

Prospectus

Offer of Unsecured Convertible Notes

Five year fixed rate of 6.5% pa.

\$3.90 per note

Convertible into shares or
redeemable for cash in September 2009

Note: This is an important document and requires your immediate attention. It should be read in its entirety. If you do not understand any part of this document, or you are in doubt as to how to deal with it, you should consult your accountant, stockbroker, financial planner, lawyer or other professional adviser.



JBWere

Broker to the Issue

Allens Arthur Robinson

Legal Advisers to Djerriwarrh

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Important Notice

This Prospectus is an important document and requires your immediate attention. It should be read in its entirety. No person is authorised to give any information or to make any representation in connection with the Issue which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied upon as having been authorised by Djerriwarrh in connection with the Issue.

The information contained in this Prospectus is general information only. It does not constitute advice or contain a recommendation to invest in the Issue. This Prospectus has been prepared without taking account of the objectives, financial situation or needs of any investor. Accordingly, you should, before making an investment decision, consider the appropriateness of an investment in the Issue having regard to your objectives, financial situation and needs. To assist you, you may wish to consult your accountant, stockbroker, financial planner, lawyer or other professional adviser.

The accompanying blue Entitlement and Acceptance Form for the Buy-Back Offer, and/or yellow Application Form for the Security Holder Offer (as applicable) are important. The completed Form or Forms (as applicable) must be received at Djerriwarrh's Share and Note Registry by 5.00pm (Australian Eastern Standard Time) on 2 July 2004. The Application Form for the Security Holder Offer must be accompanied by payment of the application monies or it will not be accepted.

You are not required to fill out and return the Application Form if you elect to use BPAY® to submit your payment. Please refer to the instructions in section 4 of this Prospectus regarding acceptance in respect of the Issue.

In the event that applications are received in excess of \$156 million under the Issue, applications for the Security Holder Offer will be scaled back at the discretion of the Directors.

The Directors will withdraw the Issue if the minimum subscription of \$50 million is not achieved in aggregate across all components of the Issue. The Directors will decide at the close of the Issue whether the minimum subscription amount has been met. There will be no binding contract between Security Holders and Djerriwarrh until the Directors decide that the minimum subscription has been met. If the Issue is not made, all the application monies will be refunded to the applicant without interest.

The potential tax effects of the Issue will vary between Security Holders. A summary of potential Australian tax implications is contained in section 8.6 of this Prospectus, but all Security Holders should satisfy themselves of any possible tax consequences by consulting their own professional tax advisers.

Djerriwarrh has obtained a waiver from Listing Rule 7.40 in respect of Item 1 of Appendix 7A, allowing it to open the Issue to Security Holders on the same day it dispatches the Prospectus. This is conditional on Djerriwarrh lodging the Prospectus with ASIC and the ASX and posting a copy of the Prospectus on its website on or before the opening date of the Issue.

Djerriwarrh will open the Issue to the Firm Brokers on the same day it opens the Issue to the Security Holders.

The Company will seek Shareholder approval in relation to the issue of up to 40 million New Notes and in relation to Director participation in the Security Holder Offer. For information in relation to the Shareholder approval being sought at a General Meeting of the Company refer to sections 4.2(b) and 4.5.

The General Meeting of the Company is to be held at Hilton on the Park, Ballroom 3, 192 Wellington Parade, East Melbourne on 21 June 2004 commencing at 10.00am.

Other Information

This Prospectus is dated 13 May 2004 and was lodged with ASIC on 13 May 2004.

ASIC, the ASX and their respective officers take no responsibility for the contents of this Prospectus.

The expiry date of this Prospectus is 13 May 2005. No securities will be allotted or issued on the basis of this Prospectus after the expiry date.

Djerriwarrh has obtained a waiver from Listing Rule 7.7 allowing it to make the Buy-Back Offer only to Noteholders who have a registered address in Australia. No action has been taken to register or qualify the Issue in any jurisdiction other than Australia.

This Prospectus, the Application Form, and the Entitlement and Acceptance Form do not constitute an offer of, or an invitation to subscribe for, any of the New Notes in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

In making an investment decision, Security Holders must rely on their own examination and assessment of the Issue, including the terms and conditions of the Issue and the merits and risks involved (as discussed in section 6 of this Prospectus).

Certain words and phrases used in this Prospectus have defined meanings set out in the Glossary in section 9 of this Prospectus.

All financial amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated.

1. Letter from the Chairman

Dear Security Holder

Introduction

I am pleased to invite you to participate in an issue of unsecured convertible notes (New Notes) with a five year fixed rate return of 6.5 per cent per annum issued by Djerriwarrh Investments Limited.

The Board is conscious of the interest which investors have shown in the existing series of convertible notes (Existing Notes) during their life. As these notes are now approaching maturity, it is our view that Noteholders and Shareholders may be interested in an opportunity to participate in a comparable new fixed interest security with convertibility which reflects the current interest rate environment.

The New Notes have been designed to meet the needs of investors who seek an attractive well supported fixed interest yield with the possibility of capital gain if the price of Djerriwarrh's Ordinary Shares rises towards \$3.90 and above. The fixed interest rate will be 6.5 per cent per year on the face value of the New Notes of \$3.90. Interest will be paid in half yearly instalments on 31 March and 30 September each year with the first payment on 30 September 2004 for the period from the Allotment Date. The New Notes may be converted into Ordinary Shares on a one for one basis on 31 March and 30 September during their currency and at the occurrence of specified events.

It is intended to make an application to the Australian Stock Exchange Limited for official quotation of the New Notes on the Australian Stock Exchange.

The purpose of the Issue of up to \$156 million of New Notes is to raise funds to buy back and fund repayment of the \$84.2 million of Existing Notes which mature in September 2004; repay the Company's bank debt (\$52 million as at 12 May 2004); and to raise additional funds for investment in the market.

The Directors intend to participate in the Issue.

Financial position

Djerriwarrh continues to be in a strong financial position to support the payment of interest on the New Notes and for the return of funds once these notes mature in September 2009. The Company's investment and trading portfolio currently comprises listed securities in just over 60 different companies. The market value of the investment and trading portfolio at 31 December 2003, including cash, was \$595.4 million. Djerriwarrh has a history of sound profit performance since its inception in December 1989, with profit for the latest full year to 30 June 2003 of \$28.5 million.

Issue structure

The Issue is open to all Shareholders, and holders of Existing Notes due to mature on 30 September 2004, provided that in each case the relevant Security Holder has a registered address in Australia. The Issue of New Notes comprises three components:

1. A Buy-Back Offer to holders of Existing Notes due to mature on 30 September 2004 to buy back their notes in consideration for the issue of one New Note at \$3.90, plus an additional payment of approximately 19 cents per note, 10 cents representing the difference in face value of the New Notes and 9 cents as recognition of foregone interest and the differential between the interest rates applicable on the Existing Notes and on the New Notes.

Noteholders on the register on the Record Date (24 May 2004) will be eligible to participate in the Buy-Back Offer.

2. A Security Holder Offer to all of the Company's Shareholders and Noteholders to apply for New Notes at \$3.90 per note subject to a minimum application of 250 New Notes (\$975).

Shareholders and Noteholders with a registered address in Australia and who are on the relevant register on 24 May 2004 will be sent a copy of the Prospectus.

Shareholders and Noteholders with a registered address in Australia who are entered onto the relevant register after 24 May 2004 can request a Prospectus and Application Form to participate in the Security Holder Offer before the close of the Issue.

In the event of over-subscription, the applications for the Security Holder Offer will be scaled back at the discretion of the Directors.

3. A firm offer to brokers (the Broker Firm Offer) to subscribe for New Notes at \$3.90 per note.

1. Letter from the Chairman continued

Shareholder approval

The Company will seek Shareholder approval in relation to the issue of up to 40 million New Notes for the purpose of Listing Rule 7.1.

The General Meeting of the Company will be held at Hilton on the Park, Ballroom 3, 192 Wellington Parade, East Melbourne on 21 June 2004 commencing at 10.00am. The Notice of Meeting and Explanatory Memorandum are to be sent to Shareholders.

The Issue opens on 3 June 2004 and closes 2 July 2004 with the allotment and dispatch of transaction confirmation statements due 9 July 2004.

Taxation

The Directors believe another attractive element of the New Notes is that as a result of recent changes to the Tax Act, the conversion of the New Notes into Ordinary Shares would not generally constitute a disposal of the New Notes by the holder. Therefore, there is no capital gain or income assessable on conversion. A capital gain, if any, arises on the ultimate sale of the Ordinary Shares resulting from conversion by the holder. In addition, for a subscriber, the issue price of \$3.90 per note is deemed to be the capital gains cost base of the Ordinary Share arising from conversion. It should be noted, however, that for capital gains purposes, the period of ownership of the Ordinary Share commences when the Ordinary Share is acquired on conversion, not when the New Notes are purchased or issued.

An overview of the tax considerations for Security Holders is outlined in section 8.6 of this Prospectus. If you have questions you should seek advice from your own taxation advisor.

I encourage you to read this Prospectus in its entirety and I look forward to your participation in this Issue.

Yours sincerely



Bruce B Teele
Chairman

Important Dates*

Announcement of Issue	13 May 2004
Lodgement of Prospectus with ASIC	13 May 2004
Ex date for Buy-Back Offer	18 May 2004
Notice of Meeting dispatched to Shareholders	20 May 2004
Record Date for Buy-Back Offer	24 May 2004
Prospectus dispatched to Shareholders and Noteholders	27 May 2004
Issue opens	3 June 2004
General Meeting to approve issue of New Notes	21 June 2004
Issue closes	2 July 2004
Allotment of New Notes and dispatch of transaction confirmation statements	9 July 2004
First day of trading of New Notes	12 July 2004

* The dates in this timetable, and referred to elsewhere in the Prospectus, are indicative only. Djerrivarrh reserves the right to change these dates without prior notice, in consultation with the Broker to the Issue.

2. Key Terms of New Notes and Buy-Back

This is a summary of the material terms of the New Notes and the Buy-Back Offer and should be read in conjunction with the Conditions of the Issue in section 10 and the explanation of the Buy-Back Offer in section 4.2.

