



ABN: 69 109 947 051

PROSPECTUS

TWO FOR ONE NON - RENOUNCEABLE PRO-RATA ISSUE

For the issue of a maximum of 45,440,000 New Shares to raise \$954,240 to Shareholders on the basis of Two New Shares for each existing Share held as at 5pm AEST on the Record Date.

**This Offer is FULLY UNDERWRITTEN
by Tandem Corporate Pty Ltd ACN 103 625 083**

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY.

If you are in any doubt as to the contents of this document you should consult your share broker, solicitor, banker or accountant without delay. The securities offered by this Prospectus are considered to be speculative.

KING EQUIPMENT LIMITED ABN 69 109 947 051

LODGEMENT STATEMENT

Application has been made for listing of the Company's securities offered by this Prospectus by the Stock Exchange of Newcastle Limited ("NSX"). The fact that the NSX may list the securities of the Company is not to be taken in any way as an indication of the merits of the Company or the listed securities. The NSX takes no responsibility for the contents of this document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance of any part of the contents of this document.

This Prospectus is dated 24 April 2006 and was lodged with ASIC on 24 April 2006. The ASIC takes no responsibility as to the contents of this Prospectus. No securities will be issued or transferred on the basis of this Prospectus later than thirteen (13) months after the date of issue of this Prospectus.

DISTRIBUTION

This Prospectus contains an offer to Eligible Participants of continuously quoted securities as defined by the Corporations Act and has been prepared in accordance with Section 713 of the Corporations Act. This offer does not constitute an offer in any jurisdiction other than Australia and New Zealand. The distribution of this Prospectus outside of Australia and New Zealand may be restricted by law and therefore any person who resides outside of Australia or New Zealand who receives this Prospectus should seek advice on it and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable Securities Laws.

PROSPECTUS ON THE INTERNET

This prospectus is available in electronic form on the Internet www.kingequipment.com.au. Any person receiving this Prospectus electronically will be sent a paper copy of the Prospectus and the entitlement and acceptance form by the Company free of charge on request during the period of the issue.

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24 April 2006

Dear fellow Shareholder,

King Equipment is now the proud distributor for 5 Chinese equipment manufacturers, representing a wide range of equipment for use in the mining and construction and earthmoving industries.

King has established a distribution and service and warranty network for these products and at the present time has 6 sites in 5 states, with the aim being a total of 16 sites covering all states of Australia, New Zealand and Papua New Guinea.

The Company has found that the establishment of the distribution network and market penetration to be slower than first expected and this combined with the limited monies raised in the initial prospectus has frustrated and slowed these efforts.

To allow King to take advantage of opportunities now before it, with its increased product range and growing market acceptance, the Company requires additional capital. On this basis, the Directors of the Company now wish to provide the opportunity for existing shareholders to invest in Shares under an entitlement offer.

Under this Issue, existing Shareholders may subscribe for 2 New Shares for every 1 existing Share held by them at the Record Date for 2.1 cents each and can apply for additional New Shares.

This Offer is fully underwritten by Tandem Corporate Pty Ltd ACN 103 625 083 and will raise \$954,240 before costs of the Issue.

I, and my associated entities, will take up our full entitlement under this Issue.

I encourage you to give serious consideration to also taking up your entitlement under this Issue.

Yours faithfully



Siegfried Konig
Chairman
King Equipment Limited

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Distribution Australia wide

1 INVESTMENT SUMMARY

1.1 PURPOSE OF THE ISSUE

The funds raised by the Offer are required for the following:

1. Build stock on hand for potential future orders;
2. Expand King's dealer network;
3. Retire up to \$330,000 of debt of which \$200,000 is to interests associated with a Director; and
4. Strengthen the Company's balance sheet.

The Directors also believe that as a result of the funds raised the Company will have an increased ability to negotiate and secure additional bank funding.

1.2 THE KING BUSINESS

King is an importer of Chinese heavy equipment and has rights to sell this equipment in Australia, New Zealand and Papua New Guinea. This equipment is primarily used in the resources, construction and manufacturing sectors.

King initially commenced importing Wheel Loaders into the Australian market, but has, consistent with its initial growth strategies, broadened its range to include Excavators, Dump Trucks, Bulldozers, Graders and Vibrating Rollers.

King has distribution through 6 sites in Australia and is actively negotiating for additional sites in Australia and also within its distribution areas of New Zealand and Papua New Guinea. The Board of King aims to have 16 sites operational in Australia, New Zealand and Papua New Guinea over the next twelve months.

King is continuing to look for quality Chinese products that will augment its equipment range and improve its ability to be a comprehensive heavy equipment supplier.

1.3 THE MARKET

The sales of Chinese heavy equipment into the Australian market place has been limited as quality perception has previously been low, however with improvements in build and quality standards of manufacture in China over the past decade, this impediment to sales has been reduced, providing an opportunity for King.

The low cost of manufacture, due to low labour costs and low commodity prices of the Chinese economy, of products which King has exclusive distribution rights gives King a marked price advantage over other equipment presently on sale in Australia.

The Australian Market for Construction Machinery in 2004 (where King has competitive products) was \$1.14 billion. King's competitors imported products from 18 overseas manufacturers and are represented by the manufacturers themselves as well as agents and distributors.

1.4 EQUIPMENT SUPPLIED

EXCAVATORS

King has the rights to distribute Jonyang excavators and spare parts in Australia, New Zealand and Papua New Guinea and these products are jointly badged under the King and Jonyang names. There are 12 excavators in the range distributed by King including wheeled and track excavators from 3.5 tonnes through to 50 tonnes.



BULLDOZERS

King has the rights to distribute Shanghai Peng Pu Bulldozers and spare parts in Australia and New Zealand and these products are badged under the King name. There are 4 bulldozers in the range distributed by King from 165 hp to 410 hp.



WHEEL LOADERS

King has the rights to distribute Changlin wheel loaders and spare parts in Australia, New Zealand and Papua New Guinea and these products are to be badged under the King name. There are 5 Wheel Loaders in the range distributed by King from 10 tonnes to 23.5 tonnes.



