



CADENCE
CAPITAL LIMITED

ACN 112 870 096

PROSPECTUS

For the Offer of

UP TO 25,000,000 FULLY PAID ORDINARY SHARES

AND UP TO 25,000,000 OPTIONS

AND A 1 FOR 1 BONUS OFFER OF UP TO

13,243,754 OPTIONS TO EXISTING SHAREHOLDERS

This Offer is not Underwritten

SPONSORING BROKER

Bell Potter
SECURITIES LIMITED

PRIME BROKER



DIRECTORY

Directors

Karl Siegling
Geoffrey Wilson
James Chirnside

Company Secretary

Karl Siegling

Registered Office

Level 11
131 Macquarie Street
Sydney NSW 2000
Telephone: (02) 8298 2444
Facsimile: (02) 8298 2499

Manager

Cadence Asset Management Pty
Limited
ACN 106 551 062
Level 11, 131 Macquarie Street
Sydney NSW 2000
(Australian Financial Services
Licence Number: 252745)
Telephone: (02) 8298 2444
Facsimile: (02) 8298 2499

Web: www.cadencecapital.com.au

Sponsoring Broker

Bell Potter Securities Limited
ABN 25 006 390 772
Level 29
101 Collins Street
Melbourne VIC 3000
AFS Licence No. 243480
Telephone (03) 9256 8700
Facsimile (03) 9256 8787

Licensed Dealer to the Offer

Cadence Asset Management
Pty Limited
ACN 106 551 062
Level 11
131 Macquarie Street
Sydney NSW 2000
(Australian Financial Services
Licence Number: 252745)
Telephone: (02) 8298 2444
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Share Registry

Registries Limited
Level 2, 28 Margaret Street
Sydney NSW 2000
Telephone: (02) 9290 9600
Facsimile: (02) 9279 0664

Prime Brokerage Facility

UBS , AG, Australia Branch
Level 25 Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Investigating Accountant

Moore Stephens Sydney Pty Limited
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20 Hunter Street
Sydney NSW 2000
Telephone: (02) 8236 7700
Facsimile: (02) 9233 4636

Solicitors to the Offer

Watson Mangioni Lawyers Pty
Limited
Level 13
50 Carrington Street
Sydney NSW 2000
Telephone: (02) 9262 6666
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Auditor

Moore Stephens Sydney
Level 7
20 Hunter Street
Sydney NSW 2000
Telephone: (02) 8236 7700
Facsimile: (02) 9233 4636

This Prospectus is dated 9 October 2006 and was lodged with the Australian Securities & Investments Commission (**ASIC**) on that day. No responsibility for the contents of this Prospectus is taken by the ASIC and the Australian Stock Exchange Limited (**ASX**) or any of their officers.

This document is important and requires your immediate attention. It should be read in its entirety. You may wish to consult your professional adviser about its contents.

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INDICATIVE TIMETABLE

Date of Prospectus	9 October 2006
Expected expiry of exposure period	16 October 2006
Public Offer to open	17 October 2006
Record Date to determine entitlements for Bonus Offer	23 November 2006
Public offer expected to close	24 November 2006
Expected despatch date for holding statements	27 November 2006
Trading of Shares and Options expected to commence on ASX	1 December 2006

The above dates are indicative only and may vary, subject to the requirements of the Listing Rules and the Corporations Act.

The Company reserves the right to close the Offer earlier than 24 November 2006 or extend the Closing Date.

IMPORTANT NOTICES

No Shares or Options will be issued on the basis of this Prospectus later than the expiry date of this Prospectus being the date 13 months after the date of this Prospectus.

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

Defined terms and abbreviations included in the text of this Prospectus are set out in the Glossary in Section 10.

The Company will apply to ASX for the Shares and Options to be listed for quotation on ASX within 7 days after the date of this Prospectus.

Offers under this Prospectus will be made pursuant to an arrangement between the Company and Australian Financial Services Licensees (**Licensees**) pursuant to Section 911A(2)(b) of the Corporations Act. The Company will only authorise Licensees to make offers to people to arrange for the issue of Shares and Options by the Company under the Prospectus and the Company will only issue Shares and Options in accordance with such offers if they are accepted.

Cadence Asset Management Pty Limited (**CAM**), the Licensed Dealer to the Public Offer, will deposit and deal with the Application Monies pursuant to this Prospectus. Any Application Form received which does not bear a Licensee's stamp will be forwarded to CAM.

CAM does not guarantee the success or performance of the Company or the returns (if any) to be received by investors.

Electronic Prospectus

The Prospectus is available in electronic form via CAM's website at <http://www.cadencecapital.com.au/prospectus> (**Electronic Prospectus**). The Offer or invitation to which the Electronic Prospectus relates is only available to persons receiving the Electronic Prospectus in Australia.

The Sponsoring Broker may make the Prospectus available on its website and may have an online application facility.

The Company will send to a person a copy of the paper Prospectus and paper Application Form free of charge if the person asks during the application period.

If you download the Electronic Prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. The Shares and Options offered under the Public Offer to which the Electronic Prospectus relates will only be issued on receipt of a printed copy of the Application Form.

How to Apply

An application for Shares and Options under the Public Offer and an application for Options under the Bonus Offer can only be made by completing and lodging the relevant Application Form attached at the back of this Prospectus. Detailed instructions on completing an Application Form can be found on the back of the Application Form. See Section 1.9 for more details.

When to Apply

Completed Applications must be received by Registries Limited prior to 5.00 pm (EST) on the Closing Date. The Directors may close the Public Offer at any time after expiry of the Exposure Period without prior notice or extend the Offer period in accordance with the Corporations Act. **Early lodgement of your Application is recommended as the Public Offer may be closed early.**

The Directors reserve the right to allocate any lesser number of Shares and Options than those for which an Applicant has applied. Where the number of Shares and Options allotted is fewer than the number applied for, surplus Application Monies will be refunded without interest.

Enquiries

Investors with questions on how to complete the Application Form or who require additional copies of the Prospectus should contact Karl Siegling or Aaron Quirk on (02) 8298 2444 or by email to karls@cadencecapital.com.au or aaronq@cadencecapital.com.au.



9 October 2006

Dear Investor

As Chairman of the Board of Directors, I am pleased to invite you to become a shareholder in Cadence Capital Limited (**Company**).

The Company offers investors an opportunity to participate in an actively managed portfolio of investments in Australian companies, managed on an absolute return basis, in a listed company structure. The Company has the potential to continue to deliver sound returns.

The original options issued by the Company to its original shareholders are due to expire on 31 October 2006. I believe that most current Shareholders will exercise their original options and this will significantly grow the assets of the Company. I consider that this then becomes a great opportunity to proceed with the listing of the Company on the ASX and accordingly, the Company has issued this Prospectus to raise further funds and seek ASX listing.

I am already a major Shareholder of the Company and intend to exercise my existing options. Following the exercise of those options through one or more associated entities, I will have an investment of more than \$2 million in the Company. This significant investment as well as the structure of management and performance fees closely aligns the interests of the Manager with the interests of Shareholders.

The Company delivered a gross performance of 35.02% for the 9 months ended 30 June 2006 and a 26.30% return after all fees and expenses for the same period. In addition, the Company paid an 8 cent fully franked dividend (made up of a 1.5 cent interim dividend, a 1.5 cent final dividend and a 5 cent special dividend) for the first nine months of operation reflecting a strong trading period.

The Public Offer under this Prospectus is an issue of Shares at a price equal to the NTA Before Tax as at 31 October 2006. For each Share subscribed for under the Public Offer an Applicant will also receive an Option exercisable at any time before 31 March 2008. The exercise price for the Options is equal to the NTA Before Tax as at 31 October 2006.

In addition to the Public Offer, the Existing Shareholders of the Company, (being the Shareholders as at 23 November 2006), will receive a 1 for 1 Bonus Offer of Options. Existing Shareholders **must** lodge an Application for Options prior to the Closing Date to receive Options under the Bonus Offer). Options will be issued on the same terms as the Options issued under the Public Offer. Listing of all Options will be sought on the ASX.

I encourage you to read this Prospectus carefully before making your investment decision, as it contains detailed information about the Company and the offer of Shares and Options to investors.

I recommend this Prospectus to you and look forward to welcoming you as a shareholder of Cadence Capital Limited.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Karl Siegling', written in a cursive style.

Karl Siegling
Chairman

1. INFORMATION FOR INVESTORS

This is a summary only. This Prospectus should be read in full before making any decision to apply for Shares and Options.

The performance of the Company is not guaranteed by the Manager or any adviser to the Company.

1.1 Background

The Company has been established to provide investors with access to the benefits of investments in Securities listed on the ASX and other Licensed Markets.

On 24 June 2005 Cadence Capital Limited (**Company**) issued a prospectus in relation to the initial public offering of up to 25,000,000 Shares together with 25,000,000 free attaching options at a subscription price of \$1.00 per Share to raise up to \$25,000,000. The Company raised \$5,050,700 under that prospectus and as the date of this Prospectus has grown its assets to approximately \$8,337,000.

The Company now wishes to raise further money through a Public Offer and seek listing on the ASX.

During the period while this Prospectus is open, the Company's existing options will expire. The Company anticipates that the majority of these options will be exercised by the existing holders.

A 1 for 1 Bonus Offer of Options to the Company's Existing Shareholders will also take place under this Prospectus. The Bonus Offer Options and the Options to be issued under the Public Offer will be on the same terms.

There is expected to be no change to the Company's investment strategy as a result of the Public Offer and Bonus Offer.

1.2 The Public Offer

The Company will offer for subscription up to 25,000,000 Shares and 25,000,000 Options. The Shares issued under the Public Offer will be issued at an issue price per share equal to the NTA Before Tax as at 31 October 2006. The expression "NTA Before Tax" when used in this Prospectus means the net tangible asset value per share after provision for dividends, operating costs, interest and fees. The Company expects that the NTA Before Tax as at 31 October 2006 and therefore the issue price will be between \$1.00 and \$1.20 or, if outside this range, as disclosed in a supplementary Prospectus issued by the Company.

For each Share issued, subscribers will receive 1 Option to subscribe for a Share at an exercise price equal to the NTA Before Tax as at 31 October 2006 exercisable at any time from the date of the grant of the Option until 31 March 2008.

1.3 Bonus Offer

The Bonus Offer is a bonus 1 for 1 offer of Options exercisable at a price equal to the NTA Before Tax as at 31 October 2006 per Option. No funds will be raised by the grant of the Options under the Bonus Offer. The Bonus Offer is made to all Shareholders on the share register of the Company at 5:00pm on the record date, being 23 November 2006 (**Record Date**). Applicants for Shares under the Public Offer will not participate in the Bonus Offer. The total number of Options which may be issued under the Bonus Offer is up to approximately 13,500,000. The actual total number of Options to be issued under the Bonus

Offer cannot be determined until the number of existing options that are exercised by 31 October 2006 is known. See the capital structure table in Section 1.6 for further detail.

If you are an Existing Shareholder, the number of Options under the Bonus Offer which you will be issued will be shown on the Option holding statement sent to you following the close of the Public Offer.

To receive your Options under the Bonus Offer, Existing Shareholders **must** complete and return an Application by the Closing Date of the Bonus Offer.

1.4 Management of the Portfolio

The Portfolio is managed by Cadence Asset Management Pty Limited (**Manager**). The Manager holds an Australian Financial Services Licence (**AFSL**) (Licence Number: 252745). See Section 8.1 for details of the Management Agreement.

The Manager is a management company owned by an entity associated with Karl Siegling, a Director of the Company.

The Manager has entered into a revenue sharing arrangement with MAM Pty Limited (**MAM**), a management company owned by an entity associated with Geoffrey Wilson, a Director of the Company. See Section 8.2 for details of this arrangement.

1.5 Management Fee & Performance Fee

The Manager will receive a management fee of 0.08333% of gross value of the Portfolio per month. Over a full year, the monthly management fee will be comparable to a fee of 1% of the gross value of the Portfolio per annum.

For the purposes of calculating the management fee, the **gross value** of the Portfolio will be the value of all investments without deduction of funds borrowed to acquire those assets. Accordingly, if leverage is employed, the total value of the Securities held in the Portfolio will be used to calculate the gross value of the Portfolio.

Where the Portfolio has increased in value over the performance calculation period, the Manager will also be entitled to a performance fee of:

- (a) where the level of the All Ordinaries Accumulation Index has increased over that period, 20% of the amount by which the value of the Portfolio exceeds this increase; or
- (b) where the All Ordinaries Accumulation Index has decreased over that period, 20% of the amount of the increase in the value of the Portfolio.

No performance fee will be payable to the Manager in respect of any performance calculation period where the Portfolio has decreased in value over that period. See Section 8.1 for details.

The Company will also pay any GST payable in respect of any of the above fees.

1.6 Capital Structure

The Directors intend to apply the funds raised from the Public Offer and any subsequent amount raised from the exercise of the Options for further investment consistent with the investment objectives and investment process set out in Section 2.

The capital structure of the Company following the issue of the Shares and Options under the Public Offer and the Bonus Offer will be as follows:

	90%/ 10 million¹	100%/ 10 million²	90%/ 25 million³	100%/ 25 million⁴
Number of Shares on Issue				
Existing Shares at 30 June 2006	6,289,182	6,289,182	6,289,182	6,289,182
Options exercisable by 31 October 2006	5,638,664	6,265,182	5,638,664	6,265,182
Total Shares held by Existing Shareholders before Public Offer	11,927,846	12,554,364	11,927,846	12,554,364
Estimated Shares issued under Public Offer	10,000,000	10,000,000	25,000,000	25,000,000
Total Shares after close of Public Offer	21,927,846	22,554,364	36,927,846	37,554,364
Number of Options on Issue				
Options on offer to new Shareholders under Public Offer	10,000,000	10,000,000	25,000,000	25,000,000
Bonus Options offered to Existing Shareholders	11,927,846	12,554,364	11,927,846	12,554,364
Total Options on issue after close of Public Offer and Bonus Offer	21,927,846	22,554,364	36,927,846	37,554,364

Notes:

1. The column headed 90%/10 million has been prepared on the assumption that 90% of all of the options on issue on 30 June 2006 are exercised on or before 31 October 2006 and the Company receives Applications under the Public Offer for 10 million Shares.
2. The column headed 100%/10 million has been prepared on the assumption that 100% of all of the options on issue on 30 June 2006 are exercised on or before 31 October 2006 and the Company receives Applications under the Public Offer for 10 million Shares.
3. The column headed 90%/25 million has been prepared on the assumption that 90% of all of the options on issue on 30 June 2006 are exercised on or before 31 October 2006 and the Company receives Applications under the Public Offer for 25 million Shares.
4. The column headed 100%/25 million has been prepared on the assumption that 90% of all of the options on issue on 30 June 2006 are exercised on or before 31 October 2006 and the Company receives Applications under the Public Offer for 25 million Shares.

