

Deed of Undertaking to
the Treasurer of the
Commonwealth of
Australia and the Minister
for Transport and
Regional Services,
representing the
Commonwealth of
Australia

Dated 6 March 2007

Airline Partners Australia Limited (ACN 123 058 917) ("**APA**")
Aurora Holdco Pty Limited (ACN 123 058 891) ("**TrusteeCo**")

Mallesons Stephen Jaques

Level 60
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia
T +61 2 9296 2000
F +61 2 9296 3999
DX 113 Sydney
www.mallesons.com

Deed of Undertaking to the Treasurer of the Commonwealth of Australia and the Minister for Transport and Regional Services, representing the Commonwealth of Australia

Contents

Details	1
General terms	2
Signing page	12

Deed of Undertaking to the Treasurer of the Commonwealth of Australia and the Minister for Transport and Regional Services, representing the Commonwealth of Australia Details

Parties	APA and TrusteeCo	
APA	Name	Airline Partners Australia Limited
	ACN	123 058 917
	Address	Level 60, Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000
	Fax	+61 2 9296 3999
	Attention	Greg Golding
TrusteeCo	Name	Aurora Holdco Pty Limited
	ACN	123 058 891
	Address	Level 60, Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000
	Fax	+61 2 9296 3999
	Attention	Greg Golding
Governing law	New South Wales	
Date of deed	See Signing page	

Deed of Undertaking to the Treasurer of the Commonwealth of Australia and the Minister for Transport and Regional Services, representing the Commonwealth of Australia

General terms

1 Interpretation

1.1 QSA definitions

Terms used in this deed that have a defined meaning in the QSA have a corresponding meaning in this deed.

1.2 Defined terms

Unless the context otherwise requires, the following meanings apply to the interpretation of this deed:

ASIC means the Australian Securities and Investments Commission.

Corporations Act means the *Corporation Act 2001* (Cth).

DOTARS means the Department of Transport and Regional Services.

Effective Date means the date this deed commences under clause 4.1.

Jetstar Airways means Jetstar Airways Pty Limited (ABN 33 069 720 243).

Macquarie Airports means the listed stapled group comprising Macquarie Airports Trust (1), Macquarie Airports Trust (2) and Macquarie Airports Holdings (Bermuda) Limited which trades on the Australian Stock Exchange under the code "MAp".

Qantas means Qantas Airways Limited (ABN 16 009 661 901).

Qantas Group means Qantas and each Qantas subsidiary.

QSA means the *Qantas Sale Act 1992* (Cth).

SACL means Sydney Airport Corporation Limited (ABN 62 082 578 809).

Sydney Airport means Sydney (Kingsford Smith) Airport.

Transaction means the proposed acquisition described in clause 2.1.

Transaction Documents means the agreements and constitutions listed in Division 4 of the notice dated 5 February 2007 given by APA to the Treasurer under section 25 of the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

Trust means the Airline Partners Australia Fund.

2 Background

- 2.1 APA has offered to acquire all of the share capital of Qantas. The proposed acquisition will be implemented by a takeover bid in accordance with the Corporations Act.
- 2.2 Upon completion of the Transaction, TrusteeCo, as trustee of the Trust, will hold approximately 99% of the ordinary shares in APA.
- 2.3 APA has publicly stated that:
- it plans to keep the Qantas and Jetstar brands and has no intention to break up the airline;
 - it has no intention to reduce regional services;
 - its capital structure will facilitate a capital investment programme of \$10 billion over the next five years. More than 70 new planes are planned to be introduced by 2014 which will increase capacity by around 40%, deliver improved customer service, greater customer choice and create new employment opportunities;
 - it supports Qantas' existing strategy as it relates to continuation of maintenance operations in Australia; and
 - the Transaction will not result in any loss of Frequent Flyer Points for members of the Qantas Frequent Flyer program.
- 2.4 Qantas is subject to provisions of the QSA, which is administered by DOTARS.
- 2.5 In addition to the requirements of the QSA, investment in Qantas, being a company operating within the civil aviation sector, is subject to examination under Australia's foreign investment policy and the *Foreign Acquisitions and Takeovers Act 1975* (Cth).
- 2.6 The *Airports Act 1996* (Cth) sets restrictions on airline ownership of leased Federal airports.
- 2.7 In the context of the aforementioned regulation of the Transaction, the Parties provide the undertakings set out in this deed. APA and TrusteeCo undertake to put in place arrangements to ensure they meet the obligations under this deed.
- 2.8 APA and TrusteeCo undertake to ensure that the amendments to the Transaction Documents described in the letter of 7 February 2007 from Mallesons Stephen Jaques on behalf of APA are made on or before the Effective Date.

