

Our Ref: CGL ASX Announce Entitlement Offer Investor Presentation (408)

4 June 2014

ANNOUNCEMENT 408

Company Announcements Office
Australian Securities Exchange
Level 4
20 Bridge Street
SYDNEY NSW 2000

By ASX Online
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(including this page)

Dear Sir

Commodities Group Entitlement Offer Investor Presentation

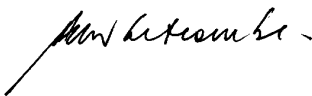
Enclosed is Commodities Group's Entitlement Offer Investor Presentation which will be sent to all shareholders on the Register on the Record Date, 16 June 2014, along with the Offer Document and entitlement form.

As previously advised, all offers will be dispatched on 18 June 2014 with the entitlement closing on 27 June 2014.

The Company will provide a BPay option for shareholders to exercise their rights.

Please telephone Harley Whitcombe on (08) 9321 4111 with any queries.

Yours faithfully
Commodities Group Limited



Harley Whitcombe
Company Secretary

ENC

Commodities Group Limited

ACN 009 317 846



Entitlement Offer Investor Presentation

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2. Commodities Group Limited
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4. CO2 Australia – Carbon and Environmental Services
5. Risks and control implications

Further information is available on the Company's website at www.co2australia.com.au



Section 1 Overview of the Entitlement Offer

Executive Summary

Executive Summary

- Raising up to approximately \$10 million via non-renounceable pro-rata entitlement offer.
- Funds used for immediate growth objectives, including capital works program to expand Seafarms' production capacity and efficiency, debt reduction and working capital.

Why Aquaculture

- Politicians on both sides of politics are now supporting what Australian industry leaders and commentators have been stating for some time that Australia has the opportunity to be a major food supplier in this "Asian century". This opportunity is already being reflected by a growing number of major Australian agricultural assets that have been acquired by international conglomerates over the last few years.
- Despite Australia being recognised as a global leader in aquaculture research and innovation, the Australian aquaculture industry is small by international standards and is highly fragmented. Economies of scale can be achieved through consolidation and increased production. Current Australian consumption of prawn products is in the order of 55,000 tonnes pa (\$750 million) with a current shortfall in supply estimated at 30,000 tonnes pa (\$420 million).
- There is growing demand for high quality seafood in Asia – US\$1,500 billion in 2007 growing to US\$3,000 billion by 2050. Demand cannot be met by diminishing wild catch. This significant and growing market shortfall is leading to the commencement of industrial scale production facilities such as that being proposed with Project Sea Dragon.

Background

Background

- Commodities Group Limited (**CGL** or the **Company**) continues to concentrate its efforts on developing its aquaculture operations and streamlining its existing carbon and environmental services businesses.
 - The establishment of a commercial scale prawn farming business in Queensland through acquisition and expansion of established prawn farming operations is gaining momentum with:
 - the acquisition of the Seafarm prawn farm in Cardwell, Queensland in January 2014. The Cardwell operations have considerable scope for expansion in production (with 128 ha of grow out ponds) and yield and operational efficiencies in the short term; and
 - the Company's Queensland industry consolidation plans are progressing and it is negotiating the acquisitions of additional properties to increase production capacity.
 - Feasibility on Project Sea Dragon, the greenfield large scale (>100,000 tonnes per annum) world class prawn production facility is progressing.
 - The carbon and environmental services business is stabilising with continued focus on management of existing carbon sinks and new plantings for government together with continuing growth in the carbon and environmental credits and offsets and environmental advisory services.
 - Close management of costs across the group.
- Funding from the Entitlements Offer will be used to fund expansion of Seafarms operating capacity and efficiency and for working capital for the group as a whole including repayment of a portion of the existing debt.

Overview of Entitlement Offer

Non-Renounceable Pro-Rata Entitlement Offer

- CGL is undertaking a non-renounceable pro-rata entitlement offer to raise up to approximately \$10 million (**Entitlement Offer**).
- The issue price is \$0.05 per new share, representing a 18.71% discount to the 5 day VWAP prior to announcement on 2 June 2014.
- Approximately 201,266,922 new shares are to be issued.
- Each shareholder is entitled to subscribe for 4 new shares for every 9 shares held on the record date.
- The Entitlement Offer is being undertaken to:
 - fund CGL's immediate growth objectives, including the capital works program to expand Seafarms' capacity and efficiency;
 - reduce existing debt;
 - fund working capital requirements.
- Ian Trahar and entities controlled by him ("Trahar"), CGL's largest shareholder with 50.40% of shares is fully supportive of the Entitlement Offer and has notified CGL of its intention to take up its full entitlement under the Entitlement Offer (approximately \$5 million). Mr Favretto (and entities controlled by him) who holds approximately 4.58% has indicated that he will take up his full entitlement under the Entitlement Offer.
- The offer is being extended to all shareholders with registered addresses in Australia and New Zealand (**Eligible Shareholders**).
- The Entitlement Offer is not underwritten, but Eligible Shareholders may apply for additional shares under a shortfall facility. Any remaining shortfall may be placed by the Company to sophisticated investors within 3 months at a price which is not less than the issue price for the Entitlements Offer.

Indicative Timetable for Entitlement Offer

Event	Date
Announcement of Entitlement Offer	2 June 2014
Release of investor presentation to ASX	4 June 2014
Lodgement of Appendix 3B, cleansing notice and offer document with ASX	10 June 2014
Notice of Entitlement Offer sent to shareholders	11 June 2014
Ex-Date (date on which existing shares trade without entitlements attached)	12 June 2014
Record date to determine entitlements	5pm, 16 June 2014
Offer document and Entitlement and Acceptance Form sent to shareholders	18 June 2014
Entitlement Offer opens	18 June 2014
Entitlement Offer closes (last date for lodgement of Entitlement and Acceptance Forms and Application Money)	5pm, 27 June 2014
Trading of new shares commence on a deferred settlement basis	30 June 2014
Issue of new shares	3 July 2014
Normal trading of new shares expected to commence on ASX	4 July 2014
Despatch of holding statements for new shares	4 July 2014

All dates and times refer to Perth time. These dates are indicative only and may be subject to change. Subject to the ASX Listing Rules and other applicable laws, the Company reserves the right to vary the timetable without prior notice, including by extending the Closing Date or closing the Entitlement Offer early. The Company also reserves the right not to proceed with the Entitlement Offer.