GRADERS

King has the rights to distribute Changlin graders and spare parts in Australia, New Zealand and Papua New Guinea and these products are badged under the King name. There are 3 Graders in the range distributed by King from 167 hp to 220 hp.



DUMP TRUCKS

King has the rights to distribute NHL Dump Trucks and spare parts in Australia, New Zealand and Papua New Guinea. There are 5 Dump Trucks in the range distributed by King and they range in size from 25 tonnes capacity to 91 tonnes.



VIBRATING ROLLERS

King has agreement in principal to distribute SAHM vibrating rollers and spare parts in Australia, New Zealand and Papua New Guinea which are jointly badged with the King name. There are 7 Vibrating Rollers in the range distributed by King from 7 tonnes to 16 tonnes.



1.5 KING DISTRIBUTORS AND AGENTS

King Equipment has agreements with the following companies to distribute King products within their territories.

Company	Territory
Westrans Equipment Imports Pty Ltd	New South Wales
Victorian Construction Equipment Pty Ltd	Victoria
Queensland Earthmoving Sales Pty Ltd	Queensland (excluding south east Queensland)
Morrone Nominees Pty Ltd	Western Australia
Barklay Civil Contracting Pty Ltd	Northern New South Wales

1.6 SUMMARY OF THE ISSUE

This Prospectus is for the issue of a maximum of 45,440,000 New Shares, on the basis of 2 New Shares for every 1 Share held by Shareholders as at the Record Date of 5pm AEST on 3 May 2006. Your entitlement to New Shares is detailed on the Entitlement and Acceptance Form accompanying this Prospectus. This Prospectus is for the information of Shareholders who may wish to take up the offer for the New Shares. Fractional entitlements will be rounded up.

1.7 ADDITIONAL SHARES

Each Shareholder on the Record Date may apply for additional New Shares, in addition to their Entitlement (**Additional New Shares**), at an issue price of 2.1 cents per New Share. In the event that there is a Shortfall in subscriptions under the Issue, the Directors reserve the right to allocate any Shortfall of New Shares to subscribers for Additional New Shares at their absolute discretion. The Company may reject any application for Additional New Shares or allocate fewer New Shares than applied for by subscribers for Additional New Shares. The ability for the Company to issue Additional New Shares is dependant upon the extent of any Shortfall to the Issue. Applications for Additional New Shares must be made in the Additional New Shares section on the Entitlement and Acceptance Form accompanying this Prospectus.

1.8 UNDERWRITING

The Offer under this Prospectus is fully underwritten by Tandem Corporate Pty Ltd ACN 103 625 083 (**the Underwriter**). The Underwriter will be paid a fee of 6% of the underwritten amount to a maximum of \$57,254 and will receive an issue of 7,310,000 Shares. The issue of Shares will necessitate King reporting an expense of \$153,510 in this financial year.

In the event that the Underwriter was required to subscribe for all 45,440,000 New Shares offered under this Prospectus pursuant to the Underwriting Agreement, such an acquisition would have an effect on the voting power of the Underwriter in the Company. Further details of the effect on the Underwriter's voting power are set out in Section 2.2 of this Prospectus.

1.9 DIRECTORS' SUB UNDERWRITING

On or about 24 April 2006, First Choice Unit Investments Pty Ltd (**First Choice**) (a company in which Siegfried Konig has a relevant interest) entered into a sub-underwriting arrangement with the Underwriter, whereby First Choice has a commitment to subscribe for a maximum of \$266,385 and has agreed to a sub-underwriting in respect of this amount. First Choice is to be paid a fee of 6% of the sub-underwritten amount to a maximum of \$15,983 and will receive an issue of 2,310,000 New Shares.

In the event that First Choice was required to subscribe for all 12,685,000 New Shares offered under this Prospectus pursuant to the sub-underwriting arrangement, such an acquisition would have an effect on the voting power of Siegfried Konig and First Choice in the Company. Further details of the effect on the voting power of Siegfried Konig and First Choice are set out in Section 2.2 of this Prospectus.

1.10 DIRECTORS' ENTITLEMENTS

The Directors intend to take up their maximum entitlement under this Prospectus Offer.

1.11 ALLOCATION OF ISSUE PROCEEDS

The proposed application of the funds raised by this Prospectus is as follows: -

Purpose	Amount
Orders of Heavy Equipment	\$370,000
Expansion of Distribution Network and Working Capital	\$175,240
Repayment of debt	\$130,000
Repayment of Debt to First Choice Unit Trust and Siegfried Konig	\$200,000
Expenses of this Issue (includes printing, enveloping, postage, NSX fees, Share Registry fees, ASIC fees, legal fees and Underwriting fees)	\$79,000
Total	\$954,240

1.12 OPTION HOLDERS

Option Holders will not be entitled to participate in the Issue unless they:

- (a) are entitled to exercise their Options under the terms of their issue and do so prior to the Record Date; and
- (b) participate in the Issue as a result of being a holder of Shares registered on the share register at 5.00pm (Brisbane time) on the Record Date.

If all entitled Option Holders elect to exercise their Options prior to the Record Date to participate in the Issue, a further 19,504,375 Shares will be on issue in the Company.

2 CAPITAL STRUCTURE

2.1 CURRENT CAPITAL STRUCTURE

The Company currently has 22,720,000 Shares on issue. The Company's Shares are listed on the NSX. (NSX: KEL)

The Company also currently has the following options on issue:

No. of Options	Exercise Price	Option Details	Expiry Date
19,504,375	25 cents	Listed on NSX (NSX: KELO)	30/06/2009

2.2 IMPACT OF THE ISSUE

Assuming that no Options are exercised prior to the Record Date, the effect of the Issue on the Company's issued capital will be as follows:

	Issued Capital	Number
Shares	Shares as at the date of this Prospectus	22,720,000
	Number of New Shares to be issued under this Prospectus Note 1 & Note 2	52,750,000
	Total number of Shares on issue on completion of this Issue	75,470,000

Options	Options granted as at the date of this Prospectus	19,504,375
	Maximum number of Options on issue on completion of this Issue	19,504,375

Note 1: This includes 7.31 million shares to be issued to the Underwriter pursuant to the Underwriting Agreement detailed in Section 1.8.

