

# **CONCENTRATED CAPITAL LIMITED**

ABN 34 087 730 667

## **PROSPECTUS**

**Non-renounceable rights issue to Eligible Shareholders of up to 1,269,592 New Shares on the basis of 1 New Share for every 10 Shares held as at 5.00pm (Melbourne time) on 30 April 2007 at an issue price of twenty-five cents (\$0.25) per New Share to raise approximately \$317,398 (before expenses).**

**The last date for acceptances and payment to be received by us is 5.00pm (Melbourne time) on 1 June 2007**

**The Rights Issue is Underwritten by Parmelia Pty Ltd ACN 009 647 170.**

This document is important and requires your prompt attention. Carefully read this Prospectus in full and consult your stockbroker, solicitor, accountant or other financial adviser if you are in any doubt as to how to deal with it. Any investment in Concentrated Capital Limited should be considered as a speculative investment.

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## Summary of Key Dates<sup>1</sup>

Lodgement of this Prospectus with ASIC and NSX	17 April 2007
Shares quoted on an "ex" basis	23 April 2007
Record Date for determining Entitlements to New Shares	30 April 2007
Dispatch of Prospectus with Application Forms	4 May 2007
Closing Date (5.00 pm Melbourne time) for acceptances and payment	1 June 2007
Shares quoted on a deferred settlement basis	4 June 2007
Company advises NSX of under subscriptions and notifies Underwriter	8 June 2007
Anticipated date for despatch of holding statements for New Shares / Deferred settlement trading ends	22 June 2007
Anticipated date for commencement of trading of New Shares	26 June 2007

Note 1: Shareholders are advised that these dates and the dates referred to throughout this Prospectus (except the date of this Prospectus) are indicative only and are subject to change without further notice at the discretion of the Directors (in accordance with the Listing Rules).

## Important Notice

This Prospectus is dated 17 April 2007. A copy of this Prospectus was lodged with ASIC on 17 April 2007. ASIC takes no responsibility for the contents of this Prospectus. No New Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus, being the expiry date of this Prospectus. Application has been or will be made for listing of the Company's securities offered by this disclosure document by the Stock Exchange of Newcastle Limited.

The fact that the Stock Exchange of Newcastle Limited 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 Stock Exchange of Newcastle Limited 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 upon any part of the contents of this document.

The Rights Issue is only available to Eligible Shareholders being persons registered as Australian resident shareholders in the Company on the Record Date. The Record Date is 30 April 2007.

Application will be made within 7 days from the date of this Prospectus for quotation of the New Shares on NSX.

### **Disclaimer**

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company or its Directors in connection with the Offer.

### **Offer to Australian Shareholders only**

Applications for New Shares can only be made by Eligible Shareholders, that is, those Shareholders with a registered address in Australia. The Entitlement and Acceptance Form sets out an Eligible Shareholder's entitlement to participate in the Rights Issue.

### **Foreign jurisdictions and restrictions on the distribution of this Prospectus**

This Prospectus has been prepared to comply with the requirements of the securities laws of Australia.

This Prospectus and accompanying Application Forms do not, and are not intended to, constitute an offer of New Shares in any place outside Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of New Shares in any jurisdiction where, or to any person to whom, it would be unlawful to make such an offer.

### **This is an important document**

Before deciding whether or not to accept the Offer described in this Prospectus, Eligible Shareholders should read the entire Prospectus. In particular, they should consider the risk factors in light of their personal circumstances (including financial and taxation issues) and seek professional investment advice before deciding whether or not to accept the Offer.

The New Shares offered by this Prospectus should be considered speculative. Please refer to Section 4 for details relating to investment risks.

### **Defined terms and abbreviations**

Definitions and abbreviations used in this Prospectus are explained in Section 6.

## **Acceptance of Entitlement to New Shares**

If you wish to accept your Entitlement to New Shares, you must complete and return the personalised Entitlement and Acceptance Form which accompanies this Prospectus together with payment for the New Shares so that they are received by the Company by 5.00pm (Melbourne time) on 1 June 2007. If you have not received a personalised Entitlement and Acceptance Form, please contact the Company on the telephone numbers shown in the Corporate Directory (inside the back cover of this Prospectus).

## **Privacy Disclosure**

The Company collects information about each Applicant provided on an Application Form for the purposes of processing Entitlement and Acceptance Forms and/or Shortfall Application Forms, and, if the Applicant is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided on the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Company's share registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to NSX and regulatory authorities.

The Corporations Act requires the Company to include information about the security holder (including name, address and details of the securities held) in its Register. The information contained in the Company's Register must remain there even if that person ceases to be a security holder of the Company. Information contained in the Company's Register is also used to facilitate the payment of dividends and other distributions and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and for compliance by the Company with its legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.

An Applicant has a right to gain access to certain information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

## Letter from the Executive Chairman

17 April 2007

Dear Shareholder,

We are pleased to be able to offer you the opportunity to increase your investment in Concentrated Capital Limited (**Concentrated Capital** or the **Company**).

The Non-Renounceable Rights Issue proposed in this Prospectus is seeking to raise approximately \$317,398 (before expenses) on the basis of the offer of one (1) New Share for every ten (10) shares held.

It is proposed that the funds raised by the Rights Issue will be used to:

- provides the necessary funds to supplement working capital reserves; and
- allow the Company to undertake a number of due diligence programs in respect identifying appropriate investment opportunities.

The Rights Issue has been fully underwritten by Parmelia Pty Ltd (**Parmelia**) and details of the Underwriting Agreement (including the conditions precedent to the Underwriters obligation and the circumstances in which the Underwriting Agreement can be terminated) are set out in section 5.8 of the Prospectus.

The Underwriter to this Rights Issue is the major shareholder of the Company and is a company related to the interests of Mr Peter Reilly, a Director of Concentrated Capital. Parmelia's growth strategy is, in part, based on the identification of undervalued assets which the Company can then assist in the financing, structuring and development necessary to bring such an asset to realisation in the public environment. In this sense, Parmelia is an active investor that seeks to support the Company's management team for the optimal development of the various projects the Company has undertaken.


Concentrated Capital is positioned to realise its investment within Persia Petroleum Services plc (**PPS**) over the next six (6) months and either utilise the capital generated from this investment for working capital purposes including the capacity to undertake further investments subject to due diligence or alternatively use it to reinvest in a new corporate structure which the board of PPS are currently establishing. The new structure that the board of PPS are currently establishing is expected to list on the Australian Stock Exchange and provide Concentrated Capital with shares in the new structure in consideration of the reinvestment. These shares should not be escrowed and the board of PPS assures us that there will be liquidity in the market should the Board of Concentrated Capital choose to take this course of action. The major Convertible Note holders in PPS have indicated their willingness to support the new corporate structure and upon provision of further detail, your Board will make determination as to an appropriate course of action.

In the meantime, your Board is in the process of identifying investment opportunities which it considers should allow shareholders to realise value within Concentrated Capital and provide greater liquidity for Company shares.

Shareholders should be aware that this is essentially the first stage in a series of capital raisings for Consolidated Capital as it is the current intention of your Board to seek to raise further capital from the public markets upon identification of an appropriate asset to acquire.

We invite you to consider taking up your entitlement in support of the Company and the Board's strategy. In making this decision, we encourage you to read this Prospectus in full, keeping in mind your own personal level of risk tolerance and financial position.

Yours faithfully,



Hamish M Giles  
Executive Chairman

## **1. Details of the Rights Issue**

### **1.1 Important Note**

Section 1 is a summary only and is not intended to provide full information to Eligible Shareholders intending to apply for New Shares offered under this Prospectus. This Prospectus should be read in its entirety.

### **1.2 The Rights Issue**

The Company is making a non-renounceable pro-rata offer of New Shares on the basis of one (1) New Share for every ten (10) Shares held at 5.00 pm (Melbourne time) on 30 April 2007 ("**Record Date**") at an issue price of twenty-five cents (\$0.25) per New Share, payable in full on application, on the terms and conditions set out in this Prospectus.