3 Benefit of deed poll

This deed is entered into as a deed poll for the benefit of the Treasurer of the Commonwealth of Australia and the Minister for Transport and Regional Services, as representatives of the Commonwealth of Australia.

4 Term

4.1 Commencement

This deed commences when each of APA and TrusteeCo has a controlling interest (for the purposes of section 608(3)(b) of the Corporations Act) in Qantas.

4.2 Termination

This deed will terminate when neither APA or TrusteeCo has a controlling interest (for the purposes of section 608(3)(b) of the Corporations Act) in Qantas.

This deed (other than clause 5.1) will terminate if Qantas, APA, TrusteeCo or a parent entity of one of those companies has undertaken an initial public offering of equity securities in relation to all or substantially all of its airline business and is listed on the Australian securities exchange.

For the avoidance of doubt, this deed may not be terminated or revoked by APA or TrusteeCo in any other circumstances.

5 Undertaking

5.1 Support for Qantas Sale Act and Airports Act

Each of APA and TrusteeCo undertakes that their respective constituent documents must on and from the Effective Date:

- (a) impose restrictions on the issue and ownership (including joint ownership) of shares in APA and TrusteeCo so as to prevent foreign persons having:
 - (i) relevant interests in shares in Qantas that represent, in total, more than 49% of the total value of the issued share capital of Qantas; or
 - (ii) relevant interests in shares in APA or TrusteeCo that represent, in total, more than 49% of the total value of the issued share capital of APA or TrusteeCo; and
- (aa) impose restrictions on the issue and ownership (including joint ownership) of shares in APA and TrusteeCo so as to prevent foreign airlines having:
 - (iii) relevant interests in shares in Qantas that represent, in total, more than 35% of the total value of the issued share capital of Qantas; or
 - (iv) relevant interests in shares in APA or TrusteeCo that represent, in total, more than 35% of the total value of the issued share capital of APA or TrusteeCo; and

- (b) impose restrictions on the issue and ownership (including joint ownership) of shares in APA and TrusteeCo so as to prevent any one foreign person having:
 - (i) relevant interests in shares in Qantas that represent more than 25% of the total value of the issued share capital of Qantas; or
 - (ii) relevant interests in shares in APA or TrusteeCo that represent, in total, more than 25% of the total value of the issued share capital of APA or TrusteeCo; and
- (c) impose restrictions on the counting of votes in respect of the appointment, replacement and removal of a director of Qantas so as to prevent the votes attaching to all substantial foreign shareholdings being counted in respect of the appointment, replacement and removal of more than one third of the directors of Qantas who hold office, at any particular time; and
- (ca) impose restrictions on the counting of votes in respect of the appointment, replacement and removal of a director of Qantas, APA and TrusteeCo so that the number of directors that foreign persons have the power to appoint, replace or remove does not exceed one third of the directors of Qantas, APA and TrusteeCo. For the avoidance of doubt this restriction shall not apply to arrangements relating to the appointment of independent directors and senior management directors provided that foreign persons in aggregate are not able through those arrangements to carry or veto a vote to appoint, replace or remove those directors; and
- (d) confer the following powers on the directors of APA and TrusteeCo to enable the directors to enforce the restrictions referred to in paragraphs (a), (aa), (b), (c), (ca), (i) and (j);
 - (i) the power to do anything necessary to effect the transfer of shares held by a person;
 - (ii) the power to remove or limit the right of a person to exercise voting rights attached to voting shares;
 - (iii) the power to end the appointment of a person to the office of director of Qantas, APA or TrusteeCo (as applicable); and
- (e) prohibit Qantas from taking any action to bring about a change of its company name to a name that does not include the expression "Qantas"; and
- (f) prohibit Qantas from conducting scheduled international air transport passenger services under a name other than:
 - (i) its company name; or
 - (ii) a registered business name that includes the expression "Qantas"; and