Note 2: As set out in Sections 1.8 and 1.9 of the Prospectus, the Company has entered into any Underwriting Agreement with Tandem Corporate Pty Ltd and in turn, the Underwriter has entered into sub-underwriting arrangements with First Choice in respect of 12,685,000 New Shares. Because the Offer under the Prospectus is fully underwritten, Tandem Corporate Pty Ltd may be required to subscribe for all 45,440,000 New Shares offered under this Prospectus. In such circumstances, First Choice would be required to procure applications for 12,685,000 New Shares. The acquisition of New Shares by the Underwriter and First Choice in such circumstances would affect the voting power of such persons and entities as follows:

- (a) Tandem Corporate Pty Ltd would acquire 37,755,000 New Shares which equates with voting power in respect of 50% of the Shares of King Equipment;*
- (b) First Choice and Siegfried Konig (and/or his related entities) would acquire a relevant interest in, 14,995,000 New Shares which, together with Siegfried Konig (and his related entities) existing shareholding in the Company of 6,342,500 Shares, equates with voting power in respect of 28.27% of the Shares of King Equipment.*

3 DETAILS OF THE ISSUE

3.1 OFFER

King Equipment Limited is making an offer of a maximum of 45,440,000 New Shares on the basis of 2 New Shares for every 1 existing Share held by Shareholders on the Record Date. When fractions arise in the calculation of Entitlements, they will be rounded up to the nearest whole number of New Shares.

3.2 ADDITIONAL SHARES

Shareholders are entitled to take up their Entitlement as at the Record Date, and may also apply for Additional New Shares. The Company may reject any application for Additional New Shares or allocate fewer New Shares than applied for by subscribers.

3.3 NO MINIMUM SUBSCRIPTION

There is no minimum subscription to this Issue as the Offer is fully underwritten.

3.4 ENTITLEMENT NOT TAKEN UP

You may accept this Offer in whole or in part. Entitlements not taken up by lodging the Entitlement and Acceptance Form with the Company (with the correct application money) by 5.00 pm AEST on the Closing Date will lapse and will be passed to the Underwriter.

3.5 ACCEPTANCE OF ENTITLEMENTS

How to Apply

All applications for New Shares must be on the Entitlement and Application Form issued and enclosed with this Prospectus. Payment for New Shares must be made in full at the issue price of two and one-tenth cents (\$0.021) for each New Share subscribed for. Cheques should be in Australian currency and made payable to "King Equipment Limited New Issue Account" and crossed "Not Negotiable". No brokerage or handling fees are payable by the Applicant for New Shares offered by this Prospectus. Completed application forms and accompanying cheques should be lodged at or forwarded to the following address:

King Equipment Limited
PO Box 225
Salisbury Qld 4106

OR Link Market Services Limited
Locked Bag A14
SYDNEY SOUTH NSW 1235

If Shareholders take no action in respect of their Entitlement they will have no right to subscribe for the New Shares pursuant to this Offer. No brokerage or stamp duty is payable by applicants in respect of their applications for New Shares under this Prospectus.

3.6 ALLOTMENT OF NEW SHARES

Allotment of the New Shares will take place as soon as practicable after the Closing Date of the Issue. Application monies will be held in a subscription account, in trust for each applicant, until allotment. This account will be established and kept by the Company. Any interest earned on the application moneys will be for the benefit of the Company and will be retained by the Company irrespective of whether allotment takes place.

The Directors reserve the right to allot the New Shares in full for any application or to allot any lesser number or to decline any applications. Where the number of Shares allotted is less than the number applied for, the surplus monies will be returned by cheque within the time periods set out under the Corporations Act. Where no allotment is made, the amount tendered on application will be returned in full by cheque within the time periods set out under the Corporations Act. Interest will not be paid on monies refunded. The New Shares will be allotted and share notices dispatched to holders as soon as practicable after determination by the Company of entitlements.

3.7 NEWCASTLE STOCK EXCHANGE LISTING

Application will be made within seven (7) days of the date of this Prospectus to the Stock Exchange of Newcastle Limited ("NSX") for the New Shares to be issued pursuant to this Prospectus to be listed for official quotation by the NSX.

In the event that the NSX does not grant permission for the official quotation of the New Shares within three (3) months after the date of issue of this Prospectus, none of the New Shares will be allotted or issued. If no allotment or issue is made, monies paid on application for the New Shares will be refunded without interest within the time frame described under the Corporations Act. The NSX takes no responsibility for the contents of this Prospectus including any reports which it contains.

3.8 TREATMENT OF OVERSEAS APPLICANTS

Applicants resident in countries outside Australia should consult their professional advisers as to whether any governmental or other consents are required or other formalities need to be observed to enable them to apply for New Shares. The failure to comply with any applicable restrictions may constitute a violation of securities laws.

The distribution of this Prospectus outside of Australia and New Zealand may be restricted by law. This Prospectus is not intended to, and does not constitute an offer of securities in any place which, or to any person to whom, the making of such an offer would not be lawful under the laws of any jurisdiction outside of Australia and New Zealand. The return of a completed Entitlement and Application Form from a Non-Resident will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained and that the Company may legally offer the New Shares to the Applicant.