The maximum number of New Shares to be issued pursuant to this Prospectus is approximately 1,269,592 depending on rounding-up of individual holdings. The maximum gross proceeds of the Rights Issue will be approximately \$317,398 (before expenses).

### **1.3 Opening and Closing Date**

The Company will accept Application Forms from 4 May 2007 until 5.00 pm (Melbourne time) on 1 June 2007 ("**Closing Date**") or such other date as the Directors shall determine without prior notice, subject to compliance with the NSX Listing Rules and provided that the Company gives NSX notice of such a change at least 5 Business Days prior to the Closing Date.

### **1.4 Minimum Subscription**

There is no minimum dollar amount to be raised by this Prospectus. The Offer is fully underwritten by Parmelia.

### **1.5 Use of Funds**

The maximum dollar amount that can be raised pursuant to this Prospectus is approximately \$317,398 (before expenses).

Based on the information now known and current circumstances, the proceeds of the Rights Issue will be applied as follows:

	<b>\$</b>
Working capital	284,492
Estimated expenses of the Rights Issue	32,906
<b>Total</b>	<b>317,398</b>

Any amounts raised will initially be applied towards expenses of the Rights Issue and the balance will be applied to the Company's working capital.

The Board currently intends to identify and evaluate a number of investment opportunities and plans to use the additional working capital generated by the Rights Issue to fund due diligence into these investment opportunities.

Shareholders should be aware that if the Board identifies an appropriate asset to acquire it will probably seek to raise additional capital to fund the acquisition.

Without the capital raising, the Company would be unable to:

- pursue its investment strategies;
- realise the value within Concentrated Capital; or
- provide greater liquidity for Company shares.

#### **1.6 Your Entitlement to Participate in the Rights Issue**

The Record Date for the purpose of the Rights Issue is 5.00 pm (Melbourne time) on 30 April 2007. Australian residents who, on the Record Date, are registered as the holders of Shares, will be entitled to participate in the Rights Issue.

The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. Fractional Entitlements for New Shares will be rounded up to the nearest whole New Share.

Acceptances must not exceed your Entitlement shown on the Entitlement and Acceptance Form, although you may accept all or only part of your Entitlement.

If your acceptance exceeds your Entitlement, acceptance will be deemed to be for your maximum Entitlement and any surplus subscription funds will be returned to you in full without interest.

For further details, please see Section 2.

#### **1.7 Shortfall**

As part of the Rights Issue, the Directors reserve the right to offer the New Shares comprising any Shortfall at their absolute discretion and in accordance with the Listing Rules within 3 months of the Closing Date to Applicants that have lodged a Shortfall Application Form. The issue price of any New Shares issued as part of the Shortfall will be twenty-five cents (\$0.25) per New Share. A Shortfall Application Form may be lodged at any time prior to the Closing Date. Issues of New Shares pursuant to any Shortfall will be made on the basis of this Prospectus.

For further details, please see Section 2.

#### **1.8 No Rights trading**

The Rights to the New Shares under the Rights Issue are non-renounceable. Accordingly, there will be no trading of Rights on NSX and you may not dispose of your Rights to any other party. Entitlements to New Shares not accepted will form part of the Shortfall which will be dealt with in accordance with Section 2.

#### **1.9 Ranking and distributions**

The New Shares will be fully paid, and upon issue will rank equally with existing Shares. The Company's dividend policy is set out in Section 5.1(c).

A summary of the rights and liabilities attaching to the New Shares is set out in Section 5.1.



#### **1.10 Trading History of Shares**

The Company's Shares have not traded on NSX during the last 3 months.

The last sale price for Shares on NSX prior to the date of this Prospectus was on 8 May 2006 (\$0.08).

The issue of New Shares may affect the market price of Shares.

#### **1.11 NSX Quotation**

The Company will apply for quotation of the New Shares on the official list of NSX within 7 days of the date of this Prospectus.

The fact that NSX may grant official quotation of New Shares is not to be taken in any way as an indication of the merits of the Rights Issue or the New Shares offered by this Prospectus.

If approval is not granted by NSX within 3 months after the date of this Prospectus, the Company will not allot or issue any New Shares and will repay as soon as practicable, without interest, all application monies received pursuant to this Prospectus.

#### **1.12 Foreign Shareholders**

No offer of New Shares will be made under this Prospectus to Shareholders resident outside Australia.

The Company has decided that it is unreasonable to extend the offer of New Shares to Shareholders having registered addresses outside of Australia having regard to the small number of such Shareholders, the number and value of New Shares they would be offered and the costs of ensuring compliance with the legal and regulatory requirements in the places where such Shareholders are located. Accordingly, this Prospectus has not been and will not be registered under the securities laws of those jurisdictions. For that reason, no Application Forms will be sent, and no offer will be made, to Shareholders with registered addresses in this jurisdiction. This Prospectus will be sent to Shareholders in those jurisdictions for information purposes only.

This Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer.

#### **1.13 Rights Issue Underwritten**

Concentrated Capital has entered into an Underwriting Agreement with Parmelia for the Rights Issue. The Underwriting Agreement is subject to a number of conditions precedent and termination events which are outlined in Sections 5.7 and 5.8.

#### **1.14 Allotment and Issue of New Shares**

The Company expects to allot and issue the New Shares as soon as practicable after the Closing Date (other than the New Shares comprising the Shortfall). No allotment of New Shares will be made until the proceeds of the Rights Issue have been received and permission is granted for quotation of the New Shares on NSX.

Holding statements in relation to the New Shares will be despatched within 15 Business Days after the Closing Date.

It is the responsibility of Applicants to determine their allocation prior to trading in the New Shares. Applicants who sell their New Shares before they receive their holding statements do so at their own risk.

#### **1.15 Application monies held on Trust**

Application monies for the New Shares will be held on trust for Applicants in a subscription account until New Shares are allotted and issued. All application monies will be returned (without interest) if the New Shares are not allotted and issued.

#### **1.16 CHESS**

The Company participates in the Clearing House Electronic Subregister System, known as CHESS.

Under CHESS, shareholders will not receive a certificate but will receive a holding statement of New Shares.

The CHESS holding statement will set out the number of New Shares issued under this Prospectus, and provide details of your holder identification number and the participant identification number of the sponsor.

If you are registered on the Issuer Sponsored subregister, your statement will be dispatched by Computershare Investor Services Pty Limited and will contain the number of New Shares issued to you under this Prospectus and your security holder reference number.

CHESS holding statements or Issuer Sponsored holding statements will be routinely sent out to Shareholders at the end of any calendar month during which the balances of their holdings change. Shareholders may request a statement at any other time, however, a charge may be payable for additional statements.

#### **1.17 Risk Factors**

An investment in New Shares pursuant to this Prospectus should be regarded as speculative. In addition to the general risks applicable to all investments in securities of a listed company, there are specific risks associated with an investment in the Company which are set out in Section 4.

#### **1.18 Taxation**

The Directors do not consider that it is appropriate to give investors advice regarding the taxation consequences of subscribing for New Shares under this Prospectus.

The Company, its advisers and officers do not accept any responsibility or liability for any such taxation consequences to Eligible Shareholders. As a result, Eligible Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Prospectus.

## 1.19 **Withdrawal of Prospectus**

The Directors may at any time decide to withdraw this Prospectus, in which case the Company will repay, as soon as practicable and without interest, all application monies received pursuant to this Prospectus.

## 1.20 **Enquiries**

### **Entitlement**

Enquiries concerning your Entitlement should be directed to Computershare Investor Services Pty Limited by telephone on 1300 137 328 or by facsimile on 1300 137 341.

### **Prospectus**

Enquiries in relation to the Prospectus should be directed to the Company on telephone (03) 9882 1313 or by facsimile on (03) 9813 0274.

The Prospectus may be viewed, for information purposes only, online at the Company's website address at *admin@concentratedcapital.com.au*. The Corporations Act prohibits any person passing on to another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus.

## **2. Action Required by Eligible Shareholders**

### **2.1 Your Alternatives**

The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. You may take up:

- **all** of your Entitlement;
- **all** of your Entitlement **and** apply for **Shortfall Shares**;
- **part** of your Entitlement and allow the balance to lapse; or
- **none** of your Entitlement.

