

# ANNOUNCEMENT

**Date:** 24 October 2007

**To:** Scott Evans, General Manager, NSX

**From:** Hamish Giles

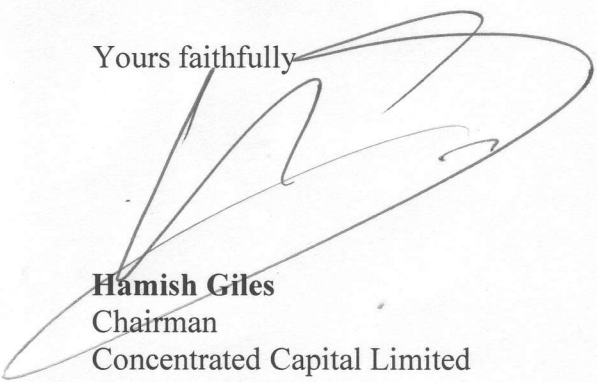
**SUBJECT:** **NOTICE OF ANNUAL GENERAL MEETING AND  
INDEPENDENT EXPERT REPORT RELATING TO THE  
ACQUISITION OF MARBLETREND**

The Board of Concentrated Capital Limited is pleased to provide Notice of the 2007 Annual General Meeting of the Company to be held on 23 November 2007 at 10 am.

Further to the announcement made on 14 September 2007, the Company has requested for an Independent Expert Report be prepared by DMR Corporate in respect to the acquisition of Marbletrend to comply with the Australian Securities and Investments Commission (ASIC) Regulatory Guide 74 applicable to acquisitions subject to shareholders approval. The overall conclusion of the report indicates that the proposed transaction is **fair and reasonable to non-associated shareholders**.

Please refer to the attached documents for details.

Yours faithfully



**Hamish Giles**  
Chairman  
Concentrated Capital Limited  
Phone: (03) 9820 2322  
Facsimile: (03) 9820 2158

**CONCENTRATED CAPITAL LIMITED  
ACN 087 730 667**

**NOTICE OF ANNUAL GENERAL MEETING**

**incorporating**

**EXPLANATORY MEMORANDUM**

**and**

**PROXY FORM**

**Date of meeting: 23 November, 2007**

**Time of meeting: 10.00am**

**Place of meeting: c/- Tolhurst Group Limited, Level 29, 35 Collins  
Street, Melbourne, 3000**

## CHAIRMAN'S LETTER

Dear Shareholder,

This letter is accompanied by the Company's Notice of Annual General Meeting, Explanatory Memorandum and Independent Expert's Report.

In addition to the ordinary business to be transacted at the Annual General Meeting of the Company, there are a number of special items you will need to consider which are summarised below.

### Overview of Marbletrend Acquisition

As announced to NSX on 14 August 2007 and again on 14 September 2007, the Company has agreed to acquire 70% of the issued capital of Marbletrend Holdings Pty Ltd (**Marbletrend Holdings**). Marbletrend Holdings holds all the issued capital of Marbletrend Pty Ltd (**Marbletrend**). Marbletrend manufactures, imports and distributes bathroom products.

On 14 September, 2007, the Company entered into a Share Purchase Agreement with John Penman Patterns Pty Ltd (**JPP**) to acquire 70% of Marbletrend Holdings.

Under the terms of the Share Purchase Agreement, the Company will pay a cash sum of \$10,174,500 (subject to an adjustment for movements in the net assets) (**Cash Component**) as consideration for the Acquisition. The Cash Component will be financed by way of a proposed equity raising (described below) and any balance will be provided by way of debt and existing cash resources. The Acquisition is conditional upon the Shareholders of the Company approving the transaction in general meeting.

The Cash Component will be paid to JPP (Marbletrend Holdings' sole Shareholder) in 3 payments. The first payment of \$8,400,000 will be paid on completion of the Acquisition, the second payment of \$1,774,500 will be paid within 45 days of Completion and the balance (if any) will be paid within 14 days of finalisation of the Completion Accounts. The purchase price will be adjusted if there is movement in the net assets and the Company is entitled to recover part of the purchase price if certain performance targets set out in the Share Purchase Agreement are not met.

To fund the Acquisition, the Company is seeking shareholder approval to place (**Placement**) up to 48,000,000 fully paid ordinary shares (**Shares**) in the capital of the Company at an issue price of \$0.25 per Share. The Placement will raise up to \$12 million (before expenses).

This Placement will cause the Company to issue greater than 15% of its capital in the previous 12 months and, accordingly, requires the approval of its Shareholders under the NSX Listing Rules. It is a purpose of the Annual General Meeting to seek that approval.

The equity raising is proposed to be underwritten by Tolhurst Limited to the extent of \$9 million or 36 million Shares. Your Directors (or entities associated with them) have agreed to commit \$2.35 million or 9.4 million Shares to the equity raising. The issue of those Shares to Directors of the Company (or their associated entities) requires the approval of the Company's Shareholders in accordance with the NSX Listing Rules. It is a purpose of the Annual General Meeting to seek that approval.

At Completion of the Acquisition, the Company will enter into a shareholders agreement with JPP (**Shareholders Agreement**) as a requirement of the Share Purchase Agreement.

Under the terms of the Shareholders Agreement, the Company can elect to acquire the remaining 30% of Marbletrent Holdings pursuant to a call option (**Call Option**) if certain conditions are satisfied. The purchase price for the shares in Marbletrent Holdings will be satisfied by the issue to JPP of up to 26,000,000 Shares (**Scrip Component**) with a nominal value of \$0.25 cents. Any balance of the purchase price will be paid in cash. The number of shares to be issued and the amount of money to be paid to JPP will be calculated by reference to the consolidated EBIT of Marbletrent Holdings.

The issue of the Scrip Component will also cause the Company to issue greater than 15% of its capital in the previous 12 months and, accordingly, requires the approval of its Shareholders under the NSX Listing Rules. In addition, the issue of the Scrip Component requires approval under item 7 of section 611 of the Corporations Act. It is a purpose of the Annual General Meeting to seek that approval.

At Completion of the Acquisition, Mr R Walton and Mr I Penman (**Executives**) will enter into Executive Services Agreements (**Executive Services Agreements**) with Marbletrent. Messrs Walton and Penman are both current executives of Marbletrent. In accordance with the terms of the Executive Services Agreements, as soon as reasonably practicable after Completion, the Executives will be invited to participate in the Concentrated Capital Executive Long Term Incentive Plan (**Incentive Plan**) for 1,000,000 options (**Options**) each.

The Incentive Plan has been set up by the Company in order to retain and motivate the Company's management team. It is a purpose of the Annual General Meeting to seek the approval of the Incentive Plan by the Company's Shareholders.

The Directors have commissioned an independent expert, DMR Corporate, to report on the issue of the Shares to JPP under the terms of the Call Option. DMR Corporate has concluded that the issue of shares under the Call Option (should it be exercised by the Company) is fair and reasonable.

The Notice of Meeting, Explanatory Statement and Independent Expert's Report provide a detailed explanation of the issue of Shares to JPP under the Call Option and the issue of Shares under the Placement and I urge you to consider these documents carefully.

### **Change of Name**

As a result of the Acquisition, it is proposed that the Company change its name to Marbletrent Group Limited so as to more accurately reflect the ongoing activities of the Company once the Acquisition has been Completed. It is a purpose of the Annual General Meeting to seek the approval of the Company's Shareholders to the change of company name by special resolution.

### **Change of Business Activities**

The nature and scale of the business activities of the Company will significantly alter as a result of the Acquisition and it is a purpose of the Annual General Meeting to seek Shareholder approval to the change in those business activities.

### **Voluntary Withdrawal from NSX**

As a result of the Acquisition, it is proposed that the Company will transition its current listing with NSX to ASX. In order to carry out this transition, the Company's Shareholders are required to approve the voluntary withdrawal of the Company from NSX. It is a purpose of the Annual General Meeting to approve the voluntary withdrawal.

### **Non-Executive Directors' Remuneration**

With the transition of the Company to ASX, your Directors have determined that the aggregate remuneration of non-executive Directors in any financial year should be increased from \$150,000 to \$200,000. This will allow the Board greater flexibility in attracting appropriate persons to the Board in the future. Your Directors do not intend to increase their current aggregate remuneration of \$90,000 this financial year.

### **Explanation of reasons for Acquisition**

The Acquisition enables the Company to acquire a 70% interest in Marbletrent Holdings with the capacity to move to a 100% interest in a business that is profitable, has an extraordinarily good reputation in the bathroom products industry sector and which your Directors believe has significant growth opportunities available to it. The Acquisition allows the Company the opportunity to transition from its current listing with NSX to ASX provided requisite Shareholder approval is obtained.

Accordingly, your Directors consider this Acquisition to be of significant value to Shareholders, and offers the potential of significant upside value to Shareholders.

It is proposed that the current oil and gas assets of the Company be sold off in due course and any additional funds realised from those sales will be utilised to assist in the development and growth of the Marbletrent business.

The accompanying Notice of Meeting, Explanatory Memorandum and Independent Expert's Report provide further information concerning the above resolutions.

The independent Directors recommend that you vote in favour of all resolutions (except resolutions 6 and 11) at the Annual General Meeting convened at 10:00 am on 23 November, 2007 at the Boardroom, C/- Tolhurst Group Limited, Level 29, 35 Collins Street, Melbourne, Victoria 3004. As resolution 6 relates to an issue of Shares to Directors and resolution 11 relates to increasing aggregate Directors' remuneration, no recommendation is made by them in relation to those two resolutions.

If you are unable to attend, please complete and return the accompanying proxy form so that it is received by the Company at least 48 hours before the Meeting.

Yours sincerely



**Mr Hamish Giles**  
Executive Chairman  
Concentrated Capital Limited  
Dated: 23 October, 2007

**CONCENTRATED CAPITAL LIMITED**

**ACN 087 730 667**

**NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of Shareholders of Concentrated Capital Limited (**Company**) will be held at 10:00 am on 23 November, 2007 at the Boardroom, C/- Tolhurst Group Limited, Level 29, 35 Collins Street, Melbourne, Victoria 3004.

The Explanatory Memorandum and Proxy Form accompanying this Notice of Meeting form part of this Notice of Meeting.

The Independent Expert's Report of DMR Corporate also accompanies this Notice of Meeting.

Unless the context indicates a contrary intention, definitions used in this Notice of Meeting have the same meaning as in the Explanatory Memorandum.

**ORDINARY BUSINESS**

**Annual Financial Report**

To receive and consider the annual financial report of the Company together with the reports of the Directors and auditors for the year ended 30 June 2007.

**Resolution 1 - To re-elect Mr Hamish Giles as a Director**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That Mr Hamish Giles, who retires in accordance with Rule 8.1(e)(2) of the Company's Constitution, being eligible for election, be re-elected as a director of the Company."*

**Resolution 2 – To elect Mr Marco Carlei as a Director**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That Mr Marco Carlei, having been appointed as an additional director by the Board since the last annual general meeting and who retires in accordance with Rule 8.1(e)(1) of the Company's Constitution, being eligible for election, be elected as a director of the Company."*

**Resolution 3 – Remuneration Report for the Financial Year ended 30 June 2007**

To consider and, if thought fit, to pass the following resolution as an **advisory resolution**:

*"That, for the purposes of section 250R(2) of the Corporations Act, the Remuneration Report for the year ended 30 June 2007 be adopted."*

Please note that pursuant to section 250R(3) of the Corporations Act, the vote on resolution 3 is advisory only and does not bind the Directors or the Company.

## **SPECIAL BUSINESS**

### **Resolution 4 – Approval of issue of Shares under Placement**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, subject to the passing of resolutions 5 to 10, for the purposes of NSX Listing Rule 6.25 Act and all other purposes, the issue of up to 48,000,000 Shares at \$0.25 per Share on the terms detailed in the Explanatory Memorandum accompanying this Notice of Meeting, be approved.”*

### **Resolution 5 – Approval of issue of Shares under Call Option**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, subject to the passing of resolutions 4 and 6 to 10, for the purposes of NSX Listing Rule 6.25, item 7 of section 611 of the Corporations Act and all other purposes, the issue of up to 26,000,000 Shares to JPP under the terms of the Call Option, and as detailed in the Explanatory Memorandum accompanying this Notice of Meeting, be approved.”*

### **Resolution 6 – Approval of issues of Shares to Directors**

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That, subject to the passing of resolutions 4, 5 and 7 to 10, for the purposes of NSX Listing Rule 6.44 and all other purposes, the issue of up to 9,400,000 Shares at \$0.25 per Share to the Directors (or entities associated with them) on the terms detailed in the Explanatory Memorandum accompanying this Notice of Meeting, be approved.”*

### **Resolution 7 – Approval of Incentive Plan**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, subject to the passing of resolutions 4 to 6 and 8 to 10, for the purposes of NSX Listing Rule 6.25 and all other purposes, the establishment and implementation of the Incentive Plan and the issue of 2,000,000 Options to the Executives under the Incentive Plan, on the terms detailed in the Explanatory Memorandum accompanying this Notice of Meeting, be approved.”*

### **Resolution 8 – Change of Company Name to Marbletrend**

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That, subject to the passing of resolutions 4 to 7, 9 and 10, for the purposes of section 157 of the Corporations Act and all other purposes, the name of the Company be changed from Concentrated Capital Limited to Marbletrend Group Limited.”*

### **Resolution 9 – Approval of change of nature of activities**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, subject to the passing of resolutions 4 to 8 and 10, for the purposes of NSX Listing Rule 6.41 and all other purposes, the significant change in the nature or scale of business activities of the Company by virtue of the Acquisition as detailed in the Explanatory Memorandum accompanying this Notice of Meeting, be approved.”*

#### **Resolution 10 – Voluntary withdrawal of listing**

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That, subject to the passing of resolutions 4 to 9, for the purposes of NSX Listing Rule 2.25 and all other purposes, the voluntary withdrawing by the Company of its listing on NSX be approved.”*

#### **Resolution 11 – Approval of increase in non-executive Directors’ remuneration**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That for the purposes of rule 8.3(a) of the Company’s Constitution and all other purposes, the increase in the aggregate amount of Directors’ remuneration that may be paid by the Company to its non-executive Directors in any financial year by \$50,000 from \$150,000 to \$200,000 in any financial year, be approved.”*

#### **OTHER BUSINESS**

To consider any other business that may be lawfully brought forward.