4 DIRECTORS

4.1 DIRECTORS OF THE COMPANY

The Directors of the Company at the date of this Prospectus are:

Mr Siegfried Konig (Executive Chairman)

Mr Sean Corbin (Non-Executive Director)

Mr Robert Joseph (Non-Executive Director)

4.2 DIRECTOR'S INTERESTS IN KING EQUIPMENT LIMITED

The Director's beneficial interests in the share capital of the Company at the date of this Prospectus are:

Director	Direct Shareholding	Indirect Shareholding	Options
Mr Siegfried Konig	1,280,000	5,062,500	6,810,000
Mr Sean Corbin	-	90,000	90,000
Mr Robert Joseph	-	25,000	25,000

5 RISK FACTORS

Investors should be aware that there are risks associated with an investment in King, many of which are outside the control of the Company. This section identifies the main risk factors associated with an investment in King. The factors listed should not be taken as exhaustive of the risks faced by the Company or by investors. Factors other than those listed may in the future materially affect the financial performance of King and the value of the New Shares offered under this Prospectus. Investors should read this Prospectus in its entirety and consult their professional advisers before deciding whether to subscribe for New Shares. The principal risks include the following:

5.1 General Market Risk

There are numerous risks associated with investing in any form of business and with investing in the share market generally. Brand recognition and awareness of the company's products in the Australian market is limited at this time and investors should be aware that an investment in King involves many risks which may be higher than the risk associated with an investment in other companies. The Company faces a variety of competitors in the markets where King Equipment's products are sold.

The New Shares will be listed on the NSX, where their price may rise or fall. The New Shares carry no guarantee in respect of profitability, dividends, return on capital, or the price at which they may trade on the NSX. Changes in local and international stock markets, investment sentiment, economic conditions and outlook, employment rates, exchange rates and inflation could impact upon the success of the business and the price of the New Shares on the NSX.

5.2 Competition

King competes in the market for wheel loaders, excavators, graders, bulldozers, dump trucks and vibrating rollers in Australasia. There are presently established participants who may have greater financial resources, larger and more established sales and marketing and distribution organisations and greater market influence. These competitors may be able to use these resources to improve their products through research and acquisitions or develop new products, which may compete more effectively with the Company's products.

There is also a risk that others may, over time, attempt to duplicate the Company's strategy thereby creating the emergence of additional competitors.

There is a risk that King may be precluded from securing market share due to the entrenchment of existing manufacturers and distributors. Existing competitors may have executed long-term exclusive contracts with large purchasing organisations in order to strategically secure their market dominance in product distribution and thereby constrain consumer choice and increase the barriers to entry for new participants. Should the Company be unable to establish or maintain a viable and competitive supply network, the loss of revenue arising there from will have a material adverse effect on the Company's business.

Continuing market acceptance of the Company's products is not guaranteed. Competitive forces, consumer acceptance and legislative requirements will all have an impact upon the market acceptance of the Company's product. There are a number of competing products on the market, and while the Company believes that its product has definite competitive advantages, there are a number of competitive issues that the Company will face in introducing its product to the market, including price competition and effective manufacturing and distribution.

5.3 Dependence on Key Personnel

King will be dependant on the skills of its key management and personnel and the ability of key strategic alliances to develop and facilitate the manufacture and distribution of the Company's product. The loss of key executives and personnel could impact on the Company's ability to maintain the growth of its business activities.

5.4 Additional Capital Requirements

Additional funds may be required to expand the Company's business. There is no assurance that these funds will be available in the future, or if available, that the funds will be on commercially acceptable terms to the Company. If adequate additional funding is not available or acceptable, the Company's business will be materially and adversely affected. Whilst the Company's business has the potential to generate strong net cash flows, there can be no assurance that the Issue proceeds or any cash flow will be sufficient to further develop the business at any particular time. If so, there can be no assurance that such additional capital or debt finance will be available.

5.5 Risk of Product Liability

As an importer of construction equipment, the Company's business faces an inherent risk of exposure to product liability claims due to injuries sustained by operators of the equipment as a consequence of product failure or operation of the machinery. To mitigate this risk, King has secured adequate product liability insurance. However, there is no guarantee that insurance coverage will be adequate for all circumstances that may possibly arise in the future. If a product liability claim is made and damages are in excess of its product liability coverage, the Company's competitive position could be weakened by the amount of money required to compensate someone injured by the Company's products.

5.6 Marketing Risk

Market acceptance of the Company's products will largely depend upon the sales and marketing programs employed by the Company, its distributors and agents. Establishing brand awareness and market acceptance of the Company's products will be integral to attract and build the Company's customer base, solidify business relationships and successfully implement its business strategy. To promote the Company's products in the Australasian market, it will be critical to demonstrate the operational advantages of the Company's products and their cost effectiveness compared to other similar products in the market.

5.7 Contractual Arrangements

The Company has entered into Agreements with 5 major Chinese construction heavy equipment manufacturers. These agreements include service and maintenance obligations. Failure by a supplier to honour a contract or termination of an existing contract may have an adverse effect on the business for a time. A new contract would need to be negotiated for certain products with alternative suppliers and this may affect profitability. Additionally King's distribution network, agents, sales and service staff would need training in these new products. Ultimately, the success of the business will be dependant to some degree on the successful completion of these arrangements. Either the failure of such arrangements to be completed, the withdrawal of parties thereunder or the breach and/or termination of those arrangements may have an adverse impact of the future success of the Company and its prospects. The company also has a requirement to meet minimum performance standards

under these contracts and failure by the company to meet these standards could lead to the loss of significant sectors of the business.

5.8 Distribution Network

The Company is dependant upon the success of the sub distributors and agents already appointed and the timely identification and appointment of additional sub distributors and agents. No assurance can be given that the Company will be successful in achieving these objectives nor can the Company guarantee the performance of the sub distributors and agents that it appoints.

5.9 General Economic Climate

Factors such as inflation, currency fluctuation, interest rates, economic conditions in other countries (particularly in the Asian region), supply and demand as well as industrial disruption have an impact on operation costs, commodity prices and stock market prices. Accordingly, the Company's future possible revenue and Share price can be affected by these factors which are beyond the control of the Company.

5.10 Insurance Arrangements

The Company intends to ensure that insurance is maintained within ranges of coverage the Company believes to be consistent with industry practice and having regard to the nature of activities being conducted. No assurance however, can be given that the Company will be able to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any such claims.

5.11 Management Actions

The Directors of the Company will, to the best of their knowledge, experience and ability (in conjunction with their management team) endeavour to anticipate, identify and manage the risks inherent in the activities of the Company with the aim of eliminating, avoiding and mitigating the impact of risks on the performance of the Company and its Shares.