### **2.2 If you wish to take up ALL of your Entitlement**

If you wish to take up:

**ALL** of your entitlement, *or*

**ALL** of your entitlement **and** apply for **Shortfall Shares**:

1. Complete the accompanying Entitlement and Acceptance Form and the Shortfall Application Form (if applicable) in accordance with the instructions set out on the relevant Forms.
2. Decide on the form of payment - details are set out in Section 2.5 below.
3. Ensure your application is received by Computershare (at the address shown below) by 5:00 pm Melbourne time on the Closing Date. The Closing Date is currently on 1 June 2007, but the Company reserves the right to extend the Offer.

NOTE: The issue of any New Shares comprised in the Shortfall will be made at the absolute discretion of the Directors and in accordance with

the Listing Rules. Applicants are not guaranteed the number of Shortfall Shares they may apply for and may be allotted a lesser number (or none) whereupon a refund will be provided (without interest) to unsuccessful Applicants. To the extent that there is a Shortfall, the Underwriter shall be allotted the number of Shortfall shares required to extinguish the Shortfall. The Directors will not accept a Shortfall Application from the Underwriter and accordingly, applications for the Shortfall shall be allocated on a prorated basis amongst those Shareholders who make such applications prior to the Directors advising the Underwriter of any Shortfall.

### 2.3 **If you wish to take up PART of your Entitlement and allow the balance to lapse**

If you wish to take up **PART** of your entitlement and allow the balance to lapse:

1. Complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the Form.
2. Decide on the form of payment - details are set out in section 2.5 below.
3. Ensure your application is received by Computershare (at the address shown below) by 5:00 pm Melbourne time on the Closing Date. The Closing Date is currently on 1 June 2007, but the Company reserves the right to extend the Offer.

Note: If you decide not to take up all or part of your entitlement to New Shares, the entitlements, to the extent not taken up, will lapse.

### 2.4 **If you do not wish to take up any of your Entitlement**

If you wish to take up **NONE** of your entitlement and thus allow it to lapse you need do nothing. The number of Shares you hold as at the Record Date and the rights attached to those Shares will not be affected if you choose not to accept any of your Entitlement.

Note: if you decide not to take up any of your entitlement to New Shares, the entitlements will lapse.

### 2.5 **Payment**

Application Forms must be accompanied by payment in **full** at the price of twenty-five cents (\$0.25) per New Share. Payments will only be accepted in Australian dollars and as follows:

- bank cheque drawn on and payable at any Australian bank; or
- personal cheque drawn on and payable at any Australian bank.

Cheques or bank cheques should be made payable to “**Concentrated Capital Ltd Rights Issue**” and crossed “**Not Negotiable**”. Cash will not be accepted and receipts will not be issued.

Eligible Shareholders must **not** forward cash. Receipts for payment will not be issued.

## 2.6 Application Form is binding

A completed and lodged Application Form creates a legally binding contract between the Applicant and the Company for the number of New Shares accepted by the Applicant. The Application Form does not need to be signed to be a binding application for New Shares.

If the Application Form is not completed correctly, it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe or complete the Application Form is final.

Acceptance of the Offer by the Company creates a legally binding contract between the Applicant and the Company.

## 3. Effect of the Rights Issue on the Company

### 3.1 Capital Structure

Assuming the Rights Issue is fully subscribed, the effect of the Rights Issue on the Company's issued capital will be as follows:

<b>Issued Share Capital</b>	<b>Number</b>
Shares on issue as at the date of this Prospectus	12,695,919
Maximum number of New Shares that will be issued pursuant to this Prospectus	1,269,592
<b>Maximum number of Shares on issue after the Rights Issue</b>	<b>13,965,511</b>

See Section 5.1 for details of the rights attaching to New Shares.

### 3.2 Existing Options

The Company has 1,600,000 options on issue. The holders of the options have been notified of the Record Date for this Offer. If holders of the options wish to participate in the Offer, they will need to have first exercised their options so as to be registered on the Company register by the Record Date.

The exercise price of the options range from 10 cents to 20 cents and consequently the Company does not expect any of the option holders to exercise their options in order to participate in the Rights Issue.

<b>Issued options</b>	<b>Number</b>
Exercisable at \$0.10 with no performance hurdles on or before 18 April 2007	450,000
Exercisable at \$0.20 subject to NSX listing on or before 18 April 2007	575,000
Exercisable at \$0.20 subject to commercial production on or before 18 April 2007	575,000
<b>Maximum number of options on issue after the Rights Issue</b>	<b>1,600,000</b>

See Section 5.2 for details of the rights attached to Options.

### **3.3 Pro Forma Consolidated Statement of Financial Position**

Set out below is the unaudited pro forma consolidated statement of financial position of the Company after taking into account completion of the Rights Issue.

It is based on the consolidated statement of financial position of the Company as at 31 December 2006, which has been extracted from the independently reviewed half year financial report for 31 December 2006 lodged with ASIC and NSX on 14 March 2007. The unaudited pro forma consolidated statement of financial position illustrates the effect of the Rights Issue as if the issue of all of the New Shares under this Prospectus had occurred on 31 December 2006.

The pro forma financial position has been included for the purposes of assisting Shareholders to consider the likely effect on the Company of the Rights Issue. The pro forma financial position is indicative only, given that the actual financial position upon completion of the Rights Issue may have changed from the position set out in this Section. Accordingly, the Directors and any other person named with their consent in this Prospectus cannot assure Shareholders that the actual outcome will not be materially different.

	<b>30 June 2006 Actual \$,000</b>	<b>Independently Reviewed 31 December 2006 Actual \$,000</b>	<b>Unaudited<sup>1</sup> Pro Forma 31 December 2006 \$,000</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	40,627	15,482	299,974
Trade and other receivables	40,340	733,315	733,315
Available-for-sale financial assets	-	21,429	21,429
<b>TOTAL CURRENT ASSETS</b>	<b>80,967</b>	<b>770,226</b>	<b>1,054,718</b>
<b>NON CURRENT ASSETS</b>			
Financial assets held to maturity	643,358	-	-
Available-for-sale financial assets	263,155	241,726	241,726
<b>TOTAL NON CURRENT ASSETS</b>	<b>906,513</b>	<b>241,726</b>	<b>241,726</b>
<b>TOTAL ASSETS</b>	<b>987,480</b>	<b>1,011,952</b>	<b>1,296,444</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	46,707	67,242	67,242
<b>TOTAL CURRENT LIABILITIES</b>	<b>46,707</b>	<b>67,242</b>	<b>67,242</b>
<b>TOTAL LIABILITIES</b>	<b>46,707</b>	<b>67,242</b>	<b>67,242</b>
<b>NET ASSETS</b>	<b>940,773</b>	<b>944,710</b>	<b>1,229,202</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued Capital	1,969,250	2,004,250	2,208,742
Other Reserves	17,885	17,885	17,885
Accumulated Losses	(1,046,362)	(1,077,425)	(1,077,425)
<b>TOTAL EQUITY</b>	<b>940,773</b>	<b>944,710</b>	<b>1,229,202</b>

Note 1: Based on the independently reviewed accounting of the Company as at 31 December 2006 and the Company raising the maximum subscription of \$317,398 (less expenses of the Rights Issue).

The consolidated statement of financial position as at 30 June 2006 has been extracted from the Company's audited financial reports for the year ended 30 June 2006.

The unaudited pro forma consolidated half year financial report at 31 December 2006 has been prepared by adjusting the statement of financial position extracted from the half year financial report at 31 December 2006 for the financial effects of this Rights Issue as follows:

- (i) the Company issues 1,269,592 New Shares at twenty-five cents (\$0.25) per New Share pursuant to this Prospectus raising approximately \$317,398 before expenses of the Rights Issue;
- (ii) the payment of \$32,906 representing estimated costs of the Rights Issue, if fully subscribed; and

All expenses in connection with the Rights Issue are payable by the Company.

#### **4. Risk Factors**

##### **4.1 General**

There are a number of factors, both specific to the Company, and of a general nature, which may affect the future operating and financial performance of the Company and the value of an investment in the Company.