1.7 Risk Factors

An investment in the Company is speculative and involves a number of risks. While the Directors intend to use and intend to instruct the Manager to use prudent management techniques to minimise the risks to Shareholders, no assurances can be given by the Company as to the success or otherwise of its investments.

Investors should consider the risk factors identified in this Prospectus, particularly those identified in Section 6, before applying for Shares and Options.

1.8 Offers not Underwritten

The Offers are not underwritten.

1.9 Applications for Shares & Options

Applications for Shares and Options under the Public Offer and Bonus Offer must be made and will only be accepted on the Application Forms issued with and attached to this Prospectus.

Offers under this Prospectus will be made pursuant to an arrangement between the Company and Licensees pursuant to Section 911A(2)(b) of the Corporations Act. The Company will only authorise Licensees to make offers to people to arrange for the issue of Shares and Options by the Company under the Prospectus and the Company will only issue Shares and Options in accordance with such offers if they are accepted.

Any Application Form received which does not bear a Licensee's stamp will be forwarded to CAM.

The Sponsoring Broker may make the Prospectus available on its website and may also offer an online application facility. Investors wishing to use that online application facility should follow the instructions on how to apply on that website.

Except for Applications made through the website of the Sponsoring Broker, there is no facility for online Applications. However, Applicants may obtain copies of this Prospectus from the website of CAM or the Sponsoring Broker.

An Application Form must be completed in accordance with the instructions set out on the reverse side of the Application Form. Applications under the Public Offer must be for a minimum of \$2,000 of Shares. For each Share applied for the Applicant under the Public Offer will receive an Option. Applications for Options cannot be made separately under the Public Offer.

Applications under the Public Offer must be accompanied by payment in Australian currency. Cheques must be made payable to "Cadence Capital Limited – Float Account" and crossed "Not Negotiable". Payments by cheque will be deemed to have been made when the cheque is honoured by the bank on which it is drawn.

Applications under the Bonus Offer do not require payment of any monies.

No stamp duty or brokerage is payable by Applicants. The amount payable on Application will not vary during the period of the Offer and no further amount is payable on allotment of the Shares.

Completed Application Forms and, in the case of Applications under the Public Offer, accompanying cheques must be forwarded to:

Cadence Capital Limited
C/- Registries Limited
PO Box R67
Royal Exchange
Sydney NSW 1223

A street address for Registries Limited is set out in the directory at the front of this Prospectus.

A binding contract to issue Shares and Options under the Public Offer will only be formed at the time Shares are allotted and Options granted to Applicants.

No Applications will be accepted (and no Securities will be issued under this Prospectus) until after the Exposure Period. The ASIC may extend the Exposure Period to not more than 14 days by giving written notice to the Company.

1.10 ASX Listing

Application will be made to ASX within 7 days after the date of this Prospectus for the Company to be listed on the ASX and for quotation of the Shares and Options issued pursuant to this Prospectus and all other Shares on issue as at the date of such quotation.

The fact that ASX may list the Company is not to be taken as an indication of the merits of the Company or the Shares or Options. ASX quotation, if granted, will commence as soon as practicable after holding statements are dispatched.

The Directors do not intend to allot any Shares and Options under the Public Offer or Bonus Offer unless and until ASX grants permission for the Shares and Options to be listed for quotation unconditionally or on terms acceptable to the Directors. If permission is not granted for the Shares and Options to be listed for quotation before the end of 3 months after the date of this Prospectus or such longer period permitted by the Corporations Act with the consent of ASIC, all Application Monies received pursuant to the Prospectus will be refunded without interest to Applicants in full within the time prescribed by the Corporations Act.

1.11 Allotment

No allotment of new Shares and Options will be made until permission has been granted by ASX for quotation of the Shares and Options unconditionally or on terms acceptable to the Directors. It is expected that allotment of the Shares and Options will take place by 1 December 2006.

The Company will forward all Application Forms it receives which do not bear a Licensee's stamp to CAM. All Application Monies pursuant to the Public Offer will be held in a subscription account until allotment. This account will be established and kept by CAM on behalf of the Applicant.

An Application constitutes an offer by the Applicant to subscribe for Shares and Options on the terms and subject to the conditions set out in this Prospectus. Where the number of Shares and Options allotted is less than the number applied for or where no allotment is made, the surplus Application Monies will be returned by cheque within 7 days of the Closing Date. Interest will not be paid on the refunded Application Monies.

1.12 CHESS

The Company will apply to ASX to participate in the Securities Clearing House Electronic Sub register System known as CHESS. CHESS is operated by the ASX's Securities Clearing House (**SCH**) in accordance with the ASX Listing Rules and the ASTC Settlement Rules. Under CHESS, the Company will not issue certificates to investors. After allotment of Shares, Shareholders will receive a CHESS statement.

CHESS statements which are similar to bank account statements, will set out the number of Shares allotted to each Shareholder pursuant to this Prospectus. The statement will also advise holders of their holder identification number and explain for future reference the sale and purchase procedures under CHESS.

Further statements will be provided to holders which reflect any changes in their shareholding in the Company during a particular month.

1.13 Overseas Shareholders

The Public Offer is available to persons in Australia only. The Public Offer and the Bonus Offer do not constitute offers in any place in which, or to any person to whom, it would be unlawful to make such an offer.

No action has been taken to register or qualify the Shares or Options, or to otherwise permit a public offering of Shares or Options in any jurisdiction outside Australia.

The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

1.14 Broker and Adviser Handling Fees

Where the Application Form of an Applicant who receives Shares and Options under the Public Offer is received from a Licensee, the Company will pay that participating organisation a handling fee of an amount equal to 2% (excluding GST) of the total amount paid by the Applicant for the Shares and Options received under the Application, other than in respect of applications received by CAM.

1.15 Minimum Subscription

It is an ASX requirement for admission of the Company to the official list that, at the time of admission, the Company has net tangible assets of at least \$15 million after deducting the costs of the Offer.

As at 21 September 2006 the net tangible assets of the Company was \$7,808,945. To satisfy the ASX listing requirement, the net tangible assets of the Company must increase by a further \$7,191,055.

The Directors consider that the assets of the Company, and therefore the net tangible assets of the Company, will substantially increase as a result of the exercise of the options that are currently on issue and which are due to expire on 31 October 2006. Accordingly, the minimum subscription for the Public Offer is the receipt of Applications for sufficient Shares to ensure that, after taking account of the increase in net tangible assets as a result of the exercise of options, and deduction of costs of the Offers, the Company has net tangible assets of at least \$15 million. By way of example only, assuming no options are exercised after 21 September 2006 and there is no reduction in the net tangible assets of the Company as a result of the diminishing value of assets over that period, the minimum subscription will be \$7,543,625.

2. INFORMATION ON CADENCE CAPITAL LIMITED

2.1 Overview

The Company was incorporated on 9 February 2005 and intends to provide investors with the opportunity to invest in an actively managed portfolio of Australian Securities. The Company invests in Securities listed on the ASX.

The Portfolio comprises investments in the Securities of 20 to 80 entities. The Manager believes that sufficient diversification of the Portfolio is achieved by investing in Securities of at least 20 entities. As well as investing in companies, the Manager has also the ability to short sell Securities to obtain a benefit from an anticipated fall in price of a particular Security. The Manager also intends to obtain additional exposure to the market by having the Company borrow up to a maximum of one dollar of borrowings for every dollar of equity in the Company and using those borrowings to purchase additional Securities.

While the Company operates as an investment company, it is expected that the Portfolio will be actively traded. Accordingly, the Company does not anticipate that it will be considered a listed investment company for the purposes of the Income Tax Assessment Act 1997.

The Company focuses on active capital management. This may involve buying-back its Shares when Shares are trading at a sizeable discount to net tangible asset backing and the issue of other Securities through bonus issues, rights issues and option issues, with a view to enhancing the value of the Securities held by investors. The Company also maintains a dividend reinvestment plan. See Section 9.9 for details.

2.2 Investment Objectives

The three principal investment objectives of the Company are:

- to ensure that the Portfolio is managed on an absolute return basis;
- to achieve a high real rate of return, comprising both income (fully franked dividends) and capital growth, within risk parameters acceptable to the Manager and Directors; and
- to provide investors with a co-investment opportunity alongside the Manager.

The Manager seeks to achieve this by actively managing a concentrated portfolio of Securities. When opportunities to invest in suitable Securities cannot be found the Manager may reduce the level of debt employed and accumulate a significant cash position. In addition, if the Manager is able to identify Securities that satisfy the investment strategy, short selling of these Securities may be undertaken.

2.3 Investment Philosophy

The Manager seeks to accumulate a core group of investments with strong fundamentals and a share price trend *consistent* with these fundamentals. At the same time the Manager will seek to supplement this core group of investments with trading opportunities that arise in respect of:

- Securities listed on the ASX and other Licensed Markets;
- Securities listed concurrently on the ASX and another securities exchange outside Australia (**Dual Listed Securities**); and

- Proposed new listings on the ASX and other Licensed Markets and proposed new Dual Listed Securities.

The differing nature of core investments and trading opportunities results in a portfolio of Securities with diverse ownership durations, as well as differing concentration constraints.

The Manager believes that greater returns are made from core investments over the long term and that trading opportunities should be viewed as supplementing returns. Consequently, the majority of the Manager's time and effort will be spent seeking long-term core investment opportunities. Trading opportunities tend to be cyclical in nature and are often closely correlated with the level of activity in the market. The level of activity in the market will also impact on the level of debt employed in the Portfolio.

The Manager believes that Security values and prices move in trends. The Manager believes Securities that display *consistent* fundamental and technical trend characteristics have a greater probability of producing higher rates of return than Securities with *inconsistent* fundamental and technical trend characteristics.

2.4 Investment Strategy

The Manager's strategy is designed to capture not only necessary fundamental information but also the underlying trend for a particular Security. This process reflects the Manager's belief that Security prices are influenced by fundamental information, and the belief that markets and Security prices behave in trends.

It is the Manager's belief that markets and Securities trend for three reasons:

- information is dispersed slowly through markets;
- contrary to general economic theory, a rise in prices can lead to an increase in demand for a Security rather than a decrease; and
- economies are inherently cyclical and Security prices are similarly influenced.

Using both fundamental and technical trend analysis, the Manager separates the Portfolio into core investments and trading opportunities.

The key difference between a core investment and a trading opportunity is the level of fundamental research undertaken prior to investment. While a trading opportunity may be selected based on consensus estimates of fundamental information, this is not the case for a core investment. More detailed research is necessarily undertaken for a core investment, including several discussions with the management of the company in which the potential investment may be made, detailed industry research and the generation of an in-house financial model for the potential investment.

The Manager believes that the implementation of both fundamental and technical trend analysis (as outlined below) has a greater probability of producing higher rates of return than fundamental or technical trend analysis alone. The process of aligning the two forms of analysis outlined below is a key differentiator of the Manager's investment management style.

The key information used by the Manager in assessing potential investments is outlined below.

Fundamental Analysis

The Manager accumulates historical information and estimates for the **next** two years on each of the following:

- earnings per share growth;
- free cash-flow per share;
- free cash-flow to price yield per share;
- price / earnings multiples;
- price / earnings to growth multiples;
- enterprise valuations and multiples; and
- balance sheet strength, particularly, debt and cash levels.

Technical Trend Analysis

- The Manager accumulates technical information on:
- the short-term (one year) share price and share volume indicators (short term trend);
- the long-term (five year) share price and share volume indicators (long term trend);
- the average weekly volume of shares traded; and
- the average number of days required to sell a parcel of shares.

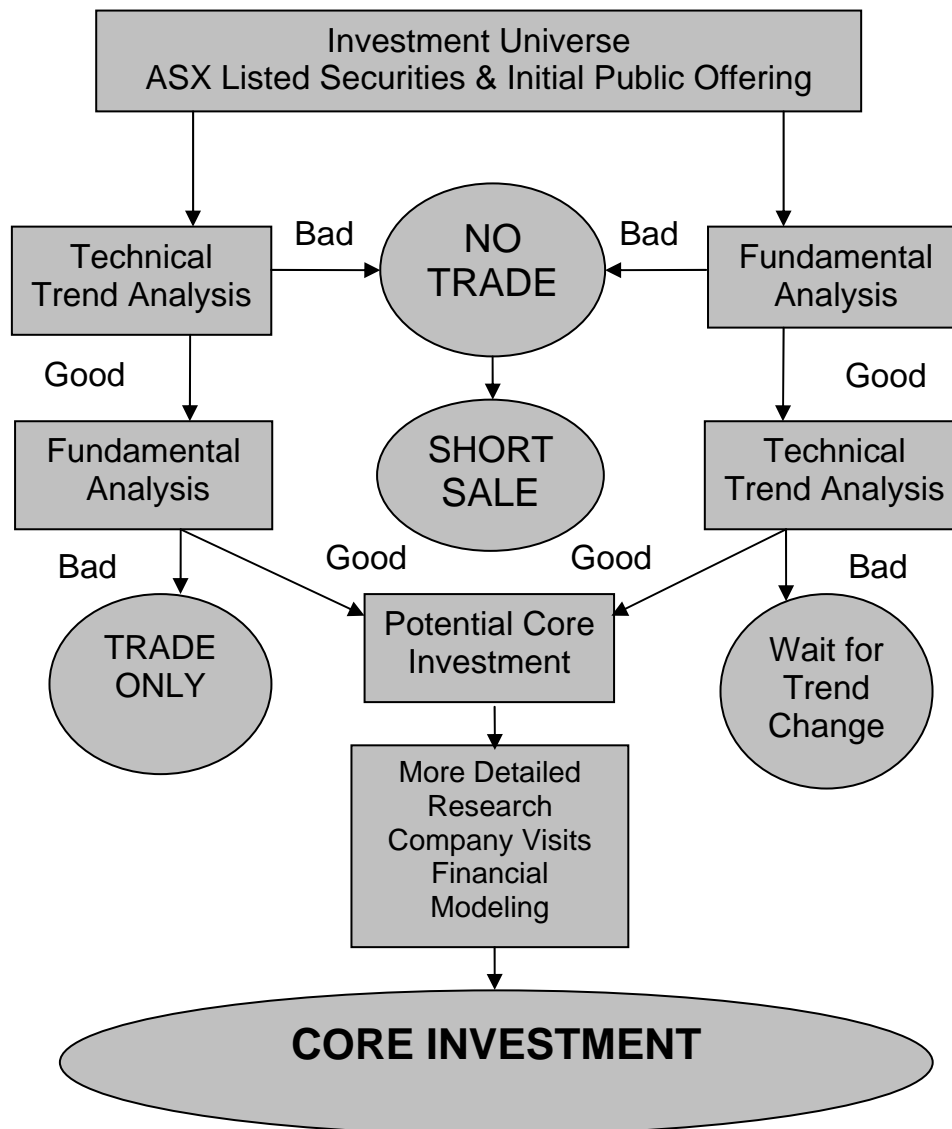
2.5 Investment Process

The investment universe for the Manager consists of:

- Securities listed on the ASX and other Licensed Markets;
- Dual Listed Securities; and
- proposed new listings on the ASX and proposed new Dual Listed Securities.

The fundamental and technical trend analysis outlined above will be carried out on a continual basis and will act as a continuous filtering process.

The investment process outlined is illustrated diagrammatically below:



The Investment process employed requires that:

- a core investment must rank well on both fundamental and technical trend analysis;
- a short sale must rank poorly on both fundamental and technical trend analysis;
- a trading opportunity may not necessarily satisfy fundamental analysis but should satisfy technical trend analysis;
- a core investment should not be undertaken until such time as both the fundamental analysis and the technical trend analysis are consistent; and
- a core investment should not be undertaken until such time as the Manager has carried out discussions with the management of the company, detailed industry research has been undertaken and a financial model for the company has been built.

This filtering process helps the Manager to rank Securities relative to each other. This relative ranking between Securities helps to define the relative risk / reward basis on which Securities are currently trading. This ongoing process helps to identify Securities that

display better risk / reward characteristics than generally available in the market at any given time.

2.6 Composition of the Portfolio and Risk

The Manager targets 20 to 40 core investments and anything from 0 to 40 trading opportunities in the Portfolio to ensure sufficient spread of businesses as well as industry diversification. The overall Portfolio may vary from between 0 to 80 Securities depending on investment opportunities. The Manager may construct a Portfolio comprising of any combination of cash, investment and debt, theoretically ranging from 100% cash and 100% short sold through to 200% invested (i.e. 100% invested with 100% debt employed).

The capacity to short sell Securities, as well as employ debt, is designed to ensure the Manager has flexibility to implement an absolute return strategy.

The maximum leverage the Manager can employ in the Portfolio is \$1 of debt for every \$1 of equity, or 100% debt. Short positions will be accounted for as debt.

It is unlikely, although not impossible, that any individual investment will account for more than 20% of the value of the equity of the Portfolio.

Short sales of Securities involve sales of Securities which, at the time of the transaction, are not owned by the seller. To effect settlement, the seller or his agent borrows the Securities. At a later date, the seller purchases the Securities short sold. A seller of short sold Securities may incur losses if the price of the Securities increases.

The short sale of Securities is regulated by the Corporations Act and the ASTC Settlement Rules and the Manager intends to comply with the relevant rules and legislation.

2.7 Permitted Investments

Under the Management Agreement, the Manager is permitted to undertake investments on behalf of the Company.

The Manager may make the following investments:

- (a) ASX listed Securities;
- (b) listed Securities on any global stock market where the Security is also concurrently listed on the ASX;
- (c) Securities listed on Licensed Markets, including Shares and Options, warrants and options to purchase or sell any investment;
- (d) certain bills of exchange, promissory notes or other negotiable instruments;
- (e) deposits with any bank or corporation declared to be an authorised dealer in the short-term money market;
- (f) debentures, unsecured notes and bonds of a corporation;
- (g) units or other interests in cash management trusts; and
- (h) any other financial products the Manager may use in the management of the Portfolio in accordance with its AFSL.

See Section 8.1 for details about the Management Agreement.

2.8 Reports to Shareholders

To assist Shareholders to assess the value of Shares and Options and to comply with the Listing Rules, within 14 days after the end of each month the Company will release to Shareholders through the ASX a statement of the net tangible asset backing of its Shares as at the end of the preceding month. The calculation of the net tangible asset backing of Shares will be made in accordance with the Listing Rules.

The Company will provide to holders of Shares and Options on request, free of charge, a copy of any statements to Shareholders made through the ASX including the net tangible asset backing of Shares from time to time.

2.9 Prime Broker and Custody Arrangements

The Company has appointed UBS AG, Australia Branch (**UBS AG**) to be prime broker and UBS Nominees Pty Limited to be custodian to the Company, pursuant to a prime brokerage agreement and a custodian agreement.

In accordance with the terms of these agreements (together, the **Prime Broker Agreements**), UBS AG will settle and may finance transactions for the Company. A related entity of UBS AG, the Custodian, will also provide certain custodial services in respect of assets of the Company deposited with it for that purpose.

The fees of UBS AG and the Custodian are payable out of the Company. UBS AG has no decision-making discretion relating to the investment of the assets of the Company and makes no representation in respect of the Company or the investment of the assets.

Certain assets of the Company will, subject to the following paragraph, be held by the Custodian in segregated accounts together with assets deposited by it or UBS AG's other customers. Such assets will not be mixed with the property of the Custodian or UBS AG and should not be available to third party creditors of the Custodian or UBS AG in the event of insolvency of the Custodian or UBS AG (as the case may be). However, the assets of the Company held by a Custodian will be subject to a charge to secure the Wholesale Fund's obligations to UBS AG.

The liability of the Company to UBS AG in respect of any transactions settled or financed on behalf of the Company will be secured by transferring to UBS AG by way of security, title to certain investments, cash or other assets of the Company (together referred to as collateral). UBS AG is entitled to sell, lend or otherwise use any collateral for their own purposes, subject to an obligation to return equivalent Securities or cash value. Such collateral is not segregated from UBS AG's own property and may be available to third party creditors of UBS AG in the event of the insolvency of UBS AG.

As the Manager is responsible for managing the Portfolio, the Manager will give all instructions to UBS AG on behalf of the Company and, to the extent possible, will carry out the Company's obligations under the Prime Broker Agreements.

Under the Prime Broker Agreements, UBS AG shall not be responsible for and is not liable for any loss on settlement of a transaction, any acts or omission of the executing broker, its employees or agents, non-compliance with any regulatory requirements to report transactions, refusing to settle a transaction or failing to notify the Company of its failure to settle a transaction.

Where the Manager intends to short-sell Securities it is anticipated that the Securities will be borrowed from UBS AG (the **Securities Lender**) by the Company under an Australian Master Securities Lending Agreement (**Securities Lending Agreement**). Under the terms of the Securities Lending Agreement, the Company may seek to borrow the Securities by serving a Securities Lender with a borrowing request. If the Securities Lender accepts the borrowing request, the Securities Lender will deliver the Securities borrowed by the Company or as the Company directs.

The Company has an obligation to redeliver the Securities borrowed or equivalent Securities on an agreed date or otherwise the Securities Lender may call for the redelivery at any time by giving notice of not less than the standard settlement time for such equivalent Securities. The Company must provide collateral to secure its obligations under the relevant Securities Lending Agreement. The amount of collateral is the value of the Securities borrowed plus a margin. In the event that the value of the Securities borrowed plus the margin exceeds the collateral provided, further collateral will need to be delivered so that the collateral equals the value of Securities borrowed plus the margin.

UBS AG and the Custodian are service providers to the Company and are not responsible for the preparation of this document or the activities of the Company and therefore accept no responsibility for any information contained in this document. UBS AG and the Custodian will not participate in the investment decision-making process.

See Sections 8.4 to 8.8 for further information.

3. INFORMATION ON THE MANAGER

3.1 Business of the Manager

The Manager was incorporated on 3 October 2003 to undertake the management of investment companies and funds. The Manager is a management company owned by an entity associated with Karl Siegling. See Section 1.4 and 9.11 for details.

The Company's business strategy is implemented by the Manager in accordance with the Management Agreement. Karl Siegling is the Managing Director of the Manager. The Manager currently provides investment management services to the Wholesale Fund and Cadence Capital Limited. See Section 3.2 and 3.3 for details about Cadence Capital Limited and the Wholesale Fund respectively.

Details of the Management Agreement are set out in Section 8.1.

3.2 Performance History – Cadence Capital Limited

The performance history of the Company over the past 11 months to August 2006 is shown below.

	Monthly Performance						Aggregate Performance
	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	6 months
Cadence Capital Limited Gross	0.34%	1.75%	4.04%	7.64%	4.29%	5.08%	25.30%
Cadence Capital Limited Post Fees	-0.57%	2.27%	3.73%	6.66%	3.52%	5.14%	22.47%
All Ords Accumulative Index	-3.83%	4.40%	3.04%	3.65%	0.70%	4.81%	13.16%
Small Ords Accumulative Index	-3.74%	2.98%	1.45%	3.76%	2.13%	6.32%	13.31%
	Apr-06	May-06	Jun-06	Jul-06	Aug-06		11 months
Cadence Capital Limited	5.59%	2.36%	-1.75%	-1.78%	2.70%		34.21%
Cadence Capital Limited Post Fees	4.95%	0.87%	0.75%	-1.78%	2.88%		30.03%
All Ords Accumulative Index	2.40%	-4.34%	1.86%	-1.51%	3.18%		14.73%
Small Ords Accumulative Index	1.02%	-4.02%	1.13%	-0.43%	3.72%		14.74%

The performance table for the relevant periods has been calculated on the basis of the following assumptions:

- This performance table sets out the performance of Cadence Capital Limited commencing from October 2005 until 31 August 2006.
- Cadence Capital Limited had \$7.4 million under management as at 30 June 2006.
- Cadence Capital Limited's performance set out above reflects percentage changes in the value of its net assets.
- The Company's portfolio, including long and short positions, is calculated by reference to the last sale price on the ASX for each investment on the last trading day of each month.
- Dividends, interest and other distributions are included on an accruals basis.
- The performance of the Company has been calculated after the payment of management and performance fees. Management and performance fees are

calculated in accordance with the Management Agreement (as amended) (refer to Section 8.1 of the Prospectus).

- (g) The performance of the Company has been calculated after the payment of Custodian fees.
- (h) The performance of the Company has been calculated before income tax expense. It is believed that the inclusion of performance of the Company before income tax allows the performance to be compared to similar funds and the ASX All Ordinary Accumulation and ASX Small Ordinary Accumulation Indexes.
- (i) The source data to 30 June 2006 has been drawn from audited financial statements of the Company.
- (j) For the period 1 July 2006 to 31 August 2006, the performance data has been subject to review only and has not been audited.
- (k) Share purchases or sales for the Company in a month have been adjusted in determining the performance of the Company. New shares issued have been based on the Company's net tangible asset backing on the last day of the previous month.
- (l) The Company's performance has been presented as a percentage in order to compare it with the ASX All Ordinary Accumulation Index and ASX Small Ordinary Accumulation Index.
- (m) The Company's performance does not take into account any value derived through imputation credits.
- (n) The Company's performance has been calculated in accordance with the Australian Accounting Standards applicable as at 30 June 2006.

Past performance of the Company managed by the Manager is not indicative of the future performance of the Company.

3.3 Performance History – Wholesale Fund

In addition to the Company, the Manager currently manages the Wholesale Fund, a wholesale unit trust with similar investment objectives and investment strategies to those employed by the Company. The Wholesale Fund has a range of investments comparable to those held by and proposed for the Company.

The performance history of the Wholesale Fund over the past 34 months to August 2006 is shown below.

Quarterly Performance

Aggregate
Performance

	Jan-04	Apr-04	Jul-04	Oct-04	12 months
Wholesale Fund Gross	15.98%	1.87%	11.15%	13.71%	49.33%
Wholesale Fund Post Fees	12.44%	1.28%	9.65%	11.01%	38.61%
All Ords Accumulative Index	0.79%	5.03%	4.90%	8.16%	20.10%
Small Ords Accumulative Index	0.94%	1.84%	7.83%	12.52%	24.71%
	Jan-05	Apr-05	Jul-05	Oct-05	24 months
Wholesale Fund Gross	8.35%	-6.66%	6.68%	7.41%	73.06%
Wholesale Fund Post Fees	6.80%	-5.91%	5.46%	5.83%	55.46%
All Ords Accumulative Index	9.20%	-2.78%	11.01%	2.93%	45.70%
Small Ords Accumulative Index	7.06%	-7.70%	13.24%	4.76%	46.18%
	Jan-06	Apr-06	Jul-06	Aug-06	34 months
Wholesale Fund Gross	12.26%	11.51%	-1.12%	1.83%	118.14%
Wholesale Fund Post Fees	10.52%	9.99%	-0.90%	1.65%	90.35%
All Ords Accumulative Index	11.49%	8.08%	-4.04%	3.18%	73.82%
Small Ords Accumulative Index	8.40%	9.69%	-3.35%	3.72%	74.24%

The performance table for the relevant periods has been calculated on the basis of the following assumptions:

- (a) This performance table sets out the performance of the Wholesale Fund only from inception, being November 2003, until 31 August 2006.
- (b) At 30 June 2004, there was \$6.6 million of funds under management in the Wholesale Fund, contributed by 10 investors. At 30 June 2005, this had increased to \$8.4 million of funds under management, contributed by 13 investors. At 30 June 2006, based on audited financial statements, there was \$10.9 million of funds (post distribution) under management, contributed by 16 investors.
- (c) The Wholesale Fund's performance set out above reflects percentage changes in the value of the Wholesale Fund's net assets attributable to unitholders.
- (d) The Wholesale Fund's portfolio, including long and short positions, is calculated by reference to the last sale price on the ASX for each investment on the last trading day of each month.
- (e) Dividends, interest and other distributions are included on an accruals basis.
- (f) The performance of the Wholesale Fund has been calculated after the payment of management and performance fees. Management and performance fees on the Wholesale fund are calculated in accordance with the trust deed. Management fees for the Wholesale Fund are 1% of gross assets under management. Performance fees for the Fund are 20% of net profits generated within the Wholesale Fund.
- (g) The performance of the Wholesale Fund has been calculated after the payment of Custodian fees.
- (h) The performance of the Wholesale Fund has been calculated before income tax expense. It is believed that the inclusion of performance of the Wholesale Fund before income tax allows the performance to be compared to similar funds and the ASX All Ordinary Accumulation and ASX Small Ordinary Accumulation Indexes.
- (i) The source data to 30 June 2006 has been drawn from audited financial statements of the Wholesale Fund.

- (j) For the period 1 July 2006 to 31 August 2006, the performance data has been subject to review only and has not been audited.
- (k) Contributions or withdrawals for the Wholesale Fund in a month have been adjusted in determining the performance of the Wholesale Fund. New units issued have been based on the Wholesale Fund's closing unit price in the previous month.
- (l) The Wholesale Fund's performance has been presented as a percentage in order to compare it with the ASX All Ordinary Accumulation Index and ASX Small Ordinary Accumulation Index.
- (m) The Wholesale Fund's performance does not take into account any value derived through imputation credits.
- (n) The Wholesale Fund's performance has been calculated in accordance with the Australian Accounting Standards applicable as at 30 June 2006.

Past performance of the Wholesale Fund managed by the Manager is not indicative of the future performance of the Company.

3.4 Background of the Manager

The representative of the Manager primarily responsible for making investment decisions is Karl Siegling.

Karl Siegling BComm. LLB, MBA (INSEAD), SIA

Karl Siegling has over 10 years investment experience in the financial services sector both in Australia and overseas. Karl holds a Bachelor of Commerce and a Law degree from the University of Melbourne as well as a MBA from INSEAD in France specialising in Finance and Entrepreneurial Endeavours. Karl has also completed the Post Graduate Diploma in Finance with the Securities Institute of Australia.

Karl commenced work in the financial services sector in Australia with Deutsche Morgan Grenfell (as it was then known). There he gained experience as a proprietary trader in overnight currencies and later traded bonds and bond options on the Sydney Futures Exchange. Subsequently, he worked within the Equities Research Division of Deutsche Morgan Grenfell specialising in small and medium capitalisation stocks and in particular in the food, retail and transport sectors within Australia.

While completing his MBA, Karl worked with Goldman Sachs in the London Equities Division.

Upon returning to Australia, Karl was the Managing Director of eFinancial Capital Limited (a subsidiary of Challenger International Limited (as it was then known)). eFinancial Capital Limited was a private equity fund with pooled development fund status, which focussed on investing early stage and expansion capital. The fund invested in financial services and internet based technology companies based in Australia.

For the two and a half years immediately proceeding the establishment of the Manager, Karl worked as a consultant for Wilson Asset Management (International) Pty Limited (**WAMI**) researching stocks for the Wilson group of funds.

For the past three years Karl has been the Managing Director of the Manager responsible for managing the Wholesale Fund as well as the Company.

4. FINANCIAL INFORMATION

4.1 Pro Forma Balance Sheets

The pro forma Balance Sheets set out below have been prepared to illustrate the financial position of the Company following completion of the Public Offer. These pro forma Balance Sheets are intended to be illustrative only and will not reflect the actual position and balances as at the date of this Prospectus or at the conclusion of the Public Offer.

	Actual 2006 ¹	Scenario 1 ²	Scenario 2 ²	Scenario 3 ²	Scenario 4 ²
	\$	\$	\$	\$	\$
Assets					
Cash and cash equivalents	1,209,782	17,563,618	18,143,653	33,790,141	34,300,451
Trade and other receivables	1,007,079	1,007,079	1,007,079	1,007,079	1,007,079
Financial assets	6,224,579	6,224,579	6,224,579	6,224,579	6,224,579
Deferred tax liabilities	34,262	34,262	34,262	34,262	34,262
Total assets	8,475,702	24,829,538	25,409,573	41,056,061	41,566,371
Liabilities					
Trade and other payables	565,444	565,444	565,444	565,444	565,444
Unallocated applications	115,000	115,000	115,000	115,000	115,000
Current tax liabilities	125,199	125,199	125,199	125,199	125,199
Deferred tax liabilities	262,131	262,131	262,131	262,131	262,131
Total Liabilities	1,067,774	1,067,774	1,067,774	1,067,774	1,067,774
Net Assets	7,407,928	23,761,764	24,341,799	39,988,287	40,498,597
Total shares on issue after close of Public Offer		21,927,846	22,554,364	36,927,846	37,554,364
Net Asset backing per Share after close of Public Offer		\$1.08363	\$1.07925	\$1.078288	\$1.07840

Notes:

1. The column headed Actual 2006 sets out the financial position of the Company as at 30 June 2006 as disclosed in the audited financial statements of the Company as at 30 June 2006.
2. See Section 4.4 for the other assumptions made in preparing these pro forma Balance Sheets.

4.2 Capital Structure

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Net Assets at 30 June 2006	\$7,407,928	\$7,407,928	\$7,407,928	\$7,407,928
Funds raised by exercise of Options	\$5,638,666	\$6,265,185	\$5,638,666	\$6,265,185
Funds raised under Public Offer	\$10,938,000	\$10,891,000	\$27,345,000	\$27,227,500
Expenses of the Offers	\$222,828	\$222,311	\$403,305	\$402,013
Pro Forma Net Assets after close of Public Offer	\$23,761,764	\$24,341,799	\$39,988,287	\$40,498,597

See Section 4.4 for the assumptions made in preparing this table of Capital Structure.

Refer to Section 1.6 of the Prospectus for a more detailed breakdown of the Capital Structure of the Company at the conclusion of the Public Offer.

4.3 Expenses of the Offers

The expenses of the Offers are estimated below, according to the amount of funds raised on the Issue:

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Handling Fees on Subscriptions	\$120,318	\$119,801	\$300,795	\$299,503
ASX Listing & ASIC Fees	\$15,210	\$15,210	\$15,210	\$15,210
Legal & Accounting Fees	\$47,300	\$47,300	\$47,300	\$47,300
Printing costs	\$20,000	\$20,000	\$20,000	\$20,000
Distribution costs	\$20,000	\$20,000	\$20,000	\$20,000
Total Expenses	\$222,828	\$222,311	\$403,305	\$402,013

This table assumes that the expenses of the Offers will be paid out of the assets of the Company.

The Company has agreed to pay a 2% commission (excluding GST) (if applicable) on Applications received bearing a Licensee's stamp. However, no commission will be paid on Applications bearing CAM's stamp.

See Section 4.4 for the other assumptions made in preparing this table of Expenses of the Offers.

4.4 Assumptions

The pro forma Balance Sheets set out in Section 4.1, the table of Capital Structure set out in Section 4.2 and the table of Expenses of the Offers set out in Section 4.3 have been prepared on the following bases:

- (a) The pro forma Balance Sheets set out in Section 4.1 have been prepared on the basis of the audited balance sheet of the Company as at 30 June 2006 adjusted as set out below.
- (b) The accounting policies and notes to the accounts set out in Section 4.5 are applied.
- (c) Scenario 1 in the pro forma Balance Sheets, the table of Capital Structure and the table of Expenses of the Offers assumes that Existing Shareholders will exercise 90% of their options on issue 30 June 2006, which expire on 31 October 2006 and 10,000,000 new shares and options will be issued as part of the Public Offer. This will increase net assets by \$5,638,664 through the exercise of 5,638,664 options and by \$10,938,000 through the issue of 10,000,000 shares by Applicants at net asset backing, estimated at \$1.0938 each.
- (d) Scenario 2 in the pro forma Balance Sheets, the table of Capital Structure and the table of Expenses of the Offers assumes that Existing Shareholders will exercise 100% of their options on issue at 30 June 2006, which expire on 31 October 2006 and 10,000,000 new shares and options will be issued as part of the Public Offer. This will increase net assets by \$6,265,182 through the exercise of 6,265,182 options and by \$10,891,000 through the issue of 10,000,000 shares by Applicants at net asset backing, estimated at \$1.0891 each.
- (e) Scenario 3 in the pro forma Balance Sheets, the table of Capital Structure and the table of Expenses of the Offers assumes that Existing Shareholders will exercise 90% of their options on issue at 30 June 2006, which expire on 31 October 2006 and 25,000,000 new shares and options will be issued as part of the Public Offer. This will increase net assets by \$5,638,664 through the exercise of 5,638,664 options and by \$27,345,000 through the issue of 25,000,000 shares by Applicants at net asset backing, estimated at \$1.0938 each.

- (f) Scenario 4 in the pro forma Balance Sheets, the table of Capital Structure and the table of Expenses of the Offers assumes that Existing Shareholders will exercise 100% of their options on issue at 30 June 2006, which expire on 31 October 2006 and 25,000,000 new shares and options will be issued as part of the Public Offer. This will increase net assets by \$6,265,183 through the exercise of 6,265,183 options and by \$27,227,500 through the issue of 25,000,000 shares by Applicants at net asset backing, estimated at \$1.0891 each.
- (g) Initial expenses relating to the Public Offer includes commission of 2% (excluding GST) (if applicable) of the funds raised that may be paid to a Licensee. For the purpose of the above pro forma Balance Sheets, the table of Capital Structure and the table of Expenses of the Offers, it has been assumed that commission of 2% (excluding GST) (if applicable) will be paid on 50% of the Applications in respect of which Shares and Options are issued.
- (h) Expenses of the Offers have been paid and recognised in equity.
- (i) All expenses are stated inclusive of GST.
- (j) No Bonus Options issued to Existing Shareholders have been exercised .

4.5 Accounting Policies and Notes to Accounts

A summary of significant accounting policies which have been adopted in the preparation of the pro forma Balance Sheets set out in Section 4.1, the table of Capital Structure set out in Section 4.2, the table of Expenses of the Offers set out in Section 4.3 and the income statement set out in Section 4.6 or which have been adopted and applied in preparation of the financial statements of the Company are set out as below.

Australian equivalent to International Financial Reporting Standards became effective for all reporting periods after 30 June 2005. The Company's first reporting period was the period from 16 February 2005 (Date of Incorporation) to 30 June 2006, the accounting policies and terminology referred to in Section 4 of the Prospectus have been based on the application of these.

(a) Basis of preparation of accounts

The financial statements have been prepared in accordance with Australian equivalent to International Financial Reporting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

The financial statements have been prepared from the records of the Company on an accruals basis, under the historical cost convention, as modified by the revaluation of trading securities, financial assets and liabilities (where applicable, including derivative instruments) at fair value through the Income Statement.

(b) Investments

i) Classification

Investments consist of shares in publicly listed and unlisted companies and investments in fixed interest securities.

It is considered that the information needs of shareholders in a company of this type are better met by stating investments at fair value rather than historical cost and by presenting the Balance Sheet on a liquidity basis.

ii) Valuation

All investments are classified as “held-for-trading” investments and are recognised at fair value, being market value, including the potential tax charges that may arise from the future sale of the investments.

iii) Unrealised Gains and Losses

Unrealised gains and losses are included in operating profit for the year and are transferred to an asset revaluation reserve, net of the potential tax charges that may arise from the future sale of the investments.

(c) Revenue recognition

- (i) Dividend and distribution income is recognised in the income statement on the day on which the relevant investments are first quoted on an “ex-dividend” basis.
- (ii) Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.
- (iii) Other income is recognised when the right to receive the revenue has been established.

4.6 Summary income statement to 30 June 2006

The following table summarises the income received by the Company for the initial financial year of the Company being the period from its date of incorporation on 16 February 2005 to 30 June 2006.

	2006
	\$
Proceeds from sale of investments	25,199,519
Cost of investments sold	(24,443,863)
Unrealised gain on investments	868,453
Other revenue from ordinary activities	151,584
Performance fees	(200,012)
Management fees	(41,296)
Assignment fees	(10,219)
Finance costs	(5,046)
Directors' fees	(15,000)
Brokerage expenses on share purchases	(99,916)
Other expenses from ordinary activities	(41,820)
Profit before income tax	1,362,384
Income tax expense	(392,895)
Profit attributable to members of the Company	969,489

The income statement set out above is drawn from the audited financial statements of the Company for the financial year ended 30 June 2006.

4.7 Dividend Policy

The Company intends to pay dividends from the profit, dividend and interest income it receives from its investments to the extent permitted by law and prudent business practices. Dividends will be franked to the extent that available imputation credits permit.

4.8 Capital Structure Policy

The Board will regularly review the capital structure of the Company and engage in active capital management. This may involve buying-back its Shares when Shares are trading at a sizeable discount to net tangible asset backing and the issue of other Securities through bonus issue, rights issues and option issues, with a view to enhancing the value of the Securities held by investors. The Company will also maintain a dividend reinvestment plan.

See Section 9.9 for further information.

5. DIRECTORS AND CORPORATE GOVERNANCE

5.1 Directors

Chairman – Karl Siegling

See Section 3.4 for information on Karl Siegling.

Karl Siegling is the Managing Director of Cadence Asset Management Pty Limited which is the Manager of the Company. In this capacity, Karl is available on a full-time basis to manage the Portfolio.

Geoffrey Wilson

Geoffrey Wilson is a non-executive Director. Geoffrey Wilson was responsible for the establishment of WAMI in November 1997, following 7 years at Prudential-Bache Securities (Australia) Pty Limited (**Prudential-Bache**). At Prudential-Bache, he was the Executive Director, Global Institutional Broking Australian Equities, responsible for managing the institutional broking operations encompassing offices in Sydney, Melbourne, London, Paris and New York. His main focus was on the development of Prudential-Bache's institutional and corporate client base, both domestically and offshore. Corporate relationships formed an integral part of this position and he provided corporate advice on equity related transactions to a large number of Australian public companies.

Geoffrey Wilson has worked in the investment industry for the last 26 years. He initially worked as a fund manager with Scottish Amicable (as it was then known) (**Scottish Amicable**). At the time, Scottish Amicable was one of the top performing fund managers in Australia, investing extensively in medium sized industrial companies. Geoffrey Wilson's responsibility included the structuring of the company's portfolio, which encompassed extensive analysis of listed companies, company visits, discussions with senior management and, after extensive research, the purchase and sales of shares.

Geoffrey Wilson also worked as a senior industrial analyst for Potter Partners Limited (as it was then known) from 1982 to 1985. During that period he undertook and published research on various sectors, including alcohol and tobacco, food and household goods, media, building materials, casinos, technology and a major report on the New Zealand equity market.

During 1985 and 1986, Geoffrey Wilson worked in London as an institutional broker for Potter Partners Limited before moving to New York with McIntosh Hamson Hoare Govett Limited (as it was then known) from 1986 to 1988. During that period, he contributed to the Australian Broking Desk, being ranked No. 1 by the American Institutional Clients.

Geoffrey Wilson is currently Chairman of Wilson Asset Management (International) Pty Limited, WAM Capital Limited, Wilson Investment Fund Limited, Wilson Leaders Limited, Boutique Asset Management Pty Limited and the Australian Stockbrokers Foundation Limited, a director of the Sporting Chance Cancer Foundation, Mariner Wealth Management Limited, MAM Pty Limited and Clime Capital Limited. He holds a Bachelor of Science Degree and a Graduate Management Qualification. He is also a Fellow of the Institute of Company Directors and a Senior Fellow of the Financial Services Institute of Australasia.

James Chirnside

James Chirnside is a non-executive Director. He has been exclusively focused on alternative asset management and absolute return investment strategies for fifteen years in Melbourne, Sydney, Hong Kong, and London. He is the founder, Chief Investment Officer and Managing

Director of Fund of Hedge Funds Manager, Asia Pacific Asset Management Pty Limited (**APAM**), based in Sydney. Prior to establishing APAM, James Chirnside worked for Challenger Group Holdings Limited as a specialist manager in alternative investments. During his time at Challenger he worked on successfully launching two ASX listed private equity investment funds, one in IT and the other in Biotechnology.

In Hong Kong he worked for emerging markets specialist manager Regent Pacific Group. James conceived of, launched and co-managed the US\$250 million Regent Pacific Hedge Fund and achieved a ranking of 1st out of 239 funds in the 1994 Standard & Poors Micropal fund ratings for Emerging Market Hedge Funds.

Prior to working in Hong Kong, James managed a proprietary trading book for Investment Bank County Natwest in London where he specialised in closed-end fund and equity derivatives arbitrage. His investment activities have focussed on Australia, Japan, Asia and emerging Europe equity markets.

5.2 Corporate Governance

The Board has the responsibility of ensuring the Company is properly managed so as to protect and enhance Shareholders' interests in a manner that is consistent with the Company's responsibility to meet its obligations to all parties with which it interacts. To this end, the Board has adopted what it believes to be appropriate corporate governance policies and practices having regard to its size and the nature of activities.

The Company will not satisfy all of the best practice recommendations of the ASX Corporate Governance Council as set out in the "Principles of Good Corporate Governance and Best Practice Recommendations" published in March 2003.

The main corporate governance policies are summarised below.

Independent Directors

The Company has 3 Directors. One of the Directors, Karl Siegling, is also a director of (and is associated with the sole shareholder of) the Manager. Another Director, Geoffrey Wilson, is a director of and is associated with MAM Pty Limited (which is entitled to a percentage of the management fee as outlined in Section 8.2). The Company, therefore, does not have a majority of independent Directors.

However, the Company considers that as the principal management function associated with management of the Portfolio resides with the Manager, the participation of one independent director is appropriate for the Company. The Board will reconsider the composition of the Board in light of, among other things, the inclusion of the Company in the S&P All Ordinaries Index, and in any event prior to the end of the next financial year.

Appointment and Retirement of Non-Executive Directors

It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of non-executive Directors on a case-by-case basis and in conformity with the requirements of the Listing Rules and the Corporations Act. Under the Company's constitution, one Director must retire and be eligible for re-election every year.

Directors' Access to Independent Professional Advice

It is the Board's policy that any committees established by the Board should:

- be entitled to obtain independent professional or other advice at the cost of the Company, unless the Board determines otherwise.
- be entitled to obtain such resources and information from the Company including direct access to employees of and advisers to the Company as they might require.
- operate in accordance with terms of reference established by the Board.

Audit Committee

The members of the audit committee are Karl Siegling (who is a director of the Manager, and, therefore, is not independent) and James Chirnside (an independent Director) who contribute a broad range of relevant expertise and experience. The committee intends to meet with the external auditors at least twice a year.

This committee addresses the financial and compliance oversight responsibilities of the Board. Specific activities include assessing and monitoring:

- the adequacy of the Company's internal controls and procedures to ensure compliance with all applicable legal obligations.
- the adequacy of the financial risk management processes.
- the appointment of the external auditor, any reports prepared by the external auditor and liaising with the external auditor.

Remuneration

The initial maximum total remuneration of the Directors has been set at \$55,000 to be divided among the Directors as they see fit. The remuneration for Directors will be reviewed by the Board on a periodic basis as the Company develops its business and, subject to the Listing Rules, may be increased.

5.3 Board participation in management

Under the Management Agreement (as amended), the Manager has discretion to acquire and dispose of investments on behalf of the Company. Investments must be selected in accordance with the investment process outlined in Section 2.

Any proposed investment that does not fall within this investment strategy or any change in the investment strategy proposed by the Manager requires the prior approval of the Board which may be withheld in the Board's absolute discretion.

6. RISK FACTORS

6.1 General Risk Factors

The value of Securities listed on securities exchanges can change considerably over time and the value of your investment can increase and decrease with the value of the Portfolio. The fluctuation in value is known as volatility and the level of volatility depends on the type of investment. Generally, in order of risk of asset classes, shares are the riskiest, then fixed interest, then cash. As with most investments, performance is not guaranteed. These risks may result in loss of income and principal invested.

You can do some things to reduce the impact of risk. Firstly, get professional advice suited to your investment objectives, financial situation and particular needs. Nothing in this Prospectus can replace or offer that. Secondly, invest for at least the time frame recommended by your professional adviser.

Investors are strongly advised to regard any investment in the Company as a long-term proposition and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur.

The following matters, as well as others described elsewhere in this Prospectus, should be carefully considered in evaluating the Company and its prospects. Risks for the Company include but are not limited to:

Chosen Investments

- The success and profitability of the Company in part will depend upon the ability of the Manager to invest in well-managed companies which have the ability to increase in value over time.

Market Risk

- The future earnings of the Company and the value of the investments of the Company may be affected by the general economic climate, commodity prices, currency movements, changing government policy and other factors beyond the control of the Company. In addition, exogenous shocks, natural disasters and acts of terrorism can (and sometimes do) add to equity market volatility as well as impact directly on individual entities. As a result, no guarantee can be given in respect of the future earnings of the Company or the earnings and capital appreciation of the Company's investments.
- Any variation in commodity prices could materially affect the operating results of the Company.
- The price of investments that the Company has purchased can fall as well as rise.

Industry Risk

- There are a number of industry risk factors that may affect the future operational performance of the Company. These factors are outside the control of the Company. Such factors include increased regulatory and compliance costs and variations in legislation and government policies generally.

Tax

- Any variation in the taxation laws of Australia could materially affect the operating results of the Company and also change the relative merit of putting money into various

asset classes and in an individual security which may have negative impact on the Company.

Exchange Rates

- Any variation in the exchange rates could materially affect the operating results of the Company.

Interest Rates

- Any variation in short and long term interest rates could materially affect the operating results of the Company.

Financial Market Volatility

- A fall in global or Australian equity markets, global or Australian bond markets or rapid change in the value of the Australian dollar against other major currencies may discourage investors from moving money into or out of equity markets. This may have a negative effect on the price of the Shares and Options.

Unhedged Options/Warranties

- The selling or purchasing of an unhedged option or warrant runs the risk of losing the entire investment or of causing significant losses to the Company in a relatively short period of time.

Short Selling Risk

- Short selling may cause the Portfolio to incur losses if the price of Securities short sold increases.

Leverage Risk

- Leveraging provides the Company with greater exposure to the market than if the Portfolio was not leveraged. Accordingly, adverse movements in the price of Securities will have a greater impact on the value of the Portfolio.

Performance Fee Incentive

- The performance fee may create an incentive for the Manager to make investments on behalf of the Company that are riskier or more speculative than would be the case in the absence of a fee based on the performance of the Company.
- The Portfolio is less diversified than other listed investment companies.

Performance of Other Asset Classes

- Good performance (or anticipated performance) of other asset classes can encourage individuals to divert money away from equity markets. This may have a negative impact on the price at which the Shares and Options trade.

Liquidity

- The Company will be a listed entity; therefore the ability to sell Shares and Options will be a function of the turnover of the Company's Shares and Options at the time of sale. Turnover itself is a function of the size of the Company and also the cumulative

investment intentions of all current and possible investors in the Company at any one point in time.

Price: NTA Risk

- The price at which Shares and Options are traded on ASX may be below the net asset backing of those Shares and Options. The constitution of the Company does not entitle Shareholders to require the Board to implement a share buy-back or any other capital reconstruction or to take any other remedial action.

Operational Costs

- Operational costs for the Company as a proportion of total assets will be affected by the level of total assets of the Company and by the level of subscriptions under this Offer. Operational costs will represent a greater proportion of total assets and will reduce the operating results of the Company and accordingly the ability to make dividend payments if the Company only achieves the minimum subscription under this Offer than if it secures a greater level of subscriptions.

Size of Portfolio

- The size of the Portfolio will affect the risk profile of the Portfolio. The Company may not be able to diversify its investments and so manage its risks as efficiently if it achieves the minimum subscription under this Offer than if it secures a greater level of subscription. However, the risk of loss of investments included in the Portfolio will not necessarily be reduced if the level of subscription under this Offer exceeds the minimum subscription. Effective risk management depends on a range of factors including diversification of investments and other factors.

Licensing Requirements

- The ability of the Manager to continue to manage the Portfolio in accordance with this Prospectus and the Corporations Act is dependent on the maintenance of its AFSL and its continued solvency. Maintenance of its AFSL depends, among other things, on the Manager continuing to comply with the ASIC imposed licence conditions and the Corporations Act.

Key Personnel

- The Manager has the ability to assign its interest in the Management Agreement to another manager provided certain requirements are met, which may change the key personnel responsible for managing the Portfolio.
- The Company has instructed the Manager to put in place processes and systems to mitigate the risk of losing key people, however, the loss of key personnel both within the Company and the Manager could have a negative effect on the Company.

This list is not exhaustive and potential investors should read this Prospectus in full and, if they require further information on material risks, seek professional advice.

6.2 Investor Considerations

Before deciding to subscribe for Shares and Options, Applicants should consider whether Shares and Options are a suitable investment. There are general risks associated with any investment in the stock market. The value of Shares and Options listed on the ASX may rise or fall depending on a range of factors beyond the control of the Company.

6.3 Tax Considerations

There may be tax implications arising from the application for Shares and Options, the receipt of dividends (both franked and unfranked) from the Company, participation in the dividend re-investment plan of the Company, participation in any on market share buy-back and on the disposal of Shares or Options. Applicants should carefully consider these tax implications and obtain advice from an accountant or other professional tax adviser in relation to the application of tax legislation.

If you are in doubt as to whether you should subscribe for Shares and Options, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant or other professional adviser immediately.

FINANCIAL SERVICES GUIDE

Moore Stephens Sydney Pty Limited carries on business at Level 7, 20 Hunter Street, Sydney, NSW 2000. Moore Stephens Sydney Pty Limited holds Australian Financial Services Licence No 236886 authorising it to provide financial product advice on securities and interest in managed investments schemes to wholesale and retail clients.

The Corporations Act 2001 requires Moore Stephens Sydney Pty Limited to provide this Financial Services Guide (“**FSG**”) in connection with its provision of an Independent Accountant’s Report (“**Report**”) which is included in a document (“**Prospectus**”) provided by Cadence Capital Limited (“**CCL**”/ the “**Entity**”) for which Moore Stephens Sydney Pty Limited prepared the Reports.

When providing the Report, Moore Stephens Sydney Pty Limited’s client is the Entity to which it provides the Report. Moore Stephens Sydney Pty Limited receives its remuneration from the Entity.

No related body corporate of Moore Stephens Sydney Pty Limited, or any of the directors or employees of Moore Stephens Sydney Pty Limited or any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Report.

Moore Stephens Sydney Pty Limited is required to be independent of Cadence Capital Limited. The following information in relation to the independence of Moore Stephens Sydney Pty Limited is stated in section 10 of our Report.

Moore Stephens Sydney Pty Limited is only responsible for its Report and this FSG. Complaints or questions about the Prospectus should not be directed to Moore Stephens Sydney Pty Limited which is not responsible for that document.

If you have a complaint about Moore Stephens Sydney Pty Limited’s Report or this FSG you should take the following steps.

1. Contact the Enquiries and Complaints Officer of Moore Stephens Sydney Pty Limited on (02) 8236 7700 or put your complaint in writing and send it to us at Level 7, 20 Hunter Street, Sydney, NSW 2000. We will try and resolve your complaint quickly and fairly.
2. If you still do not get a satisfactory outcome, you have the right to complain to the Financial Services Complaints Resolution Scheme at PO Box 386 Collins St West, Melbourne, Victoria 3007. Telephone (03) 9620 7666. We are a member of this scheme.
3. The Australian Securities & Investments Commission (ASIC) also has a freecall Infoline on 1300 300 630 which you may use to make a complaint and obtain information about your rights.

7. INDEPENDENT ACCOUNTANT'S REPORT

MOORE STEPHENS

9 October 2006

The Directors
Cadence Capital Limited
Level 11
131 Macquarie Street
Sydney NSW 2000

Dear Sirs

DIRECTORS:
Andrew Blackwell CA
Chris Chandran CA
Stephen Humphrys FCA
Garry Leyshon FCA
Wayne Morton FCA
Joe Shannon CA
Robert Southwell CA
Spiro Tzannes FCA
Charlie Viola (Affiliate ICAA)
Bob Webster FCA
Scott Whiddett CA

CONSULTANTS:
Pat Bugden FCA
Anja Dorrell CA
Angus Gluskie CA, FFin
Atul Lele CFA, FFin

1. Purpose

- 1.1 This Report has been prepared for inclusion in a Prospectus to be dated on or about 9 October 2006 relating to the public offer of up to 25,000,000 fully paid ordinary shares and up to 25,000,000 free options in the capital of Cadence Capital Limited ("**Public Offer**"). The Shares issued under the Public Offer will be issued at a subscription price equal to the NTA Before Tax as at 31 October 2006. Each option issued will be exercisable at any time from the date of issue until 31 March 2008 at an exercise price equal to the NTA Before Tax as at 31 October 2006. The Prospectus also offers a Bonus Offer of 1 option to subscribe for an ordinary share to each Existing Shareholder as at 23 November 2006.
- 1.2 Expressions defined in the Prospectus have the same meaning in this Report.
- 1.3 This Report considers the pro forma Balance Sheets at completion of the proposed capital raising immediately after the issue and the future operation of the Company.

2. Background

- 2.1 The Company was incorporated on 9 February 2005 and at 30 June 2006 had 6,289,182 issued Shares with a share capital of \$6,531,370 and 6,265,182 outstanding options, exercisable by 31 October 2006 at \$1.00 each.
- 2.2 The Company intends to invest the proceeds of the Prospectus offering in securities predominantly comprising of securities quoted on the ASX, bills of exchange, other negotiable investments, debentures, warrants, options, ASX indices and other investments, as set out in Section 2.7 of the Prospectus.
- 2.3 The Company's operations began in October 2005 and details of its performance are outlined in Section 3 of the Prospectus.
- 2.4 Cadence Asset Management Pty Limited ACN 106 551 062 is the Manager as set out in Section 3.1 of the Prospectus. The Manager will receive a management fee and performance fee as set out in Section 8.1 of the Prospectus.

2.5 The first balance date of the Company was 30 June 2006.

3. Scope of our Report

3.1 This Report deals with the prospective financial information included in the Prospectus at section 4.

3.2 The pro forma Balance Sheets have been prepared to illustrate the financial position of the Company on completion of the issue and have been prepared on the basis of the assumptions, notes and accounting policies as set out in Sections 4.1 to 4.5 of the Prospectus. As the number of outstanding options exercisable at \$1.00 each by 31 October 2006 may be done so at varying levels and the Company may issue additional ordinary shares and options to a maximum number of 25,000,000 a number of scenarios have been set out in Sections 4.1, 4.2 and 4.3 of the Prospectus.

3.3 The Directors of the Company are responsible for the preparation and presentation of the pro forma Balance Sheets including the assumptions, notes and accounting policies on which they are based.

3.4 The Directors are not making any forecasts for earnings by the Company. The Directors have included their performance from October 2005, when the Company began to trade, to August 2006 in Section 3 of the Prospectus.

4. Review of Financial Information

4.1 We have conducted our review of the pro forma Balance Sheets, included in Section 4 of the Prospectus, in accordance with Auditing Standards AUS902 "Review of Financial Reports" and AUS804 "The Audit of Prospective Financial Information". Our procedures consisted primarily of enquiry and comparison and such other analytical procedures we, in our professional judgement, considered necessary so as to adequately evaluate whether the assumptions and estimated expenses appear reasonable in the circumstances.

These review procedures were substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and accordingly do not express an audit opinion.

5. Statement on Financial Information

5.1 Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- (a) the pro forma financial information has not been properly prepared on the basis of the pro forma transaction;
- (b) the pro forma transactions do not form a reasonable basis for the pro forma information; and

- (c) the assumptions, notes, accounting policies and estimated expenses of the offer made by Directors, do not provide a reasonable basis for the preparation of the pro forma Balance Sheets.

6. Related Parties

6.1 Directors' entitlements under the Offers

Both Karl Siegling, Chairman and Secretary of the Company and Geoffrey Wilson, Non-Executive Director of the Company own 1 million ordinary shares and 1 million options, exercisable by 31 October 2006 at \$1.00 each, in the Company (refer to Section 9.10 of the Prospectus). The Directors have no special entitlement to Shares due to their position as Directors. The Directors may subscribe for further Shares under the terms offered to the public under the Prospectus.

Both Directors will however receive bonus Options in the line with their holding immediately before the issue of Shares under the Public Offer; exercisable by 31 March 2008 at an exercise price equal to the NTA Before Tax as at 31 October 2006.

6.2 Directors' remuneration and other benefits.

The Directors will be entitled to receive the benefits as set out in section 9.10 of the Prospectus.

7. Working Capital

- 7.1 As required by ASX Listing Rule 1.3.3, we advise that in our opinion, the Company will have enough working capital to carry out its stated objectives.

8. Subsequent events

- 8.1 Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

9. Sources of Information

- 9.1 We have made enquiries of the Directors of the Company and other parties as considered necessary during the course of our analysis. We have also referred to the Prospectus and material documents which will relate to the operations of the Company.

We have no reason to believe the information supplied is not reliable.

10. Declarations

- 10.1 Moore Stephens Sydney Pty Limited has prepared this Report for inclusion in the Prospectus. We have not acted in any other capacity to the Prospectus, and have not been involved in the preparation of any part thereof. The associated partnership, Moore Stephens Sydney are the appointed auditors of MAM Pty Limited, WAM

Capital Limited, Wilson Investment Fund Limited, Wilson Leaders Limited, Cadence Capital Limited, Cadence Capital Fund and Cadence Asset Management Pty Limited.

- 10.2 Other than a fee for the preparation of this Report and the Independent Accountant's Report and associated due diligence procedures no pecuniary or other benefit, direct or indirect, has been received by Moore Stephens Sydney Pty Limited for or in connection with the making of this Report.
- 10.3 This Report has been prepared on behalf of Moore Stephens Sydney Pty Limited by Christopher Chandran, who is a director of Moore Stephens Sydney Pty Limited. Mr Chandran is an associate of the Institute of Chartered Accountants and a Registered Company Auditor. Mr Chandran has over 8 years of experience including the audit of public companies, detection of fraud, valuations, economic loss calculations, due diligence and the preparation of independent expert's reports.
- 10.4 Moore Stephens Sydney, a chartered accounting firm associated with Moore Stephens Sydney Pty Limited act as auditors and provide accounting and taxation services to Cadence Capital Limited.
- 10.5 Other than as disclosed above, Mr Chandran, the other directors and the staff involved with the preparation of this Report have, at the date of this Report, no interest or financial relationship with Cadence Capital Limited or any other entity noted in section 10.1 of this Report.

Yours faithfully,

MOORE STEPHENS SYDNEY PTY LIMITED

C. CHANDRAN

Director

8. MATERIAL CONTRACTS

The Directors consider that the material contracts described below and elsewhere in this Prospectus are the contracts which an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of the Public Offer and the Bonus Offer.

This report only contains a summary of the material contracts and their substantive terms.

8.1 Management Agreement

Parties

The Company and the Manager.

Appointment

The Company appoints the Manager to manage the Portfolio. This appointment commenced in October 2005.

Powers of Manager

Subject to the Corporations Act and the Listing Rules, the Manager will from time to time on behalf of the Company invest money constituted in or available to the Portfolio in making, holding, realising and disposing of investments.

The Manager has absolute and unfettered discretion to manage the Portfolio and to do all things considered necessary or desirable in relation to the Portfolio, including, without limitation:

- (a) investigation of, negotiation for acquisition of, or disposal of every investment;
- (b) to sell, realise or deal with all or any of the investments or to vary, convert, exchange or add other investments in lieu of those investment;
- (c) if any investments are redeemed or the capital paid on it is wholly or partly repaid by the entity by which that investment was created or issued, to convert that investment into some other investment or accept repayment of the capital paid or advanced on the investment and any other monies payable in connection with that redemption or repayment and to reinvest any of those monies;
- (d) retain or sell any shares, debentures or other property received by the Company by way of bonus, or in lieu of, or in satisfaction of, a dividend in respect of any investments or from the amalgamation or reconstruction of any company; and
- (e) to sell all or some of the rights to subscribe for new Securities in an investment, to use all or part of the proceeds of sale of such rights for the subscription for Securities or to subscribe for Securities pursuant to those rights.

Permitted investments

The Manager is permitted to make investments in the following:

- (a) listed Securities, being any Security quoted on ASX and other Licensed Markets including, without limitation, shares, units or notes which are redeemable preference or deferred, fully or partly paid, with or without any right, title or interest thereto or therein

(including a right to subscribe for or convert to any such Security whether listed on ASX or not), and any Security of whatsoever nature which the Manager expects will be quoted on ASX or other Licensed Market within a 12 month period from the date of investment;

- (b) listed Securities on any global Security market where the Security is also concurrently listed on the ASX and any Security of whatsoever nature which the Manager expects will be quoted on any global stock market where the Security is also to be concurrently listed on the ASX within a 12 month period from the date of investment;
- (c) warrants and options to purchase any investment and warrants and options to sell any investment which is a permitted investment;
- (d) discount or purchase of bills of exchange, promissory notes or other negotiable instruments accepted, drawn or endorsed by any bank or by the Commonwealth of Australia, any State or Territory of Australia, or by any corporation of at least an investment grade credit rating granted by a recognised credit rating agency in Australia;
- (e) debentures, unsecured notes and bonds of a corporation of at least an investment grade credit rating granted by a recognised credit rating agency in Australia;
- (f) units or other interests in cash management trusts; and
- (g) any other financial products with which the Manager may use in the management of the Portfolio in accordance with its AFSL.

Potential investments therefore include overseas Securities where they are listed on the ASX and another securities exchange in another jurisdiction and overseas Securities that are only listed on the ASX.

Monthly Valuations

The Manager must arrange for calculation of the value of the Portfolio at least monthly or at such more frequent times as may be agreed between the Manager and the Company.

Management Fee

In return for the performance of its duties as Manager of the Portfolio, the Manager is entitled to be paid a monthly management fee equal to 0.08333% of the gross value of the Portfolio calculated on the last Business Day of each month (**Management Fee**). Over a full year, the Management Fee will be comparable to a fee of 1% of the **gross value** of the Portfolio per annum.

For the purposes of calculating the management fee, the gross value of the Portfolio will be the value of all investments without deduction of funds borrowed to acquire those assets.

Accordingly, if leverage is employed, the total value of the Securities held in the Portfolio will be used to calculate the gross value of the Portfolio.

Performance Fee

- (a) The Manager will also be entitled to be paid a fee (**Performance Fee**) in respect of each Performance Calculation Period, subject to paragraphs (b) and (d) below, of 20% of BA where BA is calculated in accordance with the following formula:

$$BA = (FV - IV) - (IV \times \frac{(FI - II)}{II})$$

Where:

BA is the base amount to be used in calculating the Performance Fee outlined above;

FI is the level of the All Ordinaries Accumulation Index published by ASX on the last Business Day of the relevant Performance Calculation Period;

FV is the value of the Portfolio less any liability attributable to any borrowings undertaken for gearing or short selling purposes, calculated on the last Business Day of the relevant Performance Calculation Period;

II is the All Ordinaries Accumulation Index published by ASX calculated on the last Business Day of the preceding Performance Calculation Period; and

IV is the value of the Portfolio less any liability attributable to any borrowings undertaken for gearing or short selling purposes, calculated on the last Business Day of the preceding Performance Calculation Period.

- (b) If the value of the Portfolio (less any liability attributable to any borrowings undertaken for gearing or short selling purposes) calculated on the last Business Day of a Performance Calculation Period is less than the value of the Portfolio (less any liability attributable to any borrowings undertaken for gearing or short selling purposes) calculated on the last Business Day of the preceding Performance Calculation Period, no Performance Fee is payable in respect of that Performance Calculation Period.
- (c) If the amount calculated is a negative number, no Performance Fee is payable in respect of that month.
- (d) If the level of the All Ordinaries Accumulation Index as calculated on the last Business Day of a Performance Calculation Period is less than the level as calculated on the last Business Day of the preceding Performance Calculation Period, the base amount (BA) will be FV - IV.
- (e) The first "**Performance Calculation Period**" is the period from the Commencement Date to the earlier of the date of termination and 30 June of the next calendar year. Thereafter, subject to (f) below, the Performance Calculation Period is the period from the first day after the preceding Performance Calculation Period to 30 June of the succeeding calendar year.
- (f) If the term of the Management Agreement expires on a day other than 30 June, the final Performance Calculation Period is the period from the first day after the preceding Performance Calculation Period to the date the Management Agreement is terminated.
- (g) Where the ASX or equivalent authority ceases to publish the All Ordinaries Accumulation Index then the published index which most closely resembles it must be used for the purposes of the calculation.
- (h) In calculation of the Performance Fee for a Performance Calculation Period, changes in the value of the Portfolio as a result of the issue of Securities by the Company, capital reductions by the Company, share buy-backs by the Company and dividend distributions by the Company will be disregarded or adjusted in a manner determined

by the auditor of the Company at the conclusion of that Performance Calculation Period.

- (i) The Company must also pay any GST payable in respect of any Management Fee or Performance Fee due to the Manager.

Expenses

The Company is liable for the following fees, costs and expenses when properly incurred in connection with the investment and management of the Portfolio or the acquisition, disposal or maintenance of any investment:

- (a) fees payable to any Licensed Market, the ASIC or other regulatory body and the Company's share registrar and the costs of any valuation of the Portfolio;
- (b) all costs, stamp duties, financial institutions duties, bank account debits tax and legal fees and other duties, taxes, fees, disbursements and expenses, commissions and brokerage incurred by the Company or the Manager in connection with:
 - (i) the acquisition and negotiation of any investment or proposed investment;
 - (ii) any sale or proposed sale, transfer, exchange, replacement or other dealing or proposed dealing with or disposal or proposed disposal of any investment;
 - (iii) the receipt of income or other entitlements from the Portfolio; or
 - (iv) the engagement of a custodian to hold any investment on behalf of the Company;
- (c) outgoings in relation to the Portfolio such as rates, levies, duties, taxes and insurance premiums; and
- (d) all accounting and audit costs of the Company whether or not in relation to the Portfolio.

Notwithstanding the above, the Manager is solely responsible for payment of the fees of any investment manager engaged by the Manager to assist it in undertaking its duties under the Management Agreement.

Term

The Management Agreement has been fixed to be for an initial period of 10 years from the date of listing of the Company on the ASX (unless terminated earlier in accordance with its terms). On expiry of the initial term and each renewed term the Management Agreement will continue for further 10 year terms if Shareholders, by ordinary resolution, agree to such renewed terms.

If the Management Agreement continues past the expiry of the initial term, the Company may terminate the Management Agreement by serving 3 months' notice, if Shareholders, by ordinary resolution agree to such termination.

Termination

The Manager may terminate the Management Agreement by giving the Company at least 6 months' notice at any time after the fifth anniversary of the date on which the Company is admitted to the official list of the ASX.

The Company may immediately terminate the Management Agreement if:

- (a) an insolvency event occurs with respect to the Manager; or
- (b) the Manager materially defaults or materially breaches its obligations and, if the default or breach is remediable, fails to remedy that breach within 30 days after receiving notice of the default or breach.

Removal of Manager

The Company may remove the Manager by not less than 3 months notice on the occurrence of any one of the following events:

- (a) the Manager persistently fails to ensure that investments made on behalf of the Company are consistent with the investment process applicable at the time the investment is made; or
- (b) the Manager is in default or breach of its obligations under the Management Agreement in a material respect and such default or breach cannot be rectified or if rectifiable, is not rectified within 30 days after the Company has notified the Manager in writing to rectify that default or breach; or
- (c) the Manager's AFSL is suspended for a period of not less than 1 month or cancelled at any time in accordance with Subdivision C, Division 4 of Part 7.6 of the Corporations Act.

Effect of Removal of Manager

If the Manager is removed:

- (a) the Manager may appoint a replacement manager provided such appointment takes place within the 3 months' notice period whereupon the Manager will assign all its rights, title and interest in and to the Management Agreement to the replacement manager provided the replacement manager:
 - (i) holds a valid and current AFSL;
 - (ii) undertakes to the Company to comply with all the obligations imposed on the Manager under the Management Agreement; and
 - (iii) if appointed as a result of the removal of the Manager for a default or breach, rectifies the breach or default within the 30 day notice period.

The effect of the assignment of the Management Agreement is the novation of the Management Agreement for the benefit of the replacement manager and the Company is deemed to have consented to that assignment; and

- (b) the Company may terminate the Management Agreement if a replacement manager has not been appointed within the 3 months' notice period.

If the replacement manager, having been appointed in accordance with the procedure above is itself removed:

- (a) the replacement manager does not have the right to assign any of its rights, title and interest in and to the Management Agreement to a further replacement manager; and

- (b) the Company may terminate the Management Agreement within the 3 months' notice period.

Company Indemnity

The Company indemnifies the Manager against any losses or liabilities reasonably incurred by the Manager arising out of, or in connection with, and any costs, charges and expenses (including legal expenses on a solicitor/own client basis) incurred in connection with the Manager or any of its officers, employees or agents acting under the Management Agreement or on account of any bona fide investment decision made by the Manager or its officers or agents except insofar as any loss, liability, cost, charge or expense is caused by the negligence, default, fraud or dishonesty of the Manager or its officers or employees. This obligation continues after the termination of the Management Agreement.

Manager Indemnity

The Manager indemnifies the Company against any losses or liabilities reasonably incurred by the Company arising out of, or in connection with, and any costs, charges and expenses incurred in connection with, any negligence, default, fraud or dishonesty of the Manager or its officers or supervised agents. This obligation continues after the termination of the Management Agreement.

Assignment

The Manager may assign all right, title and interest in the Management Agreement to a third party with the prior written consent of the Company which may not be unreasonably withheld or delayed. The Company cannot withhold its consent if:

- (a) the replacement manager holds and AFSL with all authorisations necessary to perform its obligations under the Management Agreement;
- (b) the replacement manager utilises the fundamental analysis and technical trend analysis processes as set out in Sections 2.2 to 2.7 inclusive of this Prospectus or engages Karl Siegling as an authorised representative in a management capacity; and
- (c) the Manager has not materially breached its obligations under the Management Agreement.

8.2 Assignment Deed

Parties

The Company, the Manager and MAM Pty Limited

Term

The term of the Assignment Deed commences on the date of commencement of the Management Agreement and continues until the termination of the Management Agreement unless the Manager exercises the option to purchase described below.

Assignment

The Manager has assigned 4.05% of the Management Fee and the Performance Fee to MAM Pty Limited and the Company consents to the assignment.

Option to purchase

MAM Pty Limited grants the Manager the option to purchase the right assigned to it under the Assignment Deed for market value if there is a change in control of MAM Pty Limited.

Right of first refusal

MAM Pty Limited cannot transfer the right assigned to it under the Assignment Deed without first offering to transfer the right to the Manager.

8.3 Director Protection Deeds

Parties

The Company and each Director.

Access

The Company has agreed to provide access to board papers to current and former officers of the Company while they are officers and for a period of 7 years from when they cease to be officers.

Indemnity

The Company has agreed to indemnify, to the extent permitted by the Corporations Act, each officer in respect of certain liabilities which the officer may incur as a result of, or by reason of (whether solely or in part), being or acting as an officer of the Company.

8.4 Prime Brokerage Agreement

The Company has appointed UBS AG as its prime broker to provide Securities borrowing and lending services, transaction settlement services with third party brokers and cash loans to the Company under a prime brokerage agreement (**Prime Brokerage Agreement**).

The Company must pay fees and charges to UBS AG in accordance with the fee schedule provided to the Company and updated by UBS AG from time to time.

The Company is required to appoint UBS Nominees Pty Limited as custodian. The Company's obligations under the Prime Brokerage Agreement are required to be secured by a charge over all of the assets held by the Custodian.

The agreement has no fixed term. Either party may terminate the agreement by giving the other 30 Business Days written notice. UBS AG may terminate the agreement on the occurrence of an event of default which includes circumstances where the Company:

- (a) becomes insolvent or ceases business;
- (b) defaults under any other agreements entered into between the Company and UBS AG;
- (c) fails to satisfy any of its present or future monetary obligations totalling more than \$100,000;
- (d) has a net asset value below certain levels; and
- (e) terminates the Manager or appoints a replacement manager without the prior written approval of UBS AG.

8.5 Manager's Obligations under Prime Brokerage Agreements

As the Manager will manage the Portfolio on behalf of the Company, the Manager, the Company and UBS AG have entered into an "addendum" to the Prime Brokerage Agreement (**Addendum**).

Under the Addendum the parties agree that, in view of the Manager's role as manager of the Portfolio, all instructions to UBS AG under the Prime Brokerage Agreements will be given by the Manager (and UBS AG will be entitled to rely on those instructions). To the extent practicable, the Manager will also carry out all of the Company's obligations under the Prime Brokerage Agreement in relation to the Portfolio.

The Addendum automatically terminates if the Prime Brokerage Agreement terminates or if the Manager ceases to be the manager of the Portfolio.

8.6 Custodian Agreement

The Company has appointed UBS Nominees Pty Limited (**Custodian**) to be the custodian of the Company's assets transferred after the date of the Charge to the Custodian, including those transferred to the Custodian in accordance with the Prime Brokerage Agreement after the date of the Charge and any right which arises after the date of the Charge to receive the return of property from UBS AG under the Prime Brokerage Agreement.

The agreement continues for the term of, or for the period the Company has any liability to UBS AG under the Prime Brokerage Agreement. The Agreement will end on the later of the date the Prime Brokerage Agreement is terminated or the time at which the Company ceases to have any liability to UBS AG arising under or in connection with the Prime Brokerage Agreement.

The Company must pay fees and charges to the Custodian in accordance with the fee schedule provided to the Company and updated by the Custodian from time to time.

Either party may terminate the Agreement by giving not less than 30 Business Days notice in writing to the other. The Company may immediately terminate the Agreement by giving notice in writing if the Custodian or any sub-custodian has acted or omitted to act or intends to act in a manner which in the Company's reasonable opinion constitutes fraud, negligence, wilful default, breach of the agreement, breach of a law, failure to meet the capital adequacy requirements or if the Custodian becomes insolvent.

8.7 Charge

The Company has granted a fixed and floating charge over all of the Company's right, title and interest in the assets transferred to the Custodian, including those transferred to the Custodian in accordance with Prime Brokerage Agreement, and any right which arises after the date of the Charge to receive cash or return of property from UBS AG under the Prime Brokerage Agreement, as security for payments and performance by the Company of all of its obligations to UBS AG under the Prime Brokerage Agreement.

8.8 Australian Master Securities Lending Agreement

Under this agreement, UBS AG and the Company agree to lend to each other and to borrow from each other Securities from time to time in accordance with a borrowing request which will specify, among others, the number of Securities and terms of the loan. Each party has an obligation to provide the other party with collateral in respect of each borrowing request. For each loan of Securities, the lending party must pay a fee to the borrowing party in respect of the amount of cash collateral provided at a rate to be agreed between them.

Where the collateral is not cash, the borrowing party must pay a fee to the lending party at a rate to be agreed between them.

Each party has a right to terminate the agreement by giving not less than 15 Business Days notice in writing to the other. This is subject to an obligation to ensure that all loans entered into but not discharged at the time such notice is given are duly discharged.

If any event of default occurs, that party's delivery and payment obligations will be accelerated so as to require performance at the time the event of default occurs. Events of default include failing to pay or repay cash collateral, failing to deliver or redeliver collateral or equivalent collateral, failing to comply with any obligations in relation to collateral, insolvency and any failure to perform any other obligations which is not remedied within 30 days.

If either party fails to remit sums in accordance with the agreement, default payments will be payable at an annual rate per annum equal to the cost to the relevant payee if it were to fund the relevant amount, plus 2% (or other agreed percentage) per annum.

9. ADDITIONAL INFORMATION

9.1 Incorporation

The Company was incorporated on the 9 February 2005.

9.2 Balance Date and Company Tax Status

The accounts for the Company will be made up to 30 June annually.

The Company will be taxed as a public company.

9.3 Licensed Dealers

The Company does not hold an AFSL. Accordingly, the Company will only issue Shares and Options pursuant to this Prospectus under an arrangement with Licensees pursuant to Section 911A(2)(b) of the Corporations Act.

9.4 Share Trading and Return Risks

Before deciding to invest in Shares and Options, each potential investor should consider whether Shares and Options are a suitable investment. There are general risks associated with any investment in the stock market. The value of the Shares and Options can go down or up due to circumstances affecting the stock market generally or a company in particular and are due to factors beyond the control of the Company. Similarly, the level of dividends paid in respect of the Shares and Options can go down as well as up. Shares and Options should generally not be considered a short-term investment.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant or other professional adviser immediately.

9.5 Rights Attaching to the Shares

Immediately after issue and allotment, the Shares will be fully paid ordinary shares. There will be no liability on the part of shareholders for any calls and the Shares will rank *pari passu* with the Share currently on issue.

Detailed provisions relating to the rights attaching to the Shares are set out in the Company's constitution and the Corporations Act. A copy of the constitution can be inspected during office hours at the registered office of the Company.

The provisions relating to the rights attaching to Shares under the constitution and the Corporations Act are summarised below:

Each Share will confer on its holder:

- (a) the right to vote at a general meeting of shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per shareholder) and on a poll (one vote per Share on which there is no money due and payable) subject to the rights and restrictions on voting which may attach to or be imposed on Shares (at present there are none);
- (b) the right to receive dividends, according to the amount paid up on the Share;
- (c) the right to receive, in kind, the whole or any part of the Company's property in a winding up, subject to priority given to holders of Shares that have not been classified

by ASX as “restricted securities” and the rights of a liquidator to distribute surplus assets of the Company (with the consent of members by special resolution); and

(d) subject to the Corporations Act and the Listing Rules, the right to transfer Shares.

The rights attaching to Shares may be varied with the approval of Shareholders in a general meeting by special resolution.

9.6 Rights Attaching to the Options

The terms and conditions of the Options to be issued under the Public Offer and the Bonus Offer are as follows:

Register

The Company will maintain a register of holders of Options in accordance with Section 168(1)(b) of the Corporations Act.

Transfer/Transmission

An Option may be transferred or transmitted in any manner approved by the ASX.

Exercise

An Option may be exercised by delivery to the Company of a duly completed Notice of Exercise of Options, signed by the registered holder of the Option, together with payment to the Company of an amount equal to the NTA Before Tax as at 31 October 2006 per Option being exercised and the relevant option certificate.

An Option may be exercised on any Business Day from the date of grant to 31 March 2008, (inclusive) but not thereafter.

A Notice of Exercise of Options is only effective when the Company has received the full amount of the exercise price in cash or cleared funds.

Dividend Entitlement

Options do not carry any dividend entitlement until they are exercised. Shares issued on exercise of Options rank equally with other issued Shares of the Company 7 Business Days after their date of issue and are entitled to dividends payed on and from that date.

Participating rights

An Option holder may only participate in new issues of Securities to holders of Shares in the Company if the Option has been exercised and Shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give at least 7 Business Days notice to Option holders of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules of the ASX.

If between the date of issue and the date of exercise of an Option the Company makes 1 or more rights issues (being a pro rata issue of Shares in the capital of the Company that is not a Bonus Offer), the exercise price of Options on issue will be reduced in respect of each rights issue according to the following formula:

$$NE = OE - \frac{E[P-(S + D)]}{(N + 1)}$$

where:

NE is the new exercise price of the Option;

OE is the old exercise price of the Option;

E is the number of underlying Shares into which one Option is exercisable;

P is the average closing sale price per Share (weighted by reference to volume) recorded on the stock market of the ASX during the 5 trading days ending on the day before the ex rights date or ex entitlements date (excluding special crossings and overnight sales);

S is the subscription price for a Share under the rights issue;

D is the dividend due but not yet paid on each Share at the relevant time; and

N is the number of Shares that must be held to entitle holders to receive a new Share in the rights issue.

If there is a bonus issue to the holders of Shares in the capital of the Company, the number of Shares over which the Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.

Reconstructions and Alteration of Capital

Any adjustment to the number of outstanding Options and the exercise price under a re-organisation of the Company's share capital must be made in accordance with the Listing Rules.

9.7 ASX Listing

The Company must make application for quotation of Shares issued on exercise of the Options on the ASX in accordance with the Listing Rules. Shares so issued will rank equally with other issued Shares of the Company.

9.8 ASX Waivers

The Company has obtained advice from the ASX that the ASX would be likely to grant the Company a waiver in relation to the requirements of Listing Rule 15.16 to extent necessary to permit the Manager to act as the investment manager of the Company for a 10 year term in accordance with the terms of the Management Agreement.

9.9 Dividend Re-Investment Plan

Eligible Shareholders

Shareholders who may participate in the dividend reinvestment plan (**Plan**) comprise Shareholders:

- (a) whose address, as it appears in the register of members of the Company, is situated in Australia; or

- (b) whose address, as it appears in the register of members of the Company, is situated outside Australia and who have produced to the Company such evidence as the Company may require to satisfy the Company that any necessary approvals of any government or governmental authority in relation to participation in the Plan have been obtained and that such participation is not contrary to any applicable laws of Australia or any other relevant jurisdiction.

Application

Eligible Shareholders may elect to participate in the Plan in respect of all or part of their Shares in the Company which will comprise that Shareholder's Plan Shares. The Directors may in their absolute discretion accept or refuse any application to participate.

Subscription Price

Shares allotted to participants will be allotted at the weighted average market price of Shares sold on the ASX on the books closing date for the relevant dividend and the 3 trading days preceding that date.

Investment of Dividends

In respect of each cash dividend from time to time due and payable to a participant in respect of the Shareholder's Plan Shares, the Directors will on behalf of and in the name of the participant subscribe for Shares being the maximum number of Shares which could be acquired by subscription by the application of that participant's entitlement to dividends in respect of the Plan Shares to the subscription for Shares at the subscription price.

Ranking of Shares

All Shares allotted and issued under the Plan will rank equally in all respects with existing Shares.

ASX Listing

The Company will make application promptly after each allotment of Shares for quotation of such Shares on the official list of the ASX.

Variation or Termination of Participation

A participant may apply to increase or decrease the number of Plan Shares which the Company may in its absolute discretion approve or refuse. A participant may at any time terminate participation in the Plan by notice in writing to the Company.

9.10 Matters Relevant to the Directors

The number of Shares and existing options held by or on behalf of each Director and their Associates, at the date of the Prospectus are as follows:

Director	Shares	existing options
Karl Siegling	1,000,000	1,000,000
Geoffrey Wilson	1,000,000	1,000,000
James Chirnside	-	-

Apart from those listed above, none of the Directors have an interest in the Securities of the Company.

Under the Company's constitution, Directors are not required to hold any Shares.

Karl Siegling or his Associates intends to exercise all 1,000,000 of the existing options held through 1 or more entities associated with him on or before 31 October 2006. In addition, Karl Siegling or his Associates may subscribe for additional Shares and Options under the Public Offer set out in this Prospectus.

Under the Company's constitution, each Director (other than a Managing Director or an Executive Director) may be paid remuneration for ordinary services performed as a Director.

Under the ASX Listing Rules the maximum fees payable to directors may not be increased without prior approval from the Company at a general meeting. Directors will seek approval from time to time as deemed appropriate.

9.11 Remuneration of Directors

The Directors will be entitled to receive the following benefits:

- (a) the maximum total remuneration of the Directors of the Company has been set at A\$55,000 per annum to be divided amongst them in such proportions as they agree;
- (b) Karl Siegling is the sole director and secretary of the Manager. An entity associated with Karl Siegling owns all of the shares in the Manager. The Manager will receive a Management Fee and Performance Fee for managing the Portfolio. Details of the Management Agreement and all fees payable to the Manager are set out in Section 8.1.
- (c) An entity associated with Geoffrey Wilson, a Director, has been assigned up to 4.05% of the fees paid to the Manager per annum. See Section 8.2 for details.

Except as set out in this Prospectus (including in Sections 9.10 and 9.11), there are no interests that exist at the date of this Prospectus and there were no interests that existed within 2 years before the date of this Prospectus that are or were, interests of a Director or a proposed Director in the promotion of the Company or in any property proposed to be acquired by the Company in connection with its formation or promotion. Further, except as set out in this Prospectus, there have been no amounts paid or agreed to be paid to a Director in cash or Securities or otherwise by any persons either to induce him to become or qualify him as a Director or otherwise for services rendered by him in connection with the promotion or formation of the Company.

9.12 Legal Proceedings

The Company is not and has not been, during the 12 months preceding the date of this Prospectus, involved in any legal or arbitration proceedings which have had a significant effect on the financial position on the Company. As far as the Directors are aware, no such proceedings are threatened against the Company.

9.13 Consents and Responsibility Statements

Watson Mangioni Lawyers Pty Limited has given and before lodgement of the paper Prospectus with ASIC and the issue of the Electronic Prospectus has not withdrawn its written consent to be named as solicitors to the Offer in the form and context in which it is so named.

Watson Mangioni Lawyers Pty Limited has only been involved in the preparation of that part of the Prospectus where they are named as solicitors to the Offer. Watson Mangioni Lawyers Pty Limited specifically disclaims liability to any person in the event of any omission from, or any misleading or deceptive statement included elsewhere in this Prospectus.

While Watson Mangioni Lawyers Pty Limited has provided advice to the Directors in relation to the issue of the Prospectus and the conduct of due diligence enquiries by the Company and the Directors, Watson Mangioni Lawyers Pty Limited has not authorised or caused the issue of the Prospectus and takes no responsibility for its contents.

Moore Stephens Sydney has given and before lodgement of the paper Prospectus with ASIC and the issue of the Electronic Prospectus has not withdrawn its written consent to being named in the Prospectus as auditor of the Company in the form and context in which it is so named.

Moore Stephens Sydney has not been involved in the preparation of any part of this Prospectus and specifically disclaims liability to any person in the event of omission from, or a misleading or deceptive statement included in the Prospectus. Moore Stephens Sydney has not authorised or caused the issue of this Prospectus and takes no responsibility for its contents.

Moore Stephens Sydney Pty Limited has given and before lodgement of the paper Prospectus with ASIC and the issue of the Electronic Prospectus has not withdrawn its written consent to being named in the Prospectus as investigating accountant for the Company in the form and context in which it so named and the inclusion of its independent accountant's report in the form and context in which it appears.

Moore Stephens Sydney Pty Limited has not been involved in the preparation of any part of this Prospectus and specifically disclaims liability to any person in the event of omission from, or a misleading or deceptive statement included in the Prospectus. Moore Stephens Sydney Pty Limited has not authorised or caused the issue of this Prospectus and takes no responsibility for its contents.

Cadence Asset Management Pty Limited (the Manager) has given and before lodgement of the paper Prospectus with ASIC and the issue of the Electronic Prospectus has not withdrawn its written consent to being named in the Prospectus as Manager of the Company and Licensed Dealer to the Offers in the form and context in which it is so named.

Registries Limited has given and before lodgement of the paper Prospectus with ASIC and the issue of the Electronic Prospectus has not withdrawn its written consent to being named in the Prospectus as Share Registrar for the Company in the form and context in which it is so named.

Registries Limited has not been involved in the preparation of any part of this Prospectus and specifically disclaims liability to any person in the event of omission from, or a misleading or deceptive statement included in the Prospectus. Registries Limited has not authorised or caused the issue of this Prospectus and takes no responsibility for its contents.

UBS AG has given and before lodgement of the paper Prospectus with ASIC and the issue of the Electronic Prospectus has not withdrawn its written consent to being named in the Prospectus as Prime Broker for the Company in the form and context in which it is so named.

UBS AG has not been involved in the preparation of any part of this Prospectus and specifically disclaims liability to any person in the event of omission from, or a misleading or deceptive statement included in the Prospectus. UBS AG has not authorised or caused the issue of this Prospectus and takes no responsibility for its contents.

UBS Nominees Pty Limited has given and before lodgement of the paper Prospectus with ASIC and the issue of the Electronic Prospectus has not withdrawn its written consent to

being named in the Prospectus as Custodian for the Company in the form and context in which it is so named.

UBS Nominees Pty Limited has not been involved in the preparation of any part of this Prospectus and specifically disclaims liability to any person in the event of omission from, or a misleading or deceptive statement included in the Prospectus. UBS Nominees Pty Limited has not authorised or caused the issue of this Prospectus and takes no responsibility for its contents.

Bell Potter Securities Limited has given and before lodgement of the paper Prospectus with ASIC and the issue of the Electronic Prospectus has not withdrawn its written consent to being named in the Prospectus as the Sponsoring Broker to the Offer in the form and context in which it is so named.

Bell Potter Securities Limited has not been involved in the preparation of any part of this Prospectus and specifically disclaims liability to any person in the event of omission from, or a misleading or deceptive statement included in the Prospectus. Bell Potter Securities Limited has not authorised or caused the issue of this Prospectus and takes no responsibility for its contents.

9.14 Interest of Experts

Other than as set out below, no expert nor any firm in which such expert is a partner or employee has any interest in the promotion of or any property proposed to be acquired by the Company.

Watson Mangioni Lawyers Pty Limited has acted as solicitors to the Offer and have performed work in relation to negotiating certain of the material contracts, preparing the due diligence program and performing due diligence enquiries on legal matters. In respect of this Prospectus, the Company estimates that it will pay amounts totalling approximately \$35,000 (excluding GST and disbursements) to Watson Mangioni Lawyers Pty Limited.

Moore Stephens Sydney Pty Limited has prepared the independent accountant's report included in this Prospectus and has also performed work in relation to the due diligence enquiries on financial matters. In respect of this work, the Company estimates that it will pay up to \$8,000 (excluding GST and disbursements) to Moore Stephens Sydney Pty Limited.

Sponsoring Brokers will receive a 2% commission plus GST (if applicable) in respect of certain applications. Refer to Section 4.3 for further details.

Certain partners, directors and employees of the above firms may subscribe for Shares and Options in the context of the Offer.

10. GLOSSARY

Terms and abbreviations used in this Prospectus have the following meaning:

Applicant	a person who submits an Application
Application	an application for Shares and Options pursuant to the Public Offer or the Bonus Offer
Application Form	the application form attached to this Prospectus
Application Monies	the dollar value of Shares applied for
Application Price	the NTA Before Tax as at 31 October 2006
Assignment Deed	the deed of assignment dated on or about 24 June 2005 between the Company, MAM and the Manager
Australian Securities	Securities listed on Licensed Markets, Dual Listed Securities and Securities proposed to be listed on Licensed Markets
AFSL	Australian Financial Services Licence
ASIC	Australian Securities & Investments Commission
ASTC Settlement Rules	the business rules of the ASX Settlement and Transfer Corporation Pty Limited (ACN 008 504 532)
ASX	Australian Stock Exchange Limited (ACN 008 624 691)
Bonus Offer	the bonus offer of approximately 13,500,000 options to Existing Shareholders under this Prospectus
Business Day	a day, other than a Saturday or Sunday, on which banks are open for general banking business in Sydney
CHESS	Clearing House Electronic Subregister System
Closing Date	the date by which valid acceptances must be received by the Share Registrar being 24 November 2006 or such other date as may be notified by the Company
Charge	the charge dated 24 June 2005 entered into between the Company as chargor, UBS AG as chargee and the Custodian
Company	Cadence Capital Limited (ACN 112 870 096)
Corporations Act	Corporations Act 2001 (Cth) as amended from time to time
Custodian	UBS Nominees Pty Limited (ACN 001 450 522)

Custodian Agreement	custodian agreement dated on or about 27 June 2005 between the Company and the Custodian
Directors or Board	the board of directors of the Company
Dual Listed Securities	Securities listed on the ASX that are concurrently listed on a securities exchange outside Australia
Electronic Prospectus	the electronic copy of this Prospectus located at http://www.cadencecapital.com.au/prospectus
EST	Eastern Standard Time
Existing Shareholders	the Shareholders of the Company at 5:00 pm on the Record Date
Exposure Period	the period from the date of this Prospectus until 7 days after the date of this Prospectus or such longer period (not exceeding 14 days after the date of this Prospectus) required by the ASIC
Issue	the issue of Shares and Options in accordance with this Prospectus
Licensed Dealer to the Offer	Cadence Asset Management Pty Limited (ACN 106 551 062)
Licensed Market	has the meaning given in Section 761A of the Corporations Act
Licensees	holders of AFSL
Listing Rules	the listing rules of ASX
MAM	MAM Pty Limited (ACN 100 276 542)
Management Agreement	the management agreement dated on or about 24 June 2005 between the Company and the Manager as amended by a deed of variation dated 6 October 2006
Manager	Cadence Asset Management Pty Limited (ACN 106 551 062)
NTA Before Tax	the net tangible asset value per Share after provision for dividends, operating costs, interest and fees, calculated as at the last day of each month and announced by the Company on the ASX
Offers	the Public Offer and the Bonus Offer
Opening Date	expected to be 17 October 2006

Option	an option to acquire a Share at an exercise price equal to the NTA Before Tax as at 31 October 2006 exercisable by 31 March 2008 on the terms set out in Section 9.6
Performance Fee	the performance fee payable by the Company to the Manager under the Management Agreement
Performance Calculation Period	the period of time over which the Performance Fees are calculated. See description in Section 8.1
Plan	the Company's dividend reinvestment plan
Plan Shares	that portion of a Shareholder's Shares which are participating in the Plan
Portfolio	the Portfolio of investments of the Company from time to time
Prime Broker	UBS AG
Prime Broker Agreements	Prime Brokerage Agreement the Custodian Agreement, the Charge and the Securities Lending Agreement
Prime Brokerage Agreement	Prime broker agreement dated on or about 27 June 2005 between the Company and UBS AG
Prospectus	this prospectus dated 9 October 2006 as modified or varied by any supplementary prospectus made by the Company and lodged with the ASIC from time to time
Public Offer	the offer of up to 25,000,000 Shares and up to 25,000,000 Options pursuant to and in accordance with this Prospectus
Record Date	23 November 2006
SCH	ASX Securities Clearing House
Securities	has the same meaning as in Section 92 of the Corporations Act
Securities Lender	UBS AG
Securities Lending Agreement	Australian Master Securities Lending Agreement dated on or about 27 June 2005 between the Company and UBS AG
Share	a fully paid ordinary share in the capital of the Company
Shareholder	holder of a Share
Share Registrar	Registries Limited of 28 Margaret Street, Sydney NSW 2000

Sponsoring Broker	Bell Potter Securities Limited
UBS AG	UBS AG, Australia Branch
WAMI	Wilson Asset Management (International) Pty Limited (ACN 081 047 118)
Wholesale Fund	the wholesale unit trust called Cadence Capital (ABN 19 234 018 420) managed by the Manager

11. APPROVAL

This Prospectus has been approved by the unanimous resolution of the Board.

Dated: 9 October 2006



Karl Siegling
Chairman

GUIDE TO THE APPLICATION FORM

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS.

These instructions are cross-referenced to each section of the Application Form.

Instructions

- A. Specify the **dollar value** of application monies for which you wish to subscribe at Item **A** by placing a mark in the box next to your preferred investment amount, or in the case of the last box, placing a mark in the box and inserting a **dollar value** in the space provided (not less than **A\$2,000.00** and then in multiples of A\$100.00).
- B. Write your **full name**. Initials are not acceptable for first names. If you are an existing Cadence Capital Limited shareholder or option holder, please complete your registration details exactly as they appear on your current holding statement if you intend for the shares to be included on such holding.
- C. Enter your **postal address** for all correspondence. All communications to you from **Cadence Capital Limited** will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- D. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN.
NB: your registration details provided must match your CHESS account exactly.
- E. Enter your Australian **tax file number (TFN)** or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN / ABN of each joint Applicant. Collection of TFNs is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.
- F. Complete **cheque details** as requested. Make your cheque payable to **Cadence Capital Limited – Float Account** in Australian currency, cross it and mark it "**Not Negotiable**". Cheques must be made in Australian currency, and cheques must be drawn on an Australian Bank.
- G. Enter your **contact details** so we may contact you regarding your Application Form or Application Monies.
- H. Enter your **email address** so we may contact you regarding your Application Form or Application Monies or other correspondence.

Correct Forms of Registrable Title

Note that ONLY legal entities can hold the shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to Cadence Capital Limited. At least one full name and surname is required for each natural person.

Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	Mr John Smith & Mrs Mary Smith <Smith Family Super Fund A/C>	John & Mary Smith Superannuation Fund

Lodgement

Mail your completed Application Form with cheque(s) attached to the following address:

Mailing address:

Cadence Capital Limited
C/- Registries Limited
PO Box R67
ROYAL EXCHANGE NSW 1223

Delivery address:

Cadence Capital Limited
C/- Registries Limited
Level 2
28 Margaret Street
SYDNEY NSW 2000

It is not necessary to sign or otherwise execute the Application Form.

If you have any questions as to how to complete the Application Form, please contact Karl Siegling or Aaron Quirk at Cadence Capital Limited on: Tel: (02) 8298 2444 or karls@cadencecapital.com.au or aaronq@cadencecapital.com.au.

GUIDE TO THE APPLICATION FORM

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS.

These instructions are cross-referenced to each section of the Application Form.

Instructions

- A. Specify the **dollar value** of application monies for which you wish to subscribe at Item **A** by placing a mark in the box next to your preferred investment amount, or in the case of the last box, placing a mark in the box and inserting a **dollar value** in the space provided (not less than **A\$2,000.00** and then in multiples of A\$100.00).
- B. Write your **full name**. Initials are not acceptable for first names. If you are an existing Cadence Capital Limited shareholder or option holder, please complete your registration details exactly as they appear on your current holding statement if you intend for the shares to be included on such holding.
- C. Enter your **postal address** for all correspondence. All communications to you from **Cadence Capital Limited** will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- D. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN.
NB: your registration details provided must match your CHESS account exactly.
- E. Enter your Australian **tax file number (TFN)** or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN / ABN of each joint Applicant. Collection of TFNs is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.
- F. Complete **cheque details** as requested. Make your cheque payable to **Cadence Capital Limited – Float Account** in Australian currency, cross it and mark it "**Not Negotiable**". Cheques must be made in Australian currency, and cheques must be drawn on an Australian Bank.
- G. Enter your **contact details** so we may contact you regarding your Application Form or Application Monies.
- H. Enter your **email address** so we may contact you regarding your Application Form or Application Monies or other correspondence.

Correct Forms of Registrable Title

Note that ONLY legal entities can hold the shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to Cadence Capital Limited. At least one full name and surname is required for each natural person.

Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	Mr John Smith & Mrs Mary Smith <Smith Family Super Fund A/C>	John & Mary Smith Superannuation Fund

Lodgement

Mail your completed Application Form with cheque(s) attached to the following address:

Mailing address:

Cadence Capital Limited
C/- Registries Limited
PO Box R67
ROYAL EXCHANGE NSW 1223

Delivery address:

Cadence Capital Limited
C/- Registries Limited
Level 2
28 Margaret Street
SYDNEY NSW 2000

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