#### **QUESTIONS AND COMMENTS BY SHAREHOLDERS AT ANNUAL GENERAL MEETING**

A reasonable opportunity will be given to Shareholders as a whole at the Annual General Meeting to ask questions about or make comments on the above resolutions including remuneration report and the management of the Company and to ask the auditors or their representative questions relevant to the conduct of the audit, the preparation and content of their report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and their independence in relation to the conduct of the audit.

BY ORDER OF THE BOARD



**Hamish Giles**

Company Secretary

Dated: 23 October, 2007



## **PROXIES**

Shareholders entitled to attend and vote at the annual General Meeting are entitled to appoint a proxy. The proxy may be an individual or a body corporate.

A Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the Shareholder's votes such proxy may exercise, each proxy may exercise half of the votes disregarding fractions.

For an appointment of proxy to be valid, the form appointing the proxy and, if the form is signed under a power of attorney or other authority, the authority under which the form is signed (or a certified copy of the authority) must be received at or sent by facsimile transmission to the registered office of the Company c/- Salmon Giles, Level 2, 409 St Kilda Road, Melbourne, Victoria, 3004 or facsimile number (+61 3) 9820 2158, at least 48 hours prior to the meeting or adjourned meeting, as the case may be, at which the proxy named in the proxy form proposes to vote.

A proxy must be signed by the Shareholder or the Shareholder's attorney duly authorised in writing or, if the Shareholder is a company, in a manner permitted by the Corporations Act 2001. The proxy may, but need not, be a Shareholder of the Company.

A body corporate may appoint an individual as a representative to exercise all or any of the powers the body corporate may exercise at meetings of the Company's Shareholders or in the capacity of the Shareholder's proxy. The appointment may be a standing one. Unless otherwise specified in the appointment, the representative may exercise, on that body corporate's behalf, all of the powers that the body could exercise at a meeting or in voting on a resolution.

## **VOTING ENTITLEMENT**

For the purposes of determining entitlement to vote at the meeting, the Company's Shares will be taken to be held by the people registered as holders at 7:00 pm (Melbourne time) on 21 November, 2007. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Annual General Meeting.

**CONCENTRATED CAPITAL LIMITED**  
**ACN 087 730 667**

**EXPLANATORY MEMORANDUM**

This Explanatory Memorandum has been prepared for the information of Shareholders in the Company in connection with the business to be considered at the Annual General Meeting of Shareholders to be held at 10:00 am on 23 November, 2007 at the Boardroom, C/- Tolhurst Group Limited, Level 29, 35 Collins Street, Melbourne, Victoria 3004.

The Explanatory Memorandum forms part of the accompanying Notice of Meeting.

An Independent Expert's Report prepared by DMR Corporate also accompanies the Notice of Meeting.

Details of the business to be considered at this Annual General Meeting are set out below.

**INTRODUCTION AND BACKGROUND**

**Summary of proposed Marbletrend Acquisition**

On 14 August 2007 and again on 14 September 2007, the Company announced to NSX that it had agreed to acquire 70% of the issued capital of Marbletrend Holdings.

Under the terms of the Share Purchase Agreement, the Company agreed to pay JPP the Cash Component as consideration for JPP transferring 70% of the issued capital of Marbletrend Holdings to the Company. Marbletrend Holdings is the 100% owner of Marbletrend.

If the resolutions approving the Acquisition and Placement are passed, Completion of the Acquisition is scheduled for 4 December, 2007.

The Company will pay the Cash Component in 3 instalments to JPP as follows:

- (1) \$8,400,000 will be paid on Completion plus interest at the rate of 6.75% per annum from 15 November, 2007 until Completion;
- (2) \$1,774,500 will be paid within 45 days of Completion; and
- (3) the balance (if any) will be paid within 14 days following finalisation of the completion accounts for the Acquisition (adjusted for certain movements in the net assets of Marbletrend).

The Company proposes to fund the Cash Component by issuing up to 48,000,000 Shares so as to raise up to \$12,000,000 (before expenses) at an issue price of \$0.25 per Share. Tolhurst proposes to underwrite the Placement to the extent of \$9 million or 36 million Shares. Mr P Reilly is a director of Tolhurst Group Limited, the holding company of Tolhurst, and Mr P Reilly and Mr H Giles have a substantial shareholding in that company through an associated entity.

Any additional funds required to complete the Acquisition will be financed by way of bank debt and existing cash resources.

It is proposed that the Directors (or entities associated with them) will participate in the equity raising by subscribing for up to 9.4 million Shares. Mr P Reilly (or entities associated with him) will sub-underwrite the equity raising and, subject to Shareholder approval, will acquire 8,000,000 Shares (refer to resolution 6 below).

The Cash Component is subject to adjustment in accordance with the Share Purchase Agreement based on the performance of the Company for the year ending 30 June, 2008. Any adjustment can only decrease the amount of money to be paid to JPP. Under the terms of the Share Purchase Agreement, if the EBIT of Marbletrend does not exceed \$3,100,000 for the Financial Year ending 30 June 2008 then for each \$1.00 (or part thereof) that the EBIT for that Financial Year is less than \$3,100,000, the Company can recover \$1.00 from the Cash Component up to a maximum of \$1,774,500.

At Completion, the Company will enter into the Shareholders Agreement with JPP. Under the terms of the Shareholders Agreement, the Company is granted a Call Option to acquire the remaining 30% interest held by JPP in Marbletrend Holdings.

The Call Option is not exercisable by the Company unless:

- (1) the volume weighted average price of all Shares sold on NSX or ASX (as the case may be) over the 20 trading days immediately prior to the date of commencement of the relevant exercise period is greater or equal to \$0.25; and
- (2) the net interest bearing debt of the Company is less than \$2,000,000 on the Call Option exercise date.

The Call Option must be exercised within certain exercise periods. For example, the Company may exercise its Call Option within 90 days commencing on 1 July 2008 and thereafter every 6 months within a 90 day period. The last exercise period ends at 5pm on the 90<sup>th</sup> day immediately following 1 July 2010 at which time the Call Option lapses.

The purchase price for the shares transferred to the Company on exercise of the Call Option will be satisfied by the issue to JPP of Shares with a nominal value of \$0.25 each. The number of Shares to be issued will be the product of 6 times the consolidated EBIT of the Company for the 12 month period ending immediately prior to the commencement of the relevant exercise period. The number of Shares which can be issued to JPP on exercise of the Call Option is capped at 26 million with any balance being payable in cash. For example, if the number of Shares to be issued to JPP on application of this formula is 27 million then JPP will be issued with 26 million Shares and receive a cash payment of \$250,000.

Under the Shareholders Agreement, JPP is granted a put option to require the Company to purchase the 30% interest in Marbletrend Holdings at market value. The put option can only be exercised during the period 1 July, 2013 to 31 December, 2013.

In addition, a monthly management fee of \$71,428 plus GST will be paid to the Company and JPP in proportion to their respective shareholdings.

At Completion, Marbletrend and the Executives will enter into the Executive Services Agreements. Under the terms of the Executive Services Agreements, each Executive will be invited to participate in the Incentive Plan for 1,000,000 Options.

The Options will be issued subject to the terms of the Incentive Plan and on the following terms:

- (1) the exercise price of each Option is \$0.25;
- (2) on exercise of an Option and payment of the exercise price, the relevant Executive will be entitled to 1 Share;
- (3) 333,333 Options will vest on the 2nd anniversary of the Completion Date;
- (4) 333,333 Options will vest on the 3rd anniversary of the Completion Date;

- (5) 333,334 Options will vest on the 4th anniversary of the Completion Date;
- (6) all Options that have not vested at the time of any initial public offering or sale of all the shares in or the business of Marbletrend or Marbletrend Holdings will fully vest immediately before any such event occurs;
- (7) only vested Options may be exercised;
- (8) Options must be exercised on or before the 5th anniversary of the Completion Date otherwise they expire
- (9) unvested Options automatically expire on termination of the Executive's employment for any reason; and
- (10) vested Options must be exercised within 30 days of termination of the Executive's employment for any reason otherwise they expire.

### **Reasons for proposed Acquisition**

The proposed Acquisition reflects your Directors' strategic vision to acquire a cash flow positive business with positive EBIT earning that can be listed on ASX thereby providing greater liquidity to Shareholders. The Acquisition is expected to be cash earnings per Share accretive in the first year.

The Acquisition will be a transforming acquisition for the Company as it will result in the Company focussing all its future endeavours and activity on the development and growth of the Marbletrend bathroom products business. The current oil and gas assets of the Company will be quarantined and sold off as the opportunity presents in order to raise further capital to support and expand the Marbletrend business.

Marbletrend is a long established manufacturing, import, warehousing and distribution business in bathroom products and has been in existence for over 65 years. It currently has gross revenues in excess of \$38,000,000, EBITA in excess of \$2,500,000, forecast revenues for the 2008 Financial Year in excess of \$40,000,000 and forecast EBITA for the 2008 Financial Year of greater than \$3,500,000. Your Directors' believe that the Marbletrend business has significant growth opportunities including organic growth in its major business lines and future acquisitions.

### **History of Marbletrend**

The origins of Marbletrend can be traced back more than 65 years to when John Penman Patterns was formed as an engineering pattern making business.

In 1979, John Penman's son realised the need to diversify and Marbletrend was established.

Today, Marbletrend is a vibrant family owned business with established offices and warehouses in Victoria, New South Wales, Queensland and Western Australia. Agency arrangements are in place in Tasmania, Northern Queensland, Darwin and South Australia and Marbletrend has established manufacturing and supply relationships in China.

The business undertaken by Marbletrend relates to the manufacture, import, warehousing and distribution of bathroom products to major customers including Bunnings, Reece, Tradelink, Plumbing Plus, Plumbtec and Mitre 10. The Company's headquarters are in Bayswater, Victoria and its head office consists of a showroom, office, 2 adjacent warehouses and manufacturing facilities.

Production facilities exist for the manufacture of shower basins and vanity tops in synthetic, marble and acrylic. Both warehouses have facilities for the loading and unloading of

containers and they can receive bulk supply of goods from China. The site is also used for the shipping of products to interstate destinations.

### **Marbletrend's product range**

Marbletrend is a leading supplier of quality bathroom products in the following categories:

#### ***Shower Bases - Synthetic Marble and Acrylic ware***

Shower bases are the genesis of Marbletrend where it pioneered production methods and techniques on site. Having successfully established similar manufacturing capabilities in China, Marbletrend remains a major shower base supplier in Australia, with sales of around 75,000 units in the past Financial Year.

Over the last 3 years Marbletrend has strengthened its position by improving its shower base offering, by adding premium products to the core range and by expanding the size range available in those premium products as dictated by demand.

Marbletrend now offers 4 major customers (Bunnings, Tradelink, Reece, Hardings) exclusive shower base product lines.

Marbletrend has limited opposition in this product segment with the major competitors having approximately 20% - 25% market share in Victoria/Tasmania, and less elsewhere. Marbletrend's "Good/Better/Best" range of products and its import replacement strategy ensures it continues to benefit from its market position.

Marbletrend's market position as a category leader remains strong and with further research and development planned and new products being designed there should be further opportunities to increase sales. For example, areas of opportunity for increased sales include the mining and serviced industry, volume builders that use tiles rather than shower bases, overseas markets, acquisition targets and other key customers.

The largest plumbing group in Australia has recently accepted an exclusive synthetic marble shower base for national release in September / October 2007. This adds successfully to the exclusive shower base already supplied to other key customers. After its successful introduction last year, the 'Select' up-market range of shower bases is to be augmented, with different sizes to be introduced to the market in the current Financial Year.

#### ***Shower Screens and Shower Systems***

Marbletrend is a market leader in shower systems in Australia. Sales continue to increase in all states and Marbletrend has a strong market presence in the category.

Marbletrend's shower systems and enclosures can be segmented into 3 groups:

- (1) fibreglass shower enclosures are one or 2 piece units, fully moulded, optionally available with fitted shower screens;
- (2) standard range shower systems are made of three components, a shower base (either synthetic marble or acrylic), shower walls, and a shower screen. Each component is optional (i.e. – shower walls can be omitted in favour of tiles if desired); and
- (3) premium range shower systems follow the same pattern as standard range, but consist of more designer oriented 'up-market' screens and components.

Shower systems are sold to all key customers with exclusive product arrangements in place with a number of key customers. Marbletrend has invested significantly in displays with all key customers and has produced market collateral to support sales opportunities.

Contemporary showers are seen as a feature item in many bathrooms. Constant attention to design is required to stay ahead in this area. Marbletrend continues to enhance its up market ranges and product direction.

Further research and development began in June 2007 with samples arriving later this Financial Year. To remain as a market leader in this category Marbletrend continues to develop innovative shower options. The mining industry has also added to increasing sales in this category.

Marbletrend is currently developing an alternative glass shower enclosure supplier which will enable Marbletrend to eliminate heavy transport costs that are incurred when sending bulky shower enclosures from Melbourne. The New Zealand market is also a strong consumer of shower systems and Marbletrend is currently growing its presence there.

Marbletrend is planning to extend shower screen height to offer a wider range of products. Logistically, this will require the co-ordination of changes to shower wall heights in conjunction with the screen heights in different product ranges. The material cost of making these changes is not material. The net effect of this change will be to give Marbletrend's revised shower screens a notable point-of-difference in the market.

A new 'up-market' shower system package is under development, for specific supply to key customers upon their request. Design and development began in May 2007, utilising design approaches generated overseas. Initial production samples and prototypes are expected later in the Financial Year.

Design work is continuing on a new 'frameless' sliding shower screen for general market introduction. This new product is expected to be ready for sale by December 2007.

In general, margins have eroded in shower systems over the last 5 years. Marbletrend have maintained margins through solid reputation and improved purchasing efforts during this period. Introduction of 'niche' up-market ranges (with corresponding improved margins) help to maintain the profitability of products in this category.

## **Baths**

Marbletrend has 2 distinctly different categories of baths for the general market, freestanding baths and standard acrylic baths.

Freestanding baths are generally upmarket offerings. This market stems from a resurgence in period style 'claw-foot' baths that began in the mid 90's. The follow on effect of this was to produce a demand for more contemporary designs of freestanding baths. Marbletrend's range now encompasses approximately 10 variations of these baths. This range contributes strong margins across all states and territories.