The following is not an exhaustive summary, but points to some of the risks that are peculiar to a company involved in oil and gas exploration or production. Any one or a combination of such risks could affect the Company adversely and thus the value of any investment in the Company. The Board is unable to speculate as to the extent of such adversity, and thus an investment in the Company should be regarded as speculative.

Applicants should carefully consider **each of** the risks described below, together with the other information contained in this Prospectus before making an investment decision.

- 4.2 **Financial risk:** the Company is proposing to use the funds raised in this Rights Issue to fund due diligence in relation to acquiring or investing in appropriate assets. There is a significant risk that the Company will not be able to locate appropriate assets before available funds are depleted. This means the Company may need to raise additional capital to fund its ongoing operations. If additional funds were to be raised by issuing equity securities, this might result in dilution to the then existing Shareholders. Under various circumstances the inability to raise adequate further funds may result in the Company, ultimately, having to be put into voluntary administration or liquidation.
- 4.3 **Asset acquisition risk:** if the Company identifies an appropriate asset that it wants to acquire, the ability of the Company to implement its business strategy by acquiring this asset may, in part, depend on its ability to raise additional debt or equity funding to fund the acquisition. There can be no assurance that such funding will be available, or that it will be available on terms attractive to the Company. If the Company's investment in the asset is unsuccessful and it cannot raise additional funds, the Company should be regarded as having a limited future as a going concern with potentially serious and adverse consequences for the investments of its investors.
- 4.4 **Competition risk:** the structure of the markets in which the Company operates may alter or new competitors may enter some or all of those markets, resulting in increased competition. Increased competition may result in lower prices, operating margins and profit for Company.
- 4.5 **Key Personnel:** the success of the Company will depend on its ability to continue to have access to the services of highly qualified technical and



managerial personnel. Competition for such staff is intense. The loss of key staff could have a material adverse effect on the Company.

- 4.6 **Share market risk:** potential investors should recognise that the prices of shares fall as well as rise. Many factors affect the price of shares including local and international stock markets, movements in interest rates, economic and political conditions and investor and consumer sentiment.
- 4.7 **General investment risks:** risks of a general nature relating to investment in shares and securities generally and especially where the company in which the investment is made has a small market capitalisation.
- 4.8 **Risks related to investment in resources:** exploration and/or development of resources generally are subject to high levels of risk. Commodities are subject to high levels of volatility in price and demand.
- 4.9 **Sovereign risk:** the Company's oil and gas exploration activities are primarily carried out in foreign jurisdictions particularly, the US. As a result, the Company will be subject to political, economic and other uncertainties including, but not limited to, changes in energy policies or the personnel administering them, foreign exchange restrictions, currency fluctuations, royalties and tax increases those foreign jurisdictions.
- 4.10 **War:** anywhere in the world could result in an outbreak of hostilities in a particular region. There could be a resultant material adverse effect on the business, financial condition and financial performance of the Company.
- 4.11 **Fiscal risks:** these involve the imposition of additional taxes, imposts and other charges by governments from time to time relating to revenue or cash flow. Industry profitability can be affected by changes in tax policies and the interpretation and application thereof.
- 4.12 **Currency exchange and other risks:** revenue and expenditure in overseas jurisdictions are subject to the risk of fluctuations of international currency exchange markets. Foreign taxes, limitation on repatriation of earnings, compliance with foreign accounting and business laws, and cultural differences carry a certain amount of risk. Apart from the Iranian Project, the majority of the Company's revenue, if any, and expenditure is expected to be derived and made in the US. Fluctuations between the Australian dollar and the US dollar exchange rate may adversely affect the Company.
- 4.13 **Economic and political risk:** apart from exchange risks, there are a wide range of other macro economic and political factors beyond the control of the Company which could affect the Company's operations including the consequences of terrorist and other activities which themselves impact adversely on the global economy, demand for and supply of commodities and share market conditions and share prices generally.
- 4.14 **Risk as to profitability:** anticipated or estimated possible production levels may not be achieved, and even if achieved, may not result in the Company being profitable. The ability of the Company to pay dividends will depend on it generating revenue and then deriving sufficient after-tax profits to be able to do so.

- 4.15 **Dependency on others:** the future success of the Company will be in part dependent on the competency of Avalon and other organizations chosen from time to time to be operators of the Company's various projects and on each operator's capacity to manage day to day operations. The Company's future growth will also be dependent in part upon engagement of management capable of managing and expanding its operations beyond the present projects.
- 4.16 **Contract risks generally:** the Company's subsidiaries operate through a series of contractual relationships with operators, sub-contractors and will sell production through various marketing contracts. Additionally, various production facilities are to be contracted to be built. All contracts carry risks associated with the performance by the parties thereto of their obligations as to time and quality of work performed.
- 4.17 **Litigation:** litigation may adversely affect the Company. Neither the Company nor any of its subsidiaries is presently involved in litigation and the Directors are not presently aware of any basis on which any litigation against the Company or any of its subsidiaries may arise.
- 4.18 **Regulatory approval risk:** operations by the Company may require approvals to be obtained from regulatory authorities. The Company has no reason to believe that any requisite approval may not be able to be obtained on terms acceptable to the Company and the Company's obligations for expenditure will be predicated on any requisite approvals being obtained. However, Applicants should be aware that the Company cannot guarantee that all requisite approvals will be obtained. A failure to obtain approval may mean that the ability of the Company to develop or operate a project, or possibly acquire a project, may be limited or restricted either in part or absolutely.
- 4.19 **Production risks:** there can be no assurance given that the Company will achieve production from any of its projects. The capacity of the Company to achieve production will depend on a wide range of factors including capital costs and operating costs that may be applicable to the individual projects and the capacity of the Company to fund those costs. If production is achieved then unanticipated problems may increase extraction costs and reduce anticipated recovery rates.
- 4.20 **Drilling risks:** risks in relation to future drilling include break-downs and the risk of a failure to find oil or gas in commercial quantities or at all.
- 4.21 **Environmental risks:** following cessation of production from operations, the Company may be required to participate in clean-up programs resulting from any contamination from operations in which it participates, removing disused plant and equipment and, where necessary, restoring land that has been disturbed in the course of operations. The cost of that cleanup may be considerable if operations result in significant environmental liabilities being incurred. In such a case, any allowance made for rehabilitation in the cash flow projections would be inadequate.
- 4.22 **Climatic risks:** the risk of adverse weather conditions that may affect production and exploration.
- 4.23 **Operational risks:** these include the possibility of environmental accidents, the risk of unexpected mechanical failure or equipment breakdown resulting in loss

of production and additional expense generally, unexpected interruption to or imposition of onerous conditions on access, industrial disputes and resultant increases in costs of operation.

- 4.24 **Discovery risks:** any discovery of oil or gas may not be commercially viable or recoverable.
- 4.25 **Reserve risks:** risks relating to the existence of probable or any reserves.
- 4.26 **Persia Petroleum Services pls (“PPS”):** the risks associated with the Company’s investment in PPS include the sovereign risk of this investment being in Iran, political and other factors associated with this investment in Iran, potential exchange risks and management competency of PPS.

There are also the general operational risks involved in investing in a business which has a vertically integrated operational structure, based in Iran and requiring financial management in Iran together with recognition of the current terrorist activity and the current Iraq hostilities.

Potential investors should recognise that the prices of shares fall as well as rise. Many factors affect the price of shares including local and international stock markets, movements in interest rates, economic and political conditions and investor and consumer sentiment. As PPS is not listed on any stock exchange, the capacity of the Company to sell shares or notes is severely compromised and may impact on the value it may achieve if forced to find a willing buyer.

## **5. Additional Information**

### **5.1 Rights and liabilities attaching to New Shares**

The rights and liabilities attaching to the New Shares offered under this Prospectus arise from a combination of the Constitution, statute and general law.

The Constitution may be inspected during normal business hours at the Company’s registered office.

A summary of the more significant and relevant rights and restrictions attaching to Shares is set out below. The summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company’s shareholders.

The New Shares, once issued, will have the same rights attaching to them as existing Shares.

#### **(a) General Meetings**

Each shareholder is entitled to receive notice of, attend and vote at meetings of the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution, Corporations Act and NSX Listing Rules.