Section 2 Commodities Group Overview

Operations



ENVIRONMENTAL SOLUTIONS FOR COMMERCIAL RESULTS

CARBON MANAGEMENT
SERVICES >

ENVIRONMENTAL OFFSET
SERVICES >

ENVIRONMENTAL AND LAND
MANAGEMENT SERVICES >

ENVIRONMENTAL & CARBON
CREDITS >



seafarms

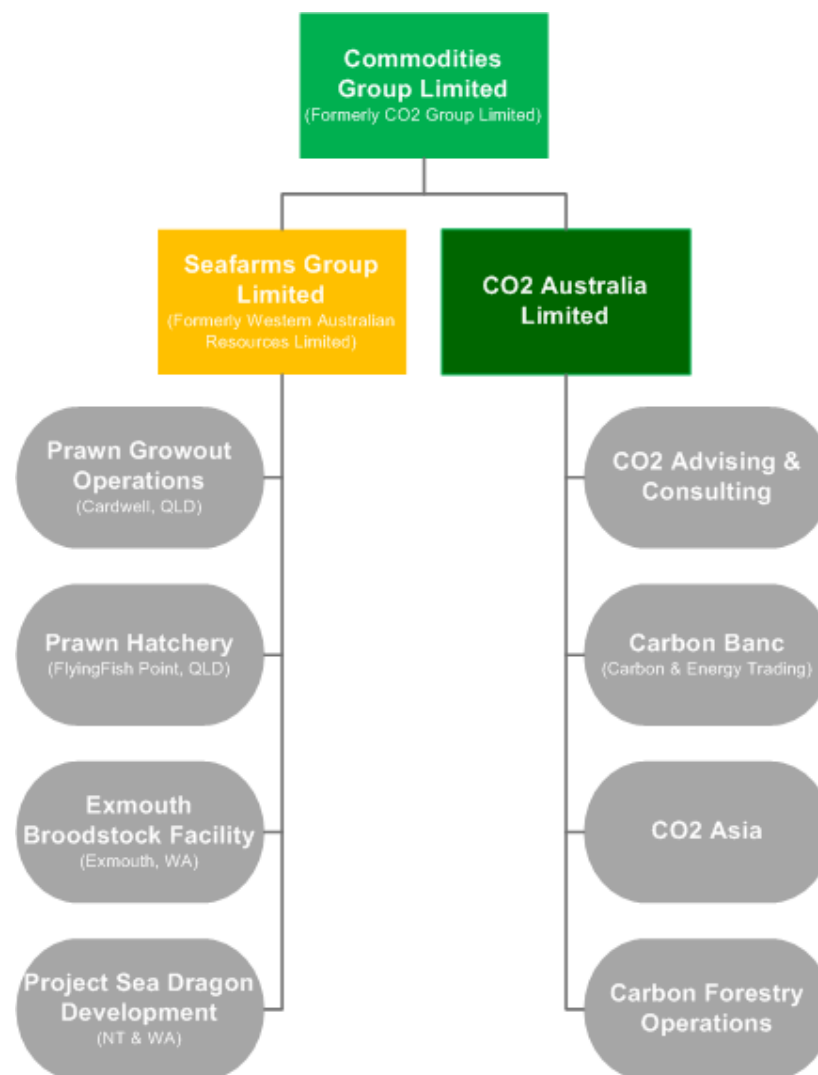


Project Sea Dragon

Corporate snapshot

Corporate Information

ASX Listed Code	COZ
Market Capitalisation (at 29 May 2014)	\$29 million
Shares on issue	453 million
Convertible preference shares	30 million
Cash on hand (at 31 March 2014)	\$852,000
Net Assets (at 31 March 2014)	\$33.06 million
Debt (at 31 March 2014)	\$5.4 million
Financial year end	30 September
Directors' shareholdings	58.05%
Staff	50
Directors	Ian Trahar (Executive Chairman) Harley Whitcombe Chris Mitchell Paul Favretto
Company secretary	Harley Whitcombe



Financial information

PRO FORMA BALANCE SHEET

	Audited Balance Sheet 31 Mar 2014	Pro-forma Adjustments	Pro-forma Balance Sheet
<i>\$'000 unless otherwise noted</i>			
Cash and equivalents	852.43	8,800.00	9,652.43
Trade and other receivables	1,714.84		1,714.84
Inventories	6,279.24		6,279.24
Property, plant & equipment	17,783.96		17,783.96
Intangible assets	4,920.76		4,920.76
Other assets	10,665.50		10,665.50
Total assets	42,216.73	8,800.00	51,016.73
Trade and other payables	2,562.88		2,562.88
Loans and borrowings	5,426.00	-1,200.00	4,226.00
Other liabilities	1,171.11		1,171.11
Total Liabilities	9,159.99	-1,200.00	7,959.99
Net assets	33,056.74	10,000.00	43,056.74

Other financial information

Net Tangible assets (NTA)	28,135.98		38,135.98
NTA per share (\$)	0.06		0.06
Shares on issue (<i>shares</i>)	452,850,575	201,266,922	654,117,497

Notes:

The pro forma balance sheet has been prepared for illustrative purposes to show the potential effect of the Entitlements Offer on the Company if the Entitlements Offer had occurred on 31 March 2014.

The information on which the pro forma balance sheet is based has been derived from the 31 March 2014 audited consolidated financial statements of the Company and should be read in conjunction with the notes and assumptions set out in those financial statements.

The NTA per share value does not include the Company's convertible preference shares.



Section 3 – Seafarms Aquaculture Business

Seafarms Overview

Seafarms Group Limited (**Seafarms**) is a new Australian agri-food company operating, building and investing in sustainable aquaculture production platforms producing high-quality seafood.