5.12 Hedging Risk

Changes in the US Dollar and the Australian Dollar exchange rates will affect the value of the Company's assets and revenues and may increase its liabilities and costs. While the Company's operating costs are all in Australian dollars, orders for equipment are in US Dollars. Accordingly, any significant and/or sustained fluctuations in the AUD/USD exchange rate could have a materially adverse effect on the Company's operations and financial performance. To mitigate this risk, the Company and its financiers intend to fully hedge each order of machinery from the Chinese suppliers so that the financial commitment of the Company for every purchase order is determined on the date of the purchase to reduce the risks of commodity price and exchange rate fluctuations.

5.13 Legislative Change

The introduction of new legislation or amendments to existing legislation by governments or the application of developments in existing common law in Australia, or the interpretation of those laws, could impact adversely on the assets, operations and ultimately the financial performance of the Company.

6 FINANCIAL INFORMATION

6.1 EFFECT OF THE ISSUE ON THE COMPANY

The principal effects of the Issue (assuming full subscription) will be to:

- Increase cash reserves by a maximum of \$954,240 (before expenses of the Issue, which are estimated at \$79,000); and
- Increase the number of Ordinary Shares to a maximum of 75,470,000.

It is expected that the increase in the cash reserves of the Company as a result of the Issue will provide the Company with sufficient funds to satisfy its stated purposes.

6.2 CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement

For the half-year ended 31 December 2005

	December 2005
	\$
Revenues	476,402
Cost of goods sold	(444,980)
Retail and customer service costs	(36,994)
Administration expenses	(104,927)
Consultancy Fees	(99,168)
Other expenses	(128,040)
Interest expense	(4,033)
Profit from ordinary activities before related income tax expense	(341,740)
Income tax expense	-
Net profit (loss)	(341,740)
Total changes in equity other than those resulting from transactions with owners as owners	(341,740)

6.3 EVENTS SUBSEQUENT TO 31 DECEMBER 2005

Save for entry into the loan referred to in section 7.2, there have been no material events since 31 December 2005. A full set of the Company's financial statements for prescribed reporting periods can be found at www.kingequipment.com.au. A paper copy of these accounts will be provided free of charge upon request during the period of the Issue.

6.4 PROFORMA BALANCE SHEET

The Directors have derived the Proforma Balance Sheet from the reviewed balance sheet as at 31 December 2005 (Historical Statement) adjusted to give effect to transactions that have occurred or will occur after that date (including this Issue) and have, or will have, a significant effect on the Historical Statement, and prior to the costs of the Issue.

The accounts are prepared on the basis outlined in the Half Year Accounts released to the Newcastle Stock Exchange and comply with Australian equivalents of the International Financial Reporting Standards.

6.4 PROFORMA BALANCE SHEET (CONT'D)

	December 2005	Pro-Forma Rights Issue
	\$	\$
Current Assets		
Cash	370	954,610
Inventories	228,447	228,447
Financial Assets	10,000	10,000
Other	39,456	39,456
Total Current Assets	278,273	1,232,513
Non-Current Assets		
Property, plant and equipment	92,370	92,370
Total Non-Current Assets	92,370	92,370
Total Assets	370,643	1,324,883
Current Liabilities		
Payables	188,907	188,907
Short term borrowings	31,861	31,861
Total Current Liabilities	220,768	220,768
Non-Current Liabilities		
Long term borrowings	269,442	269,442
Total Non-Current Liabilities	269,442	269,442
Total Liabilities	490,210	490,210
Net Assets	(119,567)	834,673
Equity		
Contributed equity	1,186,487	2,294,237
Retained earnings	(1,306,054)	(1,459,564)
Total Equity	(119,567)	834,673

7 MATERIAL CONTRACTS

A summary of agreements is set out below.

7.1 Underwriting Agreement

The Company has entered into an Underwriting Agreement with Tandem Corporate Pty Ltd dated 24 April 2006 pursuant to which the Underwriter will underwrite the subscription of \$954,240 (45,440,000 Shares).

The Agreement is conditional upon the Company delivering to the Underwriter a Due Diligence Report, the lodgement of the Prospectus, the provision of a legal verification letter and the Company securing \$1,000,000 of Key Man life insurance on the life of Siegfried Konig with the policy owned by the Company. The underwriting fee is \$57,254 being 6% of all the underwritten amount of \$954,240 together with the reimbursement of reasonable costs and expenses and the issue of 7,310,000 fully paid ordinary shares.

The Underwriter may, without cost or liability to itself and without prejudice to any rights or for damages arising out of any breach by the Company of this Agreement, by notice in writing given upon or at any time prior to the allotment of all the New Shares, terminate its obligations under this Agreement in its sole and absolute discretion if:

- (a) any of the following Indices is at the close of business on any Business Day after the date of the Agreement more than 10% below its level as at the close of business on the date of the Agreement, namely:
 - (i) All Ordinaries Index,
 - (ii) the Smaller Companies Index published by the ASX,
 - (iii) the NASDAQ index, or
 - (iv) the Dow Jones Index.
- (b) the US\$ exchange rate on any Business Day after the date of the Agreement rising 10% or more against the Australian dollar;
- (c) if any of the following events occur:
 - (i) default by the Company under the Agreement;
 - (ii) any representation or warranty in the Agreement is or becomes untrue or incorrect;
 - (iii) an adverse material change after the date of this Agreement in the trading results or financial position of any Relevant Company;
 - (iv) a contravention by a Relevant Company of any provision of its Constitution, the Listing Rules, the Corporations Act or any other applicable legislation or any requirement of ASIC or NSX;
 - (v) any person who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent;
 - (vi) an application is made by the ASIC for an order under Section 1324B of the Corporations Act in relation to the Prospectus, the Notice Closing Day has arrived, and that application has not been dismissed or withdrawn;