- (g) require that the head office of Qantas always be located in Australia; and
- (h) require that of the facilities, taken in aggregate, which are used by the Qantas Group (including Qantas and Jetstar Airways) in the provision of scheduled international air transport services (for example, facilities for the maintenance and housing of aircraft, catering, flight operations, training and administration), the facilities located in Australia, when compared with those located in any other country, must represent the principal operational centre for the Qantas Group (including Qantas and Jetstar Airways); and
- (i) require that, at all times, at least two thirds of the directors of APA, TrusteeCo and Qantas are to be Australian citizens; and
- (j) require that, at a meeting of the board of directors of APA, TrusteeCo and Qantas, the director presiding at the meeting (however described) must be an Australian citizen; and
- (k) prohibit APA, TrusteeCo and Qantas, at all times, from taking any action to become incorporated outside Australia; and
- (l) ensure that in addition to the limitations and conflict of interest arrangements in the Transaction Documents of APA, prohibit directors of Qantas, APA or TrusteeCo who have been appointed by Macquarie Bank Limited or any related entity (within the meaning of the Corporations Act) of Macquarie Bank Limited (“**Macquarie Director**”) from voting on any specific decision relating to:
 - (i) terminals or other facilities at, or access to, Sydney Airport;
 - (ii) the relocation of international services conducted by Qantas or its subsidiaries from other airports to Sydney Airport; or
 - (iii) the relocation of facilities operated by Qantas or its subsidiaries from other Australian airports to Sydney Airport.

The prohibition in this paragraph (l) ceases to apply if any of the following occurs:

- (iv) Macquarie Airports ceases to be managed by Macquarie Bank Limited or a related entity of Macquarie Bank Limited and SACL continues not to be managed by Macquarie Bank Limited or a related entity of Macquarie Bank Limited; or
- (v) funds managed by Macquarie Bank Limited or a related entity of Macquarie Bank Limited cease to:
 - (A) hold a majority of the shares in SACL; and
 - (B) have the right to appoint a majority of the directors of SACL; and
 - (C) control (as defined in section 50AA of the Corporations Act) SACL.

- (m) provide that the Commonwealth is entitled to bring proceedings to restrain or compel an act or omission in breach of a provision required to be included in APA or TrusteeCo's constituent documents by this clause 5.1.

For the purposes of clauses 5.1(a)(ii), (aa)(ii) and (b)(ii) of this deed, a person shall not be considered to have a relevant interest in shares merely because of the operation of the Transaction Documents (as those documents may be amended from time to time) for so long as the person does not, by virtue of the Transaction Documents acquire ownership or effective control of the relevant shares.

Each of APA and TrusteeCo undertake to ensure that the provisions required by this clause 5.1 to be included in their constituent documents are complied with.

5.2 Information and assistance

Each of APA and TrusteeCo undertakes to advise DOTARS and Treasury of:

- (a) any transfer of shares in the capital of TrusteeCo, units in the Trust, shares in the capital of APA, special warrants issued by APA or shares in the capital of Qantas, including full details of any such transaction;
- (b) any issue of shares in the capital of TrusteeCo, units in the Trust, shares in the capital of APA, special warrants issued by APA or shares in the capital of Qantas, including full details of any such transaction;
- (c) any conversion of special warrants issued by APA, including full details of any such transaction;
- (d) any Deed of Accession executed under the Transaction Documents;
- (e) any changes to the identity and nationality of the directors of APA, TrusteeCo or Qantas, including full details of any such changes;
- (f) any material amendments to the Transaction Documents, including full details of any such amendments;
- (g) the entry of any material agreements relating to the board governance arrangements and shareholder approval arrangements for APA, TrusteeCo and the Qantas Group, including full details of any such agreements;
- (h) information as set out in Annexure A of this deed; and
- (i) final decisions to implement any material changes to the APA, TrusteeCo or Qantas company strategies as outlined in APA's Bidder's Statement dated 2 February 2007, relating to the undertakings made under clause 5.5 of this deed; and

- (j) any other material change to the identity of the investors in, or the ownership or effective control of APA, TrusteeCo, the Trust or the Qantas Group.