Standard acrylic baths are traditional 'drop-in' bath shells for conventional tiled-hob installation. Marbletrend's standard bath ranges are stocked and displayed in key customer stores across Australia.

Marbletrend is making inroads into other key retailers with its bath ranges. The standard bath segment is a tough market with tight margins encountered and strong competition. Improved buying through dealing direct with Chinese suppliers should assist in maintaining and even increasing margins in this category.

Marbletrend's bath range reflects strong builder market support which is needed to ensure increased sales revenue and greater market exposure. Innovative designs in the freestanding bath area provide both valuable exposure as a 'premium' supplier and good margins, although the sales quantities can be small.

This bath range was comprehensively revamped in conjunction with Marbletrend's last price list release in November 2006. Further review of offerings will occur early in 2008.

### ***Vanity Cabinets, Vanity Tops, Vanity Basins and Vessels***

Marbletrend have a strong presence in this market segment. It is traditionally considered to be the hardest fought and most margin sensitive category of the bathroom segment. This segment of the bathroom market has suffered a severe shake-up in recent years which is ongoing with a number of traditionally strong specialists in the area failing to survive.

Marbletrend has avoided the lower end of this market, where margins have made profitability a difficult goal to achieve. Likewise, the upper end of the market has been avoided, as the high priced units available in that segment while having good margins, have relatively slow sales, with customisation required to win business. Successful high-end/high-price vanities have been quickly copied at the lower end of the market with limited barriers to entry.

Marbletrend has generally taken a strategic position to focus on the lower/medium segment of the market where volume and price can be maximised.

Marbletrend is in a strong position as one of the few national suppliers who is recognised as being financially strong and able to supply on an ongoing basis. Marbletrend, has recently introduced further versions of its vanity range including vanities with lighter weight and alternative packaging structures which has enabled it to maintain and develop its market share. Other key customers as a result of both rationalization within this segment of the industry and innovation undertaken by Marbletrend are now developing further sales relationships. The vanity market is both price and fashion driven. Marbletrend's objective is to improve the vanity offer without straying into the high-end of the market.

Exclusive arrangements in this category are held with a number of key customers.

The recent rationalization of a number of companies specialising in this area, including high profile ones has left many openings in the segment that can be addressed. Constant attention to design updates and maintaining quality and supply schedules are critical to ongoing success in this category.

Marbletrend is investing in research and development to offer a new range of products within the vanity segment. In addition, Marbletrend retains in-house designers to assist in this process. Experiences developed overseas are also being utilized to ensure Marbletrend retains its leading edge in design.

Sales growth in Western Australia and to a lesser extent Queensland as a result of the mining and services industry growth is also a target market for the future. Marbletrend is also working with a number of its key customers to develop and design unique offerings for each of those customers.

### ***Sanitaryware***

Marbletrend recently entered the sanitaryware market in 2004 with the development and supply of the Tuscan, a full vitreous china toilet suite. The Tuscan suite is a 6/3 litre 3 star mid-market suite, that was carefully positioned in the market to compete aggressively with existing incumbents. The Tuscan suite has been very successful exceeding sales budgets and Marbletrend now intend to release 4 more suites during this Financial Year.

This market segment is dominated by GWA. Many other companies have healthy niche segments with one or more customer groups with some retail and trade groups importing direct.

Accrediting a toilet suite for Australian conditions is a costly and slow exercise. Following on from the success of the Tuscan suite, the opportunity exists with the release of 4 more suites during this Financial Year to target specific parts of the market. Through maximizing sales distribution networks, Marbletrend will be able to minimize risks associated with launching new products in this segment and maximize return on the capital employed in the investment in developing the four suites.

Marbletrend proposes to release 4 new toilet suites during the Financial Year. These suites were previously due to be released in early 2007 and have been delayed due to manufacturing issues. Marbletrend currently holds pre-orders in respect to each of the suites offered and sales of the suites in the current Financial Year will enhance revenues and profitability for the Company.

The following is the unaudited balance sheet for Marbletrend as at 30 June 2007:

	Unaudited 30 June 2007 Actual
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	14,980
Trade and other receivables	6,484,528
Inventories	6,377,442
Other current assets	279,727
<b>TOTAL CURRENT ASSETS</b>	<b>13,156,677</b>
<b>NON CURRENT ASSETS</b>	
Property, Plant & Equipment	2,172,765
Intangible Assets	6,864,449
<b>TOTAL NON CURRENT ASSETS</b>	<b>9,037,214</b>
<b>TOTAL ASSETS</b>	<b>22,193,891</b>
<b>CURRENT LIABILITIES</b>	
Trade and other payables	4,235,632
Financial liabilities	492,141
Current tax liabilities	267,951
Short-term provisions	482,142
<b>TOTAL CURRENT LIABILITIES</b>	<b>5,477,866</b>
<b>NON-CURRENT LIABILITIES</b>	
Financial liabilities	1,944,712
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,944,712</b>
<b>TOTAL LIABILITIES</b>	<b>7,422,578</b>
<b>NET ASSETS</b>	<b>14,771,313</b>
<b>EQUITY</b>	
Retained Capital	18,465,700
Retained earnings	(3,694,387)
<b>TOTAL EQUITY</b>	<b>14,771,313</b>



## **Current assets of the Company**

The Company proposes to sell its shareholding in Persia Petroleum Services PLC (PPS) and its shareholding in KIPC Middle East Limited (KIPCME) (respectively 11,195,250 shares in PPS representing 4.48% of the issued capital and 3,918,338 shares in KIPCME representing 3.92% of the issued capital).

As the opportunity arises funds recovered from the sale of these shares will be used to supplement the working capital of Marbletrend and where necessary provide additional funds in respect to the business.

The sale of the shares referred to above will be conditional on such shares being available for sale on a recognised stock exchange or alternatively the Board of the Company being able to identify a buyer for the shares.

In addition, the investment made by the Company in Avalon Partnership shall continue to make capital returns to the Company and the manager of the Avalon Partnership has indicated that where possible, current fields that have been developed may be sold with the capacity for further capital returns being made.

## **Effect of the issue of Shares under the Placement on the Company**

Set out below are proforma consolidated balance sheets (**Balance Sheets**) of the Company reflecting the issue of Shares under the Placement and the acquisition of 70% of Marbletrend Holdings as if it occurred on 30 June, 2007.

The Balance Sheets are based on the consolidated statement of financial position of the Company as at 30 June 2007, which has been extracted from the independently audited accounts for 30 June 2007 lodged with ASIC and NSX on 27 September 2007.

The unaudited **Proforma A** consolidated statement of financial position illustrates the effect on the Company if the Placement raises a minimum amount of \$9,000,000 less estimated expenses of the issue. The information is presented as if the issue of all of the new Shares under the Placement and the acquisition of 70% of Marbletrend Holdings had occurred on 30 June 2007. Proforma A also assumes consolidated bank debt increases by \$4 million to assist with the funding of the Acquisition and repayment of subsidiary debt.

The unaudited **Proforma B** consolidated statement of financial position illustrates the effect on the Company if the Placement raises the maximum amount of \$12,000,000 less estimated expenses of the issue. The information is presented as if the issue of all of the new Shares under the Placement and the acquisition of 70% of Marbletrend Holdings had occurred on 30 June 2007. Proforma B also assumes consolidated bank debt increases by \$2m to assist with the repayment of subsidiary debt.

The Balance Sheets have been included for the purposes of assisting Shareholders to consider the likely effect on the Company of the Placement and the acquisition of 70% of Marbletrend Holdings. The proforma financial positions are indicative only, given that the actual financial position upon completion of the Placement and the Acquisition may have changed from the positions set out in this Section. Accordingly, the Directors cannot assure Shareholders that the actual outcome will not be materially different.

<b>Concentrated Capital</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Unaudited</b>
	<b>June 2007</b>	<b>Proforma A</b>	<b>Proforma B</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	344,867	461,347	1,295,347
Trade and other receivables	12,224	6,496,752	6,496,752
Inventories	-	6,377,442	6,377,442
Other current assets	-	279,727	279,727
<b>Total Current Assets</b>	<b>357,091</b>	<b>13,615,268</b>	<b>14,449,268</b>
<b>Non-current Assets</b>			
Property, plant & equipment	-	2,172,765	2,172,765
Available-for-sale financial assets	136,744	136,744	136,744
Intangibles	-	6,628,136	6,628,136
Deferred tax asset	-	211,200	261,000
<b>Total Non-current Assets</b>	<b>136,744</b>	<b>9,148,845</b>	<b>9,198,645</b>
<b>TOTAL ASSETS</b>	<b>493,835</b>	<b>22,764,113</b>	<b>23,647,913</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	61,208	4,296,840	4,296,840
Financial liabilities	-	492,141	492,141
Current tax liabilities	-	212,663	212,663
Short term provisions	-	482,142	482,142
<b>Total Current Liabilities</b>	<b>61,208</b>	<b>5,483,786</b>	<b>5,483,786</b>
<b>Non-current Liabilities</b>			
Interest-bearing loans and borrowings	50,000	4,050,000	2,050,000
<b>Total Non-Current Liabilities</b>	<b>50,000</b>	<b>4,050,000</b>	<b>2,050,000</b>
<b>TOTAL LIABILITIES</b>	<b>111,208</b>	<b>9,533,786</b>	<b>7,533,786</b>
<b>NET ASSETS</b>	<b>382,627</b>	<b>13,230,327</b>	<b>16,114,127</b>

<b>Concentrated Capital</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Unaudited</b>
	<b>June 2007</b>	<b>Proforma A</b>	<b>Proforma B</b>
	<b>June 2007</b>	<b>June 2007</b>	<b>June 2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Contributed equity	2,332,643	10,839,843	13,723,643
Accumulated losses	(1,903,080)	(1,923,080)	(1,923,080)
Other reserves	(46,936)	(46,936)	(46,936)
<b>Minority Interests</b>	-	4,360,500	4,360,500
<b>TOTAL EQUITY</b>	<b>382,627</b>	<b>13,230,327</b>	<b>16,114,127</b>

## **ORDINARY BUSINESS**

### **ANNUAL FINANCIAL REPORT**

As required by section 317 of the Corporations Act, the Company's Annual Financial Report and the reports for the Directors and auditors for the year ended 30 June 2007 will be laid before the meeting.

Shareholders should consider these documents and raise any matters of interest with the Directors at the Annual General Meeting when this item is being considered.

No resolution is required to be moved in respect of this item of business.

### **RESOLUTION 1 – RE-ELECTION OF MR HAMISH GILES**

It is a requirement under Rule 8.1(e)(2) of the Constitution that one third of the Directors (other than the Managing Director and any Director appointed under Rule 8.1(e)(1)) must retire by rotation at each annual general meeting.

In accordance with Rule 8.1(e)(2), Mr Hamish Giles stands down and subsequently offers himself for re-election.

Mr Hamish Giles has qualifications in law and accounting and has over 20 years experience in corporate advisory services including advice on enterprise bargaining, innovative remuneration and incentive arrangements, business consulting and taxation planning. Mr Hamish Giles is also a director of Harvest Road Limited.

The remaining Directors (other than Mr Hamish Giles) recommend to Shareholders that Mr Hamish Giles be re-elected as a Director of the Company.

### **RESOLUTION 2 - ELECTION OF MR MARCO CARLEI**

It is a requirement under NSX Listing Rule 6.47 and Rule 8.1(e)(1) of the Constitution that any person appointed as a Director by the Board since the last Annual General Meeting must retire at the next Annual General Meeting.

In accordance with NSX Listing Rule 6.47 and Rule 8.1(e)(1), Mr Marco Carlei stands down and subsequently offers himself for election.

Mr Marco Carlei is Managing Director of Moore Stephens Business Consultants, a major business advisory and chartered accounting firm specializing in strategic consulting. In addition, Mr Marco Carlei is Deputy Managing Director of Moore Stephens (Melbourne) and a member of the Senior Executive Committee of the firm. Moore Stephens Business Consultants also advised JPP in relation to the Acquisition.

The remaining Directors (other than Mr Marco Carlei) recommend to Shareholders that Mr Marco Carlei be elected as a Director of the Company.

### **RESOLUTION 3 – REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2007**

Section 300A of the Corporations Act requires that the Directors' Report must contain a remuneration report containing information about the Board's policy for determining the nature and amount of the remuneration of Directors and senior management. The report must also explain the relationship between the remuneration policy and the Company's performance.

Section 250R(3) of the Corporations Act provides that the vote on the adoption of the Remuneration Report is advisory only and does not bind the Directors or the Company.

Shareholders at the meeting may comment on and ask questions about the Remuneration Report which appears in the Company's 2007 Annual Report when this item is being considered.

## **SPECIAL BUSINESS**

### **RESOLUTION 4 – APPROVAL OF ISSUES OF SHARES UNDER PLACEMENT**

#### **Background**

On 14 September 2007, the Company entered into the Share Purchase Agreement with JPP, whereby it agreed to pay the Cash Component to JPP as consideration for the Acquisition. The Acquisition is conditional upon the Shareholders approving the Acquisition including any capital raising to fund the Acquisition.

The Company is required to raise equity in order to fund the Cash Component of the Acquisition and proposes to raise up to \$12,000,000 (before expenses) by issuing Shares at a nominal value of \$0.25 per Share.

In summary, NSX Listing Rule 6.25 requires a company not to issue or to agree to issue more than 15% of its capital in a 12 month period without shareholder approval.

The issue of up to 48,000,000 Shares will cause the Company to issue greater than 15% of its capital in a 12 month period. Accordingly, the Company requires the approval of its Shareholders (in accordance with NSX Listing Rule 6.25).

The purpose of this resolution is to seek that Shareholder approval for the issue of up to 48,000,000 Shares in order to fund the Cash Component of the Acquisition in accordance with NSX Listing Rule 6.25 and all other purposes and will have the effect that the Shares issued under the terms of the Placement will not be included when determining whether any future issue of securities by the Company are within this 15% limit.

In seeking approval pursuant to NSX Listing Rule 6.25, the Company provides the following information for the Shareholders' consideration.