- (vii) a new law or a policy of a government agency is introduced or proposed which prohibits or regulates the principal business of King Equipment Limited, the Offer, Australian capital markets generally or Australian stock markets generally or is likely to do so;
- (viii) any person gives a notice under Section 730 of the Corporations Act in relation to the Prospectus;
- (ix) ASIC gives notice of intention to hold a hearing in relation to the Prospectus pursuant to Section 739 (2) of the Corporations Act or makes an order under Section 739 (4) of the Corporations Act or the ASIC commences an examination of any person or requires any person to produce documents arising out of or in connection with the Offers or the Company under Sections 19 or 30, 31, 32 or 33 of the Australian Securities and Investments Commission Act;
- (x) without the prior approval of the Underwriter (which approval shall not be unreasonably or capriciously withheld), a public statement is made by the Company in relation to the Offer;
- (xi) there occurs in relation to the Prospectus an event which is in the opinion of the Underwriter a “new circumstance” within the meaning of Section 719 of the Corporations Act occasioning the need, in the Underwriter's reasonable opinion, for a supplementary or replacement Prospectus to be lodged;
- (xii) there is a deficiency in the Prospectus within the meaning of Section 719 of the Corporations Act;
- (xiii) there occurs a contravention by the Company of the Corporations Act, its Constitution, any of the Listing Rules or the ASTC Business Rules;
- (xiv) the Underwriter, having elected not to exercise its rights under Clause 1(a)(c)(xi) of the Agreement, forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with the ASIC for any of the reasons referred to in Section 719 of the Corporations Act and the Company fails to lodge a supplementary or replacement prospectus in such form and content and within such time as the Underwriter may reasonably require;
- (xv) a Director of a relevant Company is charged with an offence relating to any financial or corporate matter;
- (xvi) it transpires that there was a statement that is false or misleading, inaccuracy or misrepresentation in an omission from the Prospectus or if any statement or forecast in the Prospectus becomes false or misleading or any forecast in the Prospectus becomes unable or unlikely to be met by the time projected;
- (xvii) it transpires that any of the Due Diligence results or any part of the Verification Material was false or misleading or that there was material omission therefrom;
- (xviii) it transpires that the Prospectus does not contain all such information as investors and their professional advisors would reasonably require and reasonably expect to find in the Prospectus for the purpose of making an informed assessment of:
 - (A) the assets and liabilities, financial position, profits and losses and prospects of the Company; and

- (B) the rights attaching to Shares;
- (xix) any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Issue is or becomes materially false or misleading; or any action or lack of action, including advertising and public communication which in the opinion of the underwriter was unsatisfactory and which in the opinion of the Underwriter is likely to materially reduce the level of valid Applications or materially affect the financial position or prospects of the Company;
- (xx) if, any fraud in the receipt or dealing of application monies is committed or any Company monies are not dealt with in the prescribed manner;
- (xxi) if, for any reason, Quotation cannot be granted by the NSX within 14 days of the Notice Closing Day or Quotation Approval is granted subject to conditions which are not acceptable to the Underwriter;
- (xxii) any change or any prospective change to any governing law or regulation which in the opinion of the Underwriter is likely to materially reduce the level of valid Applications or materially affect the financial position or prospects of the Company;
- (xxiii) any of the Material Contracts are varied without the Underwriter's prior written consent (which consent shall not be unreasonably or capriciously withheld) and which in the opinion of the Underwriter is likely to materially reduce the level of valid Applications or materially affect the financial position or prospects of the Company;
- (xxiv) a breach of any significant or Material Contract, in the opinion of the Underwriter, without the prior written consent of the Underwriter;
- (xxv) any material change, in the opinion of the Underwriter, to the business or proposed business of the Company or its subsidiaries;
- (xxvi) the Due Diligence report or any other information made available by or on behalf of the Company to the Underwriter is materially false or misleading in any way;
- (xxvii) any litigation, arbitration or other legal proceedings is commenced against any entity within the King Equipment Limited group of companies and which in the opinion of the Underwriter is likely to materially reduce the level of valid Applications or materially affect the financial position or prospects of the Company;
- (xxviii) there is any change to the board or management structure of the King Equipment Limited group of companies without the prior written approval of the Underwriter;
- (xxix) if the Company makes an announcement that in the opinion of the Underwriter could cause the Issue to be undersubscribed;
- (xxx) any unforeseen material change in the prevailing market conditions or market sentiment generally, or with respect to the industry sector in which the Company carries on business, or any change in the market values of public listed companies that the Underwriter believes are comparable to the Company, or any other matter which in the opinion of the Underwriter materially contributed to a lack of demand for the New Shares offered under the Prospectus;
- (xxxi) if the Company advertises or makes any public announcements or makes any statements whatsoever about the Company without the written

- approval of the Underwriter which in the opinion of the Underwriter is likely to materially reduce the level of valid Applications or materially affect the financial position or prospects of the Company;
- (xxxii) the Company altering or announcing intention to alter its capital structure or its Constitution without the prior approval of the Underwriter;
 - (xxxiii) an Insolvency Event occurs in respect of a Relevant Company;
 - (xxxiv) there is made public any item, transaction or event of a material nature not previously made public, which could reasonably be expected to effect adversely in a material way the outcome of the Issue; or
 - (xxxv) the Company withdraws the Prospectus.

7.2 Leibowitz Loan

Pursuant to an agreement dated 24 April between the Company and Tony Leibowitz (“Leibowitz”), Leibowitz has lent the sum of \$130,000 to the Company for the purposes of securing additional equipment. Interest is payable at 12% per annum and the loan together with interest thereon is repayable on the fifth business day after the Closing Date.

8 OTHER MATERIAL INFORMATION

8.1 Disclosing Entity

Because Ordinary Shares in King Equipment Limited are quoted on the NSX, King Equipment Limited is a “disclosing entity” for the purpose of the continuous disclosure regime under the Corporations Act. Amongst other consequences this means that King Equipment Limited is subject to regular reporting and disclosure obligations under the Corporations Act in addition to the Listing Rules.