#### **(b) Voting at a General Meeting**

Subject to any Shares which may in the future be issued with special or preferential rights, every shareholder present in person at a general meeting of the Company or by proxy, representative or attorney has

one vote on a show of hands and, on a poll, one vote for each Share held. On a poll, partly paid shares confer a fraction of a vote in proportion to the amount paid up on the share.

(c) *Dividends*

The Directors may from time to time determine dividends to be distributed to shareholders according to their rights and interests. The Directors may fix the time for distribution and the methods of distribution. Dividends are payable on all Shares in proportion to the amount of the total issue price paid (but not credited) for the Shares. This is subject to any special or preferential rights attached to any class of shares created after the allotment of the Shares. The Company does not currently intend to pay a dividend on Shares in the near future. At this stage of the Company's development, the Directors consider it prudent to reinvest earnings in the Company's business.

(d) *Transfer of Shares*

Shares may be transferred by a proper transfer effected in accordance with the ASTC Settlement Rules, by any other method of transferring or dealing in Shares introduced by NSX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by either the Directors or NSX that is otherwise permitted by the Corporations Act. The Directors may decline to register a transfer of Shares (other than a proper transfer in accordance with the ASTC Settlement Rules) where permitted to do so under the NSX Listing Rules or where the Shares are restricted securities during an escrow period, unless otherwise permitted by the NSX Listing Rules.

If the Directors decline to register a transfer, the Company must, within 5 Business Days after the transfer is lodged with the Company, give the party lodging the transfer written notice of the refusal and the reason for refusal. The Directors must decline to register a transfer of Shares when required by law, the NSX Listing Rules or ASTC Settlement Rules.

(e) *Issue of Further Shares*

The Directors may allot, issue, grant options in respect of, or otherwise dispose of, further Shares on such terms and conditions as they see fit. However, the Directors must act in accordance with the restrictions imposed by the Constitution, NSX Listing Rules and Corporations Act.

(f) *Winding Up*

If the Company is wound up, then subject to any special or preferential rights attaching to any class of shares, shareholders will be entitled to participate in any surplus assets of the Company in proportion to the amount of capital paid up on their shares when the winding up begins.

(g) *Share Buy Backs*

Subject to the provisions of the Corporations Act and NSX Listing Rules, the Company may buy back shares in itself on terms and at times determined by the Directors.

(h) *Variation of Class Rights*

Unless otherwise provided by the Constitution or by the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or abrogated:

- (i) with the consent in writing of the holders of issued shares included in that class who are entitled to at least 75% of the votes that may be cast in respect of those shares; or
- (ii) with the sanction of a special resolution passed at a separate meeting of the holders of those shares.

(i) *Dividend Reinvestment Plan and Bonus Share Plan*

The Constitution authorises the Directors to establish and maintain dividend reinvestment plans (whereby any member may elect that dividends payable by the Company be reinvested by way of subscription for fully paid ordinary Shares in the Company) and bonus share plans (whereby any member may elect to forego any dividends that may be payable on all or some of the ordinary Shares held by that member and to receive instead some other entitlement including the allotment of fully paid ordinary Shares).

(j) *Alteration of Constitution*

The Constitution can only be amended by special resolution passed by at least 75% of shareholders present and voting at a general meeting of the Company. The Company must give at least 28 days written notice of its intention to propose a resolution as a special resolution.

## 5.2 **Rights attaching to Options**

The rights and liabilities attaching to Options arise from a combination of the terms of issue of the Options, the Company's Constitution, statute and general law.

The Constitution of the Company and the terms of issue of any Option may be inspected during normal business hours at the Company's registered office.

Options:

- do not entitle the holder to dividends or to attend or vote at meetings of the Company; and
- do not entitle the holder to participate in new issues of Shares, options or other securities, without first exercising the Options.

Shares issued on the exercise of the Options will have the same rights and liabilities set out in Section 5.1.

### **5.3 Disclosing Entity**

The Company is a "disclosing entity" for the purposes of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. These obligations include compliance with the requirements of the NSX Listing Rules and the Corporations Act concerning notification of information to NSX.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC.

### **5.4 Nature of this Prospectus**

This Prospectus has been prepared on the basis of section 713 of the Corporations Act which allows disclosing entities such as the Company to issue a "reduced content" prospectus for securities in a class of securities that have been continuously quoted on NSX at all times in the 12 months prior to the issue of the prospectus.

In addition to specific formal matters, a "reduced content" prospectus needs to contain certain information relating to the terms and conditions of the offer, the effect of the offer on the Company and the rights and liabilities attaching to the New Shares and Options.

A "reduced content" prospectus must also include information that has been excluded from a continuous disclosure notice where that information had not been disclosed. However, such information is only required where it is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of an entity and the rights and liabilities attaching to the securities being offered by the entity. Further, such a prospectus must contain this information only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in the prospectus.

Other general information is not required to be included by a disclosing entity as the periodic reporting and continuous disclosure requirements applicable to disclosing entities mean that all this information should have previously been released to the market.

### **5.5 Inspection and copies of Documents**

The Company will provide a copy of any of the following documents free of charge to any person who requires a copy during the Offer period in relation to this Prospectus:

- (a) the annual report dated 29 September 2006 for the financial year ended 30 June 2006, being the annual report most recently lodged with ASIC by the Company;
- (b) the financial statement of the Company for the half-year ended 31 December 2006 (being the last financial statement lodged with ASIC by the Company after the lodgment of that annual report and before lodgment of this Prospectus with ASIC);

- (c) the following continuous disclosure notices given by the Company to NSX after lodgment of the annual report referred to in paragraph 5.5(a) and before the date of lodgment of this Prospectus with ASIC:

Date	Headline
27 March 2007	Application for quotation of 70,000 additional securities
27 March 2007	Change in Director's interest – Mr Hamish Giles
27 March 2007	Change in Director's interest – Mr Peter Reilly
27 March 2007	Change in Director's interest – Mr Michael Evett
14 March 2007	Financial Report for the half year ended 31 December 2006
8 February 2007	Application for quotation of 140,000 additional securities
12 January 2007	Application for quotation of 116,666 additional securities
12 January 2007	Application for quotation of 57,143 additional securities
12 January 2007	Application for quotation of 125,000 additional securities
13 December 2006	Addendum to the Annual Report of the Company
8 December 2006	Director declaration and undertaking in respect to NSX Listing Rules relating to Mr Michael Evett
8 December 2006	Initial directors interest – Mr Michael Evett
27 November 2006	Results of AGM
23 November 2006	Chairman's address
9 November 2006	Change in Director's interest – Mr Michael Evett
1 November 2006	Notice of Annual General Meeting
19 October 2006	Change in Director's interest – Mr Hamish Giles
19 October 2006	Change in Director's interest – Mr Peter Reilly
11 October 2006	Change in Director's Interest – Mr Peter Reilly
11 October 2006	Change of Director's Interest – Mr Hamish Giles

The documents referred to in paragraphs (a) to (c) above are not included and do not accompany this Prospectus.

## 5.6 Directors' Interests

As at the date of this Prospectus, each of the Directors has a relevant interest in Shares and options as set out below:

Director	Relevant interest in Shares	Relevant interest in Options
Hamish M Giles	563,333	250,000
Peter T Reilly	2,383,333	Nil
Mike Evett	49,890	Nil
<b>Total</b>	<b>2,996,556</b>	<b>250,000</b>

As at the date of this Prospectus, there are no proposed new Directors.

Except as disclosed in this Prospectus, no Director, and no firm in which a Director is a partner has any interest nor has had any interest in the last two years prior to the date of this Prospectus:

- in the formation or promotion of the Company;
- in any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
- in the Rights Issue.

Other than as set out in this Prospectus, no amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given to any Director either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of the Company or in connection with the Rights Issue.

## 5.7 Significant Shareholder and Underwriter

Parmelia Pty Ltd (**Parmelia**), a company associated with Mr Peter Reilly, a Director of Concentrated Capital Limited, presently has 2,383,333 shares, which equates to approximately 18.77% of the Shares in the Company.