Seafarms is currently the largest producer of farmed prawns – growing, processing and distributing the well-known Crystal Bay Prawns® premium brand – and one of Australia's largest aquaculture enterprises. The Company is also developing Project Sea Dragon – a large-scale, integrated, land-based prawn aquaculture project in northern Australia designed to produce high-quality, year-round reliable volumes for export markets.

Seafarms operate Australia's longest established and largest integrated prawn farm in Cardwell North Queensland, breeding, growing, processing and wholesaling both Crystal Bay Prawns® (Banana Prawns) and Black Tiger Prawns.

Crystal Bay Prawns® - Australia's only branded prawns – are a high-quality, award-winning product available fresh and frozen year-round at supermarkets and leading seafood suppliers. Crystal Bay Prawn dishes also appear on menus in many leading Australian restaurants and food-service businesses.

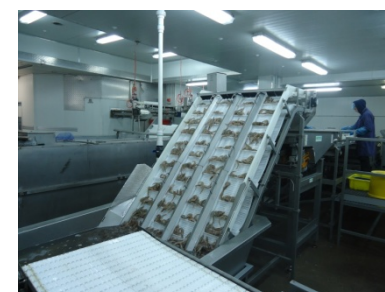
This year we expect to produce about 1,100 tonnes of prawns – approximately 13% of Australia's domestic farmed prawn production. In 2015, our plan is to lift this capacity to around 1,600 tonnes.

Seafarm has embarked on a strategy in Queensland to expand its existing production capability and establish a large scale integrated prawn farming operation. It is currently negotiating to acquire a number of existing operations. It is expected that economies of scale should be available from such consolidation including of hatchery and production facilities and bulk purchasing savings on feed and power.

In addition, Seafarms plans to increase production of Black Tiger Prawns providing domestic product diversification, market differentiation and also the opportunity to exploit export market opportunities.

Research and development offers a significant potential to improve efficiencies and increase production and will be a key activity of the Seafarms group. Seafarms works with a range of scientific, engineering and technical R&D providers and in March 2014, the Company announced a R&D collaboration agreement with CSIRO for future aquaculture research and development.

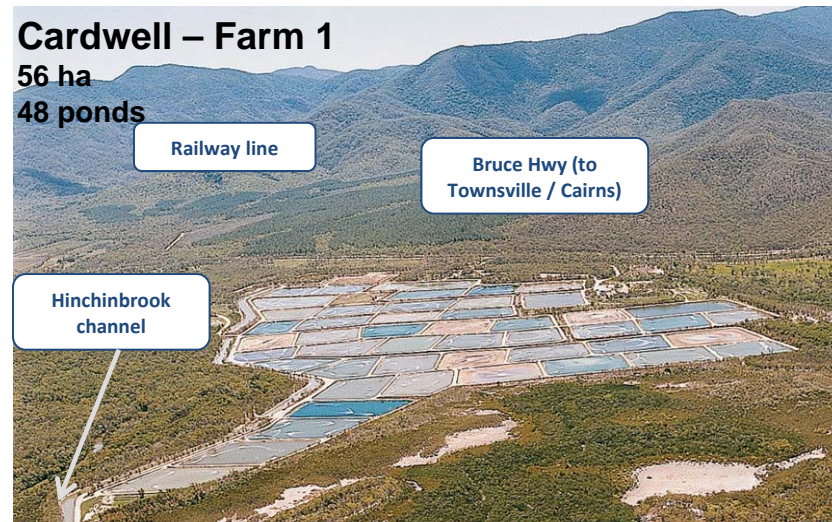
Seafarms continues to progress Project Sea Dragon, finalising its Pre-Feasibility Study late last year. Currently the company is finalising land tenure arrangements and approvals and plans to commence the final stage a Bankable Feasibility Study later this year.



Seafarms Properties

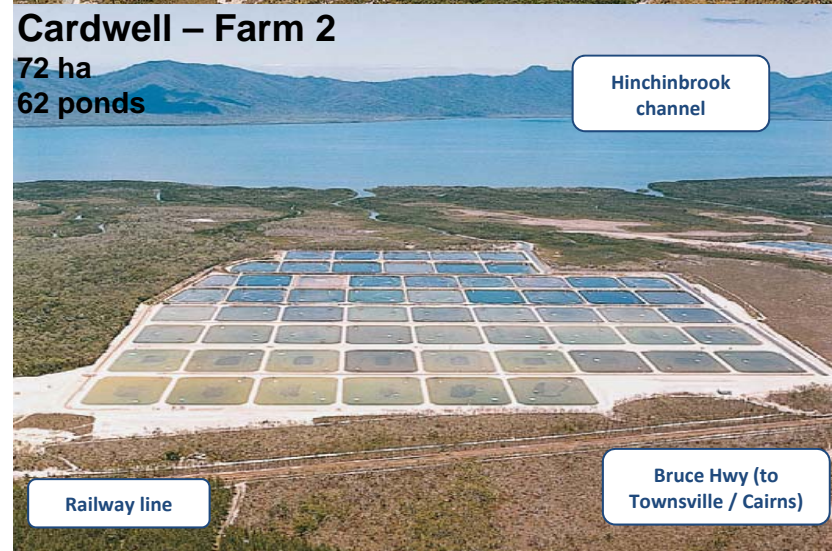
Cardwell – Farm 1

56 ha
48 ponds



Cardwell – Farm 2

72 ha
62 ponds

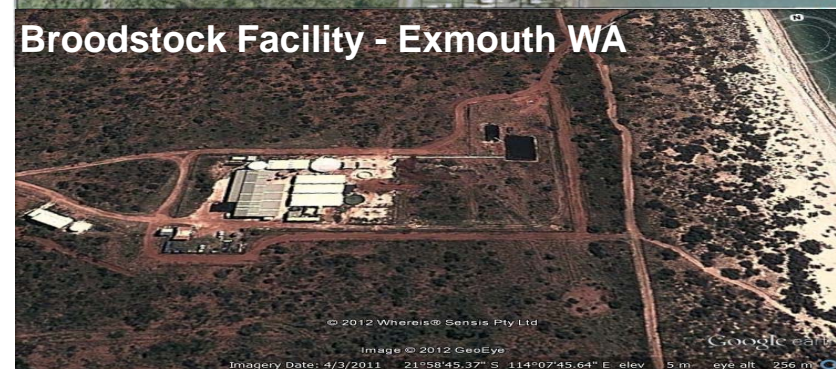


Hatchery - Flying Fish Point (Innisfail)

13 ha
12 broodstock ponds



Broodstock Facility - Exmouth WA



Project Sea Dragon

The Company continues to progress the development of Project Sea Dragon (**Sea Dragon**) – a large-scale, integrated, land-based prawn aquaculture project in northern Australia designed to produce high-quality, year-round, reliable volumes for export markets.

