



ABN 88 113 436 141

PROSPECTUS

For the issue of 20,000,000 ordinary Shares at an offer price of \$1.00 per Share together with 20,000,000 attaching Options on a 1 for 1 basis

Oversubscriptions of up to 10,000,000 Shares and 10,000,000 Options may be accepted

Sponsoring Broker



ABN-AMRO Morgans



CORPORATE DIRECTORY

Company

Trojan Equity Limited
ABN 88 113 436 141

GPO Box 3005
BRISBANE QLD 4001

Suite 8, Level 9
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BRISBANE QLD 4000
Tel 07 3220 2377
Fax 07 3503 9250

Directors

Andrew Kemp
Troy Harry
Roger Clarke

Company Secretary

Andrew Kemp

Manager

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Independent Accountant

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BRISBANE QLD 4000
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Share Registry

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Level 2
28 Margaret Street
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Application Form

Share Application Form and Guide to the Application Form

INDICATIVE TIMETABLE

Date of Prospectus	5 April 2005
Expiry of exposure period	12 April 2005
Offer opens	13 April 2005
Offer closes	13 May 2005
Anticipated commencement of trading on ASX	23 May 2005

These dates are indicative only. Trojan Equity reserves the right to vary the dates of the Offer, without prior notice including closing the Offer before the scheduled Closing Date. Investors are encouraged to submit their Application Forms as soon as possible.



IMPORTANT NOTICE

Defined terms and abbreviations used in this Prospectus are explained in Section 11.

This Prospectus is dated 5 April 2005. A copy of this Prospectus was lodged with ASIC on that date. Neither ASIC or ASX takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. No Shares will be allotted or transferred on the basis of this Prospectus after the expiry date. This Prospectus expires on 4 May 2006.

The Offer is available to Australian residents in each State and Territory of Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons who obtain this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law. This Prospectus does not constitute an offer in any place where, or to any person to whom, it would not be lawful to make such an offer.

No person is authorised to provide any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information or representations not so contained may not be relied on as having been authorised by Trojan Equity or any other person in connection with the Offer.

Offers under this Prospectus will be made pursuant to section 911A(2)(b) of the *Corporations Act*. Trojan Equity has entered arrangements with Australian Financial Services Licensees for this purpose.

This Prospectus provides information for investors to decide if they wish to invest in Trojan Equity and should be read in its entirety. The investment strategy and the risk factors that could affect the financial performance of Trojan Equity should be examined. You should consider carefully these factors in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest. The Offer does not take into account the investment objectives, financial situation and particular needs of investors.

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

This Prospectus is available in electronic form via www.trojanim.com.au and www.abnamromorgans.com.au. Applicants using the Application Form attached to the electronic version of this Prospectus must be located within Australia. Persons who receive an electronic version of this Prospectus should ensure they download and read the entire Prospectus. Persons who receive a copy of this Prospectus in its electronic form may, during the Offer period, obtain a paper copy of the Prospectus (free of charge) by telephoning 07 3220 2377. Applications for Shares may only be made on the Application Form attached to this Prospectus or in its paper copy form as downloaded in its entirety from www.trojanim.com.au and www.abnamromorgans.com.au.

Trojan Equity will forward all Application Forms and Application Money it receives to the Australian Financial Services Licensees. These licensees will deposit and deal with the Application Money pursuant to this Prospectus. The Australian Financial Services Licensee's function should not be considered as an endorsement of the Offer nor a recommendation of the suitability of the Offer for any investor. The Australian Financial Services Licensees do not guarantee the success or the performance of Trojan Equity or the returns (if any) to be received by investors. The *Corporations Act* prohibits Application Forms from being processed in the 7 day period after the date of lodgement of this Prospectus with ASIC. This period may be extended by ASIC by up to a further 7 days. This period is an exposure period to enable the Prospectus to be examined by market participants prior to the raising of funds. Application Forms received during the exposure period will not be processed until after the expiry of that period. No preference will be conferred on Application Forms received during the exposure period.

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY



LETTER FROM THE MANAGING DIRECTOR

Dear Investor

It is with pleasure that I invite you to join me as a Shareholder in Trojan Equity.

Trojan Equity's key focus will be on absolute returns to investors. This will be achieved by investing primarily in undervalued asset situations, where there is a likely catalyst for the discount to valuation to be reduced or removed. It is likely that the Company will hold less than ten of these core situations at any one time, with a significant percentage of the Company's Portfolio invested into each situation.

The Company will offer investors a convenient way to participate in the investment ideas and opportunities identified by the Manager. The Manager will be Trojan Investment Management Pty Ltd, of which I am the officer primarily responsible for making investment decisions and identifying investment opportunities.

It is the Company's intention to pay regular franked dividends, when profits and franking permit.

I will be personally investing \$1 million in the Company pursuant to the Offer, via an associated entity. Members of my family will also be making significant investments in the Company. The structure of the management and performance fees, in addition to my own significant investment in the Company, will ensure that the interests of the Manager and Shareholders will be closely aligned.

The information contained in this Prospectus is important and I urge you to read it carefully. The other Directors and I commend the Company to you and look forward to welcoming you as a Shareholder in Trojan Equity.

Yours sincerely

A handwritten signature in black ink, appearing to read "Troy Harry".

Troy Harry
Managing Director
Trojan Equity Limited

5 April 2005



1. OVERVIEW

This summary is not intended to provide full details of the investment opportunity. Investors must read this Prospectus in full to make a fully informed investment decision. The performance of Trojan Equity is not guaranteed by the Company, the Manager or any adviser to the Company.

1.1 Objective

Trojan Equity has been established to provide investors with a convenient way to participate in the investment ideas and opportunities identified by the Manager.

1.2 The Offer

Trojan Equity is seeking to raise \$20 million through the offer of 20,000,000 Shares at \$1.00 each.

For each Share issued under the Offer, subscribers will receive one Option to subscribe for a Share, exercisable at any time until 5.00 pm on 17 June 2008, on which date the Options will expire. The exercise price will be \$1.00. The terms of the Options are explained in further detail in Section 10.4.

Oversubscriptions of up to 10,000,000 Shares and 10,000,000 Options to raise up to an additional \$10 million may be accepted.

1.3 Minimum Subscription

The Minimum Subscription for the Offer is \$15.5 million comprising 15,500,000 Shares and 15,500,000 Options. No Shares or Options will be allotted under this Prospectus until the Minimum Subscription has been received.

If the Company fails to raise the Minimum Subscription by the date which is four months after the Opening Date, the Company will repay all Application Money to Applicants within seven days after that date.

1.4 Management Fee and Performance Fee

The Portfolio will be managed by Trojan Investment Management Pty Ltd (the 'Manager') pursuant to the Management Agreement.

The Manager will be paid a management fee of 1% of Net Assets per annum. The management fee will be calculated and paid at the end of each month.

The Manager will be paid a performance fee when pre-tax profit of the Company (before provision for performance fee) exceeds a return of 8% on the Net Assets of the Company during any given Performance Calculation Period. The performance fee will be 20% of that portion of pre-tax profit (before provision for performance fee) which exceeds the 8% hurdle.

The terms of the Management Agreement are further explained in Section 9.1.

1.5 Risk Factors

Investment in the Company as described in this Prospectus is subject to a number of risks.

Investors should consider the risk factors outlined in Section 8 carefully before applying for Shares and Options and seek professional advice if necessary.



1.6 Sponsoring Broker

The sponsoring broker to the Offer is ABN AMRO Morgans Limited. The Offer is not underwritten.

1.7 Handling Fees

A handling fee of 2% will be paid to holders of an AFSL for successful applications bearing their stamp.

No handling fees will be paid to Trojan Investment Management Pty Ltd for applications procured directly by it or bearing its stamp.

1.8 How to Apply

Applications for Shares and Options can only be made by completing and lodging a paper copy of an Application Form.

Application Forms are attached to this Prospectus and the Prospectus in electronic form at www.trojanim.com.au or www.abnamromorgans.com.au.

Application Forms should be completed in accordance with the instructions on the guide to the Application Form. Applications must be for a minimum of 2,000 Shares and 2,000 Options and thereafter in multiples of 100.

An Application Form must be accompanied by a cheque in Australian dollars for the value of Shares and Options applied for and made payable to 'Trojan Equity Limited - Share Offer' and crossed 'Not Negotiable'.

An Application Form may only be distributed attached to a complete and unaltered copy of this Prospectus. Application Forms included with this Prospectus contain a declaration that the investor has personally received the complete and unaltered Prospectus prior to completing the Application Form.

Trojan Equity will not accept a completed Application Form if it has reason to believe that the Applicant has not received a complete paper or electronic copy of this Prospectus or if it has reason to believe that the Application Form or electronic copy of the Prospectus has been altered or tampered with in any way.

Applications should be:

Posted to

Trojan Equity Limited
GPO Box 3005
BRISBANE QLD 4001

OR

Delivered to

Trojan Equity Limited
Suite 8, Level 9
320 Adelaide Street
BRISBANE QLD 4000

Additional copies of the Prospectus are available at www.trojanim.com.au or www.abnamromorgans.com.au.

Lodgement of an Application Form constitutes an offer made in accordance with the provisions of the guidelines to the Application Form.

Enquiries about the Offer should be directed to the Manager on 07 3220 2377 during business hours.

1.9 ASX Listing

Within 7 days after the date of issue of this Prospectus, Trojan Equity will apply for admission to the official list of ASX and for the quotation on ASX of the Shares and Options issued pursuant to this Prospectus and the initial subscriber share.

Trading of Shares is expected to commence on 23 May 2005.



The fact that ASX may admit Trojan Equity to its official list is not to be taken in any way as an indication of the value or merits of the Company or the Shares and Options offered for subscription. If the Company has not been admitted to the official list of ASX within 3 months after the date of this Prospectus, all Application Money will be refunded without interest in accordance with the *Corporations Act*.

1.10 Allotment of Shares and Options

Allotment of Shares and Options will be made as soon as possible after the Closing Date, provided that the Minimum Subscription has been received and approval has been granted by ASX for quotation of the Shares and Options.

Trojan Equity reserves the right to allot the Shares and Options offered under this Prospectus in full on any application, or to allot any lesser number, or to decline any application. Where no allotment is made, the amount tendered will be returned in full with the relevant Application Form.

Where the number of Shares and Options allotted is less than the number of Shares and Options applied for, the surplus Application Money will be despatched to the Applicant within 21 days of the Closing Date. Interest will not be paid on refunded Application Money. Any interest earned on Application Money prior to allotment or return will belong to Trojan Equity.

1.11 CHESS

Trojan Equity will apply to participate in ASTC's Clearing House Electronic Subregister System ('**CHESS**') in accordance with the Listing Rules and the ASTC Settlement Rules. In accordance with the Listing Rules and the ASTC Settlement Rules, the Company will maintain an electronic CHESS subregister (for Shareholders who are participants in CHESS or sponsored by such a participant) and an electronic issuer-sponsored register (for all other Shareholders).

Following the allotment of Shares and Options to successful Applicants, Shareholders will be sent initial holding statements that set out the number of Shares and Options that have been allotted and the Shareholder's Holder Identification Number ('**HIN**'), or in the case of issuer sponsored holders, the Shareholder Reference Number ('**SRN**').

Following distribution of the initial holding statements and CHESS notifications to all Shareholders and optionholders, a holding statement will be provided to the holder at the end of any subsequent month during which there has been a movement in their holding.

Shareholders and optionholders may also request Trojan Equity to provide a statement at other times, although the Company may charge an administration fee in these circumstances.

1.12 Taxation Consequences for Investors

A general overview of the taxation consequences to investors of investing in Shares and Options is provided in Section 7 by PKF Chartered Accountants & Business Advisers. It is not intended to be a detailed analysis, but rather an overview of the relevant taxation issues. Investors should consult their own taxation adviser about their own specific taxation circumstances.

1.13 Taxation Status

Trojan Equity will NOT operate as a listed investment company for taxation purposes. All profits of the Company, whether capital gains or income, are expected to be taxed at the corporate tax rate (currently 30%).



1.14 Non-Resident Investors

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

The Prospectus does not constitute an offer or invitation in any jurisdiction where, or to any person to whom, such an offer or invitation would be unlawful.

2. TROJAN EQUITY LIMITED

2.1 Background

Trojan Equity Limited was incorporated on 18 March 2005 to provide investors with a convenient way to participate in the investment ideas and opportunities identified by the Manager.

The Company will invest in a portfolio of permitted investments as outlined in Section 2.5, which will be predominantly ASX listed securities.

2.2 Investment Objectives

The investment objectives of the Company are to:

- ❖ apply a disciplined approach to its investing;
- ❖ provide a superior rate of return to its Shareholders via a combination of capital growth and income;
- ❖ provide Shareholders with regular franked dividends; and
- ❖ preserve the capital of the Company.

2.3 Investment Strategy

The core strategy of the Company will be to invest in **UNDERVALUED ASSET SITUATIONS** with **LIMITED DOWNSIDE RISK** where there is a **CATALYST** for the discount to valuation to be reduced or removed.

In addition, the Company may participate in short selling and risk arbitrage opportunities where there is a compelling reason to do so. However, short selling and arbitrage will not be a core element of the Company's business.

The Company's key focus will be on absolute returns to investors. It will be a stock picker, not a market timer. As such the Company's performance should not be benchmarked against any equity index.

The Manager will display discipline and patience. The Manager will not feel compelled to make investments on behalf of the Company unless it can identify situations which meet its investment criteria.

2.4 Investment Process

The steps in the investment process can be summarised as follows:

1. Identify undervalued asset situation;
2. Identify catalyst;
3. Quantify downside risk;
4. Quantify upside and compare to downside risk; and
5. Make investment decision and asset allocation.

The first step in this process is to identify companies which are trading at share prices below the underlying value of the assets of those companies. These situations are predominantly sourced from the universe of companies listed on ASX. They are often smaller companies as the Manager has found that smaller, under-researched companies generally offer a greater chance of being mispriced by the market. The Manager intends to identify potentially undervalued asset situations by continually reviewing available information, including information sourced from other market participants.

Companies can trade at a discount to the underlying value of their assets due to many factors, including but not limited to:

- ❖ negative sentiment towards the company or its industry segment;
- ❖ poor recent earnings performance;
- ❖ poor general economic or stock market conditions;
- ❖ lack of liquidity;
- ❖ potential litigation;
- ❖ undergeared balance sheet; and
- ❖ poor marketing of the company to the investment community.

Once a potential undervalued asset situation is identified, the Manager will rigorously review all publicly available information and hold discussions with management where possible to assist it in completing the remaining steps in the investment process.

Identifying an undervalued asset situation, on its own, is not enough to assure success. Some companies which are trading at a discount to their underlying asset value may always trade at a discount. Therefore it is important to identify a catalyst which is expected to cause the discount to valuation to be reduced or removed. This is the second step in the investment process.

The catalyst may already have occurred, or the Manager may have reason to believe that such a catalyst may shortly emerge. Catalysts include, but are not limited to:

- ❖ takeover;
- ❖ return of capital;
- ❖ sale of assets;
- ❖ share buyback;
- ❖ changes to management or board of directors;
- ❖ changes in shareholdings, especially where a new strategic shareholder emerges, where a perceived overhang is removed or where an undesirable shareholder exits;
- ❖ listing on an overseas exchange;
- ❖ spinout or demerger of assets;
- ❖ special dividends;
- ❖ improvement in earnings or earnings momentum;
- ❖ value creating or enhancing acquisition; and
- ❖ improved marketing of the company to the investment community.

The Manager will look for a catalyst which is likely to occur or have its effect within six to 12 months. If the catalyst is likely to be longer than 12 months, the Manager will keep a close watching brief on the identified situation and revisit it when the catalyst is closer.

The third step in the investment process is to quantify the downside risk in the identified situation. This is a key part of the investment process due to the Manager's focus on capital preservation. It is essential to know where the 'safety net' is if the situation does not unfold as envisaged.

The fourth step is to quantify the expected upside in the identified situation. The expected upside is compared to the downside risk, along with an assessed probability of each outcome.

The final step is to determine whether an investment is warranted and if so, what percentage of the Portfolio should be allocated to that particular situation. The allocation will depend on the level of certainty, timing, downside risk, liquidity and other available opportunities.

2.5 Portfolio Construction

The Company intends to identify undervalued asset situations which meet its investment criteria and then make a significant investment in each of those situations. Therefore, it is likely that the Company will hold less than 10 core holdings at any one time.

It is expected that the Portfolio may consist of:

- ❖ 4-5 primary core situations with 10-20% of the Portfolio in each;
- ❖ 4-5 secondary core situations with 5-10% of the Portfolio in each; and
- ❖ 5-10 short term trading situations with 1-5% of the Portfolio in each.

However, the above apportionment is for example purposes only and the composition of the Portfolio may differ considerably at the discretion of the Manager.

It is possible that the Company will have up to 95% of its Portfolio invested in a total of less than 10 core situations. The concentration of the Company's Portfolio in this way may result in a reduction of the benefits of diversification and may increase the risk profile of the Company when compared to a more diversified portfolio. Investors should carefully consider whether they are comfortable with this reduced diversification before deciding to invest in Shares and Options.

Where the Manager is unable to identify suitable investment opportunities, surplus funds will be held in cash. The cash weighting of the Portfolio is not expected to exceed 50%, except while the Portfolio is being initially invested.

While searching for undervalued asset situations, it is possible the Manager may identify situations where a company's securities are trading at a substantial premium to their intrinsic value. Although short selling is not a core part of the Company's business, it may short sell securities of entities which the Manager identifies as being substantially overvalued.

While searching for undervalued asset situations, it is possible the Manager may identify low risk, or risk free, arbitrage situations. Although arbitrage is not a core part of the Company's business, it will participate in these opportunities where the return offered outweighs the associated risk.

2.6 Permitted Investments

The Manager is only permitted to invest the Company's funds in the following investments:

- ❖ listed securities, being any security listed on ASX or any other recognised securities exchange, including (but not limited to) shares, units, notes or futures which are fully paid or partly paid, preference or preferred, redeemable, convertible or converting;
- ❖ unlisted securities issued by an entity listed on ASX or any other recognised securities exchange;
- ❖ unlisted securities which the Manager expects will be listed on ASX or any other recognised securities exchange within a reasonable timeframe;
- ❖ options, warrants, futures or any other derivatives over any permitted investment;
- ❖ units or other interests in unit trusts or managed investment schemes;
- ❖ cash and interests in cash management trusts;

- ❖ bills of exchange, promissory notes or other negotiable instruments accepted, drawn or endorsed by any bank;
- ❖ participation in sub-underwriting of permitted investments; and
- ❖ other financial products as permitted by the Manager's AFSL.

Pursuant to the Management Agreement, the Manager is permitted to undertake investments without Board approval, provided they are within the written guidelines set by the Board from time to time. The Manager must seek approval from the Board to undertake investments outside these written guidelines.

2.7 Borrowings

The Company may borrow funds from time to time when the Manager believes the risk/reward profile of identified investment opportunities can justify borrowing to make such investments.

2.8 Dividend Policy

Dividends are expected to be payable to Shareholders half yearly in arrears as an interim dividend in March and a final dividend in September of each year, where the Board feels it is prudent and tax effective to do so. Dividends, when paid, will be franked where possible. A dividend reinvestment plan will also be offered to Shareholders.

2.9 Capital Management Policy

Shares of the Company may trade on ASX at a discount to the net tangible asset backing of those Shares. The Board will regularly monitor the Company's share price on ASX, compared to the net tangible asset backing and where the Board considers it appropriate, undertake on market buybacks of its Shares.

2.10 Reports to Shareholders

In accordance with the Listing Rules, within 14 days of the end of each month, the Company will release to Shareholders via ASX, a statement of the net tangible asset backing of its Shares at the end of that month. The monthly calculation of the net tangible asset backing will be made in accordance with the Listing Rules.

The monthly reporting of the Company's net tangible asset backing will allow Shareholders and other market participants to assess the underlying value of the Company's Shares and Options on a timely basis.

The Company will maintain an email register of Shareholders and other interested persons to receive all reports released to ASX by the Company. Shareholders can join this email register by providing their email address where requested on the Application Form.



3. TROJAN INVESTMENT MANAGEMENT PTY LTD

3.1 Background of the Manager

The Company's business strategy will be implemented by the Manager, Trojan Investment Management Pty Ltd.

The Manager was incorporated on 27 November 2002 to provide stock market advice to high net worth individuals and institutions and to undertake the management of investment companies and funds.

The Manager is wholly owned by Rocket Science Pty Ltd as trustee for the Trojan Capital Fund. The Trojan Capital Fund is controlled by Troy Harry and this entity intends investing \$1 million in the Company pursuant to this Offer.

The Manager is the holder of AFSL number 230016.

Details of the Management Agreement between the Company and the Manager are set out in Section 9.1.

3.2 Performance History

The Company was incorporated on 18 March 2005 and has no performance history available as it is yet to commence trading.

The Manager was incorporated on 27 November 2002 and therefore a long term history in providing investment management services is not available.

Past performance of investments managed by, or advised on by, the Manager or Troy Harry is no indication of future performance.

The Manager will manage the Portfolio as outlined in Section 2 of this Prospectus.

3.3 Troy Harry

The Manager's officer primarily responsible for making investment decisions is Troy Harry.

Troy Harry is the founder and Managing Director of the Manager. He has a deep understanding of the Australian stock market, with more than 11 years experience in the Australian securities industry.

From April 1998 until July 2003, Troy was employed by ABN AMRO Morgans Limited in Brisbane where he advised a range of mostly high net worth individuals and small institutions. The advice provided was mostly regarding special situations identified by Troy and he developed a reputation among his clients for being able to identify undervalued asset situations. In July 2003, Troy resigned from ABN AMRO Morgans Limited to concentrate his efforts on his own business.

Concurrently with his roles at ABN AMRO Morgans Limited and Trojan Investment Management Pty Ltd, from November 2002 to June 2004, Troy acted as Managing Director of Harbour Capital Limited ('Harbour') (now Metals Exploration Limited). Harbour was an investment company listed on ASX with investments in royalties in Western Australia and private equity investments in greater China. Troy oversaw a significant corporate restructuring during his time at Harbour, with Harbour's share price rising from \$0.35 at the date of his appointment to \$0.76 at the date of his retirement.

Troy is a director of a number of private companies and is a former director of several ASX listed companies. He has experience in financial analysis, modelling and structuring, and in advising and managing investment companies.



He holds a Bachelor of Business (Banking and Finance) degree from the Queensland University of Technology and is an Associate of the Securities Institute of Australia and a Fellow of the Australian Institute of Company Directors.

4. DIRECTORS

4.1 Andrew Peter Somerville Kemp – Chairman

Age 53

Andrew Kemp is an executive director of Huntington Group Pty Ltd, a Brisbane based corporate advisory and investment banking firm.

He holds a Bachelor of Commerce degree from the University of Melbourne and is a chartered accountant. After working for KPMG and Littlewoods Chartered Accountants in Melbourne and Sydney, Andrew joined AIFC, the merchant banking affiliate of the ANZ Banking Group in Sydney in 1978.

From 1979 until 1985, Andrew was Queensland Manager of AIFC. He joined the North Queensland based Coutts Group as general manager early in 1985, and continued with this group until January 1987 when he formed Huntington Group.

Since 1980, Andrew has structured and implemented the ASX listing of 10 companies in addition to other corporate advisory and investment activities. He is a director of S8 Limited and SunnyCove Management Limited, both of which are listed on ASX.

4.2 Troy John Harry – Managing Director

Age 33

See Section 3.3 for information regarding Troy Harry.

4.3 Roger Brian Clarke – Non-Executive Director

Age 56

Roger Clarke has over 30 years commercial experience, principally in the investment banking industry, with responsibilities in funds management, banking and corporate finance, and involvement in a significant number of initial public offerings, capital raisings and corporate transactions.

Roger is chairman of ABN AMRO Morgans Limited, and has been part of its executive team for the past 17 years. ABN AMRO Morgans Limited is one of Australia's leading retail stockbroking firms with over 50 offices throughout Australia.

He is also chairman of Tissue Therapies Limited and Pipe Networks Limited and a director of MTQ Insurance Ltd and Northstate Capital Limited. Roger holds a Bachelor of Commerce degree from the University of Auckland and is a chartered accountant.

4.4 Corporate Governance Charter and Code of Conduct for Transactions in Securities

The Board has adopted a Corporate Governance Charter which will be kept under review and amended from time to time as the Board may consider appropriate. This charter sets out various matters that are important for effective corporate governance including the following:

- ❖ a detailed definition of 'independence' and a requirement that at least half of the Board be non-executive Directors;
- ❖ a requirement that the Chairman be independent;
- ❖ a framework for the identification of candidates for appointment to the Board and their selection;
- ❖ a framework for individual performance review and evaluation;

- ❖ proper training to be made available to Directors both at the time of their appointment and on an on-going basis;
- ❖ basic procedures for meetings of the Board and its committees – frequency, agenda, minutes and private discussion of management issues among non-executive Directors;
- ❖ ethical standards and values – formalised in a detailed code of ethics and values;
- ❖ dealings in securities – formalised in a detailed code of conduct for transactions in securities designed to ensure fair and transparent trading by Directors and senior management and their associates; and
- ❖ communications with Shareholders and the market.

These initiatives, together with the other matters provided for in the Corporate Governance Charter, are designed to 'institutionalise' good corporate governance and generally, to build a culture of best practice in Trojan Equity's own internal practices and in its dealings with others.

The Board has appointed an audit and risk management committee. In light of the size of the Company, no other committees have been appointed as at the date of this Prospectus. The Board will reconsider the Company's need for further committees from time to time.

4.5 Audit and Risk Management Committee

The purpose of this committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. Its current members are:

- ❖ Roger Clarke; and
- ❖ Andrew Kemp

The committee performs a variety of functions relevant to risk management and internal and external reporting and reports to the Board following each meeting. Among other matters for which the committee is responsible are the following:

- ❖ Board and committee structure to facilitate a proper review function by the Board;
- ❖ internal control framework including management information systems;
- ❖ corporate risk assessment and compliance with internal controls;
- ❖ internal audit function and management processes supporting external reporting;
- ❖ review of financial statements and other financial information distributed externally;
- ❖ review of the effectiveness of the audit function;
- ❖ review of the performance and independence of the external auditors;
- ❖ review of the external audit function to ensure prompt remedial action by management, where appropriate, in relation to any deficiency in or breakdown of controls;
- ❖ assessing the adequacy of external reporting for the needs of Shareholders; and
- ❖ monitoring compliance with the Company's code of ethics.

Meetings will be held at least twice each year. A broad agenda will be laid down for each regular meeting according to an annual cycle. The committee will invite the external auditors to attend each of its meetings.

4.6 Compliance with ASX corporate governance guidelines and best practice recommendations

The ASX document, *'Principles of Good Corporate Governance and Best Practice Recommendations'* (**'Guidelines'**) applying to listed entities was published in March 2003 by the ASX Corporate Governance Council with the aim of enhancing the credibility and transparency of Australia's capital markets.

The Board has assessed the Company's current practice against the Guidelines and outlines its assessment below:

Principle 1 - Lay solid foundations for management and oversight

The Board has adopted the Corporate Governance Charter, which defines the role of the Board and management. Trojan Equity complies with the Guidelines in this regard.

In light of the business of Trojan Equity being managed by the Manager (with which it has entered into a formal Management Agreement), Trojan Equity has elected not to issue formal letters of appointment to the Managing Director and non-executive Directors. To this extent, it does not comply with the Guidelines.

Principle 2 - Structure the Board to add value

The Corporate Governance Charter requires the Board to comprise a minimum of 3 Directors, at least half of which must be non-executive. It also requires the Chairman to be independent. The Directors believe that the current composition of the Board will add value by ensuring there is a broad range of experience, expertise, skills, qualifications and contacts relevant to the business of the Company.

Trojan Equity does not comply with the Guidelines to the extent that the Guidelines recommend that a majority of the Board should be independent. This decision has been made because the Directors consider that the interests of Shareholders will be best represented by the current Board composition, where only the Chairman is independent.

Trojan Equity also does not comply with the Guidelines to the extent that it has not established a nominations committee. If a nominations committee were to be established, it would comprise the 3 Directors. Accordingly, the function of the nominations committee will be performed by the Board.

These issues will be reassessed by the Board on a regular basis.

Principle 3 - Promote ethical and responsible decision making

The Board has adopted a detailed code of ethics and values and a detailed code of conduct for transactions in securities as part of the Corporate Governance Charter. The purpose of these codes is to guide Directors in the performance of their duties and to define the circumstances in which both they and management, and their respective associates, are permitted to deal in securities.

The Board will ensure that restrictions on dealings in securities are strictly enforced. Both codes have been designed with a view to ensuring the highest ethical and professional standards, as well as compliance with legal obligations, and therefore compliance with the Guidelines.

Principle 4 - Safeguard integrity in financial reporting

An audit and risk management committee has been established by the Board and is governed by its own charter. This charter requires the Managing Director to state in writing to the Board that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and that the operational results are in accordance with the relevant accounting standards.



In light of the size and composition of the Board, Trojan Equity is not able to comply with the Guidelines to the extent that they recommend the audit and risk management committee comprise a majority of independent directors, an independent chairperson who is not chairperson of the Board and at least 3 members. Trojan Equity's audit and risk management committee comprises Andrew Kemp and Roger Clarke.

The Board believes that the appointed audit and risk management committee will adequately fulfil its intended role. Nevertheless, it will reassess its ability to do this on a regular basis.

Principle 5 - Make timely and balanced disclosure

The Board believes Trojan Equity's proposed practice on disclosure is consistent with the Guidelines. Policies and procedures for compliance with the disclosure requirement in the Listing Rules are included in the Corporate Governance Charter.

Principle 6 - Respect the rights of shareholders

The Board recognises the importance of this principle and will strive to communicate with Shareholders both regularly and clearly by electronic means and using more traditional communication methods. Shareholders are encouraged to attend and participate at general meetings. The Company's auditors will attend the annual general meetings and will be available to answer Shareholders' questions. The Directors believe that the Company's policies comply with the Guidelines in relation to the rights of Shareholders.

Principle 7 - Recognise and manage risks

The Board and the audit and risk management committee will constantly seek to identify, monitor and mitigate risk. Internal controls will be monitored on a continuous basis and, wherever possible improved. The issue of risk management is formalised in the Corporate Governance Charter (which the Directors believe complies with the Guidelines in relation to risk management) and the charter for the audit and risk management committee and will continue to be kept under regular review by the Board.

The charter of the audit and risk management committee requires the Managing Director to state in writing to the Board that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Board believes that Trojan Equity complies with the Guidelines in this regard.

Principle 8 - Encourage enhanced performance

The Corporate Governance Charter requires individual performance review and evaluation to be conducted formally on an annual basis. As a nominations committee has not been appointed, this review is conducted by the Board. The Board acknowledges that performance can always be enhanced and will continue to seek and consider ways of further enhancing performance both individually and collectively.

Principle 9 - Remunerate fairly and responsibly

Trojan Equity's proposed practices in this area will be reviewed regularly to ensure compliance with the Guidelines. Remuneration of Directors and executives is disclosed in section 10.10 of this Prospectus and will be fully disclosed in the annual report.

Principle 10 - Recognise the legitimate interests of stakeholders

The Board recognises the importance of this principle and will continue to develop and implement procedures to ensure compliance with legal and other obligations to legitimate stakeholders. The Directors believe that the Company and its policies and practices comply with the Guidelines in this area.

5. FINANCIAL INFORMATION

5.1 Pro-Forma Balance Sheets

The pro forma Balance Sheets reflecting the net asset position of the Company immediately following the Offer are presented in the table below.

	Minimum Subscription \$15.5 million	Subscription \$20 million	Maximum Subscription \$30 million
	\$	\$	\$
Assets			
Cash	15,182,991	19,619,991	29,479,991
Liabilities	-	-	-
Net Assets	15,182,991	19,619,991	29,479,991
Shareholders' Equity	15,182,991	19,619,991	29,479,991
NTA per Share	98.0 cents	98.1 cents	98.3 cents

5.2 Basis of Preparation

The pro forma Balance Sheets have been prepared on the basis of the following assumptions:

- ❖ Application of the proposed accounting policies and notes to the accounts set out in Section 5.5.
- ❖ In the pro forma Balance Sheet entitled 'Minimum Subscription \$15.5 million', reference is to subscription of 15,500,000 Shares and receipt of \$15,500,000 under the Offer.
- ❖ In the pro forma Balance Sheet entitled 'Subscription \$20 million', reference is to subscription of 20,000,000 Shares and receipt of \$20,000,000 under the Offer.
- ❖ In the pro forma Balance Sheet entitled 'Maximum Subscription \$30 million', reference is to subscription of 30,000,000 Shares and receipt of \$30,000,000 under the Offer.
- ❖ Expenses of the Offer as described in Section 5.4 have been paid and recognised in Shareholders' Equity.

5.3 Pro-Forma Cash Position

The pro forma cash position has been calculated as follows:

	Minimum Subscription \$15.5 million	Subscription \$20 million	Maximum Subscription \$30 million
	\$	\$	\$
Initial Subscriber Share	1	1	1
Proceeds from the Offer	15,500,000	20,000,000	30,000,000
Expenses of the Offer	317,010	380,010	520,010
Estimated Net Cash Position	15,182,991	19,619,991	29,479,991

5.4 Expenses of the Offer

The expenses of the Offer are estimated to be:

	Minimum Subscription \$15.5 million	Subscription \$20 million	Maximum Subscription \$30 million
	\$	\$	\$
Handling Fees	217,000	280,000	420,000
Management Fees	5,000	5,000	5,000
ASX Listing Fees	12,000	12,000	12,000
ASIC Fees	2,010	2,010	2,010
Legal Fees	50,000	50,000	50,000
Accounting Fees	3,000	3,000	3,000
Other Costs	28,000	28,000	28,000
Total Estimated Expenses	317,010	380,010	520,010

The Manager will pay any necessary expenses on behalf of the Company. The Company will then reimburse the Manager for these expenses from the proceeds of the Offer.

The Company has agreed to pay a handling fee of 2% to holders of an AFSL for successful applications bearing their stamp. However, no handling fees will be paid to Trojan Investment Management Pty Ltd for applications procured directly by it or bearing its stamp. In estimating the expenses of the Offer, it has been assumed that a handling fee of 2% will be paid on 70% of successful applications by number of Shares issued.

5.5 Proposed Accounting Policies and Notes to the Pro Forma Balance Sheets

Basis of accounting

The financial statements are prepared on an accruals basis from the records of the Company. They are a general purpose financial report which has been drawn up in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the *Corporations Act*. As the Company was incorporated after 1 January 2005 it is required to apply Australian Accounting Standards applicable to annual reporting periods commencing on or after 1 January 2005, being Australian Equivalents to International Financial Reporting Standards (IFRS).

Investments

Investments in marketable securities are classified as “financial assets at fair value through the P&L”. Investments in marketable securities are initially recognised at fair value in the balance sheet and measured at fair value at each subsequent reporting period with any gains or losses arising from changes in fair value brought to account in the profit and loss statement.

Revenue recognition

❖ Trading Income

Profits and losses realised from the sale of investments plus unrealised gains and losses on investments held at fair value are included in the income statement in the year they are incurred.

❖ Interest Income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

❖ Dividend Income

Dividends and distributions are recognised on the date the underlying shares or units are traded "ex-dividend".

❖ Other Income

Other revenue is recognised when the right to receive payment is established.

Income tax

Income tax balances are calculated using the comprehensive balance sheet liability method. Deferred tax items are calculated by comparing the difference in carrying amounts to tax bases for all assets and liabilities and multiplying this by the tax rates expected to apply to the period when the asset is realised or the liability settled. Recognition of the resulting amounts are subject to some exceptions, but generally deferred tax balances are calculated for each item in the balance sheet. Deferred tax assets are only recognised where the probability exists that future taxable profits will be available.

5.6 Proceeds of the Offer

The proceeds of the Offer will be used for investment in the manner described in Section 2.

5.7 Working Capital

The Directors are satisfied that there will be sufficient working capital for the Company to carry out its stated objectives if the Minimum Subscription of \$15.5 million is raised.

6. INDEPENDENT ACCOUNTANT'S REPORT

A Member Firm of PKF International

5 April 2005

The Directors
Trojan Equity Limited
Suite 8, Level 9
320 Adelaide St
BRISBANE QLD 4000

Dear Directors,

PKF

**Investment Services
Pty Ltd**

ABN: 70 011 007 051
Australian Financial
Services Lic. No. 246885

Level 6
120 Edward Street
Brisbane Qld 4000
GPO Box 1078
Brisbane Qld 4001

Tel: (07) 3226 3555
Fax: (07) 3226 3500
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INDEPENDENT ACCOUNTANT'S REPORT ON PRO FORMA BALANCE SHEET

We have prepared this Independent Accountant's Report on the pro forma historical information of Trojan Equity Limited ("Trojan Equity") as at 18 March 2005 for inclusion in the Prospectus dated 5 April 2005, relating to an offer by Trojan Equity to raise \$20,000,000 in ordinary capital.

Expressions defined in the Prospectus have the same meaning in this report.

Scope

You have requested PKF Investment Services Pty Ltd to prepare a report covering the pro forma Balance Sheet as at 18 March 2005 which assumes the completion of the contemplated transactions disclosed in Section 5.2 of the Prospectus (the pro forma transactions).

The Directors of Trojan Equity are responsible for the preparation and presentation of the pro forma Balance Sheet, which includes the pro forma transactions, on which they are based. The pro forma Balance Sheet has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this report or on the pro forma Balance Sheet to which it relates for any purpose other than for which it was prepared.

Review of Pro Forma Balance Sheet

The Company was incorporated on 18 March 2005 with 1 ordinary share of \$1.00 and has not traded or issued any further capital since incorporation. The historical pro forma Balance Sheet set out in Section 5.1 of the Prospectus incorporates such adjustments as the Directors considered necessary to reflect the pro forma transactions.

The Directors of Trojan Equity are responsible for the preparation of the pro forma Balance Sheet, including the determination of the pro forma adjustments.

We have conducted our review of the pro forma Balance Sheet in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- a review of work papers, accounting records and other documents;
- a review of the assumptions used to compile the historical pro forma Balance Sheet; and
- enquiry of Directors, management and others.

Review Statement on the Pro Forma Balance Sheet

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

- the pro forma Balance Sheet has not been properly prepared on the basis of the pro forma transactions;
- the pro forma transactions do not form a reasonable basis for the pro forma Balance Sheet; and
- the pro forma Balance Sheet, as set out in Section 5.1 of the Prospectus does not present fairly the pro forma state of affairs in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia and the accounting policies adopted by Trojan Equity disclosed in Section 5.5 of the Prospectus.

Subsequent events

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

Independence and Disclosure of Interest

PKF Investment Services Pty Ltd does not have any pecuniary interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to this matter.

PKF Investment Services Pty Ltd will receive a professional fee for the provision of this report based on normal professional rates.

Yours faithfully,



PKF Investment Services Pty Ltd
Craig Bellamy
Director

Purpose of Financial Services Guide

The purpose of this guide is for distribution to retail clients to provide information to assist in their decision making as to their use of the general product advice provided in our independent accountant's report dated 5 April 2005. This guide also provides information about us, our services, how we are remunerated and our dispute resolution processes.

Authorised Financial Product Advice

Under our Australian Financial Services Licence (Licence No: 246885) we are authorised to provide financial product advice and deal in financial products for the following classes of financial products:

- (i) deposit and payment products limited to basic deposit products and deposit products other than basic deposit products;
- (ii) derivatives limited to old law securities options contracts and warrants;
- (iii) debentures, stocks or bonds issued or proposed to be issued by a government;
- (iv) life products including:
 - (a) investment life insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds; and
 - (b) life risk insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds;
- (v) interests in managed investments schemes including investor directed portfolio services;
- (vi) retirement savings accounts ("RSA") products (within the meaning of the Retirement Savings Account Act 1997);
- (vii) securities; and
- (viii) superannuation

General Financial Product Advice

Our independent accountant's report to the Directors of Trojan Equity Limited is in the nature of general product advice. We have been engaged by the Directors of Trojan Equity Limited and have not been engaged directly by you however you will be provided with a copy of our report as a retail client due to your connection with the matters dealt with in the report. Our advice does not take into account your personal objectives, financial position or needs.

In considering the appropriateness of the advice you should take into consideration your own personal objectives, financial position and needs and you should read the other information contained in the Prospectus. You should seek your own professional advice as it relates to you.

Complaints

We have a formal system for handling complaints from persons to whom we provide financial advice. All complaints should be put in writing to PKF Investment Services Pty Ltd at GPO Box 1078 BRISBANE QLD 4001, and we will attempt to resolve the complaint quickly and fairly. If you do not get a satisfactory outcome we will enter into a formal mediation process with you following which you will have a right within 45 days to complain to Financial Industry Complaints Service Limited. We are a member of this scheme. The address is:

Financial Industry Complaints Services Limited
PO Box 579
Collins Street West
MELBOURNE VIC 8007

Remuneration for Advice

Our fees are charged in accordance with a written engagement letter between PKF Investment Services Pty Ltd and the entity which engaged us. Fees are charged on either a fixed fee basis or a time cost basis.

Other than the fees mentioned above and disclosed in our report no Director, employee or associated entity will receive any remuneration in connection with our report.

7. TAXATION REPORT

A Member Firm of PKF International

5 April 2005

The Directors
Trojan Equity Limited
Suite 8, Level 9
320 Adelaide St
BRISBANE QLD 4000

Dear Directors,

TAXATION REPORT

We refer to your request for a report on the income tax issues which may affect investors in Trojan Equity Limited ("the Company") for inclusion in the Company's Prospectus dated on or about 5 April 2005.

The comments contained in this report are based on the tax laws as presently incorporated in the *Income Tax Assessment Act 1936*, *Income Tax Assessment Act 1997* and *Income Tax Rates Act 1986* (collectively referred to as the "Tax Law").

This taxation report is to provide a general overview of the likely income tax consequences for investors from their investment in the Company. It is not intended to be a detailed analysis of all such issues. We recommend that each investor consult their tax adviser before making an investment in the Company.

In this report, we have assumed that the Company will not be a Listed Investment Company ("LIC") for the purposes of the Tax Laws as the Company is likely to conduct its affairs in a manner which causes it to be ineligible for the relevant concessions under the Tax Law.

Treatment of income derived from the Company

The investors in the Company are generally taxed on the dividends received from the Company and gains made on disposal of their Shares or Options in the Company. The following is a brief discussion of the likely tax implications for investors on deriving each of these amounts.

Dividends

Resident individual & complying superannuation fund Shareholders

Dividends received by Australian resident individuals and complying superannuation funds from the Company should be included in the taxable income of the Shareholder. To the extent that dividends are franked, any imputation credits attached to those dividends should also be included in the investors' taxable income. Shareholders are then entitled to an offset equivalent to the imputation credit amount.

The following illustrates how Australian resident individuals and complying superannuation funds are taxed on the dividends from the Company.

PKF

Chartered Accountants
& Business Advisers

A Brisbane Partnership

Level 6
120 Edward Street
Brisbane Qld 4000
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Brisbane Qld 4001

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Audit Fax: (07) 3226 3599

www.pkf.com.au

	Australian Resident Individual (\$)	Complying Superannuation Fund (\$)
Income/gain	100	100
Corporate taxation	(30)	(30)
Dividend paid	70	70
Plus imputation credits	30	30
Net taxable income	\$100	\$100
Income tax at 48.5% (maximum individual rate)	48.5	
Income tax at 15% (maximum superannuation fund rate)		15
Less imputation credit	(30)	(30)
(Tax refund) / Tax payable	\$18.50	(\$15)
Summary		
Dividend received	70	70
Tax refund / (Tax payable)	(18.50)	15
After-tax value of the dividend	\$51.50	\$85.00
Effective tax rate on gain	48.50%	15%

Resident corporate Shareholders

For Australian corporate Shareholders in the Company, franked dividends will be treated in the same manner as any other dividends. The imputation credit will be added to the corporate Shareholder's franking account and included in the Company's assessable income. A tax offset may be available to corporate Shareholders in respect of imputation credits attached to the dividend. If a dividend is fully franked then the effect of the tax offset is that no further tax will be payable by the corporate Shareholder. Where the corporate Shareholder is in a tax loss position, the imputation credits to the extent that they are unused, may be converted to income tax losses.

Non-resident Shareholders

Dividends received by non-resident Shareholders will be subject to withholding tax where the dividends are unfranked. Dividend withholding tax is generally imposed at a flat rate of 30% but, for dividends paid to residents of countries with which Australia has a double taxation agreement, the rate is generally 15%. No withholding is required if the dividend is fully franked.

Note that restrictions on the availability of imputation credits may apply for Shareholders where their shares in the Company have not been held "at risk" (as defined in the Tax Law) for at least 45 days.

Gains on disposal of Trojan shares

Where the shares in the Company are acquired on revenue account (such as trading stock) by the Shareholder, any gain or loss on disposal is taxable as ordinary income at the Shareholder's applicable tax rate.

Where the shares in the Company are acquired as a capital investment by a Shareholder, any gain or loss on disposal is taxed in accordance with the Capital Gains Tax ("CGT") rules. Where the shares in the Company are held for more than 12 months, a CGT discount of 50% would be available to individual Shareholders. The CGT discount is 33.33% for superannuation funds. No CGT discount is available to corporate Shareholders. The CGT discount has the effect of reducing the capital gain by the applicable percentage (eg 50%) to provide the net capital gain which represents the taxable amount.

Any CGT loss incurred is quarantined and only able to be offset against capital gains derived.

Gains on disposal of Trojan Options

Any gain on disposal of Options will either be assessable as ordinary income (if held on revenue account) or as capital gain (if held as capital investment).

There will be no cost base for Options issued under this Prospectus as they will be issued for no consideration. This will generally mean that the full amount of proceeds will be subject to taxation either as a capital gain or normal income. There would therefore be no CGT loss on the sale or expiry of the Options issued pursuant to the Prospectus.

Any Options acquired after the initial issue will have a cost base equivalent to the acquisition price, and the taxation consequences will be as outlined above.

On exercise of the Option, a Shareholder will be required to pay the exercise price to the Company in return for the issue of one share. There are no tax consequences to the Company for the issue of the share. The cost base of the shares acquired from the exercise of an Option will be the exercise price. The taxation consequences from the disposal of such shares are as outlined above.

Yours faithfully,



IAN MCGINNISS
DIRECTOR – TAX CONSULTING

8. RISK FACTORS

8.1 Introduction

This Section identifies the areas that are believed by the Board to be the major risks associated with an investment in Trojan Equity.

Trojan Equity's business is subject to risk factors, both specific to its business activities and of a general nature. Individually, or in combination, these might affect the future operating performance of Trojan Equity and the value of an investment in the Company. An investment in the Company should be considered in light of relevant risks, both general and specific. Each of the risks set out below could, if it eventuates, have a material adverse impact on Trojan Equity's operating performance and profits, and on the market price of the Shares.

Before deciding to invest in the Company, potential investors should read the entire Prospectus and seek professional advice from their accountant, stockbroker, lawyer or other professional adviser.

8.2 General Risk Factors

Share Market Investments

There are general risks with any investment in listed securities. The price of Shares quoted on ASX, may rise or fall and trade at prices below or above the Offer Price. There can also be no assurance that an active trading market will develop for the Shares.

Factors affecting the price at which the Shares are traded on ASX could include domestic and international economic conditions and outlook, changes in government fiscal, monetary and regulatory policies, changes in interest rates and the rate of inflation. In addition, the prices of many listed entities' securities are affected by factors that might be unrelated to the operating performance of the relevant entity. Such fluctuations might adversely affect the price of the Shares.

General Economic Conditions

Trojan Equity's operating and financial performance may be influenced by a variety of general economic and business conditions which are beyond its control. These include the level of inflation, commodity prices, exchange rates, interest rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions could be expected to have a corresponding adverse impact on the Company's operating and financial performance.

8.3 Risks Specific to the Company or the Offer

Analysis of some of the specific business risks facing Trojan Equity are shown below:

- ❖ The success and profitability of Trojan Equity is largely dependent upon the ability of the Manager to successfully implement the investment process outlined in Section 2.4. Similarly, the Manager's ability to manage the Portfolio is largely dependent on the skills and experience of Troy Harry. If the Manager terminates or assigns the Management Agreement or Troy Harry is no longer capable of performing his role as Managing Director of the Manager or the Company, Trojan Equity may suffer an adverse impact.
- ❖ The Manager's ability to manage the Portfolio on an ongoing basis as described in this Prospectus and in accordance with all relevant legislation is dependent on the currency of the Manager's AFSL and its continued solvency. This requires the Manager to comply with all licence conditions imposed by ASIC.

- ❖ Investors should be aware that the past performance of the Manager or Troy Harry is not necessarily a guide to future performance of the Company.
- ❖ The term of the Management Agreement is 25 years. While the Company is entitled to terminate the Management Agreement in certain circumstances (see Section 9.1), there is a risk that the Company will not be able to terminate the Management Agreement in the event of poor performance by the Manager.
- ❖ The performance fee may create an incentive for the Manager to make investments on behalf of the Company that are riskier or more speculative than would be the case in the absence of a performance based fee.
- ❖ The concentration of the Company's Portfolio may result in a reduction of the benefits of diversification and may increase the risk profile of the Company when compared to a more diversified portfolio.
- ❖ The price at which Shares are traded on ASX may be below the net tangible asset backing of those Shares. The Constitution does not entitle Shareholders to require the Board to implement a share buyback or any other capital reconstruction or to take any other remedial action on such occurrence.
- ❖ The proportional operating costs for the Company may be affected by the level of acceptance of this Offer. The lower the level of subscriptions to the Offer, the greater the proportion of operating costs to total assets will be. This may reduce the profitability of the Company and the amount of any dividend payments.
- ❖ It cannot be expected that every investment made by the Manager will prove to be profitable for the Company.

8.4 Investor Considerations

Investors are strongly advised to regard any investment in the Company as a long term proposition and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur. There may also be tax implications for investors arising from the allotment or purchase of Shares, receipt of dividends and participation in any share buyback or disposal of Shares. Applicants should seek advice from an accountant or other professional tax adviser in relation to the application of tax legislation.

The risks outlined above are not exhaustive and potential investors should read this Prospectus in full and, if they require further information on material risks, seek professional advice.

9. MATERIAL CONTRACTS

9.1 Management Agreement

The Company has entered into the Management Agreement with the Manager for a term of 25 years commencing on the date of allotment of Shares and Options pursuant to the Offer.

Duties of the Manager

The Management Agreement requires the Manager to manage the Portfolio and supervise all of the Company's investments. The Manager must provide a monthly valuation of the Portfolio and keep the Company advised in relation to all investments comprising the Portfolio and provide sufficient information to enable the Company to observe and perform its covenants under the Management Agreement.

Powers of the Manager

In order to perform its management duties, the Manager is permitted under the Management Agreement (subject to relevant legislation and the Guidelines discussed in Section 4.4) to investigate, negotiate, acquire, dispose of, sell, realise, deal, vary, convert, exchange or add:

- ❖ listed securities, being any security listed on ASX or any other recognised securities exchange, including (but not limited to) shares, units, notes or futures which are fully paid or partly paid, preference or preferred, redeemable, convertible or converting;
- ❖ unlisted securities issued by an entity listed on ASX or any other recognised securities exchange;
- ❖ unlisted securities which the Manager expects will be listed on ASX or any other recognised securities exchange within a reasonable timeframe;
- ❖ options, warrants, futures or any other derivatives over any permitted investment;
- ❖ units or other interests in unit trusts or managed investment schemes;
- ❖ cash and interests in cash management trusts;
- ❖ bills of exchange, promissory notes or other negotiable instruments accepted, drawn or endorsed by any bank;
- ❖ sub-underwriting of permitted investments; and
- ❖ other financial products as permitted by the Manager's AFSL.

If any investments are redeemed or capital is wholly or partly repaid, the Manager may convert the investment into some other investment or accept repayment of the capital paid or advanced on the investment and any other monies payable in connection with that redemption or repayment. The Manager may also re-invest any such monies in investments to be added to the Portfolio.

The Manager may borrow funds from an unrelated party to be invested in any of these permitted investments.

Expenses

The Company is liable for (and must reimburse the Manager where necessary) any fees, costs and expenses properly incurred and associated with the operation of the Company. However, the Company will not be liable for the fees of any investment manager (should the Manager choose to engage such services at any time during the term of the Management Agreement) and the Company will only be liable for the fees of any other adviser where such fees are authorised by a budget set by the Board.

Management Fee

The management fee is equal to 1% per annum of the Net Assets. This is payable monthly and therefore calculated as 0.0833% (being one-twelfth of 1%) of the Net Assets of the Company on the last Friday of each month.

Performance Fee

A performance fee is payable to the Manager when pre-tax profit of the Company (before provision for performance fee) exceeds a return of 8% on the Net Assets during any given Performance Calculation Period. The performance fee will be 20% of that portion of pre-tax profit (before provision for performance fee) which exceeds the 8% hurdle.

Where there is an increase or decrease in the Net Assets during a Performance Calculation Period by reason of an issue of securities in the Company or a capital reduction, share buyback or dividend distribution undertaken by the Company, a pro-rata adjustment will be made to the performance fee calculation to ensure the change does not affect the Manager's assessed performance.

The performance fee is calculated as follows:

$$(a) \quad \text{Performance Fee} = 0.20 \times (\text{Profit} - \text{Hurdle})$$

Where:

Profit = Pre-tax profit of the Company (before provision for performance fee) for the Performance Calculation Period

Hurdle = $0.08 \times (\text{NA} + \text{AH} - \text{RH})$

and

NA is the audited Net Assets on the last day of the preceding Performance Calculation Period as calculated in the Company's financial statements

AH is the aggregate amount of each Additional Performance Hurdle for the Performance Calculation Period calculated in accordance with clause (b)

RH is the aggregate amount of each Reduced Performance Hurdle for the Performance Calculation Period calculated in accordance with clause (c)

- (b) On each occasion during any Performance Calculation Period where Additions are received by the Company (other than by reason of a distribution or other return of capital from an existing investment held by the Company) an additional performance hurdle ('**Additional Performance Hurdle**') will be calculated as follows:

$$\text{Additional Performance Hurdle} = \text{Additions} \times \frac{\text{Days Held}}{\text{Days in Period}}$$

Where:

Additions is the amount of additional equity capital contributed to the Company

Days Held is the period from and including the business day after the Additions are received by the Company until and including the last day of the Performance Calculation Period

Days in Period is the number of days in the Performance Calculation Period

- (c) On each occasion during any Performance Calculation Period where capital is returned by the Company to Shareholders (including without limitation under any return of capital, share buyback or cancellation) and on each occasion during a Performance Calculation Period where a dividend is paid to Shareholders, a

reduction to the performance hurdle ('**Reduced Performance Hurdle**') will be calculated as follows:

$$\text{Reduced Performance Hurdle} = \text{Reduction} \times \frac{\text{Days Remaining}}{\text{Days in Period}}$$

Where:

Reduction is the amount of capital returned by the Company to Shareholders or the amount of any dividend paid by the Company to Shareholders

Days remaining is the period from and including the business day after dispatch of payment of the Reduction to Shareholders until and including the last day of the Performance Calculation Period

Days in Period is the number of days in the Performance Calculation Period

- (d) For the purposes of calculating the performance fee, 'Performance Calculation Period' is:
- (i) the period from the date of the Management Agreement to 30 June 2005;
 - (ii) the period from the first day after the preceding Performance Calculation Period to 30 June of the succeeding year; and
 - (iii) if the Term expires on a day other than 30 June, the last Performance Calculation Period is the period from the first day after the preceding Performance Calculation Period and the date the Management Agreement is terminated.
- (e) If the calculation of the performance fee is zero or a negative value, no performance fee will be payable to the Manager for that Performance Calculation Period.
- (f) The Auditor has the power to determine the correct calculation of the performance fee.

Warranties and Indemnities

The Management Agreement requires the Manager to provide a number of standard warranties and undertakings to the Company, including that:

- ❖ it holds a current AFSL;
- ❖ it will only manage the Portfolio in accordance with the Management Agreement;
- ❖ it will keep, or cause to be kept, proper books of account in relation to the Portfolio and have the accounts audited as required by the Corporations Act; and
- ❖ it will not permit the Company to acquire any relevant interest in any body corporate so as to cause the Company to contravene section 606 of the Corporations Act.

The Manager must indemnify the Company against the losses, liabilities, costs, charges and expenses reasonably incurred by the Manager arising out of, or in connection with, any negligence, default, fraud or dishonesty of the Manager.

The Company must indemnify the Manager against any losses, liabilities, costs, charges and expenses reasonably incurred by the Manager arising out of, or in connection with, any bona fide investment decision made by the Manager.

Both indemnities continue after termination of the Management Agreement.

Termination

The Manager may terminate the Management Agreement at any time after the fifth anniversary of the date on which the Company is listed on ASX.

The Company may terminate the Management Agreement and remove the Manager immediately in circumstances where:

- ❖ the Manager goes into liquidation (except for the purpose of amalgamation or reconstruction or some similar purpose);
- ❖ a receiver, receiver and manager or controller is appointed to the undertaking of the Manager or any part thereof and such appointment is not disputed in legal proceedings by the Manager within 15 business days; or
- ❖ the Manager is in default or breach of its obligations under the Management Agreement and such default cannot be rectified.

Where the Management Agreement is so terminated, the Company must pay to the Manager the management fee and performance fee that would be payable for that Performance Calculation Period.

The Company may remove the Manager by giving 3 months notice in circumstances where:

- ❖ the Manager is in default or breach of its obligations under this Agreement in a material respect, such default or breach is rectifiable and is not rectified within 30 days after the Company has given written notice to the Manager to rectify the default or breach; or
- ❖ the Manager's AFSL is suspended or cancelled at any time ; or
- ❖ the Manager persistently fails to ensure that investments made on behalf of the Company are consistent with the investment strategy applicable at the time of investment.

If the Manager is removed for any of the above reasons, the Manager will be entitled to appoint a replacement manager. The Manager will also be entitled to payment of the management fee and performance fee that would be payable for a Performance Calculation Period in which the Manager is removed.

Assignment by Manager

The Manager may not assign its interest in the Management Agreement to another party except with the prior written consent of the Company (which consent may not be unreasonably withheld). Similarly, the Manager may not engage the services of a sub-contractor to perform any or all of its duties and obligations under the Management Agreement without the prior approval of the Company (which approval may not be unreasonably withheld).

9.2 Constitution

Shares

The shares in the capital of the Company can be issued with preferred, deferred or other special rights, obligations or restrictions in relation to dividends, voting, return of share capital, payment of calls or other matters, as determined by the Board from time to time. All unissued shares are under the control of the Board, which may grant options on the shares, issue option certificates, allot or dispose of the shares on the terms and conditions and for consideration it thinks fit. This power is subject to contract or any contrary rules in the constitution.

The constitution permits the issue of preference shares on terms determined by the Board.

Alteration of rights

The rights and restrictions attaching to any class of shares (unless provided by the terms of issue of the shares of that class), can only be varied with the consent in writing of members



with at least three-quarters of the votes in that class, or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class.

Calls

The Board may from time to time call upon Shareholders for unpaid monies on their shares. If such a call is made, Shareholders are liable to pay the amount of each call in the manner and at the time and place specified by the Board. Such calls may be payable by instalments. When a resolution of the Board authorising the call is passed, the call will be deemed to have been made. It may be revoked or postponed at the discretion of the Board.

Forfeiture and lien

The Company is empowered to forfeit shares in relation to any part of allotment monies, calls, instalments, interest and expenses which remains unpaid following any notice sent to a Shareholder. Such forfeiture must occur in accordance with the constitution, the *Corporations Act*, the Listing Rules and the ASTC Settlement Rules.

The Company has a first lien or charge for unpaid calls, instalments and related interest and any amount it is legally required to pay in relation to a Shareholder's shares. The lien or charge extends to all dividends declared in respect of the shares provided that, if the Company registers a transfer of any shares subject to this lien or charge without giving the transferee notice of the claim it may have at that time, the shares are freed and discharged from the Company's lien or charge in respect to that claim.

Share transfers

Shares may be transferred in any manner required or permitted by the Listing Rules or the ASTC Settlement Rules and by any instrument in writing in any usual or common form or in any other form that the Board approves. The Board may only refuse to register a transfer of securities of the Company as permitted by the Listing Rules or the ASTC Settlement Rules.

Directors need not issue share certificates

Subject to the requirements of the Listing Rules and the *Corporations Act*, the Company need not issue share certificates.

Meeting procedure

ASX and each Shareholder and Director of the Company is entitled to receive notice of and attend any general meeting of the Company. Two Shareholders must be present to constitute a quorum for a general meeting and no business may be transacted at any meeting except the election of a Chairman and an adjournment, unless the quorum required is present at the start of the business. The Company is obliged to convene and hold an annual general meeting.

Voting rights

Each Shareholder has the right to receive notices of, and to attend, general meetings of the Company.

Subject to restrictions on voting from time to time affecting any class of shares in the Company, and any restrictions imposed by the *Corporations Act*, the shares in the Company carry the right to cast one vote on a show of hands and, on a poll, one vote for each fully paid share held, and for each partly paid share held, a vote having the same proportionate value as the proportion to which the shares have been paid up. Voting may be in person or by proxy, attorney or representative.

Remuneration of Directors

Directors are to be paid out of Company funds as remuneration for their services, such sum as accrues on a daily basis as the Company in general meeting determines to be divided among them as agreed, or failing agreement, equally.

Directors' remuneration for their services as Directors is by a fixed sum and not a commission on a percentage of profits or operating revenue. It may not be increased except at a general meeting in which particulars of the proposed increase have been provided in the notice convening the meeting to Shareholders. There is provision for Directors who devote special attention to the business of the Company or who perform services which are regarded as being outside the scope of their ordinary duties as Directors, or who at the request of the Board engage in any journey on Company business, to be paid extra remuneration determined by the Board. Directors are also entitled to their reasonable travel, accommodation and other expenses incurred in attending Company or Board meetings, or meetings of any committee engaged in the Company's business.

Any Director may be paid a retirement benefit as determined by the Board, consistent with the *Corporations Act* and the Listing Rules.

A Director is disallowed from voting on any contract or arrangement in which he or she has directly or indirectly any material interest, if it will be contrary to the *Corporations Act*. If such a Director does vote, his or her vote will not be counted, nor will his or her attendance be counted in the quorum present at the meeting. Either or both of these prohibitions may be relaxed or suspended to any extent by ordinary resolution passed at a general meeting if permitted by the *Corporations Act*.

Election of Directors

There must be a minimum of three Directors and a maximum number of 10 Directors (not including alternate Directors), which the Board may from time to time determine provided it may not reduce the number below the number of Directors in office at the time of the reduction.

At every annual general meeting, subject to the constitution, one third of the Directors (other than the Managing Director) must retire from office, and may offer themselves for re-election. If their number is not a multiple of three, then the number nearest to, but not less than one third will retire. A Director, other than the Managing Director, must retire from office at the conclusion of the third annual general meeting after which he or she was elected or re-elected.

With respect to the retirement of Directors, the Director or Directors longest in office since last being elected must retire. If a number of Directors were elected on the same day, the Directors to retire shall, in default of agreement between them, be determined by ballot.

Dividend

If the Board determines that a dividend is payable, it will be paid on all shares proportionate to the total amount for the time being paid on each share. Such dividend payment is subject to the rights and restrictions on the holders of shares created or raised under any special dividend arrangements.

The Board may establish and maintain one or more dividend plans, to which Shareholders may elect to take up with some or all their shares subject to the rules of the plan.

Subject to the Listing Rules, the Board has the power to capitalise and distribute the whole or part of the undivided profits of the Company or standing to the credit of any reserve or other account and which is available for distribution. Such capitalisation and distribution must be in the same proportions which the Shareholders would be entitled to receive if distributed by way of dividend or in accordance with the terms of issue of any shares or terms of any plan for the issue of securities for the benefit of officers or employees.

The Board has the power to decide whether to pay Shareholders an interim dividend on account of the next forthcoming dividend. Any distribution may be paid otherwise than in cash as specified in the constitution.



No dividend is payable except out of Company profits and no dividend or other monies paid in relation to a share will carry interest as against the Company.

Partial takeover bids

The Company may prohibit registration of transfers purporting to accept partial takeover bids unless and until a resolution of the Company has been passed approving the offers in accordance with the provisions of the constitution.

Indemnities

The Company must indemnify current and past Directors, secretaries and executive officers of the Company against any liability incurred by them by virtue of their holding office as, and acting in the capacity of, Director, secretary or executive officer, other than a liability owed to the Company or a related body corporate of the Company or a pecuniary penalty order or compensation order or where the liability does not arise out of conduct in good faith. Indemnities also apply to employees in circumstances designated under the constitution.

Insurance

The Company may also pay insurance premiums for officers and employees in certain designated circumstances but not where the liability arises out of wilful breach of duty to the Company or an improper use of position or inside information, as prohibited by the Corporations Act.

9.3 Deeds of Indemnity and Access

The Company has entered into standard deeds of indemnity and access with the Directors.

By the deed of indemnity, the Company has undertaken, consistently with the Corporations Act, to indemnify each Director in certain circumstances.

By the deed of access, the Company has undertaken with each Director to maintain a complete set of the Company's Board papers and to make them available to the Director for seven years after the Director has ceased to be a Director.

10. ADDITIONAL INFORMATION

10.1 Incorporation

Trojan Equity was incorporated in Queensland on 18 March 2005.

Trojan Equity has a financial year end of 30 June.

10.2 Australian Financial Services Licensee

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

10.3 Rights attaching to Shares

Trojan Equity has only one class of shares being fully paid ordinary shares. As at the date of this Prospectus, Trojan Equity has one share on issue. The rights attaching to Shares in Trojan Equity are set out in the Constitution and summarised in Section 9.2 of this Prospectus.

10.4 Option Terms

For each Share issued under the Offer, subscribers will receive one Option to subscribe for a Share. A summary of the terms attaching to these Options is as follows:

Expiry Date

The Options expire at 5.00 pm (Brisbane time) on 17 June 2008 ('**Expiry Date**').

Shares Issued on Option Exercise

Shares issued on the exercise of the Options rank equally in all respects with the then existing issued shares in the capital of the Company. From the date of issue, Shares are subject to the provisions of the Constitution.

Exercise Price

The Exercise Price is \$1.00 for each Option.

Exercise of Options

The Options are exercisable wholly or in part by execution and lodgement with the Company of a notice of exercise and payment of the Exercise Price at any time up until 5.00 pm on the Expiry Date ('**Exercise Period**').

The notice of exercise must set out the number of Options which the optionholder wishes to exercise.

Quotation

The Options will be quoted on ASX.

Transferability

The Options may be transferred at any time in accordance with the *Corporations Act*, the Listing Rules, ASX Market Rules and ASTC Settlement Rules.

Holding Statement

A holding statement will be issued for the Options and a copy of the terms and conditions will be forwarded to the optionholder. On the reverse side of the terms and conditions there will be a notice of exercise that is to be completed when exercising the Options. If there is more than one Option on a holding statement and prior to the expiry date those Options are

exercised in part, the Company will issue another holding statement for the balance of the Options held and not yet exercised.

No Participation in New Issues

An optionholder does not have the right to participate in new issues of securities offered to Shareholders prior to the exercise of the Options.

Reorganisation

In the event of any reconstruction of the issued capital of the Company the number of Options or the Exercise Price or both are to be reconstructed (as appropriate) in accordance with the Listing Rules and in a manner which does not result in any benefits being conferred on optionholders which are not conferred on Shareholders and (subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of the Shareholders approving the reconstruction of capital) in all other respects the terms for the exercise of Options remain unchanged.

Non-Recognition of Equitable Interests

The Company is entitled to treat the registered holder of an Option as the absolute holder of that Option and is not bound to recognise any equitable or other claim to, or interest in, that Option on the part of any person other than the registered holder, except as ordered by a Court of competent jurisdiction or as required by statute.

10.5 Litigation

Trojan Equity is not involved in any material legal or arbitration proceedings nor, so far as the Company is aware, are any such material proceedings pending or threatened against the Company.

10.6 Consents and disclaimers of responsibility

None of the parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except 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.

McCullough Robertson has given, and has not withdrawn, its written consent to be named as lawyers to the Company in the form and context in which it is named.

PKF Investment Services Pty Ltd has given, and has not withdrawn, its written consent to be named as Independent Accountant, in the form and context in which it is named and for the inclusion of its Independent Accountant's Report in Section 6 of this Prospectus in the form and context in which it is included.

PKF Chartered Accountants & Business Advisers has given, and has not withdrawn, its written consent to be named as Taxation Adviser, in the form and context in which it is named and for the inclusion of its Taxation Report in Section 7 of this Prospectus in the form and context in which it is included.

ABN AMRO Morgans Limited has given, and has not withdrawn, its written consent to be named as Financial Services Licensee to the Offer, in the form and context in which it is named.

Johnston Rorke has given, and not withdrawn, its written consent to be named as auditor in the form and context in which it is named.

Registries Limited has given, and not withdrawn, its written consent to be named as registrar in the form and context in which it is named.



Trojan Investment Management Pty Ltd has given, and has not withdrawn, its written consent to be named as Manager to the Company in the form and context in which it is named.

10.7 ASX Waiver

The Company has obtained advice from ASX that should the Shares and Options be granted quotation, ASX would be likely to grant the Company a waiver of Listing Rule 15.16 to the extent necessary to permit the Manager to act as the investment manager of the Company for a period of 25 years, in accordance with the Management Agreement.

10.8 Dividend Reinvestment Plan

The Company intends to implement a dividend reinvestment plan which will provide Shareholders with the choice of reinvesting all or part of any dividends paid by the Company in ordinary shares in the Company rather than receiving those dividends in cash.

10.9 Interests of experts and advisers

Except as set out in this Prospectus, no 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:

- (a) has any interest or has had any interest during the last two years, in the formation or promotion of Trojan Equity, or in property acquired or proposed to be acquired by Trojan Equity in connection with its formation or promotion, or the Offer; and
- (b) no amount has been paid or agreed to be paid, and no benefit has been given, or agreed to be given, to any such person in connection with the services provided by the person in connection with the formation or promotion of Trojan Equity, or the Offer.

McCullough Robertson has acted as legal adviser to the Company in relation to the Offer and has been involved in undertaking due diligence enquiries and providing legal advice in relation to the Offer. McCullough Robertson will be paid an amount of \$50,000 with respect to these services.

PKF Investment Services Pty Ltd has acted as Independent Accountant to the Offer and has prepared the Independent Accountant's Report in Section 6 of this Prospectus. PKF Investment Services Pty Ltd will be paid an amount of \$1,500 with respect to these services.

PKF Chartered Accountants & Business Advisers has acted as Taxation Adviser to the Offer and has prepared the Taxation Report in Section 7 of this Prospectus. PKF Chartered Accountants & Business Advisers will be paid an amount of \$1,500 with respect to these services.

ABN AMRO Morgans Limited will act as sponsoring broker in relation to the Offer. ABN AMRO Morgans Limited will be paid an amount of \$5,000 plus handling fees of 2% of successful applications bearing their stamp as specified in Section 1.7.

Trojan Investment Management Pty Ltd has been appointed as the Manager of the Company and will be paid fees for its services in accordance with the terms of the Management Agreement. A summary of the Management Agreement is set out in Section 9.1.

10.10 Interests of Directors

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

- (a) no Director or proposed Director of Trojan Equity has, or has had in the two years before lodgement of this Prospectus, any interest in the formation or promotion of



Trojan Equity, or the Offer, or in any property proposed to be acquired by Trojan Equity in connection with the formation or promotion of Trojan Equity or the Offer; and

- (b) no amounts, have been paid or agreed to be paid and no benefit has been given or agreed to be given, to any Director or proposed Director of Trojan Equity either to induce him to become, or to qualify him as a Director, or otherwise for services rendered by him in connection with the formation or promotion of Trojan Equity or the Offer.

Shareholdings

At the date of this Prospectus, the Directors of Trojan Equity or their associates have a beneficial interest in the following Shares and Options in Trojan Equity:

Director	Shares	Options
Troy Harry	1	Nil
Andrew Kemp	Nil	Nil
Roger Clarke	Nil	Nil

Rocket Science Pty Ltd as trustee for The Trojan Capital Fund, an entity controlled by Troy Harry, intends investing \$1 million in the Company pursuant to this Offer.

Andrew Kemp and Roger Clarke or their associates may also invest in the Company pursuant to this Offer.

Transactions with related parties

Roger Clarke is the Chairman of ABN AMRO Morgans Limited, the sponsoring broker and Financial Services Licensee to the Offer.

Troy Harry is the sole director of the Manager, and the Manager is owned by an associate of Troy. Full details of the fees and benefits received by the Manager under the Management Agreement are specified in Section 9.1.

Payments to Directors

The constitution of Trojan Equity provides that the Directors may be paid, as remuneration for their services, a sum determined from time to time by Trojan Equity's Shareholders in general meeting, with that sum to be divided amongst the Directors in such manner and proportion as they agree.

The maximum aggregate amount which has been approved by Trojan Equity's Shareholders for payment to the Directors is \$150,000 per annum. An aggregate amount of approximately \$50,000 per annum is to be paid to the Directors for the current year.

10.11 Electronic Prospectus

This Prospectus is available in electronic form at www.trojanim.com.au and www.abnamromorgans.com.au. Any person receiving this Prospectus electronically will on request be sent a paper copy of the Prospectus by Trojan Equity free of charge during the period of the Offer.

Applications must be made by completing a paper copy of the Application Form. Trojan Equity will not accept Application Forms electronically.

The Application Form may only be distributed attached to a complete and unaltered copy of the Prospectus. The Application Form included with this Prospectus contains a declaration that the investor has personally received the complete and unaltered Prospectus prior to completing the Application Form.



Trojan Equity will not accept a completed Application Form if it has reason to believe that the Applicant has not received a complete paper copy or electronic copy of the Prospectus or if it has reason to believe that the Application Form or electronic copy of the Prospectus has been altered or tampered with in any way.

While Trojan Equity believes that it is extremely unlikely that during the period of the Offer the electronic version of the Prospectus will be altered or tampered with in any way, Trojan Equity cannot give any absolute assurance that this will not occur. Any investor in doubt concerning the validity or integrity of an electronic copy of the Prospectus should immediately request a paper copy of the Prospectus directly from Trojan Equity or a financial adviser.

10.12 Privacy

Upon applying for Shares and Options in the Company, Applicants will be required to provide personal information to Trojan Equity directly and/or via the registry, such as name, address, telephone/fax numbers, tax file number and account details. The Company and the registry collect, hold and use that personal information to assess applications, provide facilities and services to Applicants and undertake appropriate administration. Access to information may be given by the Company to its agents and service providers on the basis that they deal with such information in accordance with the *Privacy Act 1988* as amended. Applications which do not provide the information requested may not be processed. Under the *Privacy Act 1988* as amended, Applicants may request access to their personal information held by or on behalf of the Company by contacting the registry as set out in the corporate directory.

10.13 Documents available for inspection

Copies of the following documents are available for inspection during normal office hours at the registered office of the Company for 13 months after the date of this Prospectus:

- ❖ the constitution of Trojan Equity;
- ❖ the consents to the issue of this Prospectus.

10.14 Authorisation

This Prospectus is issued by the Company. Each Director has consented to the lodgement of the Prospectus with ASIC.

11. DEFINITIONS

<i>AFSL</i>	Australian Financial Services Licence
<i>Applicant</i>	a person or entity who submits an Application Form
<i>Application Form</i>	an application form attached to this Prospectus or the Prospectus available electronically
<i>Application Money</i>	the money received by the Company pursuant to the Offer, being the Offer Price multiplied by the number of Shares applied for
<i>ASIC</i>	Australian Securities and Investments Commission
<i>ASTC</i>	ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532
<i>ASTC Settlement Rules</i>	The ASTC Settlement Rules, being the operating rules of the Settlement Facility for the purposes of the Corporations Act
<i>ASX</i>	Australian Stock Exchange Limited ABN 98 008 624 691
<i>Board</i>	the board of directors of Trojan Equity
<i>CHESS</i>	Clearing House Electronic Subregister System, operated by ASTC
<i>Closing Date</i>	the date on which the Offer closes, being 13 May 2005, which date may be varied without prior notice by Trojan Equity
<i>Company or Trojan Equity</i>	Trojan Equity Limited ABN 88 113 436 141
<i>Corporate Governance Charter</i>	the Company's corporate governance charter adopted on 5 April 2005
<i>Corporations Act</i>	the Corporations Act 2001
<i>Directors</i>	the directors of Trojan Equity
<i>Listing Rules</i>	Listing rules of ASX
<i>Manager</i>	Trojan Investment Management Pty Ltd ABN 71 102 972 501
<i>Management Agreement</i>	the agreement entered into with the Manager on 5 April 2005 to manage the funds of the Company
<i>Maximum Subscription</i>	\$30 million
<i>Minimum Subscription</i>	\$15.5 million
<i>Net Assets</i>	total assets of the Company less total liabilities of the Company
<i>Offer</i>	the offer of Shares and attaching Options under this Prospectus
<i>Offer Price</i>	\$1.00 per Share
<i>Opening Date</i>	the date on which the Offer opens, being 13 April 2005, which date may be varied without prior notice by Trojan Equity
<i>Option</i>	an option to purchase a Share, the terms of which are described in section 10.4 of this Prospectus



<i>Performance Calculation Period</i>	Either: <ul style="list-style-type: none">(a) the period from the date of the Management Agreement to 30 June 2005; or(b) the period from the first day after the preceding Performance Calculation Period to 30 June of the succeeding year; or(c) if the Management Agreement term expires on a day other than 30 June, the last Performance Calculation Period is the period from the first day after the preceding Performance Calculation Period and the date the Management Agreement is terminated.
<i>Portfolio</i>	portfolio of monies and investments of the Company from time to time
<i>Prospectus</i>	this prospectus
<i>Quotation Date</i>	the first date Shares and Options are granted quotation on ASX
<i>Settlement Facility</i>	has the meaning specified in the ASTC Settlement Rules
<i>Shareholders</i>	holders of shares in Trojan Equity
<i>Shares</i>	the fully paid ordinary shares in Trojan Equity offered under this Prospectus