#### **How many Shares will be issued?**

The Company seeks to raise up to \$12,000,000 (before expenses) under the Placement, equating to up to 48,000,000 Shares. Subject to the execution of formal documentation, Tolhurst proposes to underwrite \$9 million of the Placement. Subject to Shareholder approval, your Directors have agreed to participate in the Placement to the extent of \$2.35 million (refer resolution 6 below).

#### **When will Shares be issued?**

The Shares will be issued prior to scheduled completion of the Acquisition. Completion is scheduled for 4 December, 2007.

#### **At what price will Shares be issued?**

\$0.25 per Share.

### **Who will Shares be issued to?**

It is proposed that Shares will be issued to clients of Tolhurst, Shareholders and such other persons nominated by the Board or Tolhurst. The Directors will apply for 9.4 million Shares (refer to resolution 6 below), subject to Shareholder approval.

### **What are the terms of the Shares to be issued?**

The Shares issued under the Placement will have the same rights and obligations attaching to them as existing ordinary shares of the Company on issue and quoted on NSX. Application will be made to have all Shares quoted on ASX.

### **What will, or is it intended, the issue proceeds be used for?**

The equity raised will be used to fund the Cash Component of the Acquisition.

The Company will disregard any votes cast on this resolution 4 by any person proposing to participate in the Placement or their associates. However, the Company need not disregard a vote if it is cast by:

- a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote and the proxy decides.

Your Directors (other than Mr Carlei) recommend Shareholders vote in favour of this resolution.

## **RESOLUTION 5 – ISSUE OF SHARES UNDER CALL OPTION**

### **Background**

On Completion, the Company and JPP under the terms of the Share Purchase Agreement will enter into the Shareholders Agreement.

Under the Call Option contained within the Shareholders Agreement, the Company can elect to acquire the remaining 30% of Marbletrend Holdings from JPP.

The consideration payable to JPP for the transfer of its 30% interest in Marbletrend Holdings will be satisfied by the Company issuing Shares to JPP at a nominal value of \$0.25. The number of Shares to be issued to JPP will 6 times the consolidated EBIT of the Company for the 12 month period ending immediately prior to the commencement of the relevant exercise period.

Under the Shareholders Agreement, JPP is also granted a put option to require the Company to purchase the 30% interest in Marbletrend Holdings at market value. The put option can only be exercised during the period 1 July, 2013 to 31 December, 2013.

In summary, NSX Listing Rule 6.25 requires the Company to obtain approval of the Shareholders before issuing, or agreeing to issue, equity securities where the issue would exceed 15% of the capital of the Company.

In seeking approval pursuant to NSX Listing Rule 6.25, the Company provides the following information for the Shareholders' consideration:

**How many Shares will be issued?**

The maximum amount of Shares to be issued to JPP under the terms of the Call Option is 26,000,000 Shares.

**When will the Shares be issued to JPP?**

This information is set out in the “Summary of proposed Marbletrent Acquisition” section of this Explanatory Memorandum and the accompanying Independent Expert’s Report.

**At what price will the Shares be issued?**

\$0.25 per Share.

**Who will the Shares be issued to?**

The Shares will be issued to JPP.

**What are the terms of the Shares to be issued?**

The Shares issued under the Call Option will have the same rights and obligations attaching to them as existing ordinary shares on issue.

**What will, or is it intended, the issue proceeds be used for?**

As consideration for the sale of the remaining 30% of Marbletrent Holdings to the Company.

**Corporations Act**

Unless otherwise exempt, section 606 of the Corporations Act prohibits a person from acquiring a relevant interest in issued voting shares if it results in that person’s voting power in the company increasing to over 20% or from over 20% to below 90%.

In accordance with item 7 of section 611 of the Corporations Act, an acquisition of shares is not prohibited under section 606 if the acquisition has been approved by an ordinary resolution passed by the shareholders of the company in a general meeting.

As the number of Shares to be issued to JPP on exercise of the Call Option should exceed 20% of the issued capital of the Company, Shareholder approval is being sought to the issue.

In seeking approval pursuant to item 7 of section 611 of the Corporations Act, the Company provides the following information for the Shareholders’ consideration in accordance with that item 7 and ASIC’s Regulatory Guide 74:

**Identity of the allottee and any person who will have a relevant interest in the Shares to be issued**

The allottee who will have a relevant interest in the Shares is JPP. The directors of JPP are R G Walton (one of the Executives), A M Penman, J E Penman and I M Penman (one of the Executives).

**The maximum extent of the increase in the allottee’s voting power in the Company that will result from the acquisition**

If 36 million Shares are issued under the Placement, the maximum increase in JPP’s voting power is to approximately 34.04%. JPP currently holds no Shares in the Company.

JPP will have an increase in its voting power to 29.42% if 48 million Shares are issued under the Placement.

**The voting power the allottee will have as a result of the acquisition**

JPP will have voting power of 29.42% as a result of the Acquisition. This figure is based on all 48,000,000 Shares being issued under the Placement. If less than 48 million Shares are issued, JPP's voting power will increase. For example, if only 36 million Shares are issued, JPP's voting power will be 34.04%.

As mentioned above, if 36 million Shares are issued under the Placement, the voting power JPP will have following exercise of the Call Option is approximately 34.04%.

**Full particulars (including the number and percentage) of the Shares to which the allottee is or will be entitled immediately before and after the proposed acquisition**

JPP does not currently hold any Shares in the Company and is not entitled to any Shares prior to the acquisition.

If the Company exercises the Call Option, JPP will be entitled to a maximum of 26,000,000 Shares (subject to EBIT performance in the immediate prior 12 months), representing approximately 29.42% of the issued capital of the Company (subject to all 48,000,000 Shares being issued under the Placement) or 34.04% of the issued capital of the Company (subject to 36 million Shares being issued under the Placement). The percentage entitlement of JPP to Shares will decrease if it is entitled to less than 26,000,000 Shares on exercise of the Call Option.

**Statement of allottee's intentions regarding the future of the Company if Shareholders agree to the allotment**

JPP has informed the Company that it has no immediate or long term intention regarding the future of the Company other than as a Shareholder.

**Terms of the proposed allotment and any other contract or proposed contract between the allottee and the Company which is conditional on, or directly or indirectly dependent on, Shareholders' agreement to the allotment**

The terms of the proposed allotment are set out in the Introduction and Background section to this Explanatory Memorandum. Except as set out in the Explanatory Memorandum or the Independent Expert's Report, there are no contracts which are conditional or dependent on Shareholders' agreement to resolution 5.

**When the allotment is to be completed**

This information is set out in the "Summary of proposed Marbletrend Acquisition" section of this Explanatory Memorandum and the Independent Expert's Report.

**An explanation of the reasons for any proposed allotment**

As consideration for the sale of the remaining 30% of Marbletrend Holdings to the Company.

**The interests of the Directors in the resolution**

Except for Mr M Carlei, none of the Directors has any interest in the resolution. Mr Carlei is the Managing Director of Moore Stephens, Business Consultants which advised JPP in relation to the Acquisition.



**The identity of the Directors who approved or voted against the proposal to put the resolution to Shareholders**

All of the Directors (except for Mr M Carlei) approved the proposal to put the resolution to Shareholders. Mr Carlei abstained.

**The recommendation of each Director as to whether non-associated Shareholders should agree to the allotment and the reasons**

All Directors (except for Mr M Carlei) recommend that the Shareholders vote in favour of the resolution for the reasons set out in this Explanatory Memorandum. The Directors consider it is in the best interests of Shareholders to approve the resolution and, subject to the Corporations Act, all Directors intend to vote in favour of resolution 5.

**Allottee's intention to change significantly the financial or dividend policies of the Company**

JPP has indicated to the Company that it has no intention of changing significantly the financial policies of the Company.

**Whether the proposal is fair and reasonable**

The Directors (other than Mr M Carlei) and the Independent Expert have each concluded that the proposal is fair and reasonable. You should read the accompanying Independent Expert's Report in full.

The Company will disregard any votes cast in favour of the resolution by JPP or any of its associates and any other person whose votes must be disregarded under item 7 of section 611 of the Corporations Act.

**RESOLUTION 6 – ISSUE OF SHARES TO DIRECTORS**

It is proposed that the Directors (or entities associated with them) will participate in the proposed equity raising by subscribing for up to 9.4 million Shares as follows:

Peter Reilly	8,000,000
Michael Evett	200,000
Hamish Giles	400,000
Marco Carlei	800,000

NSX Listing Rule 6.44 provides that a special resolution of members is required for any issue of securities to a related party such as a director.

For the purposes of this special resolution, it will be passed if at least 75% of the votes cast by Shareholders entitled to vote on the resolution vote in favour of the resolution.

The proposed issue is on the same commercial terms identical to the Placement covered by resolution 4. The aggregate Shareholding held by each Director directly or indirectly following the Placement is outlined in the Independent Expert's Report.

The Company will disregard any votes cast on this resolution 6 by any of the Directors or their associates. However, the Company need not disregard a vote if it is cast by:

- a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or

- the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote and the proxy decides.

## **RESOLUTION 7 – APPROVAL OF INCENTIVE PLAN AND ISSUE OF OPTIONS TO EXECUTIVES**

### **Incentive Plan**

The Company proposes to establish and implement the Incentive Plan. The Incentive Plan is intended to retain and motivate the Company's management team.

NSX Listing Rule 6.25 contains a 15% limit on the amount of share capital a company can issue in any 12 month period without the approval of the holders of ordinary shares. NSX Listing 6.25(2) contain several exceptions to this limit, including exception (iv), which provides that shareholder approval is not required if the relevant issue of securities is made under an employee incentive scheme which has been approved by the shareholders of the issuing company.

Accordingly, the Company is seeking the approval of the Shareholders to the establishment and implementation of the Incentive Scheme. The approval being sought will allow the Company additional flexibility in making issues pursuant to NSX Listing Rule 6.25 in that any future issues of securities under the Incentive Plan will not require approval and will not be counted towards the 15% limit under NSX Listing Rule 6.25.

### **Summary of Incentive Plan**

Under the Incentive Plan, the Board has discretion to grant Options and Rights to participants.

An Option gives a participant a right to acquire a Share upon payment of an exercise price, subject to the achievement of any time based or performance based vesting conditions.

A Right gives a participant a right to acquire a Share for no consideration, subject to the achievement of any time based or performance based vesting conditions.

The Board has the discretion to amend the rules but not so as to reduce the rights of participants under the Incentive Plan, except where necessary to comply with legal requirements, to correct obvious errors or mistakes, to enable the participant to receive a more favourable taxation treatment in respect of their participation in the Incentive Plan, to enable the contributions paid by the Company in respect of the Incentive Plan to qualify as income tax deductions, to enable the Company or the participant to reduce the amount of tax, fringe benefits tax or impost payable or where agreed by the participant.

Awards will be made at the Board's discretion with the first offers to be made to Robert Walton and Iain Penman following the Annual General Meeting and Completion of the Acquisition.

The quantum of any award under the Incentive Plan will be determined at the Board's discretion.

### **Eligibility**

The rules allow for offers under the Incentive Plan to be made to executives or other employees of the Company, or a subsidiary of the Company including executive directors.

## **Grant of Options and Rights**

Options or Rights may be granted subject to vesting conditions, including time and performance based hurdles. The Board will determine the details of the vesting conditions attaching to offers of Options or Rights and will notify the participant of these conditions at the time the Options or Rights are granted. Generally speaking, Options or Rights will only vest upon satisfaction of time and performance based vesting conditions (if any). If these conditions are not met, the Options or Rights will generally expire and will not be capable of exercise.

No amount will be payable upon the grant of either Options or Rights, unless otherwise determined by the Board at the time of the grant.

## **Delivery of Shares**

On exercise of vested Options or Rights, Shares will be delivered to participants. The exercise price of the Options will be notified to the participant at the time of grant. No exercise price is payable upon the exercise of Rights.

## **Change of control**

On a change of control of the Company, the Board has the discretion to waive the vesting conditions applicable to unvested Options or Rights, subject to such terms and conditions as it determines.

## **Plan limits**

Issues of Options and Rights under the Incentive Plan will generally be subject to a cap of 5% of the issued Share capital of the Company, inclusive of Shares that may be issued under other employee share schemes but disregarding offers made outside of Australia, offers which do not require a disclosure document and those made under a disclosure document.

## **Expiry of Options and Rights**

Unless otherwise determined by the Board, Options or Rights which have not been exercised expire and cease to exist upon the Board making a determination that the Options or Rights are to be forfeited or otherwise expire in accordance with the terms and conditions specified at the time the Options or Rights are granted.

## **Restrictions on Shares and Forfeiture Conditions**

Options and Rights, and Shares delivered on exercise, may be subject to forfeiture if a participant commits any act of fraud, defalcation or gross misconduct in relation to the Company or a related company. Shares delivered on exercise may be subject to disposal restrictions which will be notified to the participant at the time of the grant. The Board in its discretion can waive any disposal restriction.

## **Issue of Options**

On Completion, Marbletend and the Executives will enter into the Executive Services Agreements. Under the terms of the Executive Services Agreements, the Executives can both participate in the Incentive Plan for 1,000,000 Options each. The Company seeks the approval of the Shareholders to the issue of 2,000,000 Options to the Executives on the terms set out in the Incentive Plan and the Executive Services Agreement as detailed in the "Introduction and Background" section of this Explanatory Memorandum.

In seeking approval pursuant to NSX Listing Rule 6.25, the Company provides the following information for the Shareholders' consideration.

**How many Options will be issued?**

The Company proposes to issue 1,000,000 Options to Mr R Walton and 1,000,000 Options to Mr I Penman, totalling 2,000,000 Options.

**When will the Options be granted?**

The Options will be granted in accordance with the Executive Services Agreements following Completion of the Acquisition.

**What is the exercise price of the Options?**

\$0.25 per Share.

**Who will the Options under the Executive Services Agreement be granted to?**

The Options will be granted to the Executives.

**What are the terms of the Options to be granted?**

The terms of the Options to be granted are set out in the "Introduction and Background" section of this Explanatory Memorandum. The Shares issued on exercise of the Options will have the same rights and obligations attaching to them as existing ordinary shares on issue.

**What will, or is it intended, the proceeds be used for?**

If the Executives exercise their Options, the proceeds will be used for working capital purposes of the Company.

A copy of the rules of the Incentive Plan will be sent to Shareholders on request.