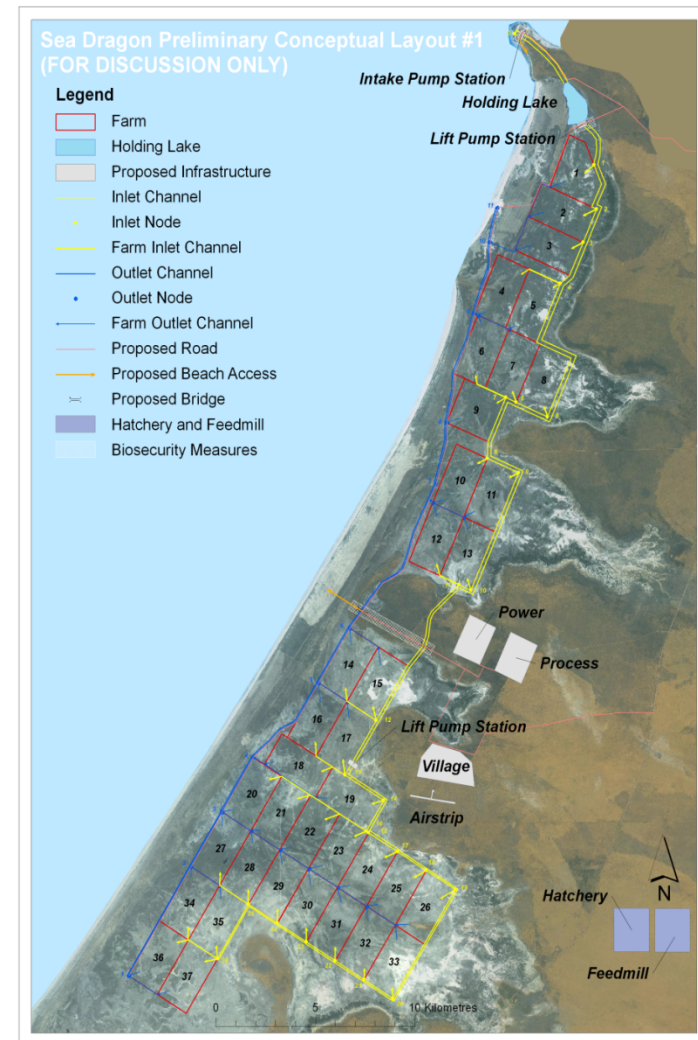
Sea Dragon seeks to establish a prawn (shrimp) production enterprise of 10,000 hectares (ha) of ponds producing up to 100,000 tonnes per annum developed in 5 stages over a 7- 10 year development horizon. Stage 1 is expected to be approximately 3,000 ha of ponds starting initially with 1,000 ha in the first year.

The project will have full vertical integration of production system components: broodstock – hatchery – growout – processing – export as well as key input infrastructure such as feed mill and electricity generation.

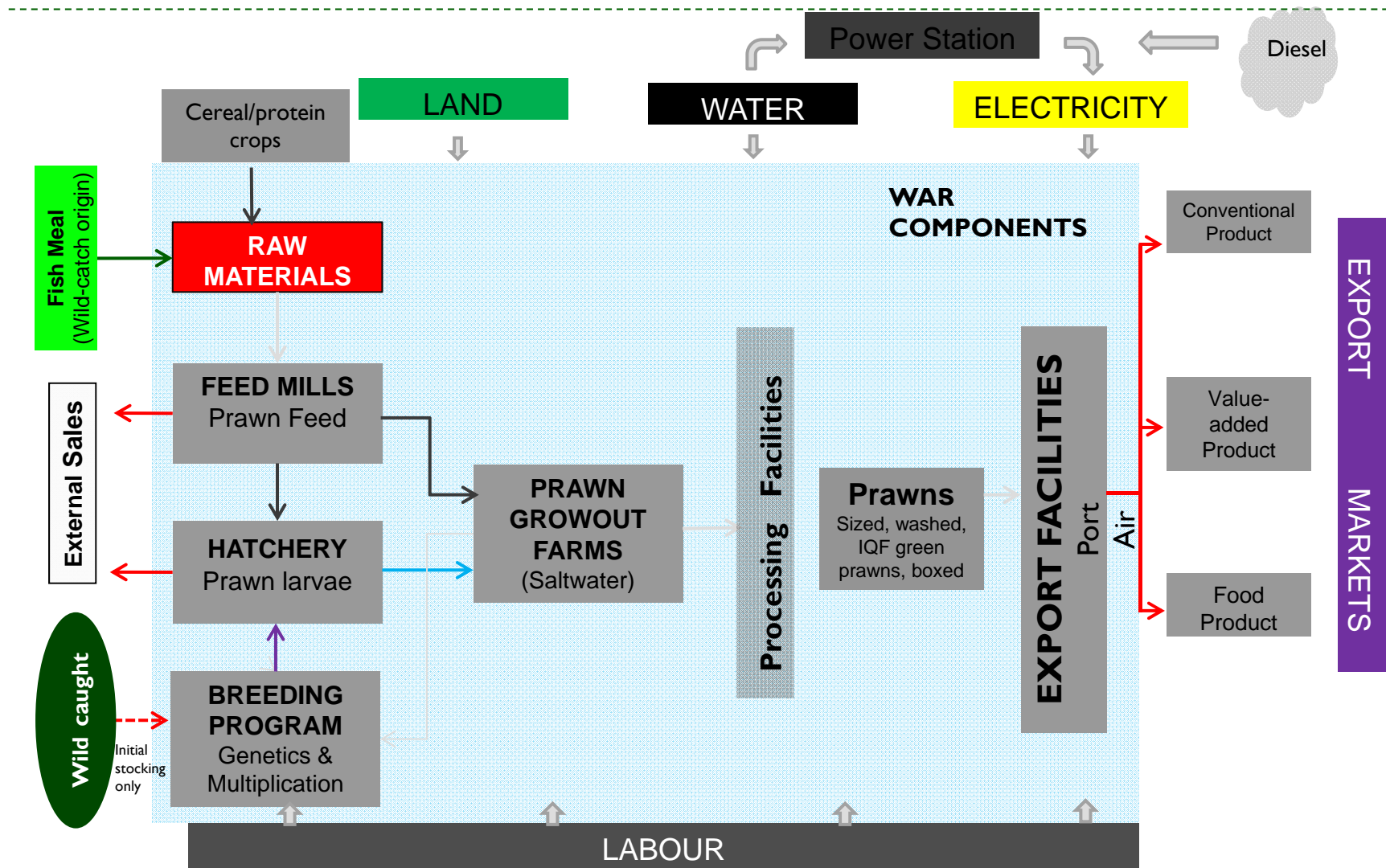
Australia has a number of natural advantages for large scale aquaculture including climatic suitability, endemic species, biosecurity, clean largely disease-free environment, land availability at relatively low-prices, access to key raw materials, a secure land tenure system, suitable infrastructure and labour, favourable trade arrangements with key markets, leading research and development capabilities in aquaculture and expertise in large scale resource and agricultural development.