Each of APA and TrusteeCo undertake to provide advice on matters listed in this clause within five working days of the relevant event.

5.3 Reporting ownership matters

Each of APA and TrusteeCo undertake to provide to DOTARS and Treasury, by the last week of July and January each year, reports of the following as at 30 June and 31 December (respectively):

- (a) ownership of APA, TrusteeCo, the Trust and Qantas, including the identity and voting and economic interests of each investor in APA, TrusteeCo, the Trust and Qantas;
- (b) any changes, since the last report, to levels of foreign ownership of Qantas, APA and TrusteeCo or the units in the Trust;
- (c) in respect of each meeting of directors of Qantas, APA and TrusteeCo, the record of attendance of directors, the number of Special Director Resolutions considered at the meeting and the identity of the director presiding over each such meeting; and
- (d) any breach of any of the provisions required to be included in the constituent documents of APA and TrusteeCo under clause 5.1, or any of the mandatory articles required by the QSA.

5.4 Annual reports and half yearly financial statements

In addition to other information concerning Qantas released by any publicly listed investor in TrusteeCo, the Trust or APA:

- (a) APA and TrusteeCo will provide DOTARS and Treasury with copies of all annual reports or half-year reports required to be lodged by APA, TrusteeCo or Qantas pursuant to Chapter 2M of the Corporations Act (or any replacement provision), together with the consolidated reports for the relevant economic group which includes Qantas, within 14 days of the due date for lodgement with ASIC; and
- (b) if a half yearly report is not required to be provided to ASIC, APA and TrusteeCo will provide to DOTARS and Treasury half yearly financial statements including balance sheets and profit and loss statements for Qantas, together with the consolidated reports for the relevant economic group which includes Qantas, as soon as possible and in any event within 75 days after the end of the half-year.

5.5 Additional undertakings

Each of APA and TrusteeCo confirm and undertake that its plans and strategies for Qantas are that:

- (a) the Qantas and Jetstar Airways brands will be maintained both locally and internationally;

- (b) the Qantas Group's historical commitment to the safety of its operations will remain unchanged;
- (c) the Qantas Group will undertake substantial capital investment to introduce new aircraft to increase capacity and improve product offerings in line with market needs ;
- (d) Qantas and Jetstar Airways will expand internationally and within Australia to provide a sustainable mix of full service and value based offerings in line with market needs;
- (e) the Qantas Group will offer an integrated network of international, domestic and regional air transport services;
- (f) the Qantas Group will support regional capacity growth and regional network improvement in line with market needs;
- (g) the current review of Qantas Engineering's maintenance, repair and overhaul (MRO) operations (as outlined in section 4.2 of APA's Bidder's Statement dated 2 February 2007) will continue, with a view to building on existing capabilities for wide and narrow body maintenance to create an onshore, globally competitive in-house MRO;
- (h) the Qantas Group's track record of offering competitive conditions, jobs growth, career opportunities and extensive apprenticeship training will continue in line with market conditions;
- (i) Qantas customers will continue to have access to a competitive loyalty program and the Transaction will not result in any loss of frequent flyer points for members of the Qantas Frequent Flyer Program; and
- (j) Qantas' practical assistance to Australians in times of emergency will continue.

5.6 Confidentiality

With the exception of information that is publicly available, for the purposes of the *Freedom of Information Act 1982* (Cth), APA and TrusteeCo claim that any information or assistance given by APA or TrusteeCo under this deed is given confidentially to DOTARS and Treasury, and accordingly that the information and assistance is exempt from disclosure under the Act.