The Corporations Act requires King Equipment Limited, as a disclosing entity, to comply with the reporting and disclosure obligations of the Listing Rules and makes it an offence for King Equipment Limited not to comply in certain circumstances.

In addition, the Corporations Act requires King Equipment Limited as a disclosing entity to comply with the accounting and financial reporting requirements of the Corporations Act for the half year and full year accounting period. These financial statements, together with a Directors statement and report and an audit or reviewed report must be lodged with ASIC.

8.2 Inspection of Documents

Copies of following documents may be inspected free of charge at the registered office of the Company and at the offices of the Company's Solicitors, Hopgood Ganim Lawyers, Level 8, Waterfront Place, 1 Eagle Street, Brisbane during normal business hours:

- the Constitution of the Company; and
- the consents referred to in Section 8 of this Prospectus.

8.3 Costs of the Offer

If the Issue proceeds and is fully subscribed, the total estimated costs of the Issue including advisory, ASIC and NSX fees, Prospectus printing and miscellaneous expenses and underwriting fees will be approximately \$79,000.

8.4 Directors Fees

The Constitution of the Company provides that the Non-Executive Directors are entitled to remuneration as determined by the Company in general meeting to be apportioned among them in such manner as the Directors agree and, in default of agreement, equally. A general meeting of the Company that was held on 15 September 2004 approved payment to Non-Executive Directors an amount in aggregate not to exceed \$120,000 per annum. Non-Executive Directors are also entitled to be reimbursed for properly incurred expenses.

If a Non-Executive Director performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Director, the Company may remunerate that Director by payment of a fixed sum determined by the Directors in addition to or instead of the remuneration referred to above. However, no payment can be made if the effect would be to exceed the maximum aggregate amount payable to Non-Executive Directors.

A Non-Executive Director is entitled to be paid travelling and other expenses properly incurred by them in attending Director's or General Meetings of the Company or otherwise in connection with the business of the Company. The remuneration of an Executive Director may from time to time be fixed by the Directors. The remuneration may be by way of salary or commission or participation in profits but may not be by commission on, or a percentage of, operating revenue. Except as disclosed in Section 8, no remuneration will be payable to an Executive Director.

Work undertaken by Directors of the Company other than in their capacity as Directors is paid such remuneration (if any) as determined by the board commensurate with their level of experience and work undertaken. Directors' remuneration for the 2004/2005 financial year to 30 June 2005 is as follows: -

	Consulting Fees \$	Superannuation \$	Value of Additional Benefits Received \$
Mr Siegfried Konig	142,122	8,418	61,911
Mr Sean Corbin	22,000	-	-
Mr Robert Joseph	-	-	-

Mr Robert Joseph was appointed on 26 October 2005 and his Directors fees are \$12,000 per annum.

8.5 Interests of Experts and Advisors

The nature and extent of the interests (if any) that:

- a person named in the Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus;
- a promoter of the Company; or
- a stockbroker or underwriter (but not a sub-underwriter) to the Issue,
- holds, or held at any time during the last two years in:
 - the formation or promotion of the Company;
 - property acquired or to be acquired by the Company in connection with:
 - its formation or promotion; or
 - the Issue,

are set out in Sections 7 and 8.

The amount that anyone has paid or agreed to pay, or the nature and value of any benefit anyone has given or agreed to give for services provided by:

- a person named in the Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus;
- a promoter of the Company; or
- a stockbroker or underwriter (but not a sub-underwriter) to the Issue, in connection with:
 - the formation or promotion of the Company; or
 - the Issue,

are set out in Sections 7 and 8.

8.6 Directors' Interests

As at the date of this Prospectus the Directors hold the following relevant interests in the capital of the Company:

Director	Direct Shareholding	Indirect Shareholding	Options
Mr Siegfried Konig	1,280,000	5,062,500	6,810,000
Mr Sean Corbin	-	90,000	90,000
Mr Robert Joseph	-	25,000	25,000

All of the Directors intend to participate to the full extent of their entitlement in the Issue by way of subscription for King Equipment Shares.

The nature and extent of the interest (if any) that the Directors of the Company hold, or held at any time during the last two years in:

- the formation or promotion of the company;
- property acquired or to be acquired by the Company in connection with:
 - its formation or promotion; or
 - the Issue,

is set out in Sections 7 and 8.

The amount (if any) that anyone has paid or agreed to pay, or the nature and the value of any benefit anyone has given or agreed to give to a Director of the Company, or proposed Director of the Company:

- to induce them to become, or to qualify as, a Director of the Company; or
- for services provided by a Director in connection with:
 - the formation of the Company; or
 - the Issue,

is set out in Sections 7 and 8.

8.7 Privacy

By submitting an Application Form for shares you are providing to the Company personal information about you. If you do not provide complete and accurate personal information, your application may not be able to be processed.

King Equipment maintains the register of members of the Company through Link Market Services Limited, an external service provider. King Equipment requires Link Market Services Limited to comply with the National Privacy Principles with performing these services. The Company's register is required under the Corporations Act to contain certain personal information about you such as your name and address and number of shares held. In addition King Equipment collects personal information from members such as, but not limited to, contact details, bank accounts and membership details and tax file numbers.

This information is used to carry out registry functions such as payment of dividends, sending to shareholders annual and half yearly reports, notices of meetings, newsletters and notifications to the Australian Taxation Office. In addition, contact information may be used from time to time to inform members of new initiatives concerning the Company.

King Equipment understands how important it is to keep your personal information private. King Equipment will only disclose personal information we have about you:

- when you agree to the disclosure;
- when used for the purposes for which it was collected;
- when disclosure is required or authorised by law;
- to other members of the King Equipment group of companies;
- to your broker; or
- to external service suppliers who supply services in connection with the administration of the Company's register such as mailing houses and printers, Australia Post and financial institutions.

You have the right to access, update and correct your personal information held by King Equipment and Link Market Services Limited, except in limited circumstances. If you wish to access, update or correct your personal information held by Link Market Services Limited or by King Equipment please contact our respective offices. If you have any questions concerning how the Company handles your personal information please contact the Company.