Parmelia has entered into an Underwriting Agreement with the Company, pursuant to which it, or an “affiliated entity” nominated by it, will subscribe for any Shortfall after having regard to any Shortfall Application Forms, in the Rights Issue.

If there is a Shortfall in the Rights Issue, Parmelia will increase its shareholding in the Company.

On completion of the Underwriting, and assuming that Parmelia becomes entitled to New Shares underwritten, its voting power in the capital of the Company will increase based on an increased shareholding.

The Directors are unable to state what level of Shortfall (if any) may exist at the close of the Rights Issue as Eligible Shareholders may make application for further shares pursuant to the Shortfall Application Forms.

The table below sets out the Shareholding of Parmelia under two scenarios immediately following the completion of the Rights Issue. These scenarios are included for illustrative purposes only and are used to highlight the theoretical minimum and maximum Shareholding outcomes for Parmelia following the Rights Issue.

The Directors confirm that these scenarios are included for illustrative purposes only and it is unlikely that the scenarios set out below will be representative of the final outcome of the Rights Issue.

**Scenario 1:** All Shareholders (including Parmelia in its capacity as Shareholder) exercise their rights to acquire New Shares under this Rights Issue.

**Scenario 2:** No Shareholders except Parmelia in its capacity as Shareholder exercise their rights to acquire New Shares under this Rights Issue.



	Scenario 1		Scenario 2	
	Number of Shares	Approximate % of total Shares on issue	Number of Shares	Approximate % of total Shares on issue
Shareholding prior to Rights Issue	2,383,333	18.77%	2,383,333	18.77%
Shares acquired under Rights Issue	238,333	1.75%	238,333	1.75%
Shortfall Shares acquired	-	-	1,031,259	7.58%
Shareholding immediately after Rights Issue	2,621,666	18.77%	3,652,925	26.86%

In both Scenario 1 and Scenario 2, it is assumed that no existing option holders exercise their options over Shares to the Rights Issue.

If there is a Shortfall, Parmelia's voting power in the Company will increase beyond its current level of approximately 18.77%.

Subject to the above qualification, every 10% of the total number of New Shares forming part of the Shortfall, will lead to Parmelia acquiring a further approximately 0.75% of total Shares on issue after the Rights Issue by reason of its underwriting arrangements up to a maximum of 7.53%.

It should also be noted that there are a number of other major shareholders in the capital of the Company prior to the Rights Issue including:

- Elmside Pty Ltd representing approximately 6.86% of the present issued capital of the Company;
- Stardoor Pty Ltd and interests associated with Mr Hamish Giles representing 4.39% of the present issued capital of the Company;
- Svinsky Nominees Pty Ltd representing 5.84% of the issued capital of the Company.

The level of influence which Parmelia may exercise as a result of its increase in voting power should be considered among other things, in the context of the above other major shareholdings. It should also be noted that control of the Company will not change as a result of the Rights Issue or as a result of the underwriting and that day-to-day control of the Company will remain vested in the Directors. However, if Parmelia acquires more than 25% of the issued capital in the Company it will have the opportunity to prevent the passing of special resolutions by the shareholders of the Company.

## 5.8 Underwriting Agreement

An Underwriting Agreement dated 17 April 2007 has been entered into between the Company and the Underwriter. The Underwriter has agreed to underwrite the subscription of all of the Shares offered pursuant to this Prospectus. The Underwriter is free to arrange sub-underwriters at its discretion. The following is a summary of certain material provisions of the Underwriting Agreement.

The Underwriter will receive an underwriting commission of 4.0% of the underwritten amount of \$317,398 (plus GST). This will be an amount of \$12,696. The Underwriter will be responsible for the payment of any sub-underwriting fees.

The Company must pay all reasonable legal costs of the Underwriter in relation to the Underwriting Agreement, and reasonable out of pocket, travel, and accommodation expenses incurred by the Underwriter in relation to the Rights Issue up to a maximum cap of \$5,000.

Under the Underwriting Agreement, the Company will not, without the prior written consent of the Underwriter (such consent not to be unreasonably withheld) at any time after the date of the Underwriting Agreement and prior to the expiry of 180 days after the Allotment Date:

- (i) allot or agree to allot or indicate in any way that it may or will allot or agree to allot any Shares or other securities of the Company or grant or agree to grant any option in respect of any such securities other than pursuant to the Offers, the Underwriting Agreement, as otherwise disclosed in the Prospectus or under an employee share or option plan, a dividend reinvestment plan or a bonus share plan described in the Prospectus;
- (ii) dispose of or agree to dispose of the whole or any significant part of any of its principal assets;
- (iii) mortgage, charge, assign or transfer any interest of the whole or any significant part of its principal assets; or
- (iv) commit any act or omission whereby it becomes liable to be wound up.

The Underwriting Agreement contains a number of warranties and representations by the Company in favour of the Underwriter in respect of various matters, including the accuracy and completeness of information contained in this Prospectus, validity of the Underwriting Agreement, the disclosure of information to the Underwriter, the accuracy of financial information contained in this Prospectus, the due diligence conducted in relation to this Prospectus, and various other activities of the Company during the period between the date of the Underwriting Agreement and the date on which the Underwriter's obligations under the Underwriting Agreement cease.

In addition to the above warranties, the Underwriting Agreement contains several indemnities made by the Company in favour of the Underwriter and its officers, employees, advisers and Related Bodies Corporate for any claim, loss, liability, cost or expense (including legal costs on a full indemnity basis), which may arise as a result of:

- a) non-compliance with any legal or NSX requirement in relation to the Rights Issue, the Prospectus and all other notices and documents issued or published by or on behalf of the Company in respect of the Rights Issue or any promotional or publicity activities in respect of the Rights Issue;
- b) the Company not complying with any of its obligations under the Underwriting Agreement including but without limitation, breaching an undertaking, representation or warranty;

- c) any statement in this Prospectus or public and other media statements made by or on behalf of the Company in relation to the affairs of the Company or the Offer being misleading or deceptive or containing an omission;
- d) any of the representations and warranties by the Company contained in the Underwriting Agreement not being true and correct;
- e) the distribution of this Prospectus and the making of the Offer; or
- f) any advertising or publicity of the offer issues with the knowledge and consent of the Company.

This indemnity does not apply against any losses of the Underwriter where and to the extent that those losses result primarily from any fraud, recklessness, wilful misconduct or gross negligence of the Underwriter.

The Underwriting Agreement provides that the Underwriter may terminate its obligations under the Underwriting Agreement if it becomes aware of the happening of any one or more of the following events:

- a) a statement contained in the Prospectus is false or misleading, a matter is omitted from the Prospectus (having regard to the provisions of the Corporations Act) or the issue of the Prospectus is misleading or deceptive;
- b) the Prospectus does not contain (having regard, among other things, to the matters set out in the Corporations Act) all such information as investors and their professional advisers would reasonably require and reasonably expect to find in it for the purpose of making an informed assessment of the assets, liabilities, financial position, profits, losses and prospects of the Company;
- c) any material adverse change occurs in the assets, liabilities, financial position, profits, losses or prospects of the Company including without limitation any adverse change in the assets, liabilities, financial position, profits, losses or prospects from those respectively disclosed in the Prospectus or the Public Information;
- d) there occurs any material adverse change or disruption to the financial markets of Australia, the United States of America or other major international financial market, or there occurs any change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the reasonable judgment of the Underwriter, impracticable to market the Offers or to enforce contracts to purchase the Shares or is reasonably likely to materially and adversely affect the success of the Offer;
- e) an Insolvency Event in respect of the Company or any entity in the Group;
- f) at any time after issue of the Prospectus:
  - (i) there occurs a change affecting any matter contained in the Prospectus, as envisaged the Corporations Act, occasioning the need, in the Underwriter's reasonable opinion, for a supplementary or replacement

prospectus to be lodged and a supplementary or replacement prospectus is not lodged in a form acceptable to the Underwriter;

(ii) there arises a significant new matter, the inclusion in the Prospectus of information about which would have been required by the Corporations Act if it had arisen when the Prospectus was prepared, as envisaged the Corporations Act and a supplementary or replacement prospectus is not lodged in a form acceptable to the Underwriter;