The Directors (other than Mr Carlei) recommend Shareholders vote in favour of this resolution.

The Company will disregard any votes cast on this resolution by any executive Director of the Company and his associates. However, the Company need not disregard a vote if it is cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**RESOLUTION 8 – CHANGE OF COMPANY NAME**

The Company seeks to change its name from Concentrated Capital Limited to Marbletrend Group Limited.

Pursuant to section 157 of the Corporations Act, any change to the Company's name must be done by special resolution. Further, the Company must lodge a copy of the special resolution with ASIC within 14 days after the special resolution is passed.

For the purposes of this special resolution, it will be passed if at least 75% of the votes cast by members entitled to vote on the resolution vote in favour of the resolution.

The Directors consider that, after and subject to the Acquisition, it will be more appropriate to name the Company “Marbletrend Group Limited” in order to more accurately reflect the nature and focus of the Company’s future operations.

The Directors (other than Mr Carlei) recommend Shareholders vote in favour of this resolution.

## **RESOLUTION 9 – APPROVAL OF CHANGE OF ACTIVITIES**

The Company current main business activity is the passive investment in a range of oil and gas businesses.

As a result of the Acquisition, the Company will predominantly carry out the supply of bathroom products to home owners, occupiers, renovators, builders and commercial markets, resulting in a change to the nature and scale of the Company’s activities.

NSX Listing Rule 6.41 requires that shareholder approval be obtained if a listed entity proposes to significantly alter the nature or scale of its activities.

The Directors (other than Mr Carlei) recommend Shareholders vote in favour of this resolution.

## **RESOLUTION 10 – VOLUNTARY WITHDRAWAL OF NSX LISTING**

Subject to the Acquisition, the Company proposes to make a voluntary withdrawal of listing from NSX and make an application to list on ASX.

NSX Listing Rule 2.25 requires that shareholder approval by special resolution be obtained if a listed entity proposes to voluntarily withdraw its listing on NSX.

For the purposes of this special resolution, it will be passed if at least 75% of the votes cast by members entitled to vote on the resolution vote in favour of the resolution.

The Directors consider that, subject to the Acquisition, the Company will be in a position to migrate to the official list of ASX and, as a result, its listing on NSX will have to be withdrawn.

The Directors (other than Mr Carlei) recommend Shareholders vote in favour of this resolution.

## **RESOLUTION 11 – APPROVAL OF INCREASE IN NON-EXECUTIVE DIRECTORS’ REMUNERATION**

Under the Constitution, the Company must not increase the total amount of Directors’ remuneration payable by it without the approval of Shareholders. The current aggregate maximum amount the Company is permitted to pay non-executive Directors is \$150,000.

It is important for all Shareholders that the Company is able to attract and retain well qualified non-executive Directors. In addition to their other duties, the Directors are now required to spend substantially more time on activities related to the governance of the Company than has been the case in the past particularly, in view of the Company’s proposed transition to ASX.

The Directors’ view is that an increase of \$50,000, to bring the aggregate maximum amount of remuneration payable to non-executive Directors to \$200,000, will enable the Board to attract and retain Directors of a calibre appropriate to the needs of the Company. It is not intended to increase the aggregate remuneration of Directors of \$90,000 for the current Financial Year.

The Directors do not make any recommendation in respect of this resolution given the interest of the non-executive Directors in the resolution.

The Company will disregard any votes cast on resolution 11 by a Director of the Company or any associate.

However, the Company need not disregard a vote if it is cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## DEFINITIONS

Unless the context requires otherwise, the words below have the following meanings in this Notice of Meeting and Explanatory Memorandum:

- (1) **Acquisition** means the acquisition of 70% of the issued capital of Marbletrent Holdings by the Company as detailed in this Explanatory Memorandum.
- (2) **ASIC** means Australian Securities and Investments Commission.
- (3) **ASX** means ASX Limited.
- (4) **Board** means the board of Directors.
- (5) **Call Option** means the option of the Company to acquire 30% of Marbletrent Holdings from JPP under the terms of the Shareholders Agreement.
- (6) **Cash Component** means the amount of \$10,174,500 million (subject to an adjustment for movements in the net assets of Marbletrent).
- (7) **Company** means Concentrated Capital Limited ACN 087 730 667.
- (8) **Completion** means completion of the Acquisition.
- (9) **Completion Date** means the date of Completion which is scheduled for 4 December, 2007.
- (10) **Constitution** means the constitution of the Company.
- (11) **Corporations Act** means the *Corporations Act 2001* (Cth).
- (12) **Directors** means the directors of the Company.
- (13) **DMR Corporate** means DMR Corporate Pty Ltd, the independent expert retained by the Company.
- (14) **EBIT** means earnings before interest and tax.
- (15) **EBITA** means earnings before interest, tax and amortisation.
- (16) **Executive Services Agreements** means the services agreements to be entered into between the Company and the Executives at Completion, which are an annexure to the Share Purchase Agreement.
- (17) **Executives** means Mr R Walton and Mr I Penman.
- (18) **Explanatory Memorandum** means this explanatory memorandum and any schedules or annexures to it.
- (19) **Financial Year** means a year commencing on 1 July and ending on 30 June.
- (20) **Incentive Plan** means the Concentrated Capital Executive Long Term Incentive Plan proposed to be approved at the Annual General Meeting.
- (21) **Independent Expert's Report** means the independent expert's report of DMR Corporate which accompanies the Notice of Meeting.

- (22) **JPP** means John Penman Patterns Pty Ltd ACN 005 402 639, being the sole shareholder in Marbletrend Holdings.
- (23) **Marbletrend** means Marbletrend Pty Ltd ACN 109 273 912, a wholly-owned subsidiary of Marbletrend Holdings.
- (24) **Marbletrend Holdings** means Marbletrend Holdings Pty Ltd ACN 127 289 061, the holder of all the issued capital of Marbletrend.
- (25) **Meeting** means the Annual General Meeting of Shareholders convened by the Notice of Meeting.
- (26) **Notice of Meeting** means, unless the context requires otherwise, this document which comprises the Company's Notice of Annual General Meeting to be held at the Boardroom, c/- Tolhurst Group Limited, Level 29, 25 Collins Street, Melbourne, Victoria 3004 on Friday 23 November 2007 at 10.00am and the Explanatory Memorandum.
- (27) **NSX** means the National Stock Exchange.
- (28) **NSX Listing Rule** means a listing rule of NSX.
- (29) **Option** means an option granted by the Company under the Incentive Plan to acquire a Share.
- (30) **Placement** means the proposed placement of up to 48 million Shares to be carried out by the Company for the purpose of raising funds for the payment of part of the Cash Component in respect of the Acquisition.
- (31) **Right** means a right granted by the Company under the Incentive Plan to acquire a Share.
- (32) **Share** means a fully paid ordinary Share in the capital of the Company.
- (33) **Share Purchase Agreement** means the agreement entered into by the Company and JPP and others on 14 September 2007 (as amended).
- (34) **Shareholder** means a Shareholder in the Company.
- (35) **Shareholders Agreement** means the Shareholders Agreement to be entered into between the Company and JPP at Completion, which is an annexure to the Share Purchase Agreement.
- (36) **Tolhurst** means Tolhurst Limited, the proposed underwriter to the Placement.



**Concentrated Capital Limited**  
ACN 087 730 667

**PROXY FORM**

The Company Secretary  
Concentrated Capital Limited  
Level 2, 409 St Kilda Road  
MELBOURNE VIC 3004

Facsimile: +61 3 9820 2158

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member/(s) of Concentrated Capital Limited (the "Company"),

hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or in his/her absence \_\_\_\_\_

of \_\_\_\_\_

or, in the absence of those persons if no person is nominated, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the Boardroom C/- Tolhurst Group Limited, Level 29, 35 Collins Street, Melbourne on 23 November 2007 at 10.00 am (Melbourne time) and at any adjournment of that meeting.

If you wish to indicate how your proxy is to vote, please tick the appropriate boxes below. The Chairman will vote in favour of all resolutions, if no directions are given.

I/we direct my/our proxy to vote as indicated below:

	FOR	AGAINST	ABSTAIN
<b>ORDINARY BUSINESS</b>			
1. Re- election of Mr Hamish Giles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Election of Mr Marco Carlei	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Remuneration Report Year Ended 30 June 2007	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>SPECIAL BUSINESS</b>			
4. Issue of Shares under Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- |     |   |                          |                          |                          |
|-----|---|--------------------------|--------------------------|--------------------------|
| 5.  | Issue of Shares under Call Option                 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6.  | Issue of Shares to Directors                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7.  | Approval of Incentive Plan                        | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8.  | Change of Company name                            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9.  | Change of Nature of Activities                    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. | Voluntary Withdrawal of Listing                   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. | Increase in Non-Executive Directors' Remuneration | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

As witness my/our hand/s this

day of 2007

**If a natural person:**

SIGNED by:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature (if joint holder)

**If a company:**

Executed by  
in accordance with section 127 of the  
*Corporations Act 2001*:

.....  
Signature of Director

.....  
Signature of Director/Secretary

.....  
Name of director  
(BLOCK LETTERS)

.....  
Name of director/secretary  
(BLOCK LETTERS)

**If by power of attorney:**

SIGNED for and on behalf of )  
by )  
under a Power of Attorney dated and )  
who declares that he/she has not received )  
any revocation of such Power of Attorney in )  
the presence of :

\_\_\_\_\_  
Signature of Attorney

\_\_\_\_\_  
Signature of Witness

**Notes:**

Shareholders entitled to attend and vote at the Annual General Meeting are entitled to appoint a proxy. The proxy may be an individual or a body corporate.

A shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the shareholder's votes such proxy may exercise, each proxy may exercise half of the votes disregarding fractions.

For an appointment of proxy to be valid, the form appointing the proxy and, if the form is signed under a power of attorney or other authority, the authority under which the form is signed (or a certified copy of the authority) must be received at or sent by facsimile transmission to the registered office of the Company at Level 2, 409 St Kilda Road, Melbourne, Victoria, 3004 or facsimile number (+61 3) 9820 2158, at least 48 hours prior to the meeting or adjourned meeting, as the case may be, at which the proxy named in the proxy form proposes to vote.

A proxy must be signed by the shareholder or the shareholder's attorney duly authorised in writing or, if the shareholder is a company, in a manner permitted by the Corporations Act 2001. The proxy may, but need not, be a shareholder of the Company.

## **INDEPENDENT EXPERT'S REPORT and FINANCIAL SERVICES GUIDE**

### **PART 1 – INDEPENDENT EXPERT'S REPORT**

23 October 2007

The Directors  
Concentrated Capital Limited  
Level 2  
409 St Kilda Road  
Melbourne  
Vic 3004

Dear Sir

#### **1. Introduction**

You have requested DMR Corporate Pty Ltd (“DMR Corporate”) to prepare an independent expert's report so as to comply with the Australian Securities and Investments Commission (“ASIC”) Regulatory Guide 74 applicable to acquisitions agreed to by shareholders. The proposed transaction is permitted by Section 611 of the Corporations Act 2001 (“the Act”) provided the acquisition is agreed to by shareholders.

Concentrated Capital Limited (“CCL” or “the Company”) was incorporated on 24 May 1999 as a proprietary company. In July 2002 its status was changed from a private to a public company and in October 2002 it became publicly listed on the National Stock Exchange of Australia Limited (“NSX”). The principal activities of CCL were to make investments in a range of oil and gas related businesses. During the 2006 and 2007 financial years, CCL has been reviewing various opportunities offered to it, which would enable the Company to move from NSX to Australian Securities Exchange (“ASX”) to provide greater liquidity to shareholders.

CCL now proposes to acquire a 70% interest in Marbletrent Holdings Pty Ltd (“Marbletrent”) for a cash sum of \$10,174,500 (subject to an adjustment for movements in the net assets) and it will obtain a call option over the remaining 30% interest in Marbletrent. The cash component will be financed by a proposed equity raising, from debt and from existing cash resources.

Following the acquisition of Marbletrent, the Company proposes to change its name to Marbletrent Group Limited and to apply to ASX for the official quotation of the Company's shares by ASX.

## 2. The Proposed Transaction

### 2.1 Description of the Proposed Transaction

CCL proposes to enter into the following transactions, which are effectively all interdependent:

- (a) The placement of up to 48,000,000 fully paid ordinary shares at a price of \$0.25 per share. Tolhurst Limited (“Tolhurst”) proposes to underwrite a total of 36,000,000 shares and Parmelia Pty Ltd (a company associated with Mr Peter Reilly – a director of CCL) will sub underwrite the placement of 8,000,000 of the 36,000,000 shares.
- (b) The acquisition of Marbletrend. On 14 September 2007 CCL entered into a Share Purchase Agreement to acquire a 70% interest in Marbletrend for the sum of \$10,174,500. At the completion of the acquisition of the 70% interest CCL will enter into a Shareholders Agreement and one of the clauses in this agreement enables CCL to acquire the remaining 30% of Marbletrend pursuant to a Call Option. The acquisition cost of this remaining 30% interest is to be satisfied by the issuance of CCL fully paid ordinary shares based on the following formula:
  - (i) Marbletrend Earnings Before Interest and Tax (“EBIT”) for the 12-month period immediately prior to the exercise dates of 1 July 2008, 1 January 2009, 1 July 2009, 1 January 2010 and 1 July 2010;
  - (ii) EBIT in (i) above multiplied by 5 to give a value for the whole of Marbletrend;
  - (iii) 30% of (ii) above;
  - (iv) Multiply the result of (iii) above by 4 to give the number of CCL shares to be issued to acquire the remaining 30% interest in Marbletrend.

The number of CCL shares to be issued is capped at 26,000,000 and if there is any further consideration payable under the above formula then it will be paid in cash.

- (c) CCL proposes to change its name to Marbletrend Group Limited so as to more accurately reflect its ongoing activities.
- (d) The issue of 1,000,000 options to each of Mr Robert Walton (“Walton”) and Mr Iain Penman (“Penman”) as part of an Incentive Plan aimed at retaining and motivating key individuals in the Marbletrend management team.

Each part of the transaction is effectively subject to the successful completion of the other parts, the securing of all regulatory approvals from ASIC, ASX and NSX, the approval of shareholders to all of the components of the transaction and there being no material adverse change in the state of affairs of Marbletrend.

