accommodation on the site.

While allowing for Holiday Accommodation in addition to Holiday Homes may not fit with Council's proposal to preclude this use from the Special Residential zone as a general rule, we believe Karri Mia could be considered a special case given its current zoning, existing development and suitability for tourist accommodation.

It is considered that this approach has the best potential to deliver the tourist product desired by Council in a manner which is economically viable.

Retention of the site as a large tourist resort site will result in no development, as will the option of precluding any permanent residences in the area proposed for Special Residential development.

In summary, the proponent is prepared to consider any appropriate zoning configuration to maximise the tourist product on the site, providing it is viable. The proposed mix of Tourist zoning along Mount Shadforth Road and Special Residential lots to the rear, with provision to allow both 'Holiday Homes' and 'Holiday Accommodation' is considered the most effective way to achieve Council's original objectives for the site. It has the potential over time to achieve the same amount of tourist product as the revised Karri Mia Development Plan which was adopted by Council in July 2007.

Please do not hesitate to call me if you require further clarification or information.

Yours sincerely

A handwritten signature in black ink, appearing to read "N. C. Ayton", with a long horizontal flourish extending to the right.








Nick Ayton
AYTON BAESJOU PLANNING

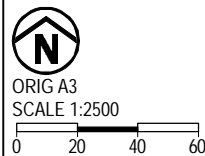
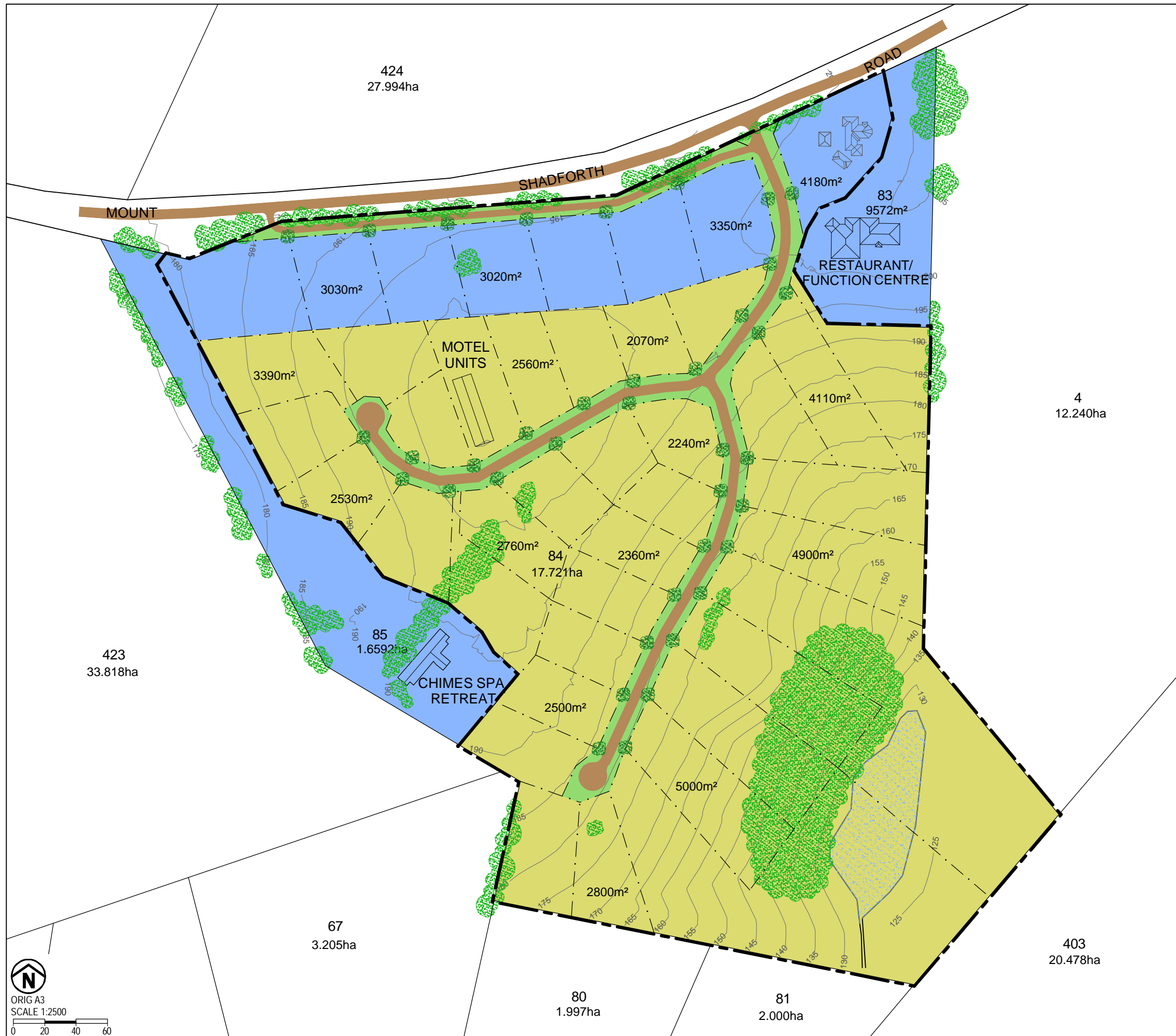
CONCEPT PLAN