6 Breach

In the event of a threatened or actual breach of this deed by APA or TrusteeCo, or any of the provisions required by clause 5.1 to be included in their respective constituent documents, the Commonwealth is entitled to seek an injunction or order for specific performance to restrain or compel the relevant act or omission, and APA and TrusteeCo must not oppose the granting of such an injunction or order for specific performance on the basis that no actual loss or damage has been or will be sustained by the Commonwealth or that damages are or might be an adequate remedy. APA

and TrusteeCo agree that if a person has engaged, is engaging or is proposing to engage in a contravention of the mandatory articles referred to in clause 5.1 of this deed, the Commonwealth of Australia is entitled to enforce those provisions.

The provisions of this deed are enforceable by the Commonwealth of Australia but are not enforceable by any other person other than a party to this deed.

Annexure A

For the purposes of clause 5.2(h) of this deed, the following information applies (to the extent not previously disclosed in accordance with clause 5.4):

- the appointment of a receiver, manager, liquidator, controller or administrator in respect of any material loan, trade credit, trade debt, borrowing or securities held by APA, TrusteeCo, the Trust, the Qantas Group, or any Qantas subsidiary;
- the disposal or acquisition of assets that will result in a variation of the consolidated assets of the Qantas Group, APA, the Trust or TrusteeCo that exceeds 5% of the consolidated assets at that time;
- a change in the control of the responsible entity of the Trust;
- payment of a dividend or distribution by APA, TrusteeCo or the Qantas Group to an entity that is not APA, TrusteeCo or an entity in the Qantas Group
- a copy of an announcement, document or financial statement that APA, TrusteeCo, Qantas or a Qantas subsidiary lodges with an overseas stock exchange or other regulator which is available to the public. If that document, or any part of it, is not in the English language, an English language translation should be provided;
- any rating applied by a rating agency to APA, TrusteeCo, the Trust, the Qantas Group or a Qantas subsidiary, or securities of any of these entities, and any change to such a rating in each case that is publicly available;
- the board resolves to appoint a receiver, manager or controller to all of the assets of TrusteeCo, APA or Qantas or any Qantas subsidiary, to appoint an administrator of TrusteeCo, APA or Qantas or any Qantas subsidiary or to make application for an order that TrusteeCo, APA or Qantas or a material Qantas subsidiary be wound up; and
- a creditor under any material loan, trade credit, trade debt, borrowing or securities held by APA, TrusteeCo, the Trust, the Qantas Group, or any Qantas subsidiary accelerates the due date for payment of that material liability following the occurrence of an event of default which action in the reasonable opinion of the board is likely to result in the appointment of a receiver, manager, liquidator, controller or administrator.

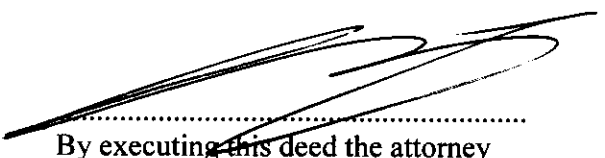
Deed of Undertaking to the Treasurer of the Commonwealth of Australia and the Minister for Transport and Regional Services, representing the Commonwealth of Australia
Signing page

DATED: 6 MARCH 2007

SIGNED, SEALED AND)
 DELIVERED by GREG)
 GOLDING as attorney for)
 AIRLINE PARTNERS)
 AUSTRALIA LIMITED under)
 power of attorney dated 30 January)
 2007 in the presence of:)

Geoff Joice

Signature of witness)
GEOFF JOICE
)
 Name of witness (block letters))

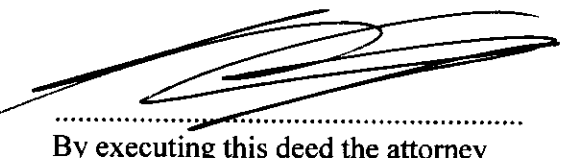


By executing this deed the attorney states that the attorney has received no notice of revocation of the power of attorney

SIGNED, SEALED AND)
 DELIVERED by GREG)
 GOLDING as attorney for)
 AURORA HOLDCO PTY)
 LIMITED under power of attorney)
 dated 30 January 2007 in the presence)
 of:)

Geoff Joice

Signature of witness)
GEOFF JOICE
)
 Name of witness (block letters))



By executing this deed the attorney states that the attorney has received no notice of revocation of the power of attorney