The issuance of CCL shares as part of the Call Option described in Section 2.1(b) above represents the “Proposed Transaction” upon which we have been requested to report.

### 2.2 Effect of the Proposed Transaction on Shareholders

CCL currently has 14,370,511 issued shares and following the share placement this number will increase to 50,370,511 (based on the minimum underwritten placement of 36,000,000 shares) to a maximum of 62,370,511 if the placement is fully subscribed. Set out below is a table showing the effect of the Proposed Transaction and the other transactions described in Section 2.1 on the voting power of existing shareholders:

**Existing Position – Before the Proposed Placement and the Acquisition of Marbletrent**

<b>Shareholder</b>	<b>Number of Shares held as at 21/9/2007</b>	<b>Voting Power</b>
P Reilly / Parmelia Pty Ltd	3,411,284	23.74%
H Giles / Stardoor Pty Ltd / Salmon Giles Pty Ltd ATF (Giles Family Trust)	679,667	4.73%
M Evett	114,879	0.80%
Other – Non-Associated Shareholders	10,164,681	70.73%
<b>Total</b>	<b><u>14,370,511</u></b>	<b><u>100.00%</u></b>

**Shareholdings following the Placement:**

<b>Shareholder</b>	<b>Number of Shares held as at 21/9/2007 No.</b>	<b>Shares held following the Minimum Placement - Section 2.1 (a) No.</b>	<b>Voting Power</b>	<b>Shares held following the Maximum Placement - Section 2.1 (a) No.</b>	<b>Voting Power</b>
P Reilly	3,411,284	11,411,284	22.65%	11,411,284	18.30%
H Giles	679,667	1,079,667	2.14%	1,079,667	1.73%
M Evett	114,879	314,879	0.63%	314,879	0.50%
M Carlei	-	800,000	1.59%	800,000	1.28%
Other – Non-Associated	10,164,681	36,764,681	72.99%	48,764,681	78.19%
	<u>14,370,511</u>	<u>50,370,511</u>	<u>100.00%</u>	<u>62,370,511</u>	<u>100.00%</u>

**Shareholdings following the Placement and the Maximum number of shares to be issued for the Marbletrent Acquisition:**

<b>Shareholder</b>	<b>Number of Shares held as at 21/9/2007</b>	<b>Number of Shares held following the Minimum Placement in Section 2.1 (a) and the Marbletrent Acquisition</b>	<b>Voting Power</b>	<b>Number of Shares held following the Maximum Placement in Section 2.1 (a) and the Marbletrent Acquisition</b>	<b>Voting Power</b>
John Penman Patterns P/L	-	26,000,000	34.04%	26,000,000	29.42%
P Reilly	3,411,284	11,411,284	14.94%	11,411,284	12.91%
H Giles	679,667	1,079,667	1.41%	1,079,667	1.22%
M Evett	114,879	314,879	0.41%	314,879	0.36%
M Carlei	-	800,000	1.05%	800,000	0.91%
Other – Non-Associated	10,164,681	36,764,681	48.14%	48,764,681	55.18%
	<u>14,370,511</u>	<u>76,370,511</u>	<u>100.00%</u>	<u>88,370,511</u>	<u>100.00%</u>

**2.3** The Company also proposes to establish an Incentive Plan and Messrs Walton and Penman

will each receive 1,000,000 options pursuant to this plan. The 2,000,000 options proposed to be issued to Walton and Penman have not been taken into account in the above tables, as they are not shareholders in John Penman Patterns Pty Ltd (they are however directors) and will not receive any of the 26,000,000 shares if the Call Option is exercised.

- 2.4 The directors have requested that we prepare an independent expert's report in accordance with ASIC Regulatory Guide 74. ASIC Regulatory Guide 74 requires CCL to advise shareholders whether the Proposed Transaction is fair and reasonable, when considered in the context of the interests of the shareholders, other than those involved in the Proposed Transaction or persons associated with such persons (i.e. the Non-Associated Shareholders).

The directors have requested DMR Corporate to independently assess whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

### 3. Summary Opinion

In our opinion, the Proposed Transaction set out in Section 2.1 (b) above is **fair and reasonable** when considered in the context of the interests of the Non-Associated Shareholders of CCL.

Our principal reasons for reaching the above opinion are:

#### Assessment of Fairness

In Section 7 we determined that the CCL shares were valued in a range of \$0.027 to \$0.035 before the placement and the approval of the Proposed Transaction.

In Section 11 we concluded that following the completion of the placement and the approval of the Proposed Transaction and the other inter dependent resolutions in Section 2.1 that the CCL shares will have a minimum value of \$0.25 per share.

As the value of the CCL shares is greater after the completion of the placement and the approval of the Proposed Transaction than before the placement and the approval of the Proposed Transaction, we consider that the Proposed Transaction is fair to the Non-Associated Shareholders.

#### Assessment of Reasonableness

The Proposed Transaction **is considered to be reasonable** as the advantages of proceeding with the transaction outweigh both the disadvantages of proceeding with the transaction and the advantages and disadvantages of not proceeding with the transaction.

#### Overall Conclusion

After considering all of the information available to us in respect of the Proposed Transaction, we consider that **the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.**

#### 4. Structure of this Report

The remainder of Part 1 of this report is divided into the following Sections:

<b><u>Section</u></b>		<b><u>Page</u></b>
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6	CCL - Key Information	7
7	Valuation of CCL – Before the Proposed Transaction	7
8	Marbletrent – Key Information	10
9	Acquisition of Marbletrent	12
10	Call Option	12
11	Valuation of CCL – After the Proposed Transaction	13
12	Assessment as to Fairness and Reasonableness	14
13	Declarations, Qualifications, Independence and Consents	15
 <b><u>Appendix</u></b>		
A-1	CCL - 20 Largest Shareholders – 21 September 2007	17
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D	Sources of Information	24

#### 5. Purpose of the Report

This report has been prepared to meet the following regulatory requirements:

- **Corporations Act 2001**

Section 606 of the Act contains a general prohibition on the acquisition of shares in a company if, as a result of the acquisition, any person increases his or her voting power in the company from 20% or below to more than 20%.

Section 611 of the Act contains an exception to the Section 606 prohibition. For an acquisition of shares to fall within the exception, the acquisition must be approved in advance by a resolution passed at a general meeting of the company.

CCL will be seeking shareholder approval for the Proposed Transaction under Section 611 of the Act as the vendor of Marbletrent (John Penman Patterns Pty Ltd) may increase its interests from nil to more than 20% if the Proposed Transaction proceeds and if the CCL directors exercise the Call Option.

ASIC Regulatory Guide 74 recognises that “the shareholders of a company may choose to give up one of their rights, namely an equal opportunity to participate in any benefits accruing to other shareholders where the acquisition or allotment may change control of the company”.

According to ASIC Regulatory Guide 74, the issue of whether a Section 611 proposal is fair and reasonable for Non-Associated Shareholders should be judged in all the circumstances of the proposal. The report must compare the likely advantages and disadvantages for the Non-Associated Shareholders if the proposal



is agreed to, with the advantages and disadvantages to those shareholders if it is not. Comparing the value of the shares to be acquired under the proposal and the value of the consideration to be paid is only one element of this assessment.

The notice of any meeting of shareholders to approve any transaction referred to in Regulatory Guide 74 shall be accompanied by a report from an independent qualified person who shall state his opinion as to whether the transaction is fair and reasonable to the shareholders, other than those whose votes are to be disregarded (i.e. the Non-Associated Shareholders).

- **General**

The terms fair and reasonable are not defined in the Act so we have defined them for the purpose of this report as:

- Fairness - the Proposed Transaction is fair if the value of the CCL Non-Associated Shareholders interests after the placement and approval of the Proposed Transaction is greater than the value of their interests before the placement and the approval of the Proposed Transaction.
- Reasonableness - the Proposed Transaction may be reasonable whether it is fair or unfair as it involves consideration of other significant factors that shareholders might consider prior to voting on the resolutions.

What is fair and reasonable for the Non-Associated Shareholders should be judged in all the circumstances of the proposals.

The methodology that we have used to form an opinion as to whether the Proposed Transaction is fair and reasonable, is summarised as:

- (i) In determining whether the Proposed Transaction is fair, we have:
  - valued the CCL shares before the placement and the approval of the Proposed Transaction;
  - valued the CCL shares after the completion of the placement and the approval of the Proposed Transaction; and
  - compared the value of the CCL shares before and after the placement and the approval of the Proposed Transaction.
- (ii) In determining whether the Proposed Transaction is reasonable, we have analysed and compared the advantages and disadvantages of the Proposed Transaction proceeding and not proceeding.
- (iii) In determining whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, we have considered and concluded upon the results of (i) and (ii) above.

## **6. CCL - Key Information**

### **6.1 Background**

The principal activities of the Company have been in the exploration for oil and gas reserves.

During the 2007 financial year the Company's remaining interests in Persia Petroleum Services plc ("PPS") and Kish International Petroleum Company ("KIPC") were restructured and the remaining carrying values in these companies were fully impaired as at 30 June 2007 due to the absence of a third party objective assessment of the value of the investments and a lack of control over the investments.

The Company also has an interest in the Avalon Oil Company partnership and the carrying value of that interest was written down during the 2007 year as a result of an engineering valuation and the unfavourable impact of a strengthened Australia Dollar against the US Dollar.

The Company is now seeking a new and viable business activity to acquire.

### **6.2 Share Capital**

As at 21 September 2007, CCL had on issue 14,370,511 fully paid ordinary shares. The major shareholders of CCL on 21 September 2007 are presented in Appendix A. As at that date the top 20 shareholders held 67.75% of the issued ordinary capital of CCL.

### **6.3 Balance Sheets**

CCL's Balance Sheets as at 30 June 2006 and 30 June 2007 are detailed in Appendix B-1.

### **6.4 Operating Performance**

CCL's Income Statements for the 2006 and 2007 financial years are detailed in Appendix B-2.

### **6.5 Cash Flow Statements**

CCL's Cash Flow Statements for the 2006 and 2007 financial years are detailed in Appendix B-3.

## **7. Valuation of CCL – Before the Proposed Transaction**

### **7.1 Net Assets**

The audited balance sheet as at 30 June 2007 discloses net assets of \$382,627 - refer Appendix B-1.

We have concluded that the value of CCL as at the date of this report, based on the net asset backing valuation methodology is \$0.027 per share.

## 7.2 Orderly Realisation

The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets or business segments on the basis of an assumed orderly realisation. This method may ignore the ability of the asset base of the business to generate ongoing future earnings at a level sufficient to justify a value in excess of the value of its assets in an orderly realisation. Costs associated with the sale of the assets or business segments are deducted as part of the assessment.

In our opinion, the 'net asset' and the 'orderly realization of assets' valuation methodologies will both give the same approximate value for CCL, as the Company's major asset is 'cash and cash equivalents'.

CCL is a listed entity on NSX and generally a residual value can be ascribed to the listed shell that remains after the existing business has stopped operating. This value can only be realised via the backdoor listing of a new business into the existing shell. In our experience, the value ascribed to a listed shell on ASX is in the range of \$350,000 to \$500,000 and we have decreased this valuation range by 75% to \$87,500 to \$125,000 as the listing is on NSX. The net asset backing valuation has been increased by these amounts to determine a range of \$470,127 to \$507,627 for CCL under the orderly realisation valuation methodology. Based on the 14,370,511 shares on issue this equates to a valuation range of \$0.033 to \$0.035 per share.

## 7.3 Earnings Valuation

Capitalisation of earnings is a method commonly used for valuing manufacturing and service companies and, in our experience, is the method most widely used by purchasers of such businesses. This method involves capitalising the earnings of a business at a multiple which reflects the risks of the business and its ability to earn future profits. There are different definitions of earnings to which a multiple can be applied. The traditional method is to use net profit after tax. Another common method is to use EBIT. One advantage of using EBIT is that it enables a valuation to be determined which is independent of the financing and tax structure of the business. Different owners of the same business may have different funding strategies and these strategies should not alter the fundamental value of the business.

As CCL does not have an operating and profitable business, we consider that the capitalisation of maintainable earnings is not an appropriate methodology to use to value CCL.

## 7.4 Net Present Value of Future Cash Flows

An analysis of the net present value of the projected cash flows of a business (or discounted cash flow technique) is based on the premise that the value of the business is the net present value of its future cash flows. This methodology requires an analysis of future cash flows, the capital structure, the costs of capital and assessment of the residual value of the business remaining at the end of the forecast period.

As CCL does not have a business capable of producing long-term cash flows, we consider that the capitalisation of future cash flows is not an appropriate methodology to use to value CCL.

## 7.5 Alternate Acquirer

The value that an alternative offeror may be prepared to pay to acquire CCL is a relevant valuation methodology to be considered.

In this instance we are not aware of any alternative offer for CCL and we can see no reason as to why an offer would be initiated prior to the Proposed Transaction taking place.

## 7.6 Share Price History

The Company's shares have not traded since May 2007 when 2 trades were made at \$0.08 each on a total volume of 152,000 shares. Prior to these sales there had not been any trades during the previous year. The Company's shares are illiquid and for this reason we do not consider that this valuation methodology is an appropriate methodology to use to value CCL or its shares.

## Capital Raisings

In May 2007 a rights issue placed 519,975 shares at \$0.25 per share to raise \$129,994 of working capital and in June 2007 there were 749,617 shares placed at \$0.25 per share to raise \$187,404 of working capital. The total capital raised in these 2 transactions was \$317,398.

Based on the capital raisings referred to above, we consider that the CCL shares have a value of \$0.25 per share.

## 7.8 Conclusion

A summary of the valuation methodologies that we considered in valuing CCL is as follows:

	Low	High
Net Assets	\$0.027	\$0.027
Orderly Realisation	\$0.033	\$0.035
Capitalisation of Earnings	N/A	N/A
Net Present Value of Future Cash Flows	N/A	N/A
Alternate Acquirer	N/A	N/A
Share Price History	\$0.25	\$0.25

We do not consider that the capital raisings determine a relevant price for the Company's shares, as the price at which the shares were placed is not supported by the underlying valuation fundamentals.

In our opinion, having regard to the results of the applicable valuation methodologies as summarised in the above table, the CCL shares currently have a value of \$0.027 to \$0.035 per share.