Seafarms has currently completed its pre-feasibility study and is preparing to commence the final phase Bankable Feasibility (**BFS**) to support project funding. The BFS will include:

- ongoing site selection, assessment and acquisition
- technical & engineering studies
- broodstock development program and related R&D
- establishment and initial operation of the breeding site
- assessment of planning requirements, permits and regulations
- environmental planning
- markets assessment and marketing plans.



Sea Dragon - production system infrastructure



Seafarms' team

Ian Trahar
Chairman

- Successful experience within the resources and finance industries, having established and managed several businesses within these sectors.

Robert Bell
Managing Director

- Environmental (Marine Biology) and legal qualifications
- Extensive experience in the management of government approvals and front-end development for major resource projects

Ian Leijer
Chief Financial Officer/
Director Business
Development

- Chartered Accountant with over 20 years' experience in corporate finance, strategy and business management.
- Previously CFO of ASX listed companies

Dallas Donovan
Director Aquaculture
Operations

- 18 years' aquaculture experience, including technical and production management, harvesting, processing, marketing and project management
- Six years leading aquaculture operations at National Prawn Company in Saudi Arabia, one of the world's largest fully integrated aquaculture operations

Owen Stacy
Director PSD Project
Delivery

- 40 years' experience in engineering and project management, with major infrastructure, mining, ports, power generation and industrial projects
- Company governance, strategic planning, risk management and feasibility study processes

Ian Longson
Non-Executive Director

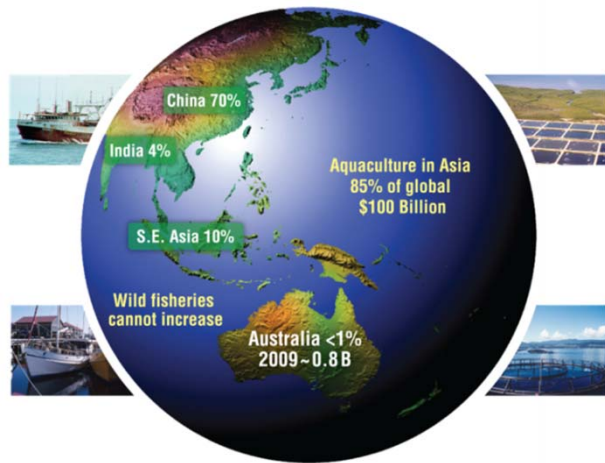
- Previously Director General of Western Australian Department of Agriculture & Food
- Significant agri-food production project experience in both public and private sectors

Market Opportunity

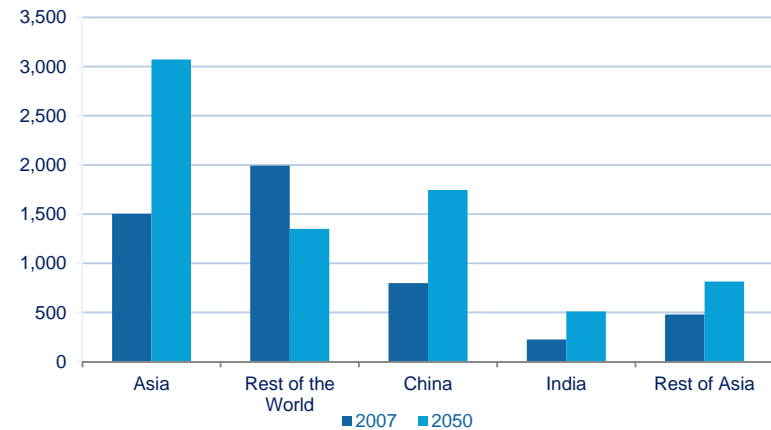
Growing population and increasing wealth are underpinning the demand for protein: Global population is expected to increase from 7 billion today to 9 billion by 2050. Over that time the world's total food requirement is expected to increase by 70% in value due to increased aggregate food consumption and an increased share of animal protein due to the expansion of the middle class, particularly in Asia. The middle class is forecast to increase to 4.5 billion people by 2030.

Chinese shift from exporter to importer of seafood: The growing consumption of seafood in China and the rise in aquaculture production is a leading indicator of the significant role that aquaculture will play in global food production over the next 40 years. China currently accounts for two-thirds of world aquaculture production but has recently switched from being a net seafood exporter to a net importer.