(iii) there is a deficiency in the Prospectus within the meaning of the Corporations Act and a supplementary or replacement prospectus is not lodged in a form acceptable to the Underwriter;

(iv) there occurs a prescribed occurrence in relation to the Company, as envisaged in the Corporations Act; or

(v) the Company withdraws the Prospectus;

- g) hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, a member nation of the North Atlantic Treaty Organisation, the Commonwealth of Independent States or any of its constituent republics, Canada, Japan, Indonesia, Thailand, Singapore, Malaysia, Hong Kong, North Korea or the Peoples Republic of China;
- h) there is introduced or there is announced a proposal to introduce into the Parliament of Australia or any State of Australia a new law or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt a new policy, any of which does or is likely to prohibit or regulate, in a materially adverse way, the principal business of the Company, the Offers, capital issues generally or stock markets generally;
- i) a Director of the Company is charged with an indictable offence;
- j) there occurs a contravention by the Company or any entity in the Group of the Corporations Act or its constitution;
- k) ASIC issues an order or indicates an intention to hold a hearing arising out of or in connection with the Offers under the Corporations Act ;
- l) an application is made by the ASIC for an order under the Corporations Act in relation to the Prospectus;
- m) any person (other than the Underwriter) who has previously consented to the inclusion of its name in the Prospectus or to be named in the Prospectus withdraws that consent;
- n) there is a default by the Company in the performance of any of its obligations under the Underwriting Agreement;
- o) a warranty contained in the Underwriting Agreement on the part of the Company is or becomes untrue or incorrect;

- p) the Company fails to provide the Underwriter with a Shortfall Notice or the Underwriter does not receive a Closing Certificate;
- q) any litigation, arbitration or other legal proceeding is commenced against any entity in the Group;
- r) any person commences proceedings or otherwise asserts that the use by the Company of any trademarks, trade names or logo referred to in the Prospectus infringes that person's intellectual property rights.

## 5.9 Remuneration of Directors

In accordance with the Constitution, the non-executive Directors shall be paid out of funds of the Company, by way of remuneration for their services as Directors, a sum not exceeding \$100,000 per annum of which 50% is to be provided as Shares at an issue price equivalent to the weighted average of the past 10 days trading prior to issue or such larger amount as the Company in general meeting determines by ordinary resolution.

The remuneration of the Directors shall not be increased except pursuant to a resolution passed at a general meeting of the Company where notice of the suggested increase shall have been given to members in the notice convening the meeting.

It has been resolved by shareholders, that Directors shall be entitled to take their remuneration wholly in shares at an issue price equivalent to the weighted average for the past ten days trading prior to issue or such larger amount as the Company in general meeting determines by ordinary resolution. The Board has however resolved internally that allocation of shares in respect to director's duties shall be allotted at a strike price of \$0.25 per share for the time being until such time as the share price is greater than \$0.25 per share and thereafter shall be allotted according to the formula agreed by shareholders.

The following is a table of the base remuneration payable to each Director on an annual basis as at the date of this Prospectus.

Name	Base remuneration (Salary and fees)	Superannuation contribution	Total
Hamish M Giles	\$30,000	Nil	\$30,000
Peter Reilly	\$20,000	Nil	\$20,000
Michael Evett	\$20,000	Nil	\$20,000

## 5.10 Expenses

Assuming the Rights Issue is fully subscribed, the total expenses are expected to be as follows:

	\$
Underwriting Fees	12,696
ASIC lodgement fee	2,010
Prospectus printing and mailing	2,000
Legal and professional fees	14,000
NSX fees	2,200
<b>Total</b>	<b><u>32,906</u></b>

All fees referred to in this Prospectus are exclusive of GST. GST on those fees is payable by the Company

## 5.11 Interests of Other Persons

Except as disclosed in this Prospectus, no expert, promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity:

- (a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Rights Issue or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
- (b) has been paid or given or will be paid or given any amount or benefit in connection with the formation or promotion of the Company or the Rights Issue.

Over the last 2 years, \$58,950 has been paid to Salmon Giles for Nominated Advisor, management accounting and Corporate advisory services provided to the Company. Salmon Giles will be paid approximately \$7,000 in fees for professional services in connection with the Rights Issue up to the date of this Prospectus. Salmon Giles will receive further fees for additional work done, determined on the basis of time spent and hourly rates agreed with the Company.

Over the last 2 years, a total of \$44,800 has been paid to Ernst & Young for auditing the Company's accounts and providing accounting and tax services to the Company.

Over the last 2 years, a total of approximately \$2,750 has been paid to Deacons for providing professional legal services. Deacons will be paid approximately \$7,000 in connection with the Rights Issue and Prospectus. Deacons will receive further fees for additional work done, determined on the basis of time spent and hourly rates agreed with the Company.

## 5.12 Consents

The following consents have been given in accordance with the Corporations Act:

Computershare Investor Services Pty Limited (“**Computershare**”) has given and has not withdrawn its written consent to be named as Share Registrar in the form and context in which it is named.

Computershare Investor Services Pty Limited (“**Computershare**”) has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registrar of the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

Ernst & Young (“**Ernst & Young**”) has given its written consent to being named as Auditors to the Company and has not withdrawn its consent prior to lodgement with ASIC. With the exception of the consent as stated above, Ernst & Young has not authorised the issue of this Prospectus. Accordingly, it makes no representations regarding and takes no responsibility for any other statement or material in or omissions from this Prospectus.

Deacons (“**Deacons**”) has given its written consent to being named as legal advisers to the Company and has not withdrawn its consent prior to lodgement with ASIC. With the exception of the consent as stated above, Deacons has not authorised the issue of this Prospectus. Accordingly, it makes no representations regarding and takes no responsibility for any other statement or material in or omissions from this Prospectus.

Salmon Giles Pty Ltd (“**Salmon Giles**”) has given and not withdrawn its written consent to be named herein as corporate adviser in the form and context in which it is so named. Other than in its capacity as corporate adviser to the Company, Salmon Giles does not make any other statement in this Prospectus nor is any other statement based upon a statement by Salmon Giles. Salmon Giles does not accept any liability to any person in respect to any false or misleading statement in, or omission from, any other part of this document.

## 5.13 Governing law

This Prospectus and the contracts which arise on acceptance of Application Forms are governed by the law applicable in the State of Victoria, Australia and each applicant submits to the non-exclusive jurisdiction of the courts of the State of Victoria, Australia.

## 5.14 No Prospective Financial Information

Other than the financial information set out in Section 3, no prospective financial information is contained in this Prospectus as the Directors do not consider there to be reasonable grounds to include such information given the speculative nature of the Company as described in Section 4.

#### 5.15 **Directors' Responsibility Statement and Consent**

Each Director of the Company has given, and has not withdrawn as at the date of this Prospectus, his consent to the lodgement of this Prospectus with ASIC in accordance with section 720 of the Corporations Act.

This Prospectus is issued by Concentrated Capital Limited. Its issue was authorised by resolution of the Directors and is signed by a Director on behalf of all Directors.



Hamish M Giles  
Executive Chairman  
17 April 2007



## 6. Definitions

The following terms and abbreviations used in this Prospectus have the following meanings:

Terms	Meaning
"Applicant"	means a person who submits an Application Form.
"Application"	means an application for New Shares pursuant to this Prospectus.
"Application Form"	means the Entitlement and Acceptance Form or Shortfall Application Form.
"Avalon" and "Avalon Partnership"	means the United States domiciled partnership, which undertakes oil and gas exploration and production and in which the Company holds a 3.91 % interest
"ASIC"	means the Australian Securities and Investments Commission.
"ASTC"	means ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532.
"ASTC Settlement Rules"	means the settlement rules of ASTC, the securities clearing house, from time to time.
"Associate"	has the meaning given to that term by Division 2 of Part 1.2 of the Corporations Act.
"Board"	means the Board of Directors of the Company.
"Business Day"	means a day other than a Saturday, Sunday, New Years Day, Australia Day, Good Friday, Easter Monday, Anzac Day, Christmas Day, Boxing Day and any other day which NSX shall declare and publish is not a business day.
"CHES"	means the Clearing House Electronic Subregister System operated by ASTC.
"Closing Date"	means 5:00pm Melbourne time on 1 June 2007 or such other date as the Directors may determine without prior notice and in accordance with the Listing Rules.
"Company"	means Concentrated Capital Limited (ABN 34 087 730 667).
"Constitution"	means the constitution of the Company as at the date of this Prospectus.
"Corporations Act"	means Corporations Act 2001 (Cth) as amended from time to time.