ISSUER	Djerriwarrh Investments Limited (ABN 38 006 862 693)
TRUSTEE	Permanent Nominees (Aust) Limited
AMOUNT TO BE RAISED	Up to \$156 million (comprising a minimum of \$50 million and over-subscriptions of up to \$106 million).
NUMBER OF NOTES TO BE ISSUED	Up to 40 million
ISSUE PRICE	\$3.90 per New Note
ALLOTMENT DATE	9 July 2004
MATURITY DATE	30 September 2009 (unless earlier converted) upon which date the Company will pay face value for each unconverted New Note.
NOTEHOLDERS' AND SHAREHOLDERS' ENTITLEMENTS UNDER THE SECURITY HOLDER OFFER	Noteholders and Shareholders are offered New Notes at an issue price of \$3.90 each, subject to a minimum subscription of 250 New Notes per application under the Security Holder Offer.
NOTEHOLDERS' ENTITLEMENTS TO NEW NOTES UNDER THE BUY-BACK OFFER	Under the Buy-Back Offer, the Company offers to buy back each Existing Note in consideration for 1 New Note at \$3.90 plus a payment of 19 cents per note, 10 cents representing the difference in face value of the New Notes and 9 cents as recognition of foregone interest and the differential between the interest rates applicable on the Existing Notes and on the New Notes.
FIRM BROKERS' ENTITLEMENTS	Under the Broker Firm Offer, Firm Brokers are offered New Notes at the issue price of \$3.90 each. A reservation of \$30 million of New Notes, or such other sum as may be agreed between Djerriwarrh and the Broker to the Issue, will be made by Djerriwarrh to the Firm Brokers.
TERM	From the Allotment Date until 30 September 2009, unless earlier converted into Ordinary Shares.
INTEREST RATE	The New Notes will bear interest at a rate of 6.5 per cent per annum on the face value of the New Note accruing from the Allotment Date and payable semi-annually on each Interest Payment Date unless earlier converted into Ordinary Shares. Interest on New Notes converted into Ordinary Shares will be paid up until the date the New Notes are converted.
INTEREST PAYMENT DATES	First payment on 30 September 2004 (for the period from the Allotment Date to 30 September 2004) and then on 31 March and 30 September each year until 30 September 2009.

CONVERSION

The New Notes may be converted by holders into Ordinary Shares (on a 1 for 1 basis) on 31 March and 30 September of each year from the Allotment Date of the New Notes to 30 September 2009 (both dates inclusive) and at the occurrence of specified events.

RANKING

The New Notes will be unsecured and rank equally with any unsecured convertible notes previously issued by the Company.

Each Ordinary Share issued on conversion will rank in all respects *pari passu* and form one class with the Ordinary Shares then on issue and be entitled for all dividends declared after the date of conversion (being either 31 March or 30 September).

PARTICIPATION RIGHTS (INCLUDING FUTURE CAPITAL RAISINGS)

If there is a securities issue (except for a bonus issue or a dividend reinvestment plan) before the Maturity Date, the offer will be extended to each New Noteholder (so far as it is lawful to do so).

If there is a reorganisation of the issued capital of Djerriwarrh (including any return of capital or capital distribution) prior to the Maturity Date, the number of Ordinary Shares issued on conversion will be adjusted so that neither a New Noteholder or a Shareholder will receive a benefit that the other does not receive.

If Djerriwarrh makes a bonus issue to Shareholders prior to the Maturity Date and the New Noteholder does not convert the New Notes into Ordinary Shares to take advantage of the bonus issue, upon subsequent conversion, Djerriwarrh will issue to the New Noteholder that number of bonus shares to which the New Noteholder would have been entitled if they had converted the New Notes in time to take advantage of the issue of bonus shares.

VOTING

New Noteholders have certain rights to vote at meetings of New Noteholders but are not entitled to vote at general meetings, unless provided for by the Listing Rules or the Corporations Act.

QUOTATION

The Company will, within seven days of the date of this Prospectus, apply for the New Notes to be quoted on the ASX.

FINANCIAL COVENANTS UNDER TRUST DEED

The Company has entered into a covenant with the Trustee that, for as long as any New Notes remain outstanding it will not allow Net Tangible Assets to fall below 50 per cent of its Total Tangible Assets for the period up to and including 30 September 2004, and 60 per cent of its Total Tangible Assets in relation to any other period.

Refer to section 5 for information on the impact of International Financial Reporting Standards.

3. About Djerriwarrh

Djerriwarrh is a Listed Investment Company investing in Australian equities with a focus on the top 50 ASX companies by market capitalisation. The Company also uses exchange traded options written against the portfolio to enhance income return to investors.

The Company pays out a high percentage of profits as fully franked dividends. Dividends are able to be sourced from the Company's current year profits, retained profits and profits from the sale of investments included in the asset realisation reserve.

Djerriwarrh has been in operation since 22 December 1989 and was listed on 28 June 1995. The market capitalisation of shares currently on issue in the Company was \$536.3 million at 10 May 2004.

Investment aims

Djerriwarrh aims to provide Shareholders with attractive investment returns through access to a steady stream of fully franked dividends and enhancement of capital invested. In this regard, our primary goals are:

- to pay an enhanced level of dividends; and
- to provide attractive total returns over the medium to long term.

Approach to investing

The investment philosophy is built on taking a medium to longer-term view of value, which means we tend to buy and hold individual stocks for the long term based on selection criteria which, in summary, includes consideration of:

- formulation and execution of the business strategy of the companies in which we invest and their underlying business value;
- key financial indicators, including prospective price earnings ratio to projected growth, sustainability of earnings and dividend yield (including franking) and balance sheet position including gearing, interest cover and cash flow; and
- corporate governance practices, including sound and well constructed boards and good management.

At the same time, Djerriwarrh concentrates on stocks in the S&P/ASX 50 Leaders Index where there is an active options market. This is intended to give scope for the writing of exchange traded options on these stocks, with the level of the portfolio covered by call options typically ranging between 20 to 50 per cent of the total portfolio at any one time.

As part of Djerriwarrh's capital structure, the Board employs appropriate levels of debt to take advantage of investment opportunities seeking to enhance returns to Shareholders. The offer of New Notes forms part of this structure, as well as the Company's access to and use of bank lines of credit.

4. Details of the Issue

4.1 Reasons for the Issue

The purpose of the Issue is to raise funds to allow Djerriwarrh to buy back and repay the \$84.2 million of Existing Notes which mature in September 2004, to repay the Company's bank debt of \$52 million (as at 12 May 2004) and to raise additional funds for investment in securities of companies as appropriate investment opportunities arise.

4.2 Details of the Issue

The Issue opens on 3 June 2004 and closes 2 July 2004 and is not underwritten.

The Issue is for up to \$156 million of New Notes (comprising a minimum of \$50 million and over-subscriptions of up to \$106 million).

To be eligible for the Buy-Back Offer, Noteholders must have a registered address in Australia and be on the register on the Record Date.

Shareholders and Noteholders with a registered address in Australia and on the relevant register on the Record Date will be sent a copy of the Prospectus.

Shareholders and Noteholders with a registered address in Australia who are entered onto the relevant register after 24 May 2004 can request a Prospectus and an Application Form to participate in the Security Holder Offer before the close of the Issue.

Lodgement of the Entitlement and Acceptance Form under the Buy-Back Offer and the Application Form under the Security Holder Offer and the payment of application monies using BPAY® constitutes, in each case, an irrevocable offer made in accordance with the provisions of the Forms.

Please note that you are not required to fill out and return the Application Form for the Security Holder Offer if you elect to use BPAY® to submit the application monies.

The Issue comprises three components:

(a) Buy-Back Offer

An offer to Noteholders at the Record Date to buy back each Existing Note in consideration for 1 New Note at \$3.90 plus a payment of 19 cents, 10 cents representing the difference in face value of the New Notes and 9 cents as recognition of foregone interest and the differential between the interest rates applicable on the Existing Notes and the New Notes.

The Buy-Back Offer only applies to Noteholders with a registered address in Australia on the Record Date.

The number of New Notes you are entitled to under the Buy-Back Offer is shown on the accompanying blue Entitlement and Acceptance Form.

If all Noteholders apply under the Buy-Back Offer, the maximum number of New Notes issued under this component of the Issue will be approximately 21 million, being the number of Existing Notes still outstanding.

(b) Security Holder Offer

An offer to Security Holders to apply for New Notes at \$3.90 per note subject to a minimum application of 250 New Notes (\$975) and thereafter in multiples of 50.

The Security Holder Offer only applies to Security Holders with a registered address in Australia.

The allocation of the New Notes under this component of the Issue is on terms not inconsistent with reservations made under the Broker Firm Offer and otherwise to be determined by the Directors in consultation with the Broker to the Issue.

The Company will seek Shareholder approval at the General Meeting for the Directors to be permitted to participate in the Security Holder Offer subject to a limit of 5 per cent of the total number of New Notes being offered under the Issue. Any application by a current Director for New Notes under the Security Holder Offer will be dealt with in the same manner as an application by any other Security Holder.

(c) Broker Firm Offer

An offer to Firm Brokers to subscribe for New Notes at \$3.90 each, payable in full on the Settlement Date.

A reservation of \$30 million of New Notes, or such other sum as may be agreed upon between Djerriwarrh and the Broker to the Issue, will be made by Djerriwarrh to the Firm Brokers.

4.3 Minimum subscription

The minimum subscription amount for all the components of the Issue is \$50 million. In the event that the minimum subscription is not met, the Directors will not proceed with the Issue. The Directors will decide at the close of the Issue whether the minimum subscription amount has been met. There will be no binding contract between the Security Holders returning their Forms or the Security Holders submitting their application monies using BPAY® and Djerriwarrh until the Directors decide that the minimum subscription has been met.

Regardless of the above condition, the Directors reserve the right to withdraw the Prospectus and the Issue at any time.

If the Issue is not made, all application monies will be refunded to the applicant without interest.

4.4 Excess applications

In the event that applications in excess of \$156 million are received, applications for the Security Holder Offer will be scaled back at the discretion of the Directors.

4.5 Shareholder approval

Listing Rule 7.1 limits the number of equity securities (including securities convertible to equity) which a company can issue in any 12 month period without Shareholder approval to 15 per cent of the ordinary share capital on issue at the start of that 12 month period.

The Company will seek Shareholder approval in relation to the issue of up to 40 million New Notes for the purpose of Listing Rule 7.1 and in relation to Director participation in the Security Holder Offer.

4. Details of the Issue *continued*

The General Meeting of the Company is to be held at Hilton on the Park, Ballroom 3, 192 Wellington Parade, East Melbourne on 21 June 2004 commencing at 10.00am.

4.6 ASX Listing of New Notes

Djerriwarrh will apply to the ASX for official quotation of the New Notes on the ASX within seven days after the date of the Prospectus.

If the application is not made within seven days after the date of this Prospectus, or the ASX does not grant permission for official quotation of the New Notes within three months, the Issue will be cancelled and all application monies will be refunded in full without interest.

4.7 Allotment of New Notes and dispatch of transaction confirmation statements

No allotment or issue of New Notes will be made pursuant to this Prospectus until the Directors decide that the minimum subscription amount has been met, the proceeds of the Issue have been received and the ASX has granted permission for official quotation of the New Notes on the ASX.

It is expected that the New Notes will be allotted and issued on or about 9 July 2004.

8 All application monies will be held on trust for applicants until the New Notes are allotted and issued, or, if the New Notes are not allotted and issued, until the application monies are refunded to the applicants.

Interest earned on the application monies will be for the benefit of Djerriwarrh and will be retained by Djerriwarrh even if the Issue does not take place.

Transaction confirmation statements for New Notes are expected to be dispatched on 9 July 2004.

The allotment of the New Notes under the Security Holder Offer will be at the discretion of the Directors.

4.8 Application for the Buy-Back Offer

To be eligible for the Buy-Back Offer you must be a Noteholder with a registered address in Australia at the Record Date.

Noteholders who wish to accept the Buy-Back Offer should complete the accompanying blue Entitlement and Acceptance Form in accordance with the instructions set out on the form. The Entitlement and Acceptance Forms must be received by Djerriwarrh's Share and Note Registry at the address listed in section 4.9 no later than 5.00 pm (Australian Eastern Standard Time) on 2 July 2004.

Payment of the cash proceeds from the subscription to the Buy-Back Offer will be made into the account you nominated for receipt of interest payments for Existing Notes. If no account has been nominated, you will receive a cheque for the relevant amount.

4.9 Application for the Security Holder Offer

You are eligible to take up the Security Holder Offer if you are a Security Holder with a registered address in Australia. Security Holders on the relevant register on 24 May 2004 will be sent a copy of the Prospectus. Security Holders who are entered onto

the relevant register after 24 May 2004 can request a Prospectus and Application Form to participate in the Security Holder Offer before the close of the Issue.

Unless you have elected to use BPAY® to submit your application money for the Security Holder Offer, complete the accompanying yellow Application Form in accordance with the instructions set out on the Form and return it, together with the full amount payable (being the number of New Notes you wish to acquire multiplied by \$3.90 – subject to a minimum of 250 New Notes, or \$975) so that it is received by Djerriwarrh's Share and Note Registry no later than 5.00pm (Australian Eastern Standard Time) on 2 July 2004.

You are not required to fill out and return the Application Form for the Security Holder Offer if you use BPAY® to submit the application money.

The addresses of Djerriwarrh's Share and Note Registry are:

Postal address
ASX Perpetual Registrars Limited
GPO Box 2785
Melbourne, Victoria 3001

Address for hand deliveries
ASX Perpetual Registrars Limited
Level 4, 333 Collins Street
Melbourne, Victoria 3000

4.10 Payment for New Notes under Security Holder Offer

The issue price of \$3.90 per New Note under the Security Holder Offer is payable in full on subscription for New Notes under the Security Holder Offer. Payment will only be accepted in Australian currency as follows:

- (a) cheque drawn on and payable at any Australian branch of an Australian bank;
- (b) bank draft drawn on and payable at any Australian branch of an Australian bank; or
- (c) BPAY®.

No other currency or method of payment will be accepted.

Cheques or drafts should be made payable to 'Djerriwarrh Investments Limited – Issue Account' and crossed 'Not Negotiable'. Security Holders must not forward cash. Receipts for payment will not be issued.

Application monies submitted by BPAY® must be dispatched by BPAY® before 5.00pm (Australian Eastern Standard Time) on 2 July 2004. If the BPAY® payment is for any reason not received or not received in full, the Security Holder will be deemed to have applied for the number of New Notes that the cleared monies will pay for.

4.11 If you do not wish to take up the Buy-Back Offer or Security Holder Offer

(a) Buy-Back Offer

If you are a Noteholder and you do not wish to sell your Existing Notes in consideration for the issue of 1 New Note at \$3.90 and a payment of 19 cents per Existing Note simply do nothing in response to this Prospectus.

(b) Security Holder Offer

If you are a Security Holder and you do not wish to take up the Security Holder Offer simply do nothing in response to this Prospectus. This Security Holder Offer is non-renounceable which means that you cannot sell your right to apply under the Security Holder Offer if you do not want to take it up yourself. Therefore, your right to apply under the Security Holder Offer will lapse if you decide not to take it up.

4.12 Status of Existing Notes after Buy-Back Offer

All Existing Notes bought back from Noteholders under the Buy-Back Offer will be cancelled.

Subject to the Listing Rules, Djerriwarrh proposes to maintain the ASX Listing of the Existing Notes not bought back under the Buy-Back Offer until maturity.

Any Existing Notes that have not been sold to the Company under the Buy-Back Offer or otherwise disposed of by the holder will mature on 30 September 2004 and will be redeemed for cash at their face value of \$4.00 per note (if not converted to Ordinary Shares on or before 30 September 2004).

4.13 Queries

If you have any queries concerning the terms of the Issue or any part of the Prospectus, please contact Djerriwarrh or your professional advisor:

Djerriwarrh Investments Limited
GPO Box 2114S
Melbourne Victoria 3001
Telephone: (03) 9650 9911
Facsimile: (03) 9650 9100

or

Broker to the Issue
Goldman Sachs JBWere
101 Collins Street
Melbourne Victoria 3000
Telephone: 1300 366 566

If you have any queries concerning your current holding or the processing of an application for the Security Holder Offer or an acceptance for the Buy-Back Offer, please contact Djerriwarrh's Share and Note Registry:

ASX Perpetual Registrars Limited
GPO Box 2785
Melbourne, Victoria 3001
Telephone: 1300 554 474 (local call cost within Australia)

5. Effect of the Issue

A description of the financial impact of the Issue is set out below and should be considered in conjunction with the risk factors in section 6 and other information in this document. The table in section 5.2 identifies the net impact of the Issue on the statement of financial position as at 31 December 2003, for both minimum and maximum subscriptions, as if that event had occurred on 31 December 2003. The pro forma statements of financial position are based on Djerrivarrh's Half-Year Report to 31 December 2003, which has been subject to review by the Company's auditor.

For more information on the financial condition of Djerrivarrh at 31 December 2003, refer to the Half-Year Report to 31 December 2003. As the half-year report does not include all the notes of the type normally included in an annual financial report, the half-year report should be read in conjunction with the Annual Report for the year ended 30 June 2003.

5.1 Use of proceeds of the Issue

The purpose of the Issue is to raise funds to allow Djerrivarrh to buy back and repay the \$84.2 million of Existing Notes which

mature in September 2004, to repay funds drawn down on the Company's banking facilities and to raise additional funds for investment in securities of companies as appropriate investment opportunities arise. In the absence of these appropriate investment opportunities, the residual funds will be held in short term investments in bank bills, similar cash securities, on deposit in the short term money market or with Goldman Sachs JBWere Capital Markets Limited.

5.2 Pro forma statements of financial position

The following pro forma statements of financial position have been based on the assumptions that:

- at the minimum subscription level all subscriptions will be received from Noteholders; and
- at the maximum subscription level all Noteholders will sell their notes back to the Company.

The additional payment due to Noteholders on buy-back is included in payables.

	As at 31 December 2003	Pro-forma based on minimum subscription (\$50m)	Pro-forma based on maximum subscription (\$156m)
	(\$'000)	(\$'000)	(\$'000)
Current assets			
Cash	980	980	69,907
Receivables	586	586	586
Trading portfolio	37,230	37,230	37,230
Tax refund	1,428	1,428	1,428
Total current assets	40,224	40,224	109,151
Non-current assets			
Investment portfolio	559,873	559,873	559,873
Future income tax benefit ⁽³⁾	2,172	2,518	2,740
Deferred borrowing costs ⁽¹⁾	0	725	1,255
Total non-current assets	562,045	563,116	563,868
Total assets	602,269	603,340	673,019
Current liabilities			
Payables ^{(1) (2) (4)}	1,611	4,772	6,864
Tax liability	0	0	0
Interest-bearing liabilities	89,177	37,895	0
Options written portfolio	6,317	6,317	6,317
Total current liabilities	97,105	48,984	13,181
Non-current liabilities			
Deferred tax liability	114	114	114
Interest-bearing liabilities	0	50,000	156,000
Provisions	726	726	726
Total non-current liabilities	840	50,840	156,840
Total liabilities	97,945	99,824	170,021
Net Assets	504,324	503,516	502,998
Shareholders equity			
Contributed equity	390,498	390,498	390,498
Reserves	98,913	98,913	98,913
Retained profits ^{(2) (3)}	14,913	14,105	13,587
Total shareholders' equity	504,324	503,516	502,998
Net tangible assets/total tangible assets ⁽⁵⁾	83.7%	83.4%	74.6%
Gearing ratio ⁽⁶⁾	17.7%	17.5%	31.0%

Notes

1. The estimated costs of the issue of between \$725,000 (minimum) and \$1,255,000 (maximum) will be capitalised and amortised over the life of the New Notes.
2. Retained profits have been adjusted for the cost of compensating Noteholders of Existing Notes for the buy-back of Notes prior to their maturity date at 9 cents per Note of between \$1,154,000 (minimum) and \$1,894,000 (maximum).
3. Retained profits and future income tax benefit have been adjusted for the tax impact of item (2) of between \$346,000 (minimum) and \$568,000 (maximum).
4. Payables have been adjusted for items (1) and (2) and the differential between the face value of Existing Notes and New Notes at 10 cents per Note of between \$1,282,000 (minimum) and \$2,104,000 (maximum).
5. The Trust Deed requires the assessment of the compliance with the financial covenant Net Tangible Assets/Total Tangible Assets to be undertaken using the balances and financial position of the Company as at the end of each half-year.
6. Gearing ratio represents interest-bearing liabilities as a portion of total Shareholders' equity.

If no holders of Existing Notes were to sell their notes back to the Company, the summarised version of the pro forma statements of financial position at the minimum and maximum subscription would be as follows:

	As at 31 December 2003	Pro-forma based on minimum subscription (\$50m)	Pro-forma based on maximum subscription (\$156m)
	(\$'000)	(\$'000)	(\$'000)
Total current assets	40,224	85,224	191,224
Total non-current assets	562,045	562,770	563,300
Total assets	602,269	647,994	754,524
Total current liabilities	97,105	92,830	93,360
Total non-current liabilities	840	50,840	156,840
Total liabilities	97,945	143,670	250,200
Net assets	504,324	504,324	504,324
<hr/>			
Total shareholders' equity	504,324	504,324	504,324
<hr/>			
Net tangible assets/total tangible assets	83.7%	77.8%	66.7%
Gearing ratio	17.7%	26.6%	47.6%

5.3 Impact of International Financial Reporting Standards

The Australian Accounting Standards Board (AASB) is adopting Australian equivalents to International Financial Reporting Standards (IFRS), referred to as Australian International Financial Reporting Pronouncements (AIFRP), for application to reporting periods beginning on or after 1 January 2005. The adoption of AIFRP will be first reflected in the Company's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006 (inclusive of prior year comparatives).

The Company is in the process of analysing the full impact of AIFRP and some decisions have not yet been made where choices of accounting policies are available. In addition, the actual impacts will depend on the particular circumstances and conditions prevailing at the time of application of AIFRP. For these reasons, it is not yet possible or practical to reliably quantify the impact of the transition to AIFRP on the Company. However, based on work-to-date the following key impacts have been identified:

(a) Trading portfolio to be measured at market value

Under AIFRP, the trading portfolio will be revalued to fair market value continuously with all increments and decrements being included in net profit, whereas currently the trading portfolio is valued at the lower of carrying value and market value in aggregate. This change may result in increased volatility in reported results for the trading portfolio.

(b) Income tax impact of measuring trading portfolio at market value

Under AIFRP, the Company will be required to recognise an additional tax asset or liability reflecting the deferred tax effect of measuring the trading portfolio at market value as described in (a) above. The additional deferred tax liability or asset on the trading portfolio will be reflected in income tax expense.

(c) Realised gains and losses of investment portfolio included in net profit

Under AIFRP, the realised gains of the investment portfolio (net of tax) will be included in net profit rather than treated as a direct equity adjustment. Consequently, the asset realisation reserve will cease to exist.

(d) Recognition of deferred capital gains tax on investment portfolio

Under AIFRP, the Company must recognise an additional deferred tax liability amount for the capital gains tax payable on unrealised gains in the investment portfolio. This additional deferred tax liability is offset against the unrealised gains on the investment portfolio recognised in the asset revaluation reserve of the Company.

Under the Trust Deed of the New Notes, this deferred tax liability is excluded from the calculation of Net Tangible Assets for the purpose of the financial covenant.

(e) Unrealised gains and losses of options written portfolio included in net profit

Under AIFRP, the Company does not intend to treat the options written portfolio as hedges and consequently, the unrealised gains and losses of the options written portfolio must be included in net profit. At present, they are recognised as a direct equity adjustment in the asset revaluation reserve.

(f) Income tax impact of options written portfolio accounting

Under AIFRP, the Company must recognise the deferred tax amount of the unrealised gains and losses of the options written portfolio, with the amount recognised being included in tax expense. Currently, no deferred tax amount on unrealised gains or losses is recognised.

6. Risk Factors

There are a number of factors, both specific to Djerriwarrh and of a general nature, which may affect the future operating and financial performance of Djerriwarrh and the value of an investment in Djerriwarrh. Some of these factors can be mitigated by appropriate commercial action. However, many are outside the control of Djerriwarrh, are dependent on the policies adopted and approaches taken by regulatory authorities or otherwise cannot be mitigated. This section describes some of the risks associated with an investment in the New Notes.

Before deciding to invest in the New Notes, Security Holders should consider carefully the following factors, as well as the other information contained in this Prospectus and, if they consider appropriate, take professional advice from their accountant, stockbroker, financial planner, lawyer or other professional adviser.

General factors which may have a significant impact on the future performance of Djerriwarrh include:

- domestic and international economic conditions;
- regulatory and governmental policy changes;
- the level of interest rates;
- movements in foreign exchange rates;
- the impact of the global security situation and possible terrorist disturbances;
- any changes which may occur to the taxation of company income and capital gains;
- any changes to the system of dividend imputation in Australia; and
- the adoption in Australia from 1 January 2005 of Australian equivalents to International Financial Reporting Standards.

Company specific factors which may have a significant impact on the future performance of Djerriwarrh include:

- the success of the investment strategies of the Company;
- the performance of the specific companies in which Djerriwarrh invests;
- the level of dividend payments made by the companies in which Djerriwarrh invests;
- the market prices of the listed securities and valuations of the unlisted securities using market based parameters in which Djerriwarrh invests;
- the market liquidity of the listed and unlisted securities in which Djerriwarrh invests;
- the level of borrowing which the Company undertakes (also known as gearing); and

- requirements of Australian tax law in relation to Listed Investment Companies. The Company currently complies with the conditions set out in the Australian tax law for it to be regarded as a Listed Investment Company. As such it is able to pass on to certain Shareholders tax benefits arising from capital gains made on investments held for more than 12 months. Its ability to continue to pass on such benefits, should they arise in the future depends on it continuing to satisfy the particular requirements of Australian tax law.

Specific factors which may have an impact on the future performance of the New Notes include:

- the level of interest rates – if interest rates increase, the price of fixed income securities typically falls;
- the price of the New Notes may correlate with the underlying price of Djerriwarrh's Ordinary Shares. As a result, any impact the investment performance of the Company has on its share price will also likely influence the price of the New Notes;
- any lack of liquidity may adversely impact the value investors receive for the New Notes on the ASX; and
- the New Notes are not secured by any charge over any assets of the Company. As such, they constitute unsecured liabilities of Djerriwarrh. In the event of a winding up, the New Notes would rank behind all secured creditors of the Company and any unsecured creditors preferred by law.

7. Significant Documents

7.1 Trust Deed

The following is a summary only of the principal terms of the Trust Deed.

Copies of the Trust Deed are available free of charge from Djerriwarrh's registered office on request.

The Trust Deed sets out the duties of the Company and Trustee as required by Chapter 2L of the Corporations Act. The Trust Deed provides, among other things, for the matters summarised below.

Buy-Back of New Notes

Djerriwarrh may purchase the New Notes in the market or by private treaty. Any New Notes purchased in this way will be cancelled and will not be reissued.

Djerriwarrh's general covenants

Djerriwarrh must:

- use its best endeavours to carry on and conduct its business in a proper and efficient manner;
- ensure that while any New Notes are outstanding:
 - it has sufficient capital to permit New Noteholders to exercise the right of conversion of the New Notes into Ordinary Shares; and
 - the voting rights and other rights attached to the Ordinary Shares are not altered in a manner materially prejudicial to the New Noteholders.
- provide any information to the Trustee which it may reasonably require for the purposes of the Trust Deed;
- immediately notify the Trustee upon becoming aware that any of the terms or conditions of the Trust Deed cannot be fulfilled;
- upon application by the holders of at least one-tenth in nominal value of the New Notes, summon a meeting of New Noteholders to, among other things, give the Trustee directions in relation to the exercise of its powers;
- not declare or pay any dividend:
 - whilst any interest on the New Notes is overdue and unpaid, except where the Company using reasonable efforts is unable to effect payment, or
 - whilst any of the New Notes which have become payable or redeemable have not been paid off or redeemed as a consequence of default by the Company, except where the Company using reasonable efforts is unable to effect payment or redemption;
- for as long as any New Notes remain outstanding Djerriwarrh will not permit its Net Tangible Assets (as defined in the Trust Deed) to fall below 50 per cent of its Total Tangible Assets (as defined in the Trust Deed) for the period from the Allotment Date up to and including 30 September 2004, and 60 per cent of Total Tangible Assets in relation to any other period; and
- furnish quarterly reports and other reports required by the Corporations Act to the Trustee and such information which the Trustee reasonably considers necessary for the purposes of discharging its duties, trusts and powers under the Trust Deed and the law.

Trustee insurance

The Trustee will, whilst it is trustee under the Trust Deed, maintain professional indemnity insurance.

Events and evidence of default

At the option of the Trustee, all monies owing pursuant to the Trust Deed become due and payable and the Trustee may institute proceedings against Djerriwarrh if, among other things, Djerriwarrh fails to make payment of principal and/or interest in respect of the New Notes and the failure continues for a period of 14 days, or Djerriwarrh fails to allot any Ordinary Shares which are to be allotted on conversion of the New Notes within 14 days after the last day on which Djerriwarrh is bound by the Conditions to convert the New Notes, or if there is a breach of the financial covenant contained in the Trust Deed, or if Djerriwarrh stops payment of its debts generally.

Alteration of Trust Deed

Djerriwarrh and the Trustee may jointly modify or amend the Trust Deed, if in their opinion the amendment or modification is of a formal or technical nature, is to correct any manifest error, is expedient for the purpose of enabling the New Notes to be listed for quotation on the ASX, is necessary to comply with provisions of any statute or requirements of any statutory authority, is considered by the Trustee not to be materially prejudicial to the interests of New Noteholders or is authorised by a special resolution passed at a meeting of New Noteholders.

Resignation and appointment of Trustee

Should the Trustee resign, the resignation will not take effect until the appointment of a new, duly qualified Trustee. The power of appointing a new Trustee vests in Djerriwarrh subject to prior approval of any appointment by the passing of an ordinary resolution of New Noteholders.

Governing law

The Trust Deed is governed by the laws of Victoria, and Djerriwarrh and the Trustee submit to the exclusive jurisdiction of the courts of Victoria and all courts of appeal from them.

Trustee's remuneration

Under the Trust Deed, Djerriwarrh agrees to pay the Trustee an initial one-off establishment fee of \$5,000 and an annual fee of \$28,500 indexed to CPI. In addition, the Trustee is entitled to reimbursement of certain costs, charges and expenses relating to the performance of its obligations under the Trust Deed. If the New Notes become payable early, Djerriwarrh will pay to the Trustee on demand such additional remuneration as shall be commensurate with the additional duties and responsibilities as agreed between Djerriwarrh and the Trustee.

Meetings of New Noteholders

The Trustee or the Company may convene a meeting of New Noteholders giving at least 21 days prior notice to the New Noteholders, the Trustee and the auditors of the Company. A holder or holders of not less than 10 per cent in nominal value of New Notes may direct the Company in writing to convene a meeting of New Noteholders to consider the financial statements that were laid before the last annual general meeting of the Company, or to give the Trustee directions in relation to the exercise of the Trustee's powers.

7. Significant Documents *continued*

There will be a quorum at a meeting of New Noteholders if two or more New Noteholders entitled to vote are present in person or by proxy, attorney or corporate representative and the New Noteholders present hold more than 10 per cent in nominal value of the New Notes on issue at the time of the meeting.

Every question submitted to a meeting of New Noteholders must be decided in the first instance by a show of hands. Each voter is entitled on a show of hands to one vote, and on a poll to one vote in respect of each New Note held by the New Noteholder or by the person for whom they are a proxy, attorney or corporate representative.

Unless a poll is demanded by either the chair, the Company, the Trustee, at least five New Noteholders present in person, proxy, attorney or corporate representative, or New Noteholders who together hold at least 5 per cent in terms of aggregate nominal value of the New Notes on issue, a declaration by the chair that a resolution has been carried by a particular majority, or lost or not carried by a particular majority is conclusive evidence of the fact.

A resolution of the New Noteholders will be deemed to be duly passed as a special resolution if it is approved by a resolution in writing signed by New Noteholders who hold at least 75 per cent in terms of aggregate nominal value of the New Notes on issue, or at a meeting of New Noteholders by not less than 75 per cent of the votes cast. Resolutions other than special resolutions require approval by New Noteholders of at least 50 per cent of the New Notes on issue.

7.2 Broker to Issue Agreement

An agreement dated 13 May 2004 was entered into between the Company and the Broker to the Issue (Broker Agreement). The following is a summary only of the main terms and conditions of the Broker Agreement.

Under the Broker Agreement, Djerriwarrh will allocate a reservation of \$30 million New Notes, or such other sum as may be agreed upon, to the Firm Brokers. Under the Security Holder Offer, New Notes will be allotted on terms not inconsistent with the reservations made under the Broker Firm Offer and otherwise to be determined by the Directors in consultation with the Broker to the Issue.

A Firm Broker must use its best endeavours (but has no obligation) to seek investors to purchase the New Notes issued to the Firm Broker under the Broker Firm Offer; confirm to Djerriwarrh the estimate, if any, of the number of New Notes it expects to apply for under the Broker Firm Offer not less than 10 days prior to the Closing Date; submit valid applications for any New Notes for which it is applying under the Broker Firm Offer by the Closing Date; and pay in cleared funds any applications monies payable in respect of the applications made on the Settlement Date.

Subject to the Firm Broker complying with the last two conditions stated above, Djerriwarrh must issue the New Notes to the Firm Broker; approve and register the transfer of the New Notes to any relevant transferees of the New Notes under the Broker Firm Offer on the Settlement Date; and procure Djerriwarrh's Share and Note Registry to dispatch transaction confirmation statements as soon as practicable after the Settlement Date.

Djerriwarrh will obtain the consent of the Broker to the Issue in relation to any proposed change to the structure of the Issue. If the New Notes are not issued or the ASX does not grant permission for the New Notes to be listed for quotation on the ASX by 16 July 2004, Djerriwarrh will refund to the Broker to the Issue or as the Broker to the Issue directs, all the application monies under the Broker Firm Offer.

The Broker to the Issue will use reasonable endeavours (but is not obliged) to seek that Shareholders and Noteholders subscribe for the New Notes under the Security Holder Offer.

Representations and warranties

Customary and usual warranties are given by Djerriwarrh to the Broker to the Issue in relation to matters such as Djerriwarrh's compliance with all applicable laws and obligations that apply to this Prospectus, its conduct in relation to this Prospectus and the Issue.

Fees and expenses

Djerriwarrh will pay the Broker to the Issue a management fee of \$50,000 (subject to the Issue proceeding) and reimburse the Broker to the Issue for out of pocket expenses incurred in connection with the Issue including without limitation, travel, legal fees and expenses and communications and printing costs up to a maximum of \$30,000 exclusive of GST.

Subject to the Issue proceeding, Djerriwarrh will also pay Trading Participants (as defined for the purposes of the ASX Market Rules and including the Broker to the Issue) and Members of the Financial Planning Association of Australia (each a Broker Offeree):

- a handling fee of 1 per cent of the amount of application monies provided to Djerriwarrh in relation to any successful application under the Buy-Back Offer or Security Holder Offer bearing the broker's or financial planner's stamp, subject to a cap of \$1,000 per successful application; and
- a handling fee of 1 per cent of the amount of application monies provided to a Broker Offeree in relation to each Secondary Offer Application, as defined below, subject to a cap of \$1,000 per application.

A Secondary Offer Application in relation to a Broker Offeree means an application made by a person under any placement offer of New Notes made by a Broker Offeree that is accepted by that Broker Offeree and such New Notes are the subject of an application under the Broker Firm Offer by that Broker Offeree to Djerriwarrh on or before the Closing Date.

Indemnities

Djerriwarrh gives certain indemnities to the Broker to the Issue and associated parties in relation to losses suffered by or claims made against it in connection with the Issue and the Prospectus except to the extent that the loss is, among other things, not incurred in connection with the role of Broker to the Issue or the offer to sell or on sell New Notes by the Broker to the Issue under the Broker Firm Offer or is determined by a court judgment to result from the fraud, wilful default or negligence of the relevant indemnified person.

8. Additional Information

8.1 Continuous reporting and disclosure obligations

This Prospectus has been prepared on the basis of the special content rules under section 713 of the Corporations Act.

That section enables disclosing entities to issue a short form prospectus for securities in a class of securities that have been continuously quoted by the ASX at all times in the 12 months prior to the issue of the Prospectus. ASIC Class Order 00/195 enables section 713 to apply to this Issue.

Djerriwarrh is a disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. As a company listed on the ASX, Djerriwarrh is subject to the Listing Rules which require immediate disclosure to the market of any information of which Djerriwarrh is aware which a reasonable person might expect to have a material impact on the price or value of Djerriwarrh's securities.

The ASX maintains detailed records of company announcements for all companies listed on the ASX. Djerriwarrh's file is available for inspection at the ASX in Melbourne, and Djerriwarrh's announcements may be viewed on the ASX's website at www.asx.com.au.

ASIC also maintains records in respect of documents lodged with it by Djerriwarrh, and these may be obtained from, or inspected at any office of, ASIC.

Djerriwarrh will provide free of charge to any person who requests it during the Application Period under this Prospectus a copy of:

- (a) Djerriwarrh's annual financial report for the year ended 30 June 2003 (being the last annual financial report most recently lodged with ASIC before the date of this Prospectus);
- (b) Djerriwarrh's interim financial report for the half year ended 31 December 2003; and
- (c) documents released to the ASX pursuant to Djerriwarrh's continuous disclosure obligations under the Listing Rules and the Corporations Act since the lodgement of the annual financial report referred to in paragraph (a) above.

8.2 Rights and liabilities attaching to Ordinary Shares

The rights attaching to the ownership of Ordinary Shares issued on conversion of the New Notes arise from the Company's Constitution and in certain circumstances from the Corporations Act, the Listing Rules, common law and other applicable legislation.

The following is a summary only of the main rights attaching to the Ordinary Shares.

Copies of the Constitution are available free of charge from Djerriwarrh's registered office on request.

The Ordinary Shares issued on conversion of the New Notes will rank equally with existing Ordinary Shares.

General meetings

Each Shareholder is entitled to receive notice of and be present at a general meeting. Furthermore, each Shareholder is entitled to vote and speak at the general meeting as well as receive all documents required to be furnished under the Constitution and the Corporations Act.

Voting rights

Subject to any rights or restrictions on voting from time to time affecting any class of shares and subject to any contrary provisions of the Constitution, at a meeting of Shareholders, each Shareholder present in person or by proxy, representative (if a body corporate) or attorney is entitled to vote and has one vote on a show of hands and one vote per Ordinary Share on a poll.

Dividends

The Ordinary Shares allotted upon conversion of the New Notes shall rank for all dividends declared after the date of conversion. The Board may from time to time declare a final or interim dividend to be paid to the Shareholders.

Transfer of Ordinary Shares

Subject to the Constitution, the Corporations Act, the Listing Rules and ASTC Settlement Rules, Ordinary Shares are freely transferable.

Refusal to register

Subject to the Corporations Act and the Listing Rules, the Board may refuse to register a transfer or apply a holding lock to prevent a transfer of Ordinary Shares in specified circumstances (for example, where Djerriwarrh has a lien on those Ordinary Shares).

Winding up

If Djerriwarrh is wound up, the liquidator may divide among all or any of the contributories in specie or in kind, any part of Djerriwarrh's assets. The division may be carried out as the liquidator thinks fit subject to the right of any contributory prejudiced by the division to dissent. Any dissenting contributory prejudiced has ancillary rights as if the determination made by the liquidator were a special resolution passed under the Corporations Act relating to the sale or transfer of Djerriwarrh's assets by a liquidator in a voluntary winding-up of Djerriwarrh.

Variation of rights

The rights, privileges and restrictions attaching to the Ordinary Shares can only be varied by a special resolution passed at a meeting of Shareholders or with the written consent of Shareholders who hold at least 75 per cent of the votes attaching to Ordinary Shares.

8.3 Cash management services

Goldman Sachs JBWere Asset Management Limited provides investment management services with respect to managing the Company's portfolio of cash and short term investments pursuant to a Standard Investment Management Agreement between Goldman Sachs JBWere Capital Markets Limited and Djerriwarrh, which was assigned by Goldman Sachs JBWere Capital Markets Limited to Goldman Sachs JBWere Asset Management Limited on 31 October 2003. Goldman Sachs JBWere Asset Management Limited's fee is 0.13 per cent per annum based on the average portfolio value of cash and short term investments.

8.4 Administration services

Australian Foundation Investment Company Limited provides administration services to Djerriwarrh for a fee agreed upon from time to time and based on the cost to Australian Foundation Investment Company Limited of providing the relevant services. Djerriwarrh had paid \$355,000 for the year to 30 April 2004 to Australian Foundation Investment Company for the provision of these services.

8. Additional Information *continued*

8.5 Registry services

ASX Perpetual Registrars Limited provides share registry services to Djerriwarrh pursuant to a Registry Agreement dated 29 May 2003. ASX Perpetual Registrars Limited charges set rates for individual services.

8.6 Australian taxation implications

Payment of interest on New Notes, the acquisition and disposal of New Notes, conversion of New Notes to Ordinary Shares and repayment of the issue price of the New Notes on maturity may have taxation consequences which will differ depending on the specific financial circumstances of each Security Holder.

Investors should take own tax advice

Set out below is information of a general nature only in relation to Australian income tax considerations under current law.

Accordingly, all Security Holders are encouraged to seek independent financial and taxation advice having regard to the specific personal circumstances about the consequences of acquiring the New Notes and the later conversion of the New Notes to Ordinary Shares or the repayment of principal on the New Notes.

Tax File Numbers

Security Holders may provide the Company with details of their Tax File Numbers or Exemption (as applicable) by contacting Djerriwarrh's Share and Note Registry. If the Tax File Number is not known at the time of application one may be provided later. Failure to provide a Tax File Number or Exemption may result in tax being deducted from interest and dividend payments at the highest marginal rate (currently 48.5 per cent).

Disposal of Existing Notes under the Buy-Back Offer

The Existing Notes are regarded as traditional securities under section 26BB of the Income Tax Assessment Act 1936 (ITAA 1936). Noteholders who accept the Buy-Back Offer will dispose of their Existing Notes. Any gain or loss on disposal of the Existing Notes will be assessable income or an allowable deduction for Noteholders who are residents of Australia. Gains are revenue gains calculated without any inflation adjustment and losses are revenue losses deductible against other income.

In the case of non-resident Noteholders, in general, any gain or loss on disposal will be assessable or deductible as set out above. Noteholders who are resident of a country with which Australia has a double tax agreement, and who do not have a branch or permanent establishment in Australia, may be able to claim relief from Australian tax, although they will need to take their own advice on this.

Taxation of interest on New Notes

Prior to conversion, the New Notes will be treated as debt interests within the meaning of Division 974 of the Income Tax Assessment Act 1997. Therefore, interest paid on the New Notes to resident individual holders acquiring the New Notes for investment purposes will be assessable when it is paid to them. Interest may be assessable as it accrues in the case of other resident taxpayers such as financial institutions and companies. Where a holder of New Notes is a non-resident for Australian tax purposes, and does not have a branch or permanent establishment in Australia, the payment of interest will generally be subject to 10 per cent withholding tax.

Taxation of disposal of New Notes

The New Notes will be regarded as traditional securities under the ITAA 1936. Therefore, if New Noteholders do not elect to convert them into Ordinary Shares, the Australian tax consequences will be the same as those arising from a disposal of Existing Notes under the Buy-Back Offer, as described above.

Conversion of New Notes

The conversion of New Notes into Ordinary Shares will not give rise to a revenue gain or loss under section 26BB of the ITAA 1936. Any capital gain or loss arising from the conversion will be disregarded.

Taxation of dividends from Ordinary Shares

Dividends received by Australian resident shareholders will generally be taxed as ordinary income. Shareholders will be entitled to an imputation credit to the extent to which dividends are franked. A franked dividend is paid out of profits in respect of which the Company has paid corporate tax in Australia (currently the corporate tax rate is 30 per cent).

Australian resident shareholders are generally required to include the amount of dividend actually paid plus the franking credit in their assessable income. The Shareholder is given credit against its tax liability for the amount of the franking credit. Certain Australian resident Shareholders, such as individuals and complying superannuation funds, may be entitled to a refund of excess franking credits.

Dividends paid to non-resident Shareholders will not be subject to withholding tax to the extent the dividends are franked. Withholding tax of 30 per cent (which may be reduced where the Shareholder is a resident of a country with which Australia has a double tax agreement, and the Shareholder has no branch or permanent establishment in Australia) will be imposed on the unfranked component of any dividend paid to non-residents.

Deductions for proportion of dividends representing capital gain by Listed Investment Company

Certain Australian resident Shareholders, such as individuals, may be entitled to a deduction equal to 50 per cent of the proportion of a dividend (Attributable Part) paid by the Company which represents capital gains made by a Listed Investment Company (such as the Company) arising from the disposal of assets which have been held for at least 12 months.

Investors will be notified of the Attributable Part (if any) of dividends paid by the Company.

Taxation on disposal of Ordinary Shares

Gains made on the disposal of Ordinary Shares by resident Shareholders may be assessable as ordinary income (if, for example, the Shareholder conducts a business which includes trading in shares and has acquired the shares for a profit making purpose) or under the capital gains tax provisions.

For capital gains tax purposes, the cost base of Ordinary Shares acquired by Shareholders from the conversion of New Notes will be the cost base of the convertible interest at the time of conversion being \$3.90. Certain Shareholders, such as individuals, may be entitled to a 50 per cent discount in capital gains tax arising from a disposal of Ordinary Shares if they have held the relevant shares for at least 12 months. In this regard, Shareholders will be deemed to have acquired Ordinary Shares arising from conversion of New Notes at the time of the conversion.

Gains made on disposal of Ordinary Shares by non-resident Shareholders may be assessable as ordinary income (if, for example, the non-resident conducts a business which includes trading in shares or has acquired the shares for a profit-making purpose, although relief from tax may be available if a double tax agreement applies). Non-resident Shareholders will, in general, not be subject to capital gains tax on disposal of Ordinary Shares unless they or their associates have, at any time in the five years preceding disposal, alone or together beneficially owned 10 per cent or more of the shares in the Company (excluding certain preferred or limited right shares). Non-residents will need to take their own advice on this.

8.7 Directors' interests

Other than as set out below or elsewhere in this Prospectus:

- no Director has, or has had in the two years prior to lodgment of this Prospectus with ASIC, an interest in:
 - (a) the formation or promotion of Djerriwarrh;
 - (b) any property acquired, or proposed to be acquired, by Djerriwarrh in connection with:
 - (i) its formation or promotion; or
 - (ii) the Issue; or
 - (c) the Issue; and
- no one has paid or agreed to pay any amount, and no one has given or agreed to give any benefit, to any Director or any proposed Director or to any firm in which any Director or proposed Director is or was a partner:
 - (a) to induce that person to become, or to qualify as, a director of Djerriwarrh; or
 - (b) for services provided by that person or by the firm in which that person is or was a partner in connection with the formation or promotion of Djerriwarrh or the Issue.

Holdings of Ordinary Shares and Existing Notes

Set out below are the details of interests of the Directors in Ordinary Shares and Existing Notes in the Company, immediately prior to the lodgement of the Prospectus with ASIC. The following are held either directly or indirectly.

Name of Director	Number of Ordinary Shares	Number of Existing Notes
Bruce B Teele	904,098	182,945
Ross E Barker	200,473	59,131
Terrence A Campbell	54,297 ^(a)	33,272 ^(a)
Russell J Fynmore, AO	406,184	-
Andrew F Guy	173,967	-
Graham J Kraehe, AO	11,592	-
John Paterson	47,770 ^(a)	30,984 ^(a)

(a) Includes 33,577 Ordinary Shares and 30,984 Existing Notes held by a trustee company of which TA Campbell and J Paterson are Directors.

The Company will seek Shareholder approval at the General Meeting for the Directors to be permitted to participate in the Security Holder Offer subject to a limit of 5 per cent of the total number of New Notes being offered under the Issue. Any application by a current Director for New Notes under the Security Holder Offer will be dealt with in the same manner as an application by any other Shareholder or Noteholder.

Other interests

TA Campbell is a director, employee and/or shareholder of Goldman Sachs JBWere Pty Limited, Goldman Sachs JBWere Group Holdings Pty Limited, Goldman Sachs JBWere Services Pty Limited and Goldman Sachs JBWere Capital Markets Limited. As such, TA Campbell has an interest in the fee paid to Goldman Sachs JBWere Pty Limited as Broker to the Issue and in the fees paid under the Cash Management Services Agreement between Djerriwarrh and Goldman Sachs JBWere Capital Markets Limited (see section 8.3 above).

TA Campbell, RE Barker, J Paterson and BB Teele are directors and shareholders of Australian Foundation Investment Company Limited and therefore have an interest in the administration services agreement between Djerriwarrh and Australian Foundation Investment Company Limited.

Remuneration

The Constitution of Djerriwarrh requires approval by the Shareholders in general meeting of a maximum amount of remuneration to be allocated between non-executive Directors as they determine. In proposing the maximum amount for consideration in general meeting, and in determining the allocation, the Board takes account of the time demands made on directors, together with such factors as the general level of fees paid to Australian corporate directors.

The total sum fixed for non-executive Directors fees is \$340,000. At present, the chairman receives \$80,000 per annum and the other Directors receive \$40,000 per annum. These fees exclude superannuation and the reimbursement of expenses such as travelling expenses. Director's fees for RE Barker, the Managing Director, are paid to Australian Foundation Investment Company as part of his employment arrangements.

Retirement allowances

A retirement allowance becomes payable to a Director upon retirement. The amount of that payment is currently equal to the three years of Directors' fees received immediately preceding retirement where the Director has held office for five years or more, and a proportionate part for less than five years service.

Indemnity, insurance and access

Djerriwarrh indemnifies each Director, to the extent permitted by law, against any liability incurred by the Director in or arising out of the conduct of the business of Djerriwarrh, or in or arising out of the discharge of the duties of the Director.

8. Additional Information *continued*

Djerriwarrh maintains Directors and Officers Insurance for each Director, and must continue to maintain the Directors and Officers Insurance from when the Director ceases to hold office as a Director of the Company until at least 15 years thereafter.

Each Director has a right during the term of his or her appointment and for 15 years thereafter to access, and take copies of, the Board Papers for the sole purpose of defending any legal proceedings.

8.8 Interests of experts

Except as set out below, no:

(a) person named in this Prospectus as performing a function in a professional, advisory, or other capacity in connection with the preparation or distribution of this Prospectus;

(b) promoter of Djerriwarrh; or

(c) Broker to the Issue,

(each, a relevant person) holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in;

(d) the formation or promotion of Djerriwarrh;

(e) the Issue; or

(f) any property acquired or proposed to be acquired by Djerriwarrh in connection with its formation or promotion or the Issue.

Except as set out below, no one has paid or agreed to pay any amount or given or agreed to give any benefits for services provided by a relevant person in connection with the formation or promotion of Djerriwarrh or the Issue.

The amounts set out below are exclusive of GST.

Allens Arthur Robinson has acted as legal adviser in respect of the Issue. In aggregate, Djerriwarrh has paid or agreed to pay Allens Arthur Robinson approximately \$220,000 (plus disbursements) for these services to the date of this Prospectus. Further amounts may be paid to Allens Arthur Robinson in accordance with its normal time based charges.

Goldman Sachs JBWere has acted as Broker to the Issue for a fee of \$50,000 plus reimbursement for out of pocket expenses incurred in connection with the Issue. Djerriwarrh will pay Trading Participants (including Goldman Sachs JBWere) a handling fee of 1.0 per cent of the amount of application monies provided to Djerriwarrh in relation to any successful applications under the Buy-Back Offer or Security Holder Offer bearing the broker's or financial planner's stamp; and a handling fee of 1.0 per cent in relation to the secondary offer application (as defined in section 7.2), both subject to a cap of \$1,000 per successful application. For further details relating to the Broker Agreement and the fees and expenses payable, refer to section 7.2.

PricewaterhouseCoopers Securities Ltd has performed accounting advisory work in relation to the Issue, including for the purposes of due diligence enquiries. In aggregate, Djerriwarrh has paid or agreed to pay PricewaterhouseCoopers Securities Ltd approximately \$12,500 (plus disbursements) for this service to the date of this Prospectus. Further amounts may be paid to PricewaterhouseCoopers Securities Ltd in accordance with its normal time based charges.

8.9 Consents

None of the parties referred to below have made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified below. Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for any part of, this Prospectus, other than the reference to its name and a statement included in this Prospectus with the consent of that party, as specified below.

Allens Arthur Robinson has given and has not, before lodgment of this Prospectus with ASIC, withdrawn their consent to being named in this Prospectus in the form and context in which it is named.

PricewaterhouseCoopers Securities Ltd and PricewaterhouseCoopers have given and have not before lodgment of this Prospectus with ASIC withdrawn their consent to being named in this Prospectus in the form and context in which they are named.

ASX Perpetual Registrars Limited has given and has not, before lodgment of this Prospectus with ASIC, withdrawn its consent to being named in this Prospectus in the form and context in which it is named.

Goldman Sachs JBWere has given and has not, before lodgment of this Prospectus with ASIC, withdrawn its consent to being named in this Prospectus in the form and context in which it is named.

8.10 Governing law

This Prospectus, the Issue, and the submitted Forms are governed by the laws applicable in Victoria. Each applicant for the Issue submits to the exclusive jurisdiction of the courts of Victoria.

8.11 Consent to lodgement

Every Director has consented to the lodgement of this Prospectus with ASIC under the Corporations Act.

9. Glossary

In this Prospectus, the following definitions apply unless the context requires otherwise.

Allotment Date means the date the New Notes are allotted.

\$ or **dollars** means Australian dollars.

Application Form means the yellow personalised application form referred to in, and accompanied by a copy of, this Prospectus and required for subscription to the Security Holder Offer.

Application Period means the period between the opening and closing of the Issue.

ASIC means the Australian Securities and Investments Commission.

ASX means Australian Stock Exchange Limited (ABN 98 008 624 691).

Board means the board of Directors.

Broker Firm Offer means the offer of New Notes to Firm Brokers.

Broker to the Issue means Goldman Sachs JBWere.

Buy-Back Offer means the offer to Noteholders to buy back each Existing Note in consideration for the issue of 1 New Note at \$3.90 plus a payment of 19 cents per Existing Note.

Closing Date means 2 July 2004.

Conditions means the Conditions of the Issue of New Notes in Schedule 2 of the Trust Deed as replicated in section 10 of the Prospectus.

Constitution means the constitution of Djerriwarrh.

Corporations Act means the Corporations Act 2001 (Cth).

CPI means the Consumer Price: All Groups Index Number Melbourne as published by the Australian Bureau of Statistics.

Directors means the directors of Djerriwarrh.

Djerriwarrh or **Company** means Djerriwarrh Investments Limited (ABN 38 006 862 693).

Entitlement and Acceptance Form means the blue personalised entitlement and acceptance form referred to in, and accompanied by a copy of, this Prospectus (if you are a holder of Existing Notes) required for subscription to the Buy-Back Offer.

Existing Notes means the unsecured convertible notes issued pursuant to the Unsecured Convertible Note Trust Deed between Djerriwarrh Investments Limited and National Mutual Trustees Limited dated 11 September 1997.

Firm Brokers means the Broker to the Issue and such other brokers as agreed between Djerriwarrh and the Broker to the Issue.

Forms means the Entitlement and Acceptance Form and the Application Form.

Goldman Sachs JBWere means Goldman Sachs JBWere Pty Ltd.

Interest Payment Date means 30 September 2004 and then on 31 March and 30 September each year until 30 September 2009.

Issue means the offer of New Notes issued pursuant to the Trust Deed and comprising the Buy-Back Offer, the Security Holder Offer and the Broker Firm Offer unless otherwise specified.

Listed Investment Company has the meaning given in section 115-290(1)(4)(5)(6)(7) and (8) of the Income Tax Assessment Act 1997.

Listing Rules means the official listing rules of the ASX.

Maturity Date means 30 September 2009.

New Noteholder means a holder of New Notes.

New Notes means the unsecured convertible notes offered under this Prospectus.

Noteholder means a holder of Existing Notes.

Ordinary Shares means fully paid ordinary shares in the capital of Djerriwarrh.

Prospectus means this prospectus dated 13 May 2004.

Record Date means 7.00pm (Australian Eastern Standard Time) on 24 May 2004.

Security Holder means both Shareholders and Noteholders.

Security Holder Offer means the offer of New Notes to Shareholders and Noteholders under this Prospectus.

Settlement Date means 9 July 2004.

Shareholder means a registered holder of Ordinary Shares.

Trust Deed means the deed of trust in respect of the New Notes entered into by Djerriwarrh and Permanent Nominees (Aust) Limited on 13 May 2004.

10. Conditions of Issue of New Notes

Set out below are the Conditions of the Issue of New Notes in Schedule 2 of the Trust Deed between the Company and the Trustee, Permanent Nominees (Aust) Limited. Please note that the following definitions apply only to the Conditions of the Issue as replicated below.

1. Definitions

In these Conditions unless the context otherwise requires words and expressions defined in the Trust Deed shall have the meaning ascribed to them in the Trust Deed and in addition:

ASTC Settlement Rules means the operating rules of ASX Settlement and Transfer Corporation Pty Ltd as amended or replaced from time to time.

ASX means Australian Stock Exchange Limited.

Bonus Shares means any shares allotted by the Company as Ordinary Shares credited as fully paid whether by way of capitalisation of profits or reserves or share premium account or capital redemption reserve fund or otherwise.

Business Day means a day other than Saturday, Sunday, New Years Day, Good Friday, Easter Monday, Labour Day, Melbourne Cup Day, Christmas Day, Boxing Day and any other day which the ASX shall declare and publish is not a business day.

Condition means a condition of issue of the Notes referred to in clause 2.1 of the Trust Deed.

Conversion Date means, in relation to any of the Notes, the date with effect from which those Notes are converted into Ordinary Shares following receipt by the Company of a notice given pursuant to and in accordance with the provisions of Condition 3.1(a) or, if notice is given pursuant to Conditions 7 or 10, the date determined in accordance with the relevant Condition.

Corporations Act means Corporations Act 2001 (Cth);

Notes means, at any time, so many of the unsecured convertible notes created and issued by the Company pursuant to the Trust Deed as are outstanding.

Noteholder or **holder of Notes** means, in relation to any of the Notes at any time, the person registered in the Register as the holder of those Notes.

Ordinary Shares means fully paid ordinary shares in the capital of the Company.

Securities includes shares, debentures, debenture stock, notes and any options to subscribe for the same.

Tax Act means the Income Tax Assessment Act 1936 or the Income Tax Assessment Act 1997 of the Commonwealth of Australia, each as amended or re-enacted from time to time.

Tax Change means:

- (a) any amendment, modification or replacement of a Tax Act;
- (b) the announcement of any proposed amendment, modification or replacement of a Tax Act by the Commissioner of Taxation or the Australian Taxation Office or by the Treasurer or any other responsible Minister of the Crown;
- (c) a decision of any Court of competent jurisdiction or any Administrative Appeals Tribunal; or
- (d) any announcement or ruling by the Commissioner of Taxation or the Australian Taxation Office of, or any assessment from the Commissioner of Taxation disclosing, any change in the interpretation or administration of the Tax Act or of any legislation replacing a Tax Act by the Commissioner of Taxation.

Voting Share shall have the same meaning as that expression has in the Corporations Act.

2. General terms of Issue

Each of the Notes shall:

- (a) have a principal amount of \$3.90;
- (b) be issued at \$3.90;
- (c) be paid for in full on application;
- (d) be convertible in the manner and at the times provided by Condition 3, subject to Conditions 6, 7 and 10, into one Ordinary Share;
- (e) subject as hereinafter provided, bear interest at the rate of 6.5 per cent per annum calculated on the principal amount and payable on 31 March and 30 September in each year. The first payment of interest shall be payable on 30 September 2004 and shall be made in respect of the period from the date of allotment of the Notes to 30 September 2004 (both dates inclusive). Interest on Notes converted into Ordinary Shares shall be paid for the period up until the Conversion Date or until any repayment of the Note; and
- (f) be transferable.

3. General rights of conversion

3.1. Notes shall be convertible into the number of Ordinary Shares determined in accordance with Condition 2(d):

- (a) on any 31 March or 30 September occurring between the allotment date of the Notes and 30 September 2009 (both dates inclusive), by the holder giving to the Company written notice (in the form set out in the First Schedule to the Trust Deed or in such other form as the Company may accept or as is then required by the listing rules of ASX) requiring the Company to convert the Notes with effect on and from the first to occur of 31 March or 30 September following receipt of the Notice provided that such notice is received by the Company at least 15 days prior to 31 March or 30 September as the case may be or such shorter period agreed to by the Company and the Noteholder concerned; and
- (b) in the circumstances and in the manner provided in Conditions 7 or 10.

3.2. Notices of conversion must be delivered to the address of the Register on which the Notes are for the time being recorded.

4. Allotment of Shares

4.1 A notice given pursuant to Conditions 3.1(a), 7 or 10 shall be irrevocable.

4.2. The Company shall allot the Ordinary Shares to which a holder of Notes is entitled upon conversion of those Notes pursuant to Conditions 3.1 (a) or 10 within 15 Business Days of the Conversion Date and pursuant to Condition 7 within seven days of the Conversion Date and subject to Condition 4.4 any such allotment shall have effect and be deemed to have been made on that Conversion Date.

4.3. Subject to the Conditions, the Company in the case of conversion shall organise for the issuing of a statement that confirms the conversion of the relevant Notes and the allotment of the resultant Ordinary Shares.

4.4. (a) Ordinary Shares allotted upon conversion of Notes pursuant to Condition 3.1(a) shall rank for all dividends declared after the Conversion Date.

(b) Ordinary Shares allotted upon conversion of Notes pursuant to Conditions 7 or 10 shall rank from the day after the Conversion Date in relation to the Notes so converted for any dividends declared by the Company on its Ordinary Shares on or after that day, subject to apportionment in respect of any portion of the period in respect of which those dividends are declared, that has expired prior to that day.

(c) Subject to paragraphs (a) and (b) of this Condition, Ordinary Shares allotted upon conversion of Notes shall rank in all respects *pari passu* and form one class with the Ordinary Shares on issue at the Conversion Date.

5. Participation in Issues

If before 16 September 2009 an offer is made by the Company to the holders of Ordinary Shares to subscribe for cash for Securities of the Company or of any other corporation (whether by way of renounceable or non-renounceable rights or otherwise but not including by way of any dividend reinvestment plan or like arrangement), the Company shall procure, so far as it is legal to do so, that there is extended to each Noteholder the same offer as that holder would have received if immediately before the relevant date for determining entitlements of holders of Ordinary Shares in respect of the offer, that Noteholder had converted all Notes held by the Noteholder to Ordinary Shares pursuant to Condition 3.1(a) and had become registered as the holder of the number of Ordinary Shares equivalent to the number of Ordinary Shares which the Noteholder would have been entitled to receive on the basis provided in Condition 2(d).

6. Participation in reorganisations of issued capital and bonus issues

6.1. Subject to the listing rules of ASX:

- (a) if the Company reorganises its capital in any way (including any return of capital or capital distribution) before 16 September 2009, then the right of each Noteholder pursuant to Condition 2(d) shall be adjusted accordingly so that neither a Noteholder nor a holder of Ordinary Shares will receive a benefit that the other does not receive; and
- (b) if the Company determines to make an issue of Bonus Shares before 16 September 2009, then the right of each Noteholder pursuant to Condition 2(d) shall be adjusted accordingly so that any Noteholder who does not convert in relation to any part of their holding of Notes in time to take advantage of the issue of Bonus Shares will be put in the position, on the exercise of the right in Condition 2(d) and in relation to the Notes converted at that time, as though they had converted in time to take advantage of the issue of Bonus Shares.

6.2. Subject to the listing rules of ASX, the Board will determine any adjustment required by this Condition, including that relating to any resulting fractional entitlements.

7. Takeover offers and change of control

7.1. If before 16 September 2009:

- (a) the Company becomes aware that any person (other than the Company) has acquired (within the meaning of the Corporations Act) a relevant interest (within the meaning of the Corporations Act) or voting power in 30 per cent or more of the Voting Shares in the Company from time to time on issue the Company shall within seven days of so becoming aware give notice in writing to Noteholders of that fact; or
- (b) a bidder's statement in accordance with the provisions of the Corporations Act is served upon the Company by any person,

then a Noteholder may by written notice to the Company at the address of the Register on which the Noteholder's Notes are registered require the Company to convert all of those Notes into Ordinary Shares in accordance with Condition 2(d) with effect one Business Day after the receipt of the written notice by the Company. To be effective any such written notice given by a Noteholder must:

- (c) in the case of the exercise of a right to convert arising pursuant to Condition 7.1(a) – be given within 31 days of the giving of the notice by the Company pursuant to Condition 7.1(a); and
- (d) in the case of the exercise of a right to convert arising pursuant to Condition 7.1(b) – be given at any time during the period commencing on the day on which the bidder's statement is served on the Company and expiring on the second last Business Day before the last day on which the offers, to which the bidder's statement relates, remain open.

10. Conditions of Issue of New Notes *continued*

7.2. If a holder of Notes does not require the Company to convert those Notes in accordance with Condition 7.1 within the time permitted for conversion the Noteholder shall have no further right of conversion under this Condition in respect of the notified event under Condition 7.1(a) or the event described in Condition 7.1(b).

8. Non-resident Noteholders

Where Notes are held by or on behalf of a person or entity resident in or otherwise connected with a country other than Australia, then, notwithstanding anything elsewhere contained or implied in these Conditions, it shall be a condition precedent to the right of the holder of the Notes to receive payment of the principal sum represented by those Notes or to obtain Ordinary Shares on conversion or to participate in issues of Securities of the Company or any other corporation under Condition 5, that all necessary approvals (if any) under the Banking (Foreign Exchange) Regulations and any other statutory requirements which may then be in existence are obtained by the holder of the Notes.

9. Nature of Ordinary Shares

Ordinary Shares to be allotted on conversion of the Notes will be shares with respect to which no provision is made (whether by the Constitution of the Company or otherwise) for changing or converting them into shares of another class, except for the purpose of enabling in accordance with any law relating to companies the consolidation and division of all or any of the share capital of the Company or the sub-division of all or any of the shares in the capital of the Company.

10. Maturity and repayment

10.1. The maturity date of the Notes shall be the earlier of 30 September 2009 and the first date on which an order is made or an effective resolution is passed for the winding up of the Company in accordance with the Corporations Act, or the last date upon which the Notes become immediately due and payable in accordance with Clause 13.1 of the Trust Deed and upon such maturity date the Company shall be obliged to repay the Notes.

10.2. If the Company is satisfied that the interest or any part paid or payable on the Notes is not or may not be allowed as a deduction under a Tax Act or a Tax Change occurs or a Bill to effect such a Tax Change is presented to the Parliament of the Commonwealth of Australia and the Company is of the opinion that it is reasonably probable that any such change has or will have the result that the interest or any part of it paid or payable by the Company on the Notes is or may not be allowed as a deduction for Australian income tax purposes, the Company may at its option (at the expiration of not more than 60 nor less than 30 days' notice to the Noteholders concerned) repay all, or from time to time some, of the Notes together with all interest then due (if any) in respect of all the Notes, subject as provided in Condition 10.3.

10.3. If the Company forms the opinion referred to in Condition 10.2 at any time on or before 30 September 2009, the Company shall, within 14 days of forming that opinion, give written notice to the holders of Notes which the Company intends to repay pursuant to Condition 10.2 and a Noteholder may, within 30 days from the date of the receipt of such notice, by notice in writing to the Company at the address of the Register on which their Notes are registered, require the Company to convert all of their Notes into Ordinary Shares in accordance with Condition 2(d) with, effect 5 Business Days after the receipt of written notice by the Company or such shorter period agreed to by the Company and the Noteholder concerned. Notwithstanding the foregoing, a Noteholder shall not be able to convert their Notes pursuant to this Condition 10.3 if their notice pursuant to this Condition is not given by 15 September 2009.

10.4. If a Noteholder does not require the Company to convert the Noteholder's Notes in accordance with Condition 10.3 the Company may repay all or some of the Noteholder's Notes pursuant to Condition 10.2.

11. Cancellation of Notes

All Notes repaid, redeemed, converted or purchased by the Company shall ipso facto be cancelled and shall not be re-issued.

12. Status

The Notes shall constitute unsecured obligations of the Company and shall rank equally with any unsecured convertible notes previously issued by the Company.

13. Trustee's power to enforce

Without limiting the rights and discretion of the Trustee under the Trust Deed, the Trustee may at its discretion and without further notice institute such proceedings against the Company as it may think fit to enforce any obligation, condition or provision binding on the Company under the Trust Deed and the Conditions provided that the Company shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

14. Conditions binding on parties and successors

These Conditions shall be binding on the Company, the Trustee and the Noteholders and all persons claiming through or under them respectively.

15. ASX Listing of Notes and Shares

The Company shall take all reasonable practical steps to procure that quotation of the Notes, and the Ordinary Shares issued by the Company as a result of the exercise by Noteholders of rights of conversion, is granted by the ASX and that such quotation is maintained.

16. Entitlement to certificates

16.1. Subject to these Conditions, a Noteholder shall be entitled to one or more holding statements for the Notes registered in the name of the Noteholder.

16.2. If the Notes are accepted for participation by the ASX in the Clearing House Electronic Sub-Register System (CHES), the relevant rules and practices of the ASX and the ASTC Settlement Rules relating to CHES as in force from time to time shall prevail over the provisions of these Conditions to the extent of any inconsistency.

17. Joint Noteholders

17.1. Subject to these Conditions, joint holders of Notes will be entitled to one holding statement only in respect of Notes held by them jointly and such holding statement shall be delivered to that one of them whose name stands first in the Register.

17.2. The Company shall not be bound to register more persons as the joint holders of any Notes than the relevant rules and practices of the ASX and the ASTC Settlement Rules require.

18. Title to Notes

18.1. Subject to these Conditions, the Company and the Trustee will only recognise the registered holder of any Note as the absolute owner of the Note and except as ordered by a court of competent jurisdiction or by statute required shall not be bound to take notice or see to the execution of any trust whether express implied or constructive to which any Notes may be subject and the receipt of such registered holder or in the case of joint registered holders the receipt of any of them for the principal and the interest from time to time accruing due in respect of the Note or for any other moneys payable in respect of the Note shall be a good discharge to the Company and the Trustee notwithstanding any notice it may have whether express or otherwise of the right title interest or claim of any other person to or in such Note interest or moneys. Except as referred to in Condition 18.2 no notice of any trust express or constructive shall be entered on the Register in respect of any Notes.

18.2. Notes held by trustees may with the consent of the Company be marked in the Register in such a way as to identify them as being held subject to a particular trust but nothing in this Condition 18.2 shall derogate from Condition 18.1.

18.3. The executors or administrators of a deceased Noteholder (not being one of several joint Noteholders) shall be the only persons recognised by the Company and the Trustee as having any title to such Notes provided always that if that Noteholder having sold any or all of the Noteholder's Notes had delivered to the transferee or to a member of a Stock Exchange acting in connection with that sale a transfer of the Notes so sold signed by the Noteholder but such transfer had not been registered before the death of the Noteholder the Company may subject to compliance by the transferee with these Conditions register that transfer notwithstanding that the Company has notice of that Noteholder's death.

18.4. In case of the death of any of the joint holders of Notes the survivors or survivor will be the only persons or person recognised by the Company and the Trustee as having any title to or interest in such Notes.

18.5. A body corporate may be registered as the holder or as one of the joint holders of Notes.

18.6. Every Noteholder will be recognised by the Company and the Trustee as entitled to their Notes free from any equity set-off or cross-claim on the part of the Company against the original or any intermediate holder of the Notes.

19. Transfer of Notes

19.1. Every Noteholder will be entitled to transfer the Noteholder's Notes or any part by lodging with the Company at the address of the Register on which the Noteholder's Notes are for the time being recorded a proper instrument of transfer duly stamped if necessary, executed by the transferor and executed by the transferee except where execution by the transferee is rendered unnecessary by statute. No fee will be charged for the registration of a transfer.

19.2. Subject to the ASTC Settlement Rules the transferor shall be deemed to remain the owner of the Notes until the name of the transferee is entered in the Register in that respect.

19.3. Subject to any applicable law, an instrument of transfer shall be in the form approved by the ASX or in any other form acceptable to the Directors and shall be forwarded for registration to the address of the Register on which the Noteholder's Notes are for the time being recorded accompanied by any statement for the Notes to be transferred and such other evidence as the Directors may require to prove the title of the transferor or the Noteholder's right to transfer the Notes, the due execution of the transfer and the due compliance with the provisions of any Act relating to stamp duties and if satisfied with such evidence the Company will register the transfer and will recognise the transferee as the Noteholder entitled to the amount of Notes comprised in the transfer.

19.4. All instruments of transfer which shall be registered will be retained by the Company for a period of three years or such minimum period or in such alternative form as may be permitted by law from time to time after receipt but any instrument of transfer which the Company may decline to register shall (except in the case, of fraud or suspected fraud) be returned on demand to the person depositing the same.

Any person becoming entitled to Notes in consequence of the death or bankruptcy of any holder of such Notes may upon producing such evidence that the Noteholder sustains the character in respect of which they propose to act under this Condition or of the Noteholder's title as the Directors shall think sufficient be registered as the holder of such Notes or subject to the preceding Conditions as to transfer, may transfer such Notes. The Directors shall be at liberty to retain the principal and interest and other moneys payable upon any Notes which any person under this Condition is entitled to or to transfer until such person shall be registered or duly transfer the same.

10. Conditions of Issue of New Notes *continued*

20. Payment to Noteholders

20.1. Any interest, principal or other moneys payable on or in respect of any Notes may be paid:

- (a) by payment by not negotiable cheque sent through the post to the registered address of the holder or person entitled to payment or in the case of joint holders to the registered address of that one of the joint holders who is first named in the Register in respect of such Notes. Every such cheque shall be sent at the risk of the person entitled to the moneys represented by the cheque; or
- (b) by deposit to such account with any bank, credit union or building society in Australia as the Noteholder by written notice to the Company or the Trustee may direct.

20.2. If several persons are entered in the Register as joint holders of any Notes then without prejudice to the last preceding condition the receipt of any one of such persons for any interest or other moneys payable on or in respect of such Notes shall be as effective a discharge to the Company or as the case maybe the Trustee as if the person signing such receipt were the sole registered holder of such Notes.

21. Notices

21.1 The Company must provide to a Noteholder any document the Noteholder requests pursuant to section 318(2) of the Corporations Act.

21.2. The Company shall send to Noteholders copies of the Company's annual reports, accounts and other information which is sent to its members.

21.3. A notice given to a Noteholder pursuant to a provision of these Conditions and the Trust Deed shall be in writing and may be given to a Noteholder by being delivered to them or posted in a pre-paid envelope at a post office or post office letter box and addressed to their address appearing in the Register or to such other address as they have notified the Company in writing.

21.4. Where a notice is sent by post it shall be deemed to have been given on the day following the day on which it was posted.

21.5. A post office receipt for the envelope containing a notice shall be taken as conclusive evidence of the date on which the notice was posted.

21.6. A notice given to any one of joint Noteholders is sufficient notice to all of those joint Noteholders.

21.7. In this Condition notice includes any communication to be given by the Company or the Trustee under or pursuant to a provision of these Conditions or the Trust Deed.

11. Directory

Directors

Bruce B Teele, Chairman
Ross E Barker, Managing Director
Terrence A Campbell
Russell J Fynmore, AO
Andrew F Guy
Graham J Kraehe, AO
John Paterson

Company Secretary

Mark A Licciardo

Registered Office

Level 20
101 Collins Street
Melbourne, Victoria 3000

Legal Advisers

Allens Arthur Robinson
530 Collins Street
Melbourne, Victoria 3000

Auditors

PricewaterhouseCoopers
Chartered Accountants
333 Collins Street
Melbourne, Victoria 3000

Accounting Advisers

PricewaterhouseCoopers Securities Ltd
333 Collins Street
Melbourne, Victoria 3000

Trustee for Noteholders

Permanent Nominees (Aust) Limited
35 Clarence Street
Sydney, New South Wales 2000

Share and Note Registry

ASX Perpetual Registrars Limited
Level 4
333 Collins Street
Melbourne, Victoria 3000

Broker to the Issue

Goldman Sachs JBWere
Level 17
101 Collins Street
Melbourne, Victoria 3000