Lot 84 Mount Shadforth Road
Shadforth, Shire of Denmark

09-16-CP(f) MARCH 10

LEGEND

-  Subject Land
-  Existing Vegetation
-  Existing Buildings
-  Existing Dams
-  Tourist Zone
-  Special Residential Zone
-  Proposed Vegetation



AYTON BAESJOU
PLANNING
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Albany WA 6330
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CURRIE WICKENS

Chartered Accountants and Business Advisers

ABN 73 842 419 582

6th May 2010

To Whom It May Concern,

Dear Sir,

Re: Denmark Observatory Resort

We have been requested to give our opinion on the commercial viability of the Denmark Observatory Resort (formerly: Karri Mia Resort) which ceased trading some twelve months ago.

From 2003 with the exception of 2008, the resort returned the following losses each year:

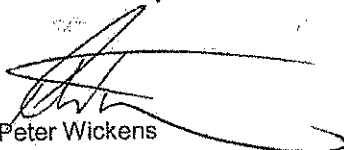
2003	\$ 45,201.00
2004	\$ 327,118.00
2005	\$ 9,819.00
2006	\$ 85,702.00
2007	\$ 108,281.00
2008	\$ 33,266.00 profit
2009	\$ 8,542.00

As a consequence of the poor performance of the resort, the decision was taken to close the operation down.

Some of the factors identified as having an impact on the poor results involved tourists travelling overseas in preference to staying in local resorts and the large number of holiday houses located in the Denmark area.

Mr. Graeme Robertson, the majority owner of the resort, has had considerable experience in operating resorts over many years, including the very successful Monkey Mia Dolphin Resort.

Yours Faithfully


Peter Wickens
Partner

Partners:

Geoff Currie CA

Peter Wickens CPA

Consultant:

R.W. Dunn ACA

Managers:

Marvin Leong CA

Mary Jo Sieber

Tax Return Preparations

Tax Consulting and Planning

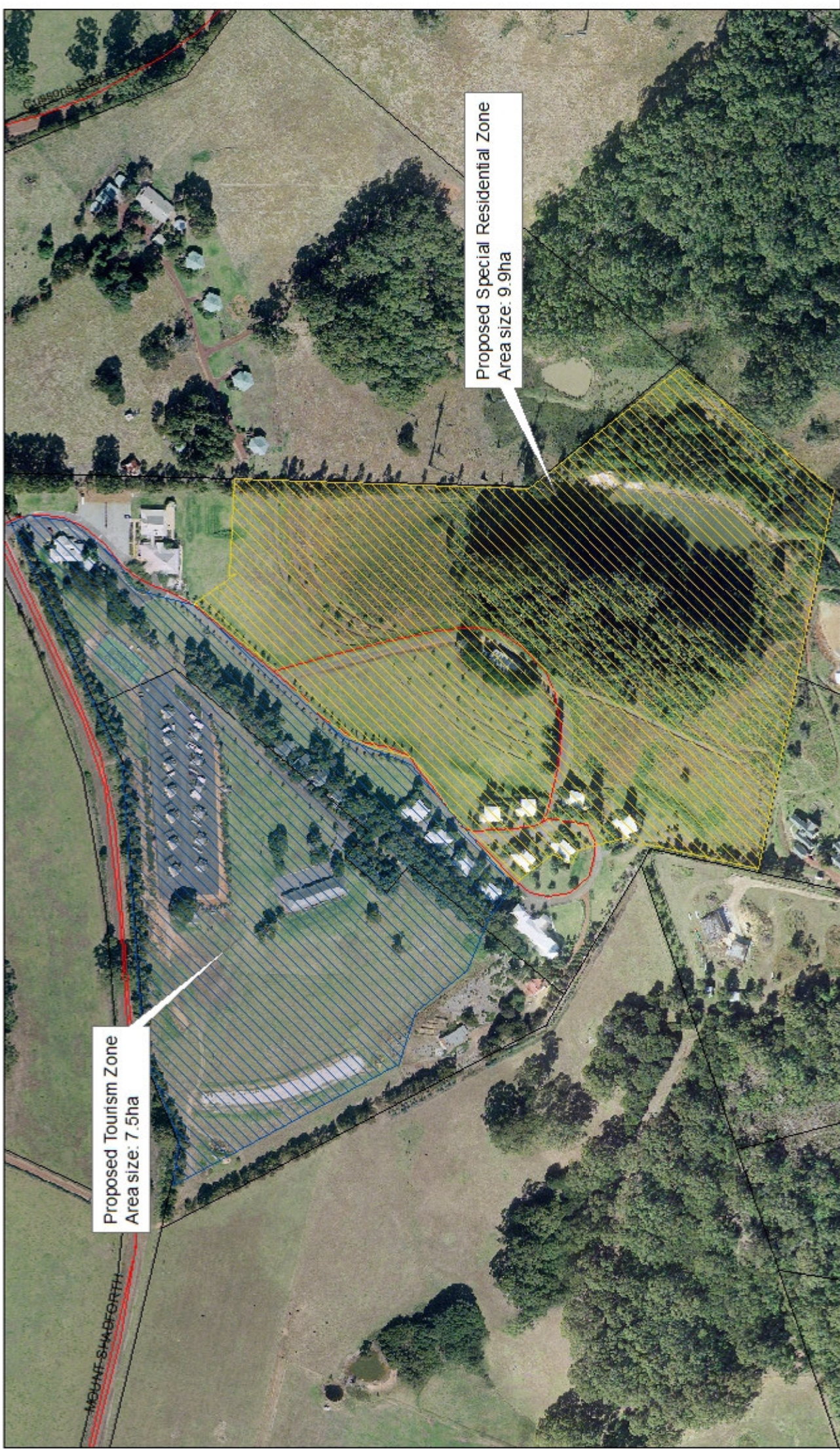
Business Planning

Business Structuring

General Accounting

Cashflows and Budgeting

Finance Applications



Proposed Tourism Zone
Area size: 7.5ha

Proposed Special Residential Zone
Area size: 9.9ha



- Legend**
- Proposed Special Residential Zone
 - Proposed Tourism Zone
 - roads

Shire of Denmark
Scheme Amendment Request
Lot 84 Mt Shadforth Drive

Produced by Y. Caruso
 and C. Simpson
 Planning Section
 Shire of Denmark
 17 June 2010

Whilst all care has been taken to accurately portray the current Scheme provisions, no responsibility shall be taken for any omissions or errors in the documentation.