## **8. Marbletrend – Key Information**

### **8.1 Background**

Marbletrend's principal activities are the manufacture and importation of bathroom products. Marbletrend has branches and distribution centres in Victoria, New South Wales, Queensland and Western Australia and sales agencies including dedicated distribution centres in South Australia, Tasmania, far North Queensland and the Northern Territory.

Marbletrend is a market-leading supplier of shower bases, screens, enclosures and systems, vanity cabinets and tops, baths and vitreous chinaware (including toilet suites). Marbletrend manufacture, import, warehouse and distribute its products to major customers including Bunnings, Reece, Tradelink, Plumbing Plus, Plumbtec and Mitre 10.

Marbletrend is headquartered in Bayswater, Victoria and head office consists of a showroom, office, warehousing and manufacturing with 2 warehouses adjacent to each other. Marbletrend's synthetic marble production facilities are also located in the warehouse complex.

Production facilities exist for the manufacturing of shower basins and vanity tops both in synthetic, marble and acrylic. Both warehouses have facilities for the loading and unloading of containers and receive bulk supply of goods from China. The location is also used for shipping of product to interstate destinations.

#### **Shower Bases**

Marbletrend pioneered production methods and techniques for the production of shower bases in Melbourne and now it has established similar manufacturing capabilities in China. Marbletrend is a major shower base supplier in Australia with sales of approximately 75,000 units last year.

#### **Shower Screens and Shower Systems**

Marbletrend is a major supplier in shower systems in Australia and sales continue to increase in all Australian states. The shower systems and enclosures can be segmented into 3 groups:

- fibreglass shower enclosures are one or two-piece units, fully moulded, optionally available with fitted shower screens;
- standard range shower systems are made of three components, a shower base (either synthetic marble or acrylic), shower walls and a shower screen. Each component is optional (i.e. – shower walls can be omitted in favour a tiles if desired); and
- premium range shower systems follow the same pattern as standard range, but consist of more designer orientated 'up-market' screens and components.

#### **Baths**

Marbletrend has 2 distinctly different categories of baths for the general market:

- Free standing baths – this market stems from a resurgence in period style 'claw-foot' baths that began in the mid 90's and they are generally upmarket sales.

The follow-on effect of this was to produce a demand for more contemporary designs of freestanding baths. This range contributes strongly to margins across all states and territories.

- Standard acrylic baths – standard baths are traditionally ‘drop-in’ bath shells for conventional tiled-hob installation.

Marbletrend’s bath ranges are stocked and displayed in key customers stores across Australia.

#### **Vanity Cabinets, Vanity Tops, Vanity Basins and Vessels**

Marbletrend have a strong presence in this market, which is traditionally considered to be the hardest fought and most margin sensitive category of the bathroom segment. This segment of the bathroom market has suffered a severe shake-up in recent years, which is ongoing with a number of traditionally strong specialists in the area failing to survive.

Marbletrend has avoided the lower end of this market, where margins have made profitability a difficult goal to achieve. Likewise, the upper end of the market has been avoided, as the high priced units available in that segment while having good margins, have relatively slow sales, with customisation required to win business. Successful high-end/high-price vanities have been quickly copied at the lower end of the market with limited barriers to entry.

Marbletrend has generally taken a strategic position to focus on the lower/medium segment of the market where volume and price can be maximised.

#### **Sanitary ware**

Marbletrend recently entered the sanitary ware market with the development and supply of the Tuscan, a full vitreous chian toilet suite. The Tuscan suite is a 6/3 litre 3 star mid-market suite that was positioned in the market to compete aggressively with existing products. The Tuscan suite has been very successful as sales exceeded sales budgets and Marbletrend is now about to release 4 new suites over the next 12 months.

#### **Summary**

Marbletrend is in a strong position as one of the few national suppliers who are recognised as being financially strong and able to supply quality products on a timely and ongoing basis.

Marbletrend has a strong research and design department and new or modified products are regularly added to the product range to differentiate Marbletrend from its competitors.

## **8.2 Balance Sheets**

Marbletrend’s unaudited Balance Sheets as at 30 June 2006 and 30 June 2007 are detailed in Appendix C-1.

## **8.3 Operating Performance**

Marbletrend’s Income Statements for the 2006 and 2007 financial years are detailed in Appendix C-2.

## **8.4 Cash Flow Statements**

CCL’s Cash Flow Statements for the 2006 and 2007 financial years are detailed in Appendix C-3.

## 9. Acquisition of Marbletrend

- 9.1 The acquisition of the 70% interest in Marbletrend does not have to be approved by the CCL shareholders however they do have to approve the issue of shares under the placement that is necessary to fund a significant part of the acquisition. This placement resolution is interdependent with the other resolutions summarised in Section 2.1 above.
- 9.2 The acquisition of the 70% interest in Marbletrend has been agreed based on a multiple of 5 times Marbletrend's 2007 EBIT plus or minus various adjustments provided for in the Share Sale Agreement. The current purchase price is \$10,174,500 (subject to adjustments) for the 70% interest. This price values the whole of Marbletrend at \$14,535,000 and this valuation includes a premium for control as CCL will control 70% of Marbletrend's share capital following completion of the acquisition.
- 9.3 We have reviewed the trading EBIT multiples for some of Marbletrend's competitors and peers and the following data has been obtained:

Company	Market Capitalisation 2007 \$'000	EBIT Multiple	
		2006	2007
GWA International Limited	1,094,498	10.92	13.02
Crane Group Limited	1,049,646	10.77	14.19
Reece Limited	2,838,600	13.54	18.82

- 9.4 The above multiples are for listed companies (significantly larger than Marbletrend), based on the daily trading prices for the shares and they do not include a control premium. We have therefore added a 35% premium for control and then deducted a 40% discount for Marbletrend as it is an unlisted entity to determine an average EBIT multiple of 12.43 for the 2007 financial year. As the 70% interest in Marbletrend was acquired on an EBIT multiple of 5 this represents a very conservative price to pay in relation to the listed competitors and peers.

## 10. Call Option

- 10.1 CCL shareholders have been requested to approve the issue of shares pursuant to the Call Option to acquire the remaining 30% interest in Marbletrend. The terms of the Call Option are detailed in Section 2.1(b) above and the Call Option can only be exercised if:
- (1) the volume weighted average price of all CCL shares sold on NSX or ASX (as the case may be) over the 20 trading days immediately prior to the exercise dates referred to in Section 2.1(b)(i) above is greater or equal to \$0.25; and
  - (2) the net interest bearing debt of the Company is less than \$2,000,000 on the Call Option exercise date.

- 10.2** Whilst the formula for the calculation of the value of Marbletrend (and hence the remaining 30% interest) is specified in the Share Purchase Agreement the actual price to be paid cannot be determined as the formula stipulates the number of shares to be issued at \$0.25 per share. If the share price increased above \$0.25 then this has the effect of increasing the consideration paid by the CCL shareholders for the remaining 30% interest in Marbletrend. In the following table we have assumed that the maintainable EBIT may increase from \$3,500,000 to \$5,500,000 in \$500,000 increments and we have assumed that the CCL share price may increase in increments from \$0.25 to \$0.60. The impact of these assumptions is extrapolated in the following table to determine implied EBIT multiples given the different variables.

	Assumed Share Price	Actual 2007 \$'000	Assumption 1 \$'000	Assumption 2 \$'000	Assumption 3 \$'000	Assumption 4 \$'000	Assumption 5 \$'000
Maintainable EBIT		3,100	3,500	4,000	4,500	5,000	5,500
Multiple		5	5	5	5	5	5
Valuation of Marbletrend		\$ 15,500	\$ 17,500	\$ 20,000	\$ 22,500	\$ 25,000	\$ 27,500
Valuation of 30% interest		\$ 4,650	\$ 5,250	\$ 6,000	\$ 6,750	\$ 7,500	\$ 8,250
Number of shares to be issued Cash payment		18,600	21,000	24,000	26,000 250	26,000 1,000	26,000 1,750
<hr/>							
Then the 30% interest would be valued at:	\$0.25	\$ 4,650	\$ 5,250	\$ 6,000	\$ 6,750	\$ 7,500	\$ 8,250
	\$0.30	\$ 5,580	\$ 6,300	\$ 7,200	\$ 8,050	\$ 8,800	\$ 9,550
	\$0.40	\$ 7,440	\$ 8,400	\$ 9,600	\$ 10,650	\$ 11,400	\$ 12,150
	\$0.50	\$ 9,300	\$ 10,500	\$ 12,000	\$ 13,250	\$ 14,000	\$ 14,750
	\$0.60	\$ 11,160	\$ 12,600	\$ 14,400	\$ 15,850	\$ 16,600	\$ 17,350
<hr/>							
Effective Value of Marbletrend:	\$0.25	\$ 15,500	\$ 17,500	\$ 20,000	\$ 22,500	\$ 25,000	\$ 27,500
	\$0.30	\$ 18,600	\$ 21,000	\$ 24,000	\$ 26,833	\$ 29,333	\$ 31,833
	\$0.40	\$ 24,800	\$ 28,000	\$ 32,000	\$ 35,500	\$ 38,000	\$ 40,500
	\$0.50	\$ 31,000	\$ 35,000	\$ 40,000	\$ 44,167	\$ 46,667	\$ 49,167
	\$0.60	\$ 37,200	\$ 42,000	\$ 48,000	\$ 52,833	\$ 55,333	\$ 57,833
<hr/>							
Implied EBIT Multiple:	\$0.25	5.00	5.00	5.00	5.00	5.00	5.00
	\$0.30	6.00	6.00	6.00	5.96	5.87	5.79
	\$0.40	8.00	8.00	8.00	7.89	7.60	7.36
	\$0.50	10.00	10.00	10.00	9.81	9.33	8.94
	\$0.60	12.00	12.00	12.00	11.74	11.07	10.52

- 10.3** In Section 9.4 above we determined that an appropriate EBIT multiple for the acquisition of Marbletrend was 12.43 and as can be seen from the table in Section 10.2 above the CCL share price would need to increase past \$0.60 per share for this multiple to be exceeded. If the CCL share price increased past \$0.60 per share and future maintainable EBIT did not increase past \$4,000,000 then the proposed exercise of the Call Option and the issuance of the CCL shares may not be fair.
- 10.4** Given the above scenarios we consider that it is unlikely that the CCL share price would exceed \$0.60 per share unless the EBIT increased in excess of \$5,000,000.

## **11. Valuation of CCL – After the Proposed Transaction**

- 11.1** As the resolutions in Section 2.1 are all interdependent, all resolutions have to be passed by shareholders or else none of the proposed transactions will proceed. Therefore the valuation of CCL after the Proposed Transaction should take account of all of these transactions.



- 11.2 The placement of up to 48,000,000 shares at \$0.25 each (36,000,000 shares are underwritten at \$0.25 each) will support a share price valuation of \$0.25 per share.
- 11.3 CCL is acquiring a 70% interest in Marbletrend for a cash payment of \$10,174,500 (subject to adjustments) and as such CCL will obtain control of Marbletrend through this cash payment. As the acquisition is based on an EBIT multiple of 5, we consider that the acquisition is well priced and that the share price may increase after the Proposed Transaction has been completed.
- 11.4 The Call Option formula determines the number of shares to be issued based on a price of \$0.25 per share. If at the time the Call Option is exercised the CCL share price was in excess of \$0.60 per share then the Proposed Transaction may not be fair however overall the underlying share values for CCL would have increased and therefore the Non-Associated Shareholders interests will have increased substantially.
- 11.5 After the completion of the placement and the approval of the Proposed Transaction and the other resolutions in Section 2.1, which are all inter dependent, we consider that the CCL shares will have a minimum value of \$0.25 per share.

## **12. Assessment as to Fairness and Reasonableness**

### **12.1 Assessment as to Fairness**

In Section 7 we determined that the CCL shares were valued in a range of \$0.027 to \$0.035 before the placement and the approval of the Proposed Transaction and the other resolutions.

In Section 11 we concluded that following the completion of the placement and the approval of the Proposed Transaction and the other inter dependent resolutions detailed in Section 2.1 that the CCL shares would have a minimum value of \$0.25 per share.

As the value of the CCL shares is greater after the completion of the placement and the approval of the Proposed Transaction than before the placement and the approval of the Proposed Transaction, we consider that the Proposed Transaction is fair to the Non-Associated Shareholders.

### **12.2 Assessment as to Reasonableness**

#### **12.2.1 Transaction Proceeding**

##### **Advantages**

- CCL will have a significant net asset base together with a viable business and this will enable the directors to seek to have the Company's shares listed on ASX. An ASX listing should give shareholders a more liquid market for their current shareholdings in the Company whereas at the present time shareholders have virtually no opportunity to sell their shares.
- The acquisition of the 70% interest in Marbletrend is at a very conservative EBIT multiple of 5.
- The value of the CCL shares should increase if the Marbletrend profits continue to rise.
- The acquisition will increase the net asset backing of the Company.

**Disadvantages**

- Marbletrend may not operate successfully and generate the profits that they have in past financial years.

**12.2.2 Transaction Not Proceeding**

**Advantages**

- A better business opportunity may emerge, however we consider that this is highly unlikely, as other opportunities have failed to materialise in the last 12 months.

**Disadvantages**

- It may become more difficult to raise capital to keep the Company solvent.
- If the Proposed Transaction does not precede then the shareholders may miss out on the advantages in Section 12.2.1 above.

**12.3 Conclusion as to Fairness and Reasonableness**

After giving due consideration to the above assessment as to fairness and to the above advantages and disadvantages of the Proposed Transaction proceeding or not proceeding, we consider that Proposed Transaction is **fair and reasonable**.

**13. Declarations, Qualifications, Independence and Consents**

**13.1 Declarations**

This report has been prepared at the request of the Directors of CCL pursuant to Section 611 of the Act to accompany the notice of meeting of shareholders to approve the Proposed Transaction. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable.

The procedures that we performed and the enquiries that we made in the course of preparation of this report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards, nor do they constitute a review in accordance with AUS 902 applicable to review engagements.

**13.2 Qualifications**

DMR Corporate is the holder of an Australian Financial Services Licence Number 222050 issued pursuant to Section 913B of the Act.