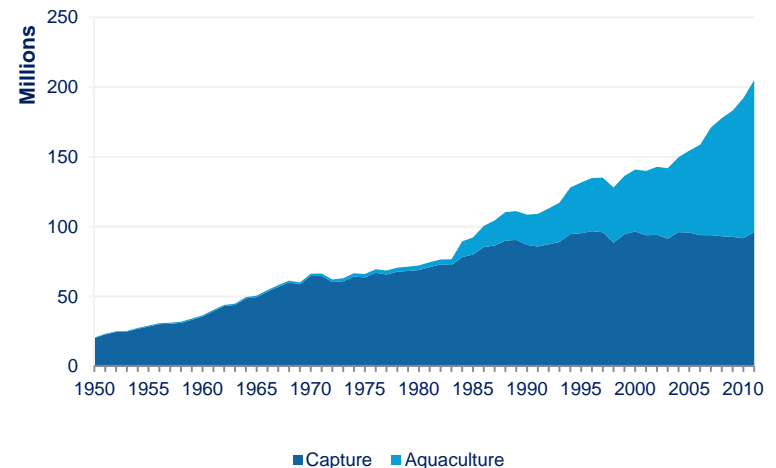
Domestic market opportunity: There are opportunities to replace imported seafood in the domestic Australian market.



World Agri-food Demand by Region, 2007 and 2050 (US\$b)
(Source: ABARES)



Global Aquaculture and Capture Fisheries Production 1950 - 2011 (million tonnes) (Source: FAO)

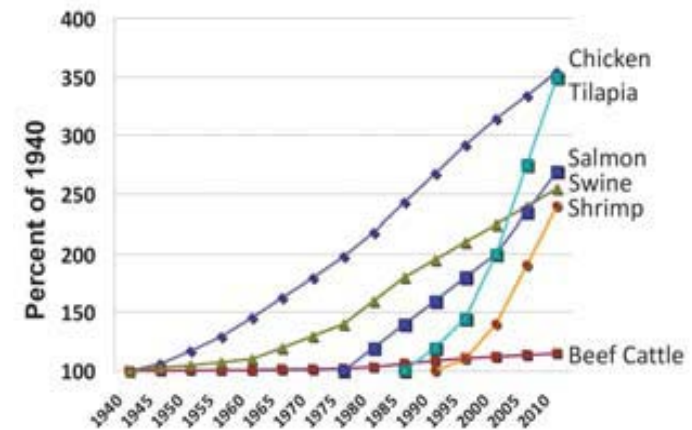


Market Opportunity

Why Aquaculture?

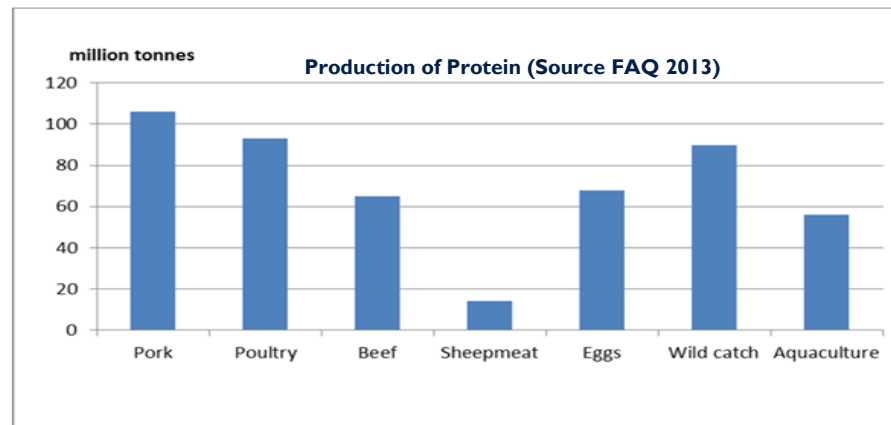
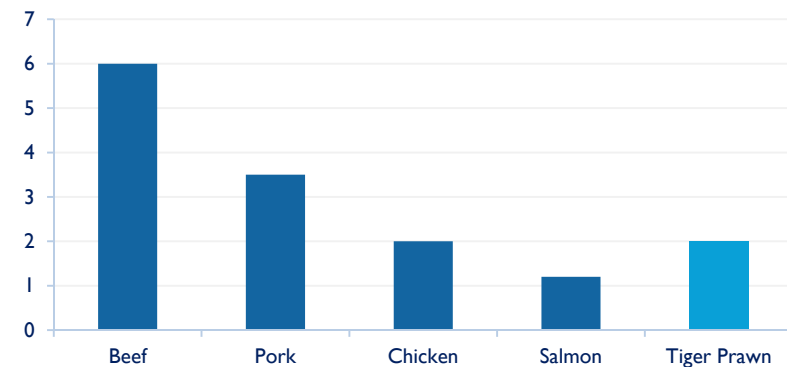
- Fish and other seafood are the largest source of animal protein (160 million tonnes) consumed globally, exceeding that of pork (114 million tonnes), poultry (106 million tonnes) or beef (68 million tonnes).
- Aquaculture, which represents nearly half of the total global fisheries production (70 million tonnes) has been the fastest-growing protein sector over the last 30 years.
- The gross value of the total wild-catch fisheries sector in Australia declined by 1 per cent to \$1.3 billion in 2011-12, whilst aquaculture production increased by \$100 million to \$1.1 billion, and accounted for 46 per cent of the gross value of Australian fisheries production.
- Farmed salmon continues to be the largest aquaculture species group produced (44,000 tonnes), and also the most valuable fisheries product in Australia. The value of farmed salmon rose by 20 per cent to \$513 million in 2011-12. Salmon accounted for 49 per cent of the total value of Australian aquaculture production and 22 per cent of the total value of fisheries production.
- Fish (and marine invertebrates) have the highest feed conversion ratio, i.e. they produce more available kilograms of protein per kilogram of feed than other sources of animal protein.

Relative Genetic Gain in Growth Rates



(Source: Chamberlain)

Feed Conversion Ratio (Source: Various)



Market Opportunity

Why Aquaculture in Australia?

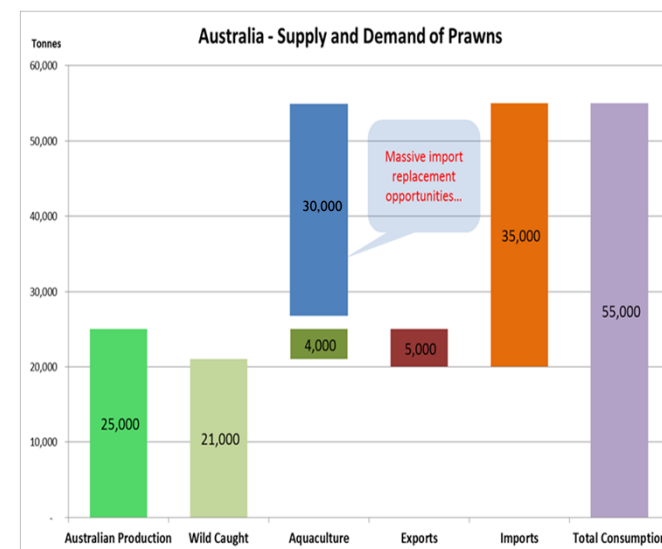
- Prawns, tuna, salmon, edible oysters and pearl oysters accounted for 88 percent of the \$1.1 billion value of aquaculture. The largest single contributor to aquaculture production was salmon.
- Despite Australia's small aquaculture industry, it is recognised as a global leader in aquaculture research and innovation. Scientific organisations such as CSIRO, the Australian Institute of Marine Science, FRDC and several state-government fisheries agencies have over the last 20 years invested hundreds of millions of dollars into aquaculture research and development. Most recently, however, much of that R&D is being exported overseas.

Why Prawns?

- Prawns (or shrimp) are the largest internationally traded fish commodity (in value). Total shrimp fisheries production in 2011 was about 7 million tonnes with 3.9 million tonnes farmed.
- Shrimp is the top-selling seafood item in many countries (in USA – 33% of all supermarket seafood sales) and is the top seafood consumed on a per-capita basis.
- Shrimp also sell at a premium price – more expensive than all other animal protein (apart from some other seafood products such as lobster & abalone)
- Current Australian consumption of prawn products is in the order of 55,000 tonnes pa (\$750 million) with a current shortfall in supply estimated at 30,000 tonnes pa (\$420 million).

An opportunity for industry change?

- The Australian prawn aquaculture industry is highly fragmented. Queensland has the largest farmed prawn production representing about 95% of the total farmed product comprised of about 15 farming operations. The average price achieved for farmed prawn produced in Queensland in 2011-12 was \$14.95/kg.
- Significant changes can be applied to the Queensland prawn farming industry including consolidation, improved efficiencies through technology, breeding and animal growth improvements, feed formulations and disease management– such as has been successfully achieved by the Tasmanian salmon industry – leading to substantial performance improvements.



(Source: ABARES 2014)

Key attributes

Demand for Animal Protein

- Global food demand is forecast to increase by 70% to 2050 due to increases in population and higher demand for animal protein resulting from increasing global affluence

Proven Technology, Leading Science

- Existing production technology, coupled with advanced breeding and feed programs, creating industry best practice productivity and positioning Sea Dragon in the bottom quartile of the production cost curve
- Strategic collaboration with CSIRO and leading industry expertise

Expanding from a strong domestic base

- Become the leading Australian shrimp producer through strategic acquisitions, providing a strong foundation from which to expand production targeting international markets.
- Leverage Australia's food safety record to develop markets for 100,000 tonnes of shrimp produced by Sea Dragon using industry best practice technology, genetics and aquaculture management.

World Class Location

- Limited alternative locations suitable for competitive large-scale shrimp production
- Sea Dragon's selected geographic isolated location provides ideal bio-security benefits
- Proximity to Asian target markets and key inputs (grain) provide unparalleled commercial benefits

Committed Investors & Quality Management

- The Company has invested \$10 million to date and is committed to support with further investment in both Sea Dragon and strategic acquisitions
- Management with extensive experience across project development, successful large-scale aquaculture production, aquacultural science and business process



Section 4 – CO2 Australia – carbon and environmental services

Carbon and environmental services

CO2 Australia:

Management of carbon sinks - Having established over 26,400 ha of forest carbon sinks, CO2 Australia is now focussed on the long term management of these assets on behalf of a broad variety of blue chip clients. Arrangements are in place to manage these sinks for the long term.

ACCUs created - With the introduction of the Carbon Farming Initiative CO2 Australia's projects can now produce carbon credits recognised by the Australian Government (**ACCUs**). During the half year CO2 Australia's created more ACCUs from reforestation projects than any other developer. The Australian Government recently announced that it will buy ACCUs through its Emissions Reduction Fund.

New plantings by CO2 Australia - Continuing to implement bio-diverse plantings on behalf of government clients.

Environmental advisory services - CO2 Australia's advisory team has developed steadily. In addition to carbon services the team is recognised as offering unique expertise in the field of biodiversity offsets. Our set of capabilities include spatial analysis, environmental survey and planning as well the ability to cost-effectively manage all aspects of complying with biodiversity offset requirements.

CO2 Australia's services have been delivered to a wide variety of clients.

Carbon Banc - Carbon Banc continues to trade across a variety of environmental and electricity markets. Activity in these markets is strongly linked to the identification of key value opportunities.

CO2 Asia - CO2 Asia continues to hold economic interests in a portfolio of Clean Development Mechanism projects that will generate carbon credits into the future.

Summary - Alongside its management revenue stream, CO2 Australia maintains a carefully weighted portfolio of capabilities that deliver services in a number of environmental market segments. This positions the company to move quickly as market opportunities arise.