8.8 Litigation

The Company is not engaged in any litigation.

8.9 Subsequent Events

There has not arisen, at the date of this Prospectus any item, transaction or event of a material or unusual nature not already disclosed in this Prospectus which is likely, in the opinion of the Directors of the Company to affect substantially:

- the operations of the Company,
- the results of those operations; or
- the state of affairs of the Company.

8.10 Liability of Other Persons named in this Prospectus

- Hopgood Ganim has given its written consent to be named in the Corporate Directory as Solicitors to the Company in the form and the context in which it is named. Hopgood Ganim has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC. Hopgood Ganim has not authorised or caused the issue of this Prospectus and does not purport to make any statement in this Prospectus.
- Link Market Services Limited has had no involvement in the preparation of any part of this Prospectus other than the recording of its name as Share Registrar of the Company. Link Market Services Limited has not authorised or caused the issue of this Prospectus.
- Pitcher Partners has given its written consent to be named as Auditors of the Company in the form and context in which it is named and has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC. Pitcher Partners has had no involvement in any part of the preparation of this Prospectus and has not authorised or caused the issue of this Prospectus.
- Tandem Corporate Pty Ltd are the Underwriters to the Issue and consent to being named in this Prospectus. Tandem Corporate Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with ASIC. The Underwriters do not purport to make any statement in this Prospectus and to the maximum extent permitted by law disclaim any responsibility for its contents.

8.11 Consent to Lodgement

Each of the Directors of King Equipment Limited has consented to the lodgement of this Prospectus with the ASIC

Signed on behalf of King Equipment Limited by:



Siegfried Konig

SECTION 9 NSX ANNOUNCEMENTS

The following NSX Announcements have been issued in relation to the Company since Listing on the NSX on 4 February 2005:

Date	Item
8/2/2005	Initial Directors Interests notifications and Substantial Shareholder Notices
8/2/2005	King expands equipment range
28/2/2005	Change in Directors Interests
11/5/2005	King expands equipment range
11/5/2005	Announcement of Rights Issue Offer
8/7/2005	Notice of Extraordinary General Meeting and Update on Capital Raising
12/8/2005	Results of Extraordinary General Meeting
15/9/2005	Preliminary Final Accounts
3/10/2005	Full Year Accounts
11/10/2005	Notice of Annual General Meeting & Announcement of Rights Issue Offer
29/11/2005	Results of Annual General Meeting
28/2/2006	Resignation of Director
15/3/2006	Half Year Accounts

SECTION 10

DEFINITIONS

When reading the Prospectus the following terms have the following meanings:

Application Money	The monies required to be lodged with an Entitlement and Acceptance Form by a shareholder
ASIC	Australian Securities and Investments Commission
NSX	Stock Exchange of Newcastle Limited ACN 009 851 653
Closing Date	25 May 2006
Corporations Act	The Corporations Act 2001 (Cwlth)
Directors	Directors of the Company
Eligible Participant	A shareholder of the Company that holds shares in the Company on the Record Date
Entitlement	An entitlement to subscribe for New Shares for a price of 2.1 cents per New Share
Entitlement and Acceptance Form	The Entitlement and Acceptance Form enclosed with this Prospectus
First Choice	First Choice Unit Investments Pty Ltd ACN 097 499 191
King/King Equipment Limited/the Company	King Equipment Limited ABN 69 109 947 051
Issue	The issue of New Shares pursuant to the Prospectus
Listing Rules	The Listing Rules of the NSX
Maximum New Shares	45,440,000 New Shares
New Shares	Shares to be issued pursuant to this Prospectus at an issue price of 2.1 cents per share.
Non-Resident	Person domiciled outside Australia
Offer	The issue of New Shares pursuant to this Prospectus
Opening Date	4 May 2006
Options	Existing options to subscribe for Ordinary shares in the Company
Option Holders	Holders of existing options to subscribe for Ordinary shares in the Company
Ordinary Shares	Ordinary Shares in the capital of the Company
Proper SCH transfer	Has the meaning ascribed to that term in the Corporations Act 2001
Record Date	3 May 2006
SCH	Means a securities clearing house approved by the ASIC
SCH Business Rules	The business rules of the SCH
Share	Ordinary shares in the capital of the Company
Shareholders	Holders of Shares
Shortfall	Those New Shares for which the Entitlement lapses less the number of Additional New Shares applied for by the eligible participants
Underwriter	Tandem Corporate Pty Ltd ACN 103 625 083

KING EQUIPMENT LIMITED - CORPORATE DIRECTORY

Officers of the Company

Mr Siegfried Konig
Executive Chairman

Mr Sean Corbin
Non-Executive Director

Mr Robert Joseph
Non-Executive Director

Mrs Jennifer Thompson
Company Secretary

Registered Office

1808 Ipswich Road
Rocklea Brisbane QLD 4106

Telephone: 07 3275 1880
Facsimile: 07 3275 1808
Internet: www.kingequipment.com.au

Share Registry

Link Market Services Limited

Locked bag A14
Sydney South NSW 1235

Internet: www.linkmarketservices.com.au

Solicitors for the Company

Hopgood Ganim

Level 8 Waterfront Place
1 Eagle Street
Brisbane QLD 4000

Tel: (07) 3024 0000
Fax: (07) 3024 0300

Internet: www.hopgoodganim.com.au

Auditor

Pitcher Partners
Level 22
300 Queen Street
Brisbane QLD 4000

Internet: www.pitcher.com.au

Home Exchange

The Company's shares are listed by the Stock Exchange of Newcastle Limited. The Company's home exchange is Newcastle NSW.

Share Code: NSX: KEL
Options Code NSX:KELO

Underwriter

Tandem Corporate Pty Ltd
Level 12
25 Bligh Street
Sydney NSW 2000

Fax: (02) 8252 0334

Defined terms and abbreviations used in this Prospectus are explained in the Definitions set out in Section 10 on Page 27 of this Prospectus.

Photographs of equipment in this Prospectus are not assets of the Company.