Mr Derek M Ryan and Mr Paul Lom, directors of DMR Corporate prepared this report. They have been responsible for the preparation of many expert reports and are involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr Ryan has had over 35 years experience in the accounting profession and he is a Fellow of the Institute of Chartered Accountants in Australia. He has been responsible for the preparation of many expert reports and is involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr Lom is a Chartered Accountant and a Registered Company Auditor with more than 30

years experience in the accounting profession. He was a partner of KPMG and Touche Ross between 1989 and 1996, specialising in audit. He has extensive experience in business acquisitions, business valuations and privatisations in Australia and Europe.

### **13.3 Independence**

At the date of this report, none of DMR Corporate, Derek M Ryan nor Mr Paul Lom has any interest in the outcome of the Proposed Transaction, nor any relationship with CCL or Marbletrend.

Advance drafts of certain factual sections of this report were provided to and discussed with the Directors of CCL and its advisers. Certain changes were made to factual statements in this report as a result of the reviews of the draft reports. There were no alterations to the methodology, valuations or conclusions that have been formed by DMR Corporate.


DMR Corporate is entitled to receive a fee of \$25,000 for the preparation of this report. With the exception of the above, DMR Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

### **13.4 Consent**

DMR Corporate consents to the inclusion of this report in the form and context in which it is included in the Explanatory Memorandum.

Yours faithfully

**DMR Corporate Pty Ltd**



**Derek Ryan**  
Director



**Paul Lom**  
Director

## Concentrated Capital Limited

## 20 Largest Shareholders as at 21 September 2007

Name	Number of Fully Paid Ordinary Shares
Parmelia Pty Ltd	3,411,284
Elmside Pty Ltd	880,000
Svinsky Nominees Pty Ltd	750,000
Rathaney Pty Ltd	528,181
Estelville Nominees Pty Ltd	350,000
Grayne Nominees Pty Ltd <Menzie's Super Fund>	350,000
Lourmarin Pty Ltd <Graeme & Shayne S/F A/C>	350,000
Mr Jonathan Edward Moore	350,000
Framelb Pty Ltd	326,667
Tulip Tower Pty Ltd	300,000
Stardoor Pty Ltd <Giles Family A/C>	294,667
Mr Hamish Giles	275,000
Mr Bruce Andrew Mackintosh <Super Fund A/C>	250,000
Gibbs International Pty Ltd	210,000
Mr Christopher Aeschliman	200,000
Mrs Angela Johnson	200,000
TC Capital Ltd	200,000
Upmarket Investments Pty Ltd	200,000
Eleventh Klingon Pty Ltd <Lester Family Super Fund A/C>	160,000
Mr Robert John Aird	150,000
Total number of shares held by the twenty largest holders	<u>9,735,799</u>
Total shares on issue – 14,370,511	
The percentage of the total holding of the twenty largest holders of ordinary shares was 67.75%	
Source: CCL Share Register 21 September 2007	

## Concentrated Capital Limited

## Consolidated Balance Sheets

	Audited 30/6/2006 \$	Audited 30/6/2007 \$
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	40,627	344,867
Trade and other receivables	40,340	12,224
Total Current Assets	<u>80,967</u>	<u>357,091</u>
Non-Current Assets		
Available-for-sale financial assets	263,155	136,744
Other financial assets	643,358	-
Total Non-Current Assets	<u>906,513</u>	<u>136,744</u>
<b>TOTAL ASSETS</b>	<u>987,480</u>	<u>493,835</u>
<b>LIABILITIES</b>		
Current Liabilities		
Trade and other payables	46,707	61,208
Total Current Liabilities	<u>46,707</u>	<u>61,208</u>
Non-Current liabilities		
Interest-bearing loans and borrowings	-	50,000
Total Non-Current Liabilities	<u>-</u>	<u>50,000</u>
<b>TOTAL LIABILITIES</b>	<u>46,707</u>	<u>111,208</u>
<b>NET ASSETS</b>	<u>940,773</u>	<u>382,627</u>
<b>EQUITY</b>		
Equity attributable to equity holders of the parent:		
Contributed equity	1,969,250	2,332,643
Accumulated losses	(1,046,362)	(1,903,080)
Other reserves	17,885	(46,936)
<b>TOTAL EQUITY</b>	<u>940,773</u>	<u>382,627</u>
<b>Source:</b>	Concentrated Capital - 2007 Annual Report	

**Concentrated Capital Limited**  
**Consolidated Income Statements**

	<b>Audited Year Ended 30/6/2006 \$</b>	<b>Audited Year Ended 30/6/2007 \$</b>
<b>Revenue</b>		
Finance revenue	<u>65,980</u>	<u>100,066</u>
	65,980	100,066
Other revenue	2,501	-
Salaries and employee benefits expense	(70,000)	(70,000)
Accounting and audit fees	(53,336)	(57,701)
Write down of deferred exploration, evaluation and development costs	(165,538)	-
Impairment loss on available for sale assets	-	(61,589)
Impairment loss on other financial asset	-	(643,358)
Allowance for doubtful debt – interest	-	(94,257)
Finance costs	-	(1,667)
Other expenses	(21,359)	(28,212)
<b>Loss before income tax</b>	<u>(241,752)</u>	<u>(856,718)</u>
Income tax expense	-	-
<b>Net loss for the year</b>	<u>(241,752)</u>	<u>(856,718)</u>
<b>Source:</b> Concentrated Capital - 2007 Annual Report		

**Concentrated Capital Limited**  
**Consolidated Cash Flow Statements**

	Audited Year Ended 30/6/2006 \$	Audited Year Ended 30/6/2007 \$
<b>Cash flows from operating activities</b>		
Interest received	49,497	33,964
Payments to suppliers and employees	(48,464)	(97,842)
GST refund received	17,021	12,267
Receipts from customers	13,501	-
Interest paid	-	(1,250)
Deferred exploration, evaluation and development costs	(23,108)	-
<b>Net cash flows provided by/(used in) operating activities</b>	<u>8,447</u>	<u>(52,861)</u>
<b>Cash flows from investing activities</b>		
Purchase of available-for-sale financial assets	(43,430)	-
<b>Net cash flows used in investing activities</b>	<u>(43,430)</u>	<u>-</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of ordinary shares	20,000	329,898
Payment of share issue costs	-	(22,797)
Proceeds from borrowings	-	50,000
<b>Net cash flows from financing activities</b>	<u>20,000</u>	<u>357,101</u>
Net increase/(decrease) in cash and cash equivalents	(14,983)	304,240
Cash and cash equivalents at beginning of period	55,610	40,627
<b>Cash and cash equivalents at end of period</b>	<u>40,627</u>	<u>344,867</u>
<b>Source:</b> Concentrated Capital - 2007 Annual Report		

## Marbletrent Pty Ltd

## Balance Sheets

	Unaudited 30/6/2006 \$	Unaudited 30/6/2007 \$
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	1,119,421	14,980
Trade and other receivables	5,426,446	6,484,528
Inventories	5,125,090	6,377,442
Other current assets	316,100	279,727
Total Current Assets	<u>11,987,057</u>	<u>13,156,677</u>
Non-Current Assets		
Property, plant and equipment	2,140,091	2,172,765
Intangible assets - Goodwill	13,741,651	6,864,449
Total Non-Current Assets	<u>15,881,742</u>	<u>9,037,214</u>
<b>TOTAL ASSETS</b>	<u>27,868,799</u>	<u>22,193,891</u>
<b>LIABILITIES</b>		
Current Liabilities		
Trade and other payables	4,945,914	4,235,632
Financial liabilities	271,632	492,141
Current tax liabilities	590,823	267,951
Short term provisions	473,665	482,142
Total Current Liabilities	<u>6,282,034</u>	<u>5,477,866</u>
Non-Current liabilities		
Financial liabilities	1,567,059	1,944,712
Total Non-Current Liabilities	<u>1,567,059</u>	<u>1,944,712</u>
<b>TOTAL LIABILITIES</b>	<u>7,849,093</u>	<u>7,422,578</u>
<b>NET ASSETS</b>	<u>20,019,706</u>	<u>14,771,313</u>
<b>EQUITY</b>		
Issued capital	18,465,700	18,465,700
Retained earnings/(losses)	1,554,006	(3,694,387)
<b>TOTAL EQUITY</b>	<u>20,019,706</u>	<u>14,771,313</u>
<b>Source:</b>	Marbletrent Unaudited Financial Statements – 30 June 2007	



## Marbletrent Pty Ltd

## Income Statements

	Unaudited Year Ended 30/6/2006 \$	Unaudited Year Ended 30/6/2007 \$
<b>Revenue</b>	<u>36,168,297</u>	<u>39,542,765</u>
Changes in inventories of finished goods and work in progress	895,864	1,252,352
Raw materials and consumables used	(20,393,056)	(25,738,680)
Employee benefits expense	(2,624,746)	(2,892,540)
Freight and cartage	(2,401,007)	(2,689,639)
Depreciation and amortisation	(305,805)	(245,047)
Impairment of intangible assets – <b>Note 1</b>	-	(6,877,202)
Commissions, rebates and discount expense paid	(3,310,974)	(3,701,351)
Finance costs	(114,871)	(214,751)
Other expenses	(5,861,145)	(3,018,604)
Profit before income tax	<u>2,052,557</u>	<u>(4,582,697)</u>
Income tax expense	(590,823)	(665,696)
Profit attributable to members of the entity	<u><u>1,461,734</u></u>	<u><u>(5,248,393)</u></u>
<b>Source:</b> Marbletrent Unaudited Financial Statements – 30 June 2007		

**Note 1** The impairment of intangible assets represents the write down of goodwill in Marbletrent's financial statements so that the net assets as at 30 June 2007 approximate \$15,000,000. The \$15,000,000 is the value for 100% of Marbletrent based on the price that CCL has negotiated to buy its 70% interest (subject to various adjustments). This is a non-cash charge and without this write down the net profit for the 2007 financial year would have been \$1,628,809.

## Marbletrend Pty Ltd

## Cash Flow Statements

	Unaudited Year Ended 30/6/2006 \$	Unaudited Year Ended 30/6/2007 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	36,168,297	38,773,139
Payments to suppliers and employees	(34,960,442)	(38,636,715)
Other income	43,424	-
Interest income	10,580	31,812
Finance costs	(71,770)	(214,721)
Income tax paid	-	(988,568)
<b>Net cash provided by / (used in) operating activities</b>	<u>1,190,089</u>	<u>(1,035,083)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	-	22,727
Payment for property, plant and equipment	(83,860)	(300,448)
<b>Net cash provided by/(used in) investing activities</b>	<u>(83,860)</u>	<u>(277,721)</u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	-	383,050
Repayment of borrowings	253,914	(406,783)
Dividends paid	(790,000)	-
<b>Net cash provided by / (used in) financing activities</b>	<u>(536,086)</u>	<u>(23,733)</u>
Net increase/(decrease) in cash held	570,143	(1,336,537)
Cash at beginning of period	549,278	1,119,421
<b>Cash at end of period</b>	<u>1,119,421</u>	<u>(217,116)</u>
<b>Source:</b> Marbletrend Unaudited Financial Statements – 30 June 2007		

**Concentrated Capital Limited****Sources of Information**

The following information has been relied upon in the preparation of this report:

- The Notice of Annual General Meeting and the Explanatory Memorandum which this report accompanies;
- Audited financial statements of CCL for the financial years ended 30 June 2006 and 2007;
- CCL announcements to NSX since 30 June 2006;
- Summary of daily share trades from NSX since 21 October 2005;
- Listing of all CCL share movements since 24 May 1999;
- Listing of CCL's top 20 shareholders as at 21 September 2007;
- Share Purchase Agreement between John Penman Patterns Pty Ltd, Concentrated Capital Limited, Allan McIntyre Penman, Janice Elisabeth Penman, Robert Gregory Walton and Iain McIntyre Penman dated 14 September 2007;
- ASIC searches for CCL and Marbletrend dated 27 September 2007;
- ASIC search for John Penman Patterns Pty Ltd dated 22 October 2007;
- Unaudited financial statements for Marbletrend for the financial years ended 30 June 2006 and 2007;
- McGrathNicol Advisory Partnership financial due diligence reports on Marbletrend dated 19 July 2007; and
- Discussions with directors and legal and corporate advisors of CCL and executives of Marbletrend.

## **PART 2 - FINANCIAL SERVICES GUIDE**

### **1. DMR Corporate**

DMR Corporate Pty Ltd (“DMR Corporate”) holds Australian Financial Services Licence No. 222050, authorizing it to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues and to carry on a financial services business to provide general financial product advice for securities to retail and wholesale clients.

### **2. Financial Services Guide**

This Financial Services Guide provides information to assist retail and wholesale clients in making a decision as to their use of the general financial product advice included in the independent reports (“Report”) prepared by DMR Corporate, the financial services offered by DMR Corporate, how DMR Corporate is remunerated and DMR Corporate’s complaints process.

### **3. Financial Services Offered by DMR Corporate**

DMR Corporate prepares Reports, which are provided to members of a company or other entity (“Entity”) for which DMR Corporate prepares the Reports. Reports are commissioned by an Entity and DMR Corporate’s client is the Entity to which it provides the Report.

All Reports prepared by DMR Corporate include a description of the circumstances of the engagement and of DMR Corporate’s independence of the Entity commissioning the Report and other parties to the transactions.

DMR Corporate does not accept instructions from retail clients. DMR Corporate provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. DMR Corporate does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

### **4. General Financial Product Advice**

In the Reports, DMR Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a Report having regard to their own objectives, financial situation and needs before acting on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

### **5. Remuneration**

DMR Corporate charges fees for providing Reports. These fees are agreed with, and will be paid by the Entity engaging us to provide the Report. Fees for Reports are based on a time cost or fixed fee basis and all fees are disclosed in the Reports.

Except for the fees referred to above, neither DMR Corporate, nor any of its directors, employees or associated entities receive any fees or other benefits, directly or indirectly, for or in connection with the provision of any Report.

### **6. Complaints Process**

As the holder of an Australian Financial Services Licence, DMR Corporate is required to have a system for handling complaints from persons to whom DMR Corporate provide financial services. All complaints must be in writing and sent to DMR Corporate at the above address.

DMR Corporate will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Industry Complaints Service Limited – PO Box 579 – Collins Street West, Melbourne Vic 3000.