Section 5 - Key risks and control implications

Key Risks

Risks associated with the Company

Ability to raise sufficient capital to fund growth and development - The continued growth and development of the Company's carbon and aquaculture businesses will be dependent upon the ability to access funds to finance required capital for growth through expansion of existing operations and new acquisitions and to continue studies into, and if applicable, develop Project Sea Dragon. There is a risk that access to capital on acceptable terms will not be available. Even if finance is available it may be on terms that materially dilute your equity position.

Carbon operation risks - national and state laws and changes in regulation affect many facets of carbon markets. Changes in regulation can impact on market conditions and thus business confidence. Carbon sinks are exposed to agricultural risk associated with weather and seasonal climatic conditions which may influence the growth of plantations.

Aquaculture operation risks - given the remote location of Company's current and proposed aquaculture operations, the Company may be unable to attract and retain suitable staff, poor labour efficiency/productivity may result, equipment used may not meet expectations and difficulties may arise with respect to logistics and marketing. In addition, labour costs in Australia are high compared with many competitors.

Project Sea Dragon is an early stage opportunity - the Company is progressing studies into Project Sea Dragon. There can be no assurance that the studies will be successful or will result in a project being developed and, if developed, being a profitable operation. Key issues in relation to Sea Dragon include obtaining the support of a long-term off-take partner to support the capital required to establish the project, access to suitable land on commercial terms, obtaining the range of state and local government approvals which will be required and usual project development risks including those associated with engineering, unforeseen project construction delays or site specific challenges.

Insurance - the Company has taken out insurance to cover its current business operations. However, Company's insurance policies, in some circumstances may not provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

Environmental regulations - national and local environmental laws and regulations affect nearly all existing and planned aquaculture operations. These laws and regulations set various standards governing certain aspects of health and environmental quality and provide for penalties and other liabilities for the violation of such standards. The Company has environmental monitoring protocols in place, but changes in regulations or unforeseen events may create liability for the Company.

Dependence on key personnel - the Company is reliant upon its key management personnel. The loss of the services of certain personnel could have an adverse effect on the Company, as it may not be able to recruit replacements for the key personnel within a short time frame.

Research and Development - the Company's business activities and operations involve research and development, which has inherent risk.

Key Risks

Risks associated with the aquaculture industry

Aquaculture risks - aquaculture is a form of primary production and has the normal and usual risks associated with primary production. These risks include but are not limited to, weather and climate risk, risk of natural catastrophe such as storm surge or wind damage; risks from pest and disease, sudden changes in environmental conditions that impact growth performance, or even death arising from failures in systems, plant and equipment (including adverse changes in water temperature, oxygen concentrations or salinity levels).

Disease/Biosecurity - the risk of disease is a major risk in any aquaculture project. In addition to the tight operational biosecurity measures, the risk is mitigated by minimising the use of externally sourced broodstock, the remote locations of the Company's current and proposed aquaculture operations, geographic separation and the lack of water and air pollution.

Environmental Impacts - aquaculture operations have the risk of impacting on the environment, internally and externally. Externally, an aquaculture farm may affect groundwater or wastewater or may fail to meet required specifications. Strategies to minimise the impact and risks to the environment, including surrounding vegetation, terrestrial and marine species and water discharge are in place for the Company's existing operations.

Water supply - aquaculture operations require sufficient access to quality water sources year round. The Company currently has access to adequate sources of water for its current operations in northern Queensland.

Key Risks

General risks

The business activities of the Company are subject to various general economic and investment risks that may impact on the future performance of the Company. These risk factors include, but are not limited to those summarised below.

Taxation and government regulations - changes in taxation and government legislation in a range of areas (for example, the Corporations Act, accounting standards and taxation law) can have a significant influence on the outlook for companies and the returns to investors.

Investment in capital markets - as with all stock market investments, there are risks associated with an investment in the Company. Securities listed on the stock market, can experienced price and volume fluctuations that may be unrelated to the operating performances of such companies. These factors may materially affect the market price of Shares regardless of the Company's performance. The price of shares might trade below or above the offer price for the new shares.

Accounting standards - Australian accounting standards are set by the Australian Accounting Standards Board (**AASB**). Changes to accounting standards issued by AASB could materially adversely affect the financial performance and position reported in the Company's financial statements.

General economic risks - the operating and financial performance of the Company is influenced by a variety of general economic and business conditions, including levels of consumer spending, oil prices, inflation, interest rates and exchange rates, supply and demand, industrial disruption, access to debt and capital markets and government fiscal, monetary and regulatory policies. Changes in general economic conditions may result from many factors including government policy, international economic conditions, significant acts of terrorism, hostilities or war or natural disasters.

Risks associated with the Entitlement Offer

There are certain risks associated with participating or not participating in the Entitlement Offer, including:

Dilution - your shareholding in the Company may be diluted as a result of not taking up your full entitlement;

Alternative funding - if the Company is unable to successfully complete the Entitlement Offer, it will have to consider alternative funding options, which may or may not be available on acceptable terms or may result in dilution to shareholders; and

Future capital requirements - the Company is likely to require additional capital in the future. The Company's ability to do this at an appropriate price will be significantly impacted by commodity prices, market conditions and the capital raising environment at that time.

Control implications

Director interests

The Directors of the Company (and their related parties) currently hold the following interests in the Company:

- Ian Trahar – 50.40%
- Paul Favretto – 4.58%
- Harley Whitcombe – 2.65%
- Chris Mitchell – 0.42%

Director participation

Mr Trahar and Mr Favretto have advised they intend to participate in the Entitlement Offer. Mr Trahar does not intend to apply for any shares under the shortfall facility. Mr Favretto does intend to apply for additional shares under the shortfall facility.

Substantial shareholders

Mr Ian Trahar is the only substantial shareholder of the Company. Mr Trahar and his related parties hold 50.40% of the issued shares in the Company.

The potential effect of the Entitlement Offer on Mr Trahar's interest in the Company is set out below:

Current interest	\$6m of shares issued	\$8m of shares issued	Full Entitlement Offer issued (approximately \$10m)
50.40%	57.56%	53.80%	50.40%