<b>"Directors"</b>	means the directors of the Company in office on the date of this Prospectus.
<b>"dollars" or "\$"</b>	means the official currency of the Commonwealth of Australia.
<b>"Eligible Shareholder"</b>	means a person who is registered as the holder of Shares on the Record Date whose registered address is in Australia.
<b>"Entitlement"</b>	means the entitlement of an Eligible Shareholder to participate in the Rights Issue, as shown on the Entitlement and Acceptance Form.
<b>"Entitlement and Acceptance Form" or "Form"</b>	means the entitlement and acceptance form accompanying this Prospectus.
<b>"GST"</b>	has the meaning given to it by the A New Tax System (Goods and Services Tax) Act 1999 or any replacement or other relevant legislation and regulations.
<b>"Issuer Sponsored"</b>	means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker without the holder being admitted as an institutional participant in CHESS.
<b>"New Shares"</b>	means Shares to be allotted and issued pursuant to this Prospectus.
<b>"NSX"</b>	means Stock Exchange of Newcastle Limited (ABN 11 000 902 063).
<b>"NSX Listing Rules" or "Listing Rules"</b>	means the listing rules of NSX and any other rules of NSX which are applicable while the Company is admitted to the official list of NSX, each as amended or replaced from time to time, except to the extent of any express written waiver by NSX.
<b>"Offer"</b>	means the offer of New Shares pursuant to this Prospectus.
<b>"Officer"</b>	means an officer of the Company as that term is defined in the Corporations Act.
<b>"Option"</b>	means an option to subscribe for a Share on the terms and conditions set out in Section 5.
<b>"Parmelia"</b>	means Parmelia Pty Ltd ACN 009 647 170, the underwriter of the Rights Issue.
<b>"Persia Petroleum Services plc"</b>	means Persia Petroleum Services plc ("PPS") a company in which the Company has invested \$599,809 in convertible notes and has an entitlement to accrued interest on those notes.

<b>"Prospectus"</b>	means this Prospectus dated 17 April 2007.
<b>"Record Date"</b>	means 5.00pm Melbourne time on 30 April 2007 being the date for determination of Entitlements of Eligible Shareholders to participate in the Rights Issue.
<b>"Register"</b>	means the Company's register of members or option holders (as the case requires).
<b>"Right"</b>	means the right to subscribe for New Shares pursuant to this Prospectus.
<b>"Rights Issue"</b>	means the non-renounceable issue, pursuant to this Prospectus, of up to 1,269,592 New Shares to Eligible Shareholders on the basis of 1 New Share for every 10 Shares registered on the Record Date.
<b>"Section"</b>	means a section of this Prospectus.
<b>"Share"</b>	means a fully paid ordinary share in the Company.
<b>"Shareholder"</b>	means a person who is registered as the holder of Shares.
<b>"Shortfall"</b>	means the New Shares forming Entitlements, or part of Entitlements, not accepted by Eligible Shareholders.
<b>"Shortfall Application Form"</b>	means the shortfall application form attached to or accompanying this Prospectus.
<b>"Underwriter"</b>	means Parmelia Pty Ltd ACN 009 647 170.

## **7. Corporate Directory**

### **Directors of Concentrated Capital Limited**

Hamish M Giles – Executive Chairman  
Peter Reilly – Non-executive Director  
Michael Evett – Non-executive Director

### **Company Secretary**

Richard Baker

### **Registered Office**

c/o Salmon Giles  
Level 2, 409 St Kilda Road  
MELBOURNE VIC 3004  
Telephone: (03) 9820 2322  
Facsimile: (03) 9820 2158

### **Nominated Advisor**

Salmon Giles  
Level 2, 409 St Kilda Road  
MELBOURNE VIC 3004  
Telephone: (03) 9820 2322  
Facsimile: (03) 9820 2158

### **Auditors**

Ernst & Young  
8 Exhibition Street  
Melbourne, VIC 3000  
Telephone: (03) 9288 8000  
Facsimile: (03) 9654 6166

### **Legal Adviser**

Deacons  
Level 14, 485 Bourke Street,  
MELBOURNE VIC 3000  
Telephone: (03) 8686 6000  
Facsimile: (03) 8686 6505

### **Share Registry**

Computershare Investor Services Pty Limited  
Yarra Falls  
452 Johnson Street  
ABBOTSFORD VIC 3037  
Telephone: 1300 137 328  
Facsimile: 1300 137 341

**NSX Code: CCT**

**SHORTFALL APPLICATION FORM**  
**CONCENTRATED CAPITAL LTD**  
ABN 34 087 730 667

**SHARE REGISTRY:** Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnson St, Abbotsford, VIC 3037  
**Tel:** 1300 137 328 **Fax:** 1300 137 341

- (1) applies for the number of New Shares specified in the Shortfall Application Form or such lesser number as may be allocated by the Director and the attached Options;
- (2) agrees to be bound by the Constitution of the Company; and
- (3) authorises the Directors to complete or amend this Shortfall Application Form where necessary to correct any errors or omissions. 36

## INSTRUCTIONS TO APPLICANTS

Please post or deliver the completed Shortfall Application Form together with a cheque to the share registry of the Company. If an Applicant has any questions on how to complete this Shortfall Application Form, please telephone the share registry on 1300 557 010. The Shortfall Application Form must be received by the share registry no later than **5pm Melbourne time on 1 June 2007**.

**A. Application for New Shares**

The Shortfall Application Form must only be completed in accordance with instructions included in the Prospectus.

**B. Name of Applicant**

Write the Applicant's FULL NAME. This must be either an individual's name or the name of a company. Please refer to the bottom of this page for the correct form of registrable title. Applications using the incorrect form of registrable title may be rejected.

**C. Name of Joint Applicants or Account Designation**

If JOINT APPLICANTS are applying, up to three joint Applicants may register. If applicable, please provide details of the Account Designation in brackets. Please refer to the bottom of this page for instructions on the correct form of registrable title.

**D. Address**

Enter the Applicant's postal address for all correspondence. If the postal address is not within Australia, please specify the Country after City/Town.

**E. Contact Details**

Please provide a contact name and daytime telephone number so that the Company can contact the Applicant if there is an irregularity regarding the Shortfall Application Form.

**F. CHESS HIN or existing SRN Details**

The Company participates in CHESS. If the Applicant is already a participant in this system, the Applicant may complete this section with their existing CHESS HIN. If the Applicant is an existing shareholder with an Issuer Sponsored account, the SRN for this existing account may be used. Otherwise leave the section blank and the Applicant will receive a new Issuer Sponsored account and statement.

**G. Cheque Details**

Make cheques payable to **"Concentrated Capital Ltd Rights Issue"** in Australian currency and cross them **"Not Negotiable"**. Cheques must be drawn on an Australian Bank. The amount of the cheque should agree with the amount shown on the Shortfall Application Form.

**H. Declaration**

By completing the Shortfall Application Form, the Applicant will be taken to have made to the Company the declarations and statements therein. The Shortfall Application Form does not need to be signed.

If an Shortfall Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept an Shortfall Application Form, and how to construe, amend or complete it, shall be final. An Shortfall Application Form will not however, be treated as having offered to subscribe for more New Shares than is indicated by the amount of the accompanying cheque.

**Forward your completed application together with the application money to:**

**Concentrated Capital Ltd – Rights Issue**  
**C/- Computershare Investor Services Pty Limited**  
 Yarra Falls, 452 Johnson St  
 ABBOTSFORD VIC 3037

### CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities are allowed to hold securities. Shortfall Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Shortfall Application Forms cannot be completed by persons under 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partner's personal names.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names.	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund