MMC Contrarian Limited

ABN 83 106 248 248

Notice of General Meeting and Explanatory Memorandum

This document is important and requires your immediate attention.

For the purpose of providing information to Shareholders regarding the general meeting of MMC Contrarian Limited to be held on 29 January 2007 and resolutions to approve, among other things:

(a) the acquisition of MMC Asset Management Limited;

(b) the issue of Shares to the Vendors of MMC Asset Management Limited;

(c) the change of name of the Company to MMC Capital Limited;

(d) the increase in non-executive Directors' fees;

(e) the adoption of the MMC Capital Limited Executive Share Plan; and

(f) the issue of Shares to Directors under the MMC Capital Limited Executive Share Plan.

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Questions

If you have any queries regarding the contents of this Explanatory Memorandum or in relation to the General Meeting, please contact the Company Secretary, David Sutherland, on (02) 9221 7155.

A. Corporate Directory

Directors
Simon Rowell (Chairman)
Erik Metanomski (alternate Peter Constable)
Kevin Eley

Company Secretary
David Sutherland

Auditor
Deloitte Touche Tohmatsu

Registered Office
Level 5, 34 Hunter Street
Sydney NSW 2000
Telephone 02 9221 7155
Facsimile 02 9233 2713

Share Registry
Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
Telephone: 1300 855 080
Facsimile: 02 8234 5050

Important Notice

Purpose

This Explanatory Memorandum sets out information to assist Shareholders to consider the resolutions necessary to effect:

(a) the acquisition of MMC Asset Management Limited;

(b) the issue of Shares to the Vendors of MMC Asset Management Limited;

(c) the change of name of the Company to MMC Capital Limited;

(d) the increase in non-executive Directors' fees;

(e) the adoption of the MMC Capital Limited Executive Share Plan; and

(f) the issue of Shares to Directors under the MMC Capital Limited Executive Share Plan.

This is an important document. Please read this Explanatory Memorandum carefully and in its entirety before making a decision as to how to vote at the General Meeting.

The information contained in this Explanatory Memorandum is provided to assist Shareholders in deciding how to vote on Resolutions to be considered at the General Meeting. It also contains the Independent Expert's Report prepared by BDO Corporate Finance.

If you do not fully understand the contents of this Explanatory Memorandum you should consult your financial or legal adviser for assistance.

Responsibility

No responsibility is taken for the contents of this Explanatory Memorandum by ASIC, ASX or any of their officers.

This Explanatory Memorandum has been prepared by the Company. Any information contained in this Explanatory Memorandum regarding MMC Asset Management, including financial information has been provided by MMC Asset Management. Such information is the responsibility of MMC Asset Management and its directors.

Defined terms

A number of defined terms are used in this Explanatory Memorandum. For their meaning please refer to Part K of this Explanatory Memorandum.

A notice of meeting and proxy form are included in this Explanatory Memorandum. Shareholders are urged to complete and return the enclosed proxy form as soon as possible, irrespective of whether or not they intend to attend the Meeting.

B. Key Dates

Announcement of Acquisition	17 November 2006
Despatch of meeting documentation	15 December 2006
Last date and time for receipt of proxy forms	11:00 am on 27 January 2007
Date and time for establishing entitlements to vote at the General Meeting	7:00 pm on 27 January 2007
General Meeting	11:00 am on 29 January 2007
Issue of Shares to Vendors	Anticipated 31 January 2007

This timetable is indicative only and may change. It is subject to the satisfaction of the conditions precedent in the Acquisition Agreement.

C. Chairman's Letter

15 December 2006

Dear Fellow Shareholder,

I am pleased to present to MMC Contrarian Limited Shareholders the proposed acquisition by the Company of its manager, MMC Asset Management Limited **(MMC Asset Management or Manager)**. This transaction will create a new combined entity which is proposed to be renamed MMC Capital Limited (Company).

The Company is a listed investment company with approximately $255 million of investments as at 31 October 2006. MMC Asset Management is the fund manager which currently manages the Company's portfolio of investments as well as $355 million of funds in 5 registered managed investment schemes **(MMC Schemes)**.

If the transaction is approved by Shareholders at the General Meeting, the merged entity will be an exciting combination of two income streams which can benefit Shareholders. The Company will continue to have direct investments through its own portfolio and full access to the investment skills of the Manager's staff. In addition, Shareholders will benefit from the income generated by the Manager's role as responsible entity for the MMC Schemes.

The pro forma consolidated accounts of the new MMC Contrarian indicate that if the merger had been in place from 1 July 2005, the year ended 30 June 2006 would have reflected combined earnings per Share of 7.44 cents compared to the actual combined earnings of 7.27 cents per Share (before any amortisation of intangibles).

Other advantages of the transaction for Shareholders are set out in Section F of this Explanatory Memorandum. They include:

- eliminating the management fees presently paid by the Company;
- no "outperformance fees" will be payable by the Company (although staff bonuses may be paid); and
- "outperformance fees" may be earned by the Company when the MMC Schemes exceed their benchmark returns.

As the Independent Director, I have carefully considered the proposed acquisition of MMC Asset Management as set out in this Explanatory Memorandum and believe it is in the best interests of the Company and its Shareholders. I recommend that you vote in favour of the Acquisition at the General Meeting.

This Explanatory Memorandum includes a report from an independent expert, BDO Corporate Finance, which has concluded that the transaction is fair and reasonable to Shareholders. Refer to Part L of this Explanatory Memorandum.

I urge you to read this Explanatory Memorandum carefully and trust that you will share my enthusiasm for these developments.

Yours sincerely

Simon Rowell
Chairman

D. What You Need To Do

1. Read this Explanatory Memorandum

This Explanatory Memorandum explains the Acquisition to Shareholders. It also contains the Independent Expert's Report which has been prepared by BDO Corporate Finance.

The information contained in this Explanatory Memorandum is provided to assist Shareholders in deciding how to vote on Resolutions to be considered at the General Meeting.

The information in this Explanatory Memorandum is important. All recipients of this Explanatory Memorandum should read all of this booklet carefully and, if necessary, you should seek your own independent advice on any matters about which you are not certain.

If you have any questions about your holding in the Company or any matter contained in this Explanatory Memorandum, please contact the company secretary, David Sutherland, on (02) 9221 7155 or consult your investment or other professional adviser.

2. Vote on the Resolutions

It is very important that Shareholders vote on the resolutions at the General Meeting.

The notice of meeting for the General Meeting is annexed to this Explanatory Memorandum at Part M.

If you are unable to attend the General Meeting in person, you are encouraged to complete the proxy form which accompanies this Explanatory Memorandum and return it to the Company or its share registry, Computershare Investor Services Pty Limited, at the following addresses or facsimile numbers. To be valid, proxies must be received before 11:00 am on 27 January 2007:

Company:	***Computershare Investor Services Pty Limited:***
Postal Address: GPO Box 4406 SYDNEY NSW 2000	Postal Address: GPO Box 242 MELBOURNE VIC 3001
Fax No. (02) 9233 2713	Fax No. (03) 9473 2118

If you are entitled to vote at the General Meeting, you may nominate not more than 2 persons to vote on your behalf at the meeting and may indicate on the proxy form how you wish that person or those persons to vote. Your proxy need not be a Shareholder.

For details on how to complete and lodge the proxy form please refer to the instructions on the enclosed proxy form or in the Notice of Meeting.

Although voting at the General Meeting is not compulsory, your vote is important. If you believe that the Acquisition should proceed, but you do not vote, it is possible that the Acquisition may not be approved. The Acquisition cannot be implemented unless Resolutions 1, 2 and 4 are passed.

If you want the Acquisition to be implemented, you should vote in favour of each of Resolutions 1, 2 and 4.

If you do not want the Acquisition to be Implemented you should vote against Resolutions 1, 2 and 4.

All Shareholders who are registered as holders of Shares in the Company Register at 7:00pm on 27 January 2007 are entitled to attend and vote either in person or by proxy at the General Meeting.

E. Transaction Overview

1. MMC Asset Management Limited Acquisition

The Company has entered into agreements to acquire approximately 84.4% of the issued share capital in MMC Asset Management as well as 5,058,236 Shares in MMC Asset Management to be issued to HGL prior to Completion. The Company has also offered to acquire the remaining issued shares in MMC Asset Management on the same terms and conditions. The consideration for the Acquisition will be the issue of up to 34,656,053 Shares to the MMC Asset Management shareholders. See Part I, Section 3 for further details.

On completion of the Acquisition, in the event that more than 90% of MMC Asset Management's issued shares have been acquired, the Company intends to make use of the compulsory acquisition provisions under the Corporations Act to compulsorily acquire all securities in MMC Asset Management it does not hold.

MMC Asset Management is the Company's current portfolio manager. As a result of the Acquisition, the Company will internalise its management and benefit from the income generated by MMC Asset Management's management of the MMC Schemes. In addition, the obligation of MMC Asset Management to pay 40% of all management and performance fees received from the Company to HGL will also be terminated at Completion, ensuring no payment of management fees outside the Group.

The Acquisition has a number of benefits as set out in Part F.

Certain of the Vendors are Directors or entities associated with Erik Metanomski and Peter Constable respectively. Peter Constable is also a Vendor. Another Vendor, HGL Limited, is an entity of which Kevin Eley is a director. Erik Metanomski and Kevin Eley are directors of the Company and Peter Constable is an alternate director.

On completion of the Acquisition the Company's capital structure is expected to be as follows:

Shares held by Shareholders	Maximum [1]	Expected [2]	Minimum [3]
Existing	215,604,484	215,604,484	215,604,484
Vendors	34,656,053	33,898,509	29,510,155
Total Shares	**250,260,537**	**249,502,993**	**245,114,639**

Notes:

1. The "Maximum" column assumes that all options to be issued shares in MMC Asset Management are exercised and that all MMC Asset Management shareholders accept Shares as consideration for their shares in MMC Asset Management. It includes Shares issued as consideration for an additional 5,058,236 shares in MMC Asset Management to be issued to HGL prior to Completion.
2. The "Expected" column assumes that 1,433,333 options to be issued shares in MMC Asset Management are exercised, the balance are cancelled and that all MMC Asset Management shareholders accept Shares as consideration for their shares in MMC Asset Management. It includes Shares issued as consideration for an additional 5,058,236 shares in MMC Asset Management to be issued to HGL prior to Completion.
3. The "Minimum" column assumes that the only MMC Asset Management shareholders who accept Shares as consideration for their shares in MMC Asset Management are the Principal Vendors and certain other vendors, who have already accepted the offer. It includes Shares issued as consideration for an additional 5,058,236 shares in MMC Asset Management to be issued to HGL prior to Completion.

The Principal Vendors, being entities associated with HGL, Peter Constable, Erik Metanomski and Western Pacific, will receive at least 23,197,725 Shares on Completion. In addition Peter Constable will receive 1,073,684 Shares as consideration for shares in MMC Asset Management to be issued on exercise of options in MMC Asset Management prior to Completion. HGL will also receive a further 4,525,790 Shares as consideration for an additional 5,058,236 shares in MMC Asset Management to be issued to HGL prior to Completion.

Shares issued to the Vendors will participate in any interim dividend paid by the Company in respect of the half-year to 31 December 2006 if issued prior to the record date for that dividend.

The Company expects to enter into option deeds with all holders of options to be issued shares in MMC Asset Management which will result in the cancellation of all options which have not been exercised within 7 days after the General Meeting. As the Company does not know how many options will be exercised and how many will be cancelled, approval of Shareholders is sought for the maximum number of Shares which may be issued if all options are exercised. Presently the Company expects that out of the 3,130,000 options on issue, 1,433,333 will be exercised at various exercise prices and the balance of 1,696,667 will be cancelled. The Company will pay optionholders the calculated inherent value of the options if the exercise price is less than $0.85, or a nominal sum if it exceeds $0.85.

The Company currently has no options to acquire Shares on issue.

If the MMC Contrarian Executive Share Plan and the issue of Shares under the ESP to Directors is approved, a further 3,000,000 Shares will be issued as set out in Sections 5 and 6 of Part I.

2. Shareholder Approval

Shareholder approval is required under Listing Rule 10.1 to permit the Company to acquire MMC Asset Management Limited from Jancon Pty Limited, HGL and Evanalex Holdings Pty Limited and Peter Constable. Peter Constable is an alternate director of the Company and Evanalex Holdings Pty Limited, HGL and Jancon Pty Limited are entities associated with Directors of the Company.

Shareholder approval is also required to complete the issue of Shares to the Vendors in consideration for the Acquisition for the purposes of Listing Rules 7.1 and 10.11.

Listing Rule 7.1 restrains the Company from issuing or agreeing to issue equity securities without Shareholder approval if the number of equity securities would, together with all issues undertaken in the preceding 12 months without Shareholder approval or pursuant to an exception to Listing Rule 7.1, exceed 15% of the number of equity securities then on issue.

Listing Rule 10.11 restrains the Company from issuing or agreeing to issue equity securities to a Director or an entity associated with a Director without Shareholder approval.

The acquisition of MMC Asset Management by the Company is conditional on Shareholder approval.

The Acquisition is also conditional on Shareholder approval of an increase in the maximum remuneration available for the Company's non-executive Directors. Currently the maximum payable is $75,000 per annum which is paid to the Company's one independent Director, Simon Rowell. The Directors consider that to be able to recruit the number of independent Directors necessary to comply with the Best Practice Recommendations of the ASX Corporate Governance Council the Company's capacity to pay fees to non-executive Directors must be increased to an amount appropriate for a listed company of its size.

Shareholder approval is being sought for the establishment of the MMC Capital Limited Executive Share Plan (ESP), so that Shares issued under the plan for the 3 years following approval are issued as an exception to Listing Rule 7.1.

Shareholder approval is required under Listing Rule 10.14 for the issue of Shares to Erik Metanomski and Peter Constable, Directors of the Company, under the ESP.

3. Recommendation of Directors

The board of the Company presently comprises Simon Rowell, Erik Metanomski (alternate Peter Constable) and Kevin Eley. The Chairman, Mr Simon Rowell, is the only Director who does not have a material personal interest in the Acquisition.

Simon Rowell recommends that Shareholders vote in favour of Resolutions 1, 2 and 4. Due to their personal interest in the Acquisition Erik Metanomski, Kevin Eley and Peter Constable make no recommendation in relation to the resolutions necessary to implement the Acquisition.

4. Independent Expert's Report

The Independent Director has chosen BDO Corporate Finance as an independent expert to:

(a) report on whether, in the Independent Expert's opinion, the Acquisition is fair and reasonable to Shareholders other than the Vendors; and

(b) give reasons for forming that opinion.

A full copy of the report is included as Part L to this Explanatory Memorandum.

The report is dated 15 December 2006. The following summary of the Independent Expert's conclusions is set out in Section 2 of the report:

2. Summary and Opinion

We have considered the terms of the Acquisition as outlined in the body of this Report and have concluded that the Acquisition is ***fair and reasonable****.*

A summary of our analysis in forming the above opinion is provided in Sections 2.1 and 2.2. below.

2.1 Fairness

In accordance with our basis of evaluation (set out in Section 5) we have assessed whether or not the Acquisition is fair to Shareholders with reference to the value of the Manager being acquired by the Company and the consideration to be paid under the Acquisition. The results of our analysis are summarised in the table below.

	Section	***Low $'000***	***High $'000***
Value of consideration offered	*11.1*	*32,629*	*34,734*
Value of the Manager to be acquired	*11.2*	*34,854*	*37,477*

Based on the above, the Acquisition is considered to be fair to Shareholders.

2.2 Reasonableness

We have considered the analysis in Section 12 of this Report, in terms of both the advantages and disadvantages of accepting the Acquisition, and the position of Shareholders if the Acquisition does not proceed.

In our opinion, the position of Shareholders if the Acquisition proceeds is more advantageous than the position if the Acquisition does not proceed. Accordingly, we believe that the Acquisition is reasonable for Company Shareholders.

The respective advantages and disadvantages considered are summarised below:

Advantages and disadvantages of accepting the Acquisition			
Section	***Advantages***	***Section***	***Disadvantages***
12.1.1	Improved Liquidity of Company Shares	12.2.1	Dilution of shareholdings and loss of control
12.1.2	Change in Investment Profile	12.2.2	Diminution of NTA per share
12.1.3	Internalisation of Management	12.2.3	Change in Investment Profile
12.1.4	Alignment of Interests		
12.1.5	Share Issue will be escrowed		

You are urged to read the Independent Expert's report in its entirety because it is important to understand the assumptions used by the Independent Expert in forming its opinion. That report also explains the concepts of "fair" and "reasonable" as used in the extract above.

5. Why You May Vote Against the Acquisition

Set out below are reasons why a Shareholder may wish to vote against the Acquisition. In the view of the Independent Director, these reasons are outweighed by the benefits of the Acquisition outlined elsewhere in this Explanatory Memorandum:

(a) *Dilution* – the Acquisition will result in a dilution of the existing Shareholders;

(b) *Risks* – the Company will be directly exposed to adverse consequences of the risks identified in Part 6 of Section E;

(c) *Net Tangible Assets (NTA)* – the acquisition will result in a diluted NTA per Share; and

(d) *Valuation* – you may disagree with the value attributed to the shares in MMC Asset Management.

6. Risks of the Transaction

There are a number of risks which could affect the business of MMC Asset Management in the future. The Directors have considered those risks and mitigating actions and circumstances as follows:

Risk of funds in MMC Schemes being withdrawn

MMC Asset Management is presently the responsible entity for the MMC Schemes. If funds are withdrawn from the MMC Schemes, total management fees will be reduced and the net income to MMC Asset Management will reduce. In every year from 1999 to 2006 funds under management by MMC Asset Management through the MMC Schemes have increased, but it is possible that in future years they could reduce.

In order to mitigate this risk, MMC Asset Management has a comprehensive business plan to ensure compliance with investment and other principles which have attracted investors to the MMC Schemes over many years.

Risk of losing key employees

In the event that key staff leave the Company and MMC Asset Management, there is a risk that the investment performance of the portfolios could be adversely affected and that investors may wish to withdraw funds. Either of these could impact Shareholders adversely.

In order to mitigate this risk the Company has taken the following action:

- Key investment staff, being Erik Metanomski and Peter Constable, will increase their stake in the Company on completion of the Acquisition and have agreed to place the Shares they will receive in voluntary escrow to demonstrate their commitment to the merged entity. In addition, each of them has agreed to incorporate restraint of trade provisions in their service agreements which are detailed in Part I, Section 3 of this Explanatory Memorandum.
- The Company has put in place short term and long term incentive plans which are intended to encourage all staff to stay with the Company and be rewarded for excellence. See Part I, Section 3 of this Explanatory Memorandum for further details.
- The Company employs a number of other investment staff to ensure there is an appropriate number of staff with the skills, knowledge and understanding of the Company's investment philosophy and methodology in the event of losing any staff.
- The Company will also seek to employ additional skilled staff as required.

F. Advantages and Disadvantages, LIC Status and NTA Reporting

1. Advantages of the Transaction

Additional source of income

Following the Acquisition, the new MMC Contrarian Group will earn management fees from the MMC Schemes. These typically include a fee calculated as a percentage of the value of the portfolio under management and an outperformance fee where the portfolio return exceeds the relevant benchmark. These fees will ultimately accrue to the Company under the transaction and therefore increase the earnings of the Company.

Reduced costs

The Company currently pays 1.25% per annum of its portfolio value as a management fee to MMC Asset Management. In 2006 this represented $3.15 million. By acquiring MMC Asset Management, the Company will no longer be required to pay this fee.

"Out performance" fees will reduce

The Company has an obligation to pay MMC Asset Management 15% of any outperformance where the Company's portfolio exceeds the All Ordinaries Accumulation Index **(AOAI)**. By acquiring MMC Asset Management, the Company will no longer be required to pay outperformance fees to MMC Asset Management.

In order to provide incentives to staff to achieve excellent performance, the Company intends to pay bonuses to investment staff if the portfolio exceeds the AOAI during a staff member's tenure on an annual basis. Such bonuses will require that any previous underperformance against AOAI has been made up before bonuses are payable. Under the present arrangement, there is no requirement to recover underperformance before outperformance fees are payable to the Manager. Following completion of the Acquisition, total payments for outperformance are expected to be significantly less than the current arrangements to pay outperformance fees.

Opportunities for growth

The Directors believe that fund management is a growth industry with increasing amounts of superannuation and other funding being generated. MMC Asset Management has an excellent long term track record of generating positive returns for its unitholders and there is an opportunity for growth in funds under management for existing funds and for potential new funds. Increased funds under management should generate additional management fees, the benefit of which will flow to Shareholders.

Greater alignment of interests

Historically officers of the Company who were also officers of MMC Asset Management may have faced certain conflicts of interest. Following the Acquisition, Shareholders will also have an interest in MMC Asset Management, those interests will be aligned and potential conflicts removed.

Commitment of key MMC Asset Management staff

Key MMC Asset Management investment staff, being Erik Metanomski and Peter Constable, have agreed to accept Shares for all of their shares in MMC Asset Management and have also agreed to impose a voluntary escrow on those Shares. See Part I, Section 3 for further details. This demonstrates the commitment of both Erik and Peter to the merged entity and its objectives. In addition, key staff, including Erik and Peter, will participate in the Company's Executive Share Plan which provides long term incentives to staff for excellent performance, subject to approval of Shareholders.

2. Disadvantages of the Transaction

Reduced net tangible assets per Share

The NTA of the Company as at 31 October 2006 was $1.13 per Share (unaudited). On a proforma basis, the acquisition is estimated to reduce the NTA per Share by 13 cents per Share before tax or 17 cents per Share after accounting for the notional future tax liability as required by the Australian equivalents to International Financial Reporting Standards. The calculation of NTA is provisional and subject to determination of the amount and nature of the intangible assets, including goodwill, which are created by the transaction.

Increased number of issued Shares

Approximately 34 million Shares will be issued in consideration for the Acquisition. Although income is expected to increase and the combined pro forma earnings per Share (before any amortisation of intangibles) show an increase based on the 2006 results for the merged entity, the increased number of Shares will result in lower earnings per Share if income does not increase proportionally.

Risks relating to MMC Asset Management

The Company is currently exposed to the risks relating to its portfolio and other business risks. However, following the Acquisition, it will also have exposure to the risks relating to the MMC Asset Management business, some of which are identified in Part E, Section 6.

3. LIC Tax Status

It appears likely at this stage that the acquisition would cause MMC Contrarian to fail one of the tests of Listed Investment Company (LIC) status, although further investigation is required to determine this for certain. However, the adverse tax ruling issued by the Australian Tax Office currently denied the Company any benefit from the LIC tax concessions. Therefore, if the acquisition did preclude MMC Contrarian from the LIC tax benefits, Shareholders would not be disadvantaged compared to the current situation.

4. NTA Reporting

Currently the Company reports NTA on a monthly basis to the ASX, in accordance with Listing Rules. Even if in a technical sense the Company ceases to be a pure listed investment company after the transaction, the Directors intend to continue to report NTA monthly and provide a quarterly investment update.

G. MMC Asset Management

1. Overview of MMC Asset Management

MMC Asset Management is an unlisted public company operating as a Sydney based Australian boutique fund manager, with at 31 October 2006, over $610 million of funds under management. This includes approximately $255 million relating to the Company. Since 1993 the Manager has frequently delivered above-benchmark returns to its clients. It offers professional asset management products with an approach that suits long-term, considered investors.

2. Funds under Management

In addition to managing the Company's investments, the Manager is currently the responsible entity for the following managed investment schemes:

MMC Australian Share Fund (ARSN 090 750 253) – the objective of this fund is to provide investors with a portfolio of Australian equities, listed property securities and cash that aims to achieve a rate of return of 4% in excess of medium term government bond interest rates over the long term. MMC Asset Management as responsible entity receives a management fee of 1.28% per annum and a performance fee of 15% of out-performance to a benchmark, subject to certain provisions. The fund's performance, per anum, over the last five years as at 31 October 2006 has been:

1 Year	3 Years	5 Years
8.13%	11.35%	12.40%

MMC Value Growth Trust (ARSN 087 380 765) – the objective of this fund is to provide investors with a portfolio of Australian equities, listed property securities and cash that aims to achieve a rate of return of 4% in excess of medium term government bond interest rates over the long term. The MMC Value Growth Trust is closed to new investors. MMC Asset Management as responsible entity receives a management fee of 1.50% per annum and a performance fee of 15% of out-performance to a benchmark, subject to certain provisions. The fund's performance, per anum, over the last five years as at 31 October 2006 has been:

1 Year	3 Years	5 Years
9.27%	11.66%	14.65%

MMC Small Companies Fund (ARSN 099 629 982) – the objective of this fund is to provide investors with a portfolio of high quality small company securities that aims to achieve a rate of return of 5% in excess of medium term government bond interest rates over the long term. MMC Asset Management as responsible entity receives a management fee of 1.74% per annum and a performance fee of 15% of out-performance to a benchmark, subject to certain provisions. The fund's performance, per anum, over the last five years as at 31 October 2006 has been:

1 Year	3 Years	5 Years
16.16%	18.43%	19.92%

MMC Property Securities Fund (ARSN 097 160 622) – the objective of this fund is to provide investors with a portfolio of high quality income producing Australian listed property securities and cash that aims to achieve a rate of return of 2% in excess of medium term government bond interest rates over the long term. The Fund invests in property trusts and securities that own high quality properties with rental streams secured by long term tenancy agreements run by competent management with a track record of acquiring and adding value to property. MMC Asset Management as responsible entity receives a management fee of 1.28% per annum and a performance fee of 15% of out-performance to a benchmark, subject to certain provisions. The fund's performance, per anum, over the last five years as at 31 October 2006 has been:

1 Year	3 Years	Since 31/10/2001
13.69%	18.43%	17.76%

The Manager is currently the investment manager for the following managed investment scheme:

MMC Concentrated Fund (ARSN 115 121 625) – the objective of this fund is to provide investors with positive returns over the long-term (in excess of 5 years) by investing in a portfolio of high quality Australian equities, listed property securities and cash. MMC Asset Management as the investment manager receives a management fee of 16% of any positive performance on the fund, subject to certain provisions. The fund's performance since its inception on 24 November 2005 has been 17.75%.

3. Investment Philosophy

The Manager's investment philosophy is based on the premise that aiming to preserve capital is absolutely paramount for the creation and retention of wealth. Its approach is implemented through a valuation process centred on 10 desirable investment criteria that an investment entity should exhibit before being considered for inclusion in a fund's portfolio.

The 10 desirable investment criteria the Manager looks for in a business in considering an investment are as follows:

1. Management should own a material number of securities in the relevant entity;
2. The investment entity's business is not capital intensive;
3. The investment entity produces an attractive level of "free cash flow";
4. The investment entity is sound, but is temporarily out of flavour with the market or the subject of negative reporting, causing it to be undervalued;
5. The investment entity has an identifiable growth profile;
6. Management has a long track record of performance and integrity;
7. The investment entity displays empathy toward shareholder returns;
8. The investment entity generates an attractive return on capital employed;
9. Solid investment fundamentals such as low price-to-earnings and cash-flow multiples reflect undervaluation today, rather than an unmeasurable potential growth perception; and
10. Overall, the Manager's appraisal value of an investment entity is significantly higher than its current share price.

The Manager's investment approach is based on the belief that in the long term, when the operating performance of a business is superior to its quoted valuation, the stock market will at some point acknowledge this with a higher security price. This style of investing focuses on the following:

- *Preservation of capital* – analysis of the potential downside and upside and attempt to factor in a significant margin of safety;
- *Discipline and consistency* – each investment goes through a rigorous investment process and is rejected if it doesn't fit the Manager's strict investment criteria or show appropriate financial strength and cash flow;
- *Understanding the business* – ensuring the Manager understands all areas of operation including products/service, capital requirements, inventory, receivables and working capital needs;

- *Patience* – decisions are not made based on short term price quotes or individual quarterly returns;
- *No compulsion to be fully invested* – if enough suitably valued investments are not identified the Manager will retain assets in cash;
- *Aversion to excessive growth* – if the Manager believes a fund's size is negatively affecting its performance it will close the fund to new investors; and
- *Being contrary* – when the Manager identifies solid, well-managed businesses that are undervalued it will not be put off by commonly held perceptions.

4. The MMC Asset Management Team

The Manager takes a team-based approach to managing investments. It employs 9 fulltime staff including 4 portfolio managers:

Peter Constable

(B.EC) Chief Investment Officer and Executive Director

Peter began his investment career working for the United Bank of Kuwait, London, as a portfolio manager in 1992, moving onto Royal and Sun Alliance (now Promina) as their portfolio manager in 1996. Peter joined HGL in 1997 where he worked for 4 years identifying listed investment opportunities. During this time Peter served on the board for Hunter Hall International Limited (an ASX listed boutique manager) as a non-executive director before leaving HGL to establish AM Constable Limited in October 2001, which merged with the Manager in October 2003.

Peter is also a director of the Manager and alternate director of the Company.

Erik Metanomski

(BA, B.EC) Portfolio Manager/Analyst

Erik is experienced in equities analysis and portfolio management having worked within the industry for the last 17 years with a variety of groups including Taylor Collison and Providence Funds Management. Erik has been responsible for building and developing the Manager's investment philosophy. Erik's prime focus is equities research and managing the Manager's funds.

Erik is also a director of the Company.

Daniel Mueller

(B.Comm, AFin, CFA) Analyst

Daniel began at the Manager in March 2005. Prior to joining the Manager, Daniel worked at Colonial First State as a research manager responsible for quantitative and qualitative analytics across all major asset classes. Before this, Daniel was the audit manager in the financial and audit management group leading audits and corporate finance and institutional banking.

Rosemary Tan

(B.Comm, M.Comm) Analyst

Prior to joining the Manager in March 2005 Rosemary worked for the policy, research and consulting division of Australian Prudential Regulatory Authority reviewing, analysing and assisting in the development of APRA's prudential reporting requirements providing research and recommendations in developing APRA's analytical reporting framework and for providing advice to divisions of APRA. Prior to APRA, Rosemary was a graduate analyst for the Reserve Bank of Australia from August 2002 to 2004 responsible for the preparation of statement of liabilities and assets, identifying discrepancies between trade and accounting system and modelling of profit on the foreign and domestic portfolio.

Andrew Fairweather

(Ass Dip Bus, Dip FP, MBA (AGSM), GAICD) Chief Executive Officer

Andrew was appointed the Chief Executive Officer of MMC Asset Management in August 2004. Prior to MMC, Andrew was employed by AMP Ltd, firstly as the State Manager of AMP Adviser Services from 2000 to 2002 and then as the Head of Business Development for AMP's Savings and Retirement division from 2002 to 2004. From 1997 to 2000, Andrew was Vice President of Retail Sales for Salomon Smith Barney Asset Management. Before joining SSB, Andrew was employed by Prudential from 1992 to 1997 in various sales roles. Andrew is currently an Adjunct Lecturer in Marketing Management at the Australian Graduate School of Management.

David Mackaway

(B.EC, CA, A Fin) Chief Financial Officer

David began his career in funds management in 1994 working for Bankers Trust in their back office operations. David worked in various back office roles culminating in heading back office operations for BT Portfolio Services. David was responsible for the sale of BT's back office operations to JP Morgan before moving to be the business head of currency and fixed income for the funds management group in 2001. Prior to joining the Manager in April 2005, David spent 3 years based in the United States as the Managing Director of Operations for Principal Global Investors. This role had responsibility for operations in the United States, United Kingdom, Australia, and Singapore.

In addition to these staff, the Manager also employs a number of other staff in business development and administrative roles.

5. Financial Performance of MMC Asset Management

The Manager derives management fees that are dependent on funds under management. The level of funds under management increased during the 2006 financial year and consequently the Manager generated greater fee income.

In addition the Manager receives performance fees based on the underlying performance of the funds under management.

The following summary table illustrates the financial performance of the Manager for each of the financial years ending 30 June 2004, 2005 and 2006 and the correlation between funds under management and financial performance.

	Year to 30 June 2004 [2] *$'000*	*Year to 30 June 2005* [2] *$'000*	*Year to 30 June 2006* [2] *$'000*
Funds under management [1]	198,000	287,000	327,000
Revenue	4,482	7,568	7,673
Profit before tax	1,707	3,186	3,903
Net profit after tax	1,155	2,285	2,737

Notes:

1. Funds under management represents the funds under management of the Manager and its Controlled Entities as at 30 June in the relevant financial year, excluding funds managed on behalf of the Company.
2. Based on the audited consolidated financial statements of the Manager and its Controlled Entities for the relevant financial year.

Further information regarding the historical financial performance of the Manager is set out in the Independent Expert's Report in Part L.

H. Effect of Acquisition on the Company

1. Capital Structure

The table below shows the capital structure of the Company following completion of the Acquisition. The table assumes that Resolutions 1, 2 and 4 are passed and the only change to the existing shareholdings in the Company as at the date of this Explanatory Memorandum is the issue of the expected number of Shares pursuant to the Acquisition Agreement (see Part 1 of Section E):

Shares	Number
Shares currently on issue	215,604,484
Expected number of Shares to be issued to Vendors	33,898,509
Total Shares	**249,502,993**

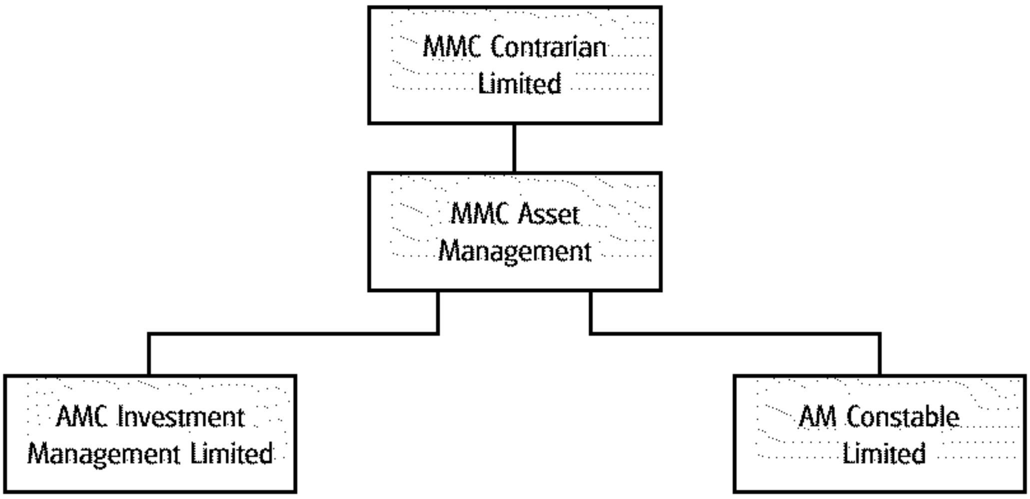
The Company has no options to acquire Shares on issue.

2. Pro Forma NTA

The NTA of the Company as at 31 October 2006 was $1.13 per Share (unaudited). On a proforma basis, the acquisition is estimated to reduce the NTA per Share by 13 cents per Share before tax or 17 cents per Share after accounting for the notional future tax liability as required by the Australian equivalents to International Financial Reporting Standards. The calculation of NTA is provisional and subject to determination of the amount and nature of the intangible assets, including goodwill, which are created by the transaction.

3. Group Structure

The diagram below sets out the group structure of the Company after completion of the Acquisition:



AMC Investment Management Limited and AM Constable Limited are wholly owned subsidiaries of the Manager and were placed in liquidation in July 2005, as they were no longer required. They are expected to be wound up in the 2007 financial year. Neither of these companies is currently trading and their liquidation will have no effect on the future business of MMC Asset Management.

4. MMC Asset Management Board

The MMC Asset Management board presently comprises:

Raymond Kellerman (Chairman)

Peter Constable

Kevin Eley

Following the Acquisition the Company does not propose to make any immediate change to the board of MMC Asset Management, but will review the structure of the board in due course to ensure it is most appropriate to serve the purposes of the group.

I. Additional Information

1. Board

The current directors of the Company are Simon Rowell, Erik Metanomski (alternate Peter Constable) and Kevin Eley.

Erik Metanomski retired from the board at the 2006 Annual General Meeting (held on 30 November 2006) and was re-elected to hold office. It is envisaged that following the successful completion of this transaction, Erik will resign as a director within approximately 3 months and be replaced by Peter Constable, Erik's alternate. By retiring from the board, Erik will concentrate all his time and energy on his role as a key Analyst of MMC Asset Management. This also recognises that the Company is Sydney based and Erik is based in Adelaide.

Kevin Eley has agreed that he will receive no fee for his services as a Director, although a fee is payable to HGL of which he is a director, as set out in Part I of Section 3 of this Memorandum.

2. Interests of Directors

On completion of the Acquisition, Directors and alternate Directors who have a Relevant Interest in Shares are expected to be as follows:

Name	Shares [1]
Simon Rowell	155,971
Erik Metanomski [2]	1,600,000
Kevin Eley [3]	200,000
Peter Constable [4]	7,240,254

Note:

1. This table assumes Shares have been issued as consideration for the Acquisition and also under the ESP.
2. Does not include 3,578,947 Shares to be issued to Evanalex Pty Limited, a company with which Erik Metanomski is associated, under the Principal Sale Agreement.
3. Does not include 14,823,828 Shares to be issued to HGL under the Principal Sale Agreement nor Shares held by HGL as at the date of this Explanatory Memorandum. Mr Eley is a director of HGL.
4. Peter Constable is alternate Director for Erik Metanomski.

3. Transaction Documents

Acquisition Agreements

As at the date of this booklet, the Company has entered into agreements to buy 26,490,369 shares in MMC Asset Management which amounts to approximately 84.4% of the shares in the Manager. The Company has offered to buy the balance of the shares in the Manager from the remaining Shareholders.

The Acquisition is conditional on, among other things:

(a) the approval of the Acquisition by Shareholders;

(b) the Company entering into agreements with sufficient holders of ordinary shares in the Manager to enable it, on completion of the agreements, to proceed to compulsory acquisition of all outstanding ordinary shares in the Manager in accordance with Part 6A of the Corporations Act;

(c) termination of the entitlement of HGL to receive any part of the management fee otherwise payable by the Company under its existing management agreement with respect to the period after Completion;

(d) all redeemable preference shares in the Manager being redeemed or converted to ordinary shares in the Manager; and

(e) termination of the Manager's employee option plan and termination of all options on issue.

The Purchase price payable for ordinary shares in the Manager is $0.85 per share. The total price payable for the acquisition of all shares in the Manager is expected to be $32,628,584. This figure includes $425,000 payable to Erik Metanomski in consideration for the cancellation of 850,000 options to acquire shares in MMC Asset Management held by him.

The Vendors are entitled to nominate whether they wish to take cash or Shares in consideration for the Acquisition of their shares in MMC Asset Management. Shares to be issued to Vendors will have an issue price of $0.95 per share representing the volume weighted average price at which Shares traded on ASX over the 90 days up to 16 November 2006, the date of execution of the share purchase agreement with the Principal Vendors.

All Principal Vendors and certain other Vendors have prior to the date of this Memorandum elected to receive Shares. Accordingly the Company will issue a minimum of 29,510,155 new Shares on completion of the Acquisition.

The Principal Vendors (who together, on completion of the Acquisition, will hold approximately 28,797,199 Shares) have agreed to enter into restriction agreements under which they agree not to undertake any action which, if the Acquisition Shares to be issued to them had been classified as restricted securities by the ASX, they would be precluded from doing under the Listing Rules. The restrictions apply as to 25% of the Acquisition Shares held by them for a period of 6 months from completion; 25% of the Acquisition Shares held by them for a period of 12 months from completion; 25% of the Acquisition Shares held by them for a period of 18 months from completion; and 25% of the Acquisition Shares held by them for a period of 24 months from the completion date.

HGL, Erik Metanomski and Peter Constable have given warranties to the Company usual for a share acquisition of this nature. The maximum aggregate amount which may be recovered from these parties in respect of a breach of warranty is equal to the lower of the issue price of those Shares (being $0.95 per Share) and the volume weighted average price at which Shares trade on ASX on the 5 business days after notice of the claim was given to the relevant Vendor.

The ability of the Company to claim for breach of warranty is also limited as to time and minimum claim amounts.

Each of Erik Metanomski and Peter Constable have given non-competition undertakings to the Company on terms consistent with a share acquisition of this nature.

In addition, HGL has agreed to a restraint of trade whereby HGL will not set up an equity funds management business or acquire 10% or more of such a business for a period of 2 years after completion of the Acquisition. This restraint does not prevent HGL from acquiring further shares in Hunter Hall Investment Management Limited or prevent it from continuing to manage its in-house portfolio of listed equities or build up stakes in listed industrial companies. HGL has also granted a first right of refusal to the Company to acquire an entity that conducts the business of dealing in securities should such opportunities be identified by HGL.

HGL Agreement

On establishment of the Company, HGL agreed to provide certain advisory and administrative services for the benefit the Company. In return for providing these services, the Manager had directed that 40% of all management and performance fees payable by the Company to the Manager be paid to HGL Limited. On completion, the obligation of the Manager to pay this share of its management and performance fees to HGL Limited will be terminated by the payment of $4.5 million to HGL Limited.

HGL has also agreed to provide investment advisory services to the Company. The fee for the services has been agreed at $50,000 per annum, indexed annually for movements in CPI. This fee includes all directors' fees that would otherwise be payable to any HGL representative on the board of the Company. The agreement may be terminated by either party on 12 months' notice.

Employee Incentive Scheme

The Company intends to introduce an executive share plan to assist in the recruitment, reward, retention and motivation of employees of the Company and its associated bodies corporate.

Approval of the executive share plan for the purposes of the Listing Rules is being sought at the General Meeting. See Part 5 of Section J for further details.

Full terms of the plan is available from the Company's website: www.mmccontrarian.com.au.

Executive Service Agreement - Peter Constable

On Completion, Peter Constable's employment as chief investment officer with the Manager will be renewed by way of an executive service agreement. The executive service agreement has an initial term of 2 years with a rolling 1 year term thereafter unless terminated earlier in accordance with the agreement. The initial remuneration payable to Mr Constable is $275,000 per annum (inclusive of mandatory superannuation contributions).

Mr Constable has undertaken not to engage in competitive conduct with the Company for the term of the agreement and for a further period of 2 years provided he leaves the service of the Company within 5 years of completion of the Acquisition. If Mr Constable leaves the service of the Company after 3 years from completion of the Acquisition, the period of restraint will expire 5 years from completion of the Acquisition. In addition, if Mr Constable leaves the service of the Company because of a bona fide retrenchment or because through no fault of his own his services are no longer required by the Company, no restraint of trade will apply to Mr Constable.

Executive Service Agreement - Erik Metanomski

On Completion, Erik Metanomski's employment as an Analyst with the Manager will be renewed by way of an executive service agreement. The executive service agreement will have a 1 year rolling term unless terminated earlier in accordance with the agreement. The initial remuneration payable to Mr Metanomski is $300,000 per annum (inclusive of mandatory superannuation contributions).

Mr Metanomski has undertaken not to engage in competitive conduct with the Company for the term of the agreement and for a further period of 2 years.

J. Resolution Specific Information

1. Resolution 1 – Approval of Acquisition from Related Party

ASX Listing Rule 10.1 requires that the Company seek the approval of Shareholders to the acquisition of a substantial asset from a related party or an associate of a Related Party.

Shares in MMC Asset Management are owned by, among others, entities associated with Erik Metanomski and Peter Constable, Directors of the Company.

An asset is considered substantial by ASX where its value or the value of the consideration for it is 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX. In its Annual Report lodged with ASX on 24 August 2006, the equity interests of the Company were set out as $236,376,000. The value of the consideration being paid for the acquisition of MMC Asset Management is expected to be approximately $32,628,583 which amounts to approximately 13.8% of the equity interests of the Company. The maximum value of the consideration which may be payable for the acquisition of MMC Asset Management is $33,348,750.

Without limitation, Resolution 1 authorises the Company to acquire MMC Asset Management Limited for the purposes of Listing Rule 10.1.

2. Resolution 2 – Issue of Shares to Vendors

The Company has agreed to issue and proposes to enter into agreements to issue up to 34,646,053 Shares subject to the terms and conditions of the Acquisition Agreement and associated agreements. The Share issue is conditional on, among other things:

(a) receipt of Shareholder approval of the issue;

(b) all redeemable preference shares in the Manager being redeemed or converted to ordinary shares in the Manager; and

(c) termination of the Manager's employee option plan and termination of all options on issue.

The Shares to be issued to the Vendors pursuant to the Acquisition will rank equally with all Shares on issue.

The Shares will be issued no later than 3 months after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated that the Shares will be issued on or about 31 January 2007. The issue price per Share will be $0.95.

Listing Rule 7.1 restrains the Company from issuing or agreeing to issue equity securities or options to acquire equity securities without Shareholder approval if the number of equity securities and options to acquire equity securities would, together with all issues undertaken in the last 12 months without Shareholder approval or pursuant to an exception to Listing Rule 7.1, exceed 15% of the number of equity securities then on issue.

ASX Listing Rule 10.11 requires Shareholder approval for the issue of equity securities to a related party of the Company. 3,578,947 Shares will be issued to an entity associated with Erik Metanomski, 5,643,190 Shares will be issued to Peter Constable and 14,823,828 Shares will be issued to HGL, of which Kevin Eley is a director. Erik Metanomski and Kevin Eley are Directors of the Company and Peter Constable is an alternate Director of the Company and they will therefore be considered related parties for the purposes of ASX Listing Rule 10.11.

Without limitation, Resolution 2 authorises the Company to issue these Shares for the purposes of Listing Rule 7.1 and Resolution 2 also authorises the Company to issue these Shares for the purposes of Listing Rule 10.11 in respect of the Shares to be issued to related parties of Proposed Directors.

3. Resolution 3 – Change of Name

Section 157 of the Corporations Act requires the consent of Shareholders to the change of name of the Company.

The Directors consider that the name of the Company should be changed to reflect the new direction for the Company. The Directors consider the name MMC Capital Limited is an appropriate name to reflect the new direction of the Company.

4. Resolution 4 – Approval of increase in Directors' remuneration

Resolution 4 provides for an increase in the maximum remuneration for the non-executive Directors from $75,000 to $300,000 in accordance with Article 6.3(c) of the Company's constitution. Currently the Company has only one independent Director, Simon Rowell. The increase will allow the Company to recruit additional independent directors.

Currently the Company does not comply with the Best Practice Recommendations of the ASX Corporate Governance Council as a majority of the Company's board are not independent. In order to recruit further independent Directors to bring the Company in line with the ASX Corporate Governance Council's Principles of Good Corporate Governance the Company must be able to remunerate non-executive Directors appropriately.

The Directors consider that an increase in the maximum remuneration for non-executive Directors to $300,000 provides sufficient scope for the Company to recruit appropriate appointees for the foreseeable future.

The Board anticipates that the annual fee for the non-executive chairman will be approximately $100,000 and for non-executive directors will be approximately $50,000, subject to possible board committee fees.

5. Resolution 5 – Approval of the MMC Capital Limited Executive Share Plan

Listing Rule 7.1 prevents a listed company from issuing, or agreeing to issue, more than 15% of its issued capital in any 12 month period without the prior approval of holders of ordinary shares. However, Listing Rule 7.1 does not apply to an issue under an employee incentive scheme if, within 3 years before the date of the issue, holders of ordinary securities have approved the issue of securities under the scheme as an exception to Listing Rule 7.1.

Resolution 5 seeks to exempt the issue of Shares under the Company's Executive Share Plan from the operation of Listing Rule 7.1 for a period of 3 years from the date that the Resolution is approved. If Resolution 4 is approved by Shareholders, Shares issued under the Plan during the next 3 years will not be counted in determining the 15% limit under Listing Rule 7.1. This would assist the Company by providing additional fundraising flexibility.

As the Plan has not yet become operational, no securities have been granted under the Plan to date.

The following is a summary of the terms of the Plan. The full terms of the Plan can be inspected during business hours at the registered office of the Company and are available on the Company's website: www.mmccontrarian.com.au.

MMC Capital Limited Executive Share Plan (ESP)

Objectives

The objective of the ESP is to assist in the recruitment, reward, retention and motivation of employees of the Company and its associated bodies corporate.

Consideration

Each Share will be issued at a price to be determined by the Board prior to making an offer to an employee. If no price is set, the price per Share will be the weighted average price at which Shares are traded on the ASX during the week prior to and including the day of offer or if no Shares have traded in that time period the last price at which an offer to buy is made on the ASX during that period.

Eligibility

Under the ESP, the Directors may invite employees, with at least 6 months service, to participate in the ESP and receive Shares subject to performance and vesting conditions determined by the Board.

Shares may not be offered under the ESP to an employee if that employee would hold, after issue of the Shares, an interest in more than 5% of the issued Shares or be able to control the right to vote of more than 5% of the votes that might be cast at a general meeting of the Company.

The number of Shares granted under the ESP when aggregated with the number of Shares issued under any other employee incentive share plan in the last 5 years must not exceed 5% of the issued Shares at the time an offer to acquire Shares under the ESP is made.

Financial Assistance

The Directors may provide financial assistance to an employee for the purposes of subscribing for Shares under the ESP. The financial assistance will be a limited recourse loan equal to the purchase value of the Shares repayable within 5 years. The financial assistance will become immediately repayable in the event of dismissal, resignation, death or retirement of the employee or failure to meet performance hurdles by the employee. The financial assistance will be secured over the Shares and rights attached to the Shares.

Rights

Shares issued under the ESP will rank equally with all other issued Shares even if subject to a holding lock.

Quotation

The Company will apply to the ASX for official quotation of Shares issued under the ESP.

Restrictions

The Shares granted under the ESP will be subject to a holding lock restricting the holder from dealing with the Shares without the consent of the Board until the earlier of:

(a) the 5th anniversary of the issue date;

(b) the date the employee ceases employment; or

(c) termination of the ESP.

If all performance and vesting conditions (if any) have been satisfied a holding lock will end 5 years from the acquisition of Shares under the Plan.

Administration of the ESP

The ESP is to be administered by the Board. The Board may make rules and regulations for its operation that are consistent with the rules of the ESP. The Company will pay all costs and expenses of operating the ESP. Employees will be liable for any brokerage and tax payable associated with their participation in the ESP.

Amendment of the ESP

Subject to the Listing Rules, the Board may at any time amend any provision of the rules of the ESP.

Termination of the ESP

The Board may resolve at any time to terminate, suspend or reinstate the operation of the ESP.

6. Resolutions 6 and 7 – Issue of Shares to Erik Metanomski and Peter Constable under the ESP

Resolutions 6 and 7 inclusive seek Shareholder approval for the issue of Shares to Erik Metanomski and Peter Constable (alternate Director for Erik Metanomski) respectively. Subject to completion of the acquisition of MMC Asset Management Limited, Erik Metanomski and Peter Constable will become executives of the Company.

Listing Rule Requirements

Listing Rule 10.14 requires a listed company to obtain Shareholder approval by ordinary resolution prior to the issue of securities to a Director of the Company under an employee incentive scheme. Accordingly, the Company is seeking approval for the issues under Listing Rule 10.14.

If approval for Resolution 5 is given then approval is not required under Listing Rule 7.1. If approval for Resolution 5 is not given, then approval for the issues of Shares to Erik Metanomski and Peter Constable is also sought under Listing Rule 7.1.

Maximum Number of Securities to be issued

The Company is seeking approval for the following issues:

(a) Erik Metanomski – 1,500,000 Shares; and

(b) Peter Constable – 1,500,000 Shares.

Date of Grant of Securities

If approved, the Shares will be granted immediately after the Meeting but in any event no later than one month after the Meeting.

Consideration and use of funds

The Company will provide loans to Erik Metanomski and Peter Constable equal to the value of the Shares to be acquired by each. Accordingly no funds will be raised by the issue of the Shares.

Issue Price

The issue price for each Share will be $0.95.

Vesting Condition

Subject to fulfilment of the performance condition the Shares will vest on the date 2 years from issue.

Performance Condition

Total Shareholder Return **(TSR)** for the Company for the period following issue of the Shares must exceed the AOAI compounded for the same period. If the performance condition is not satisfied within 5 years following the issue date the Shares will be forfeited on the terms of the ESP.

Financial assistance

The Company will provide loans to Erik Metanomski and Peter Constable equal to the value of the Shares to be acquired by each for the subscription for Shares.

Interest is payable on the loans at the lower of the dividends declared on the Shares or the Indicator Lending Rates – Bank variable housing loan interest rate last published before the start of each financial year. The rate applicable to this financial year is 7.55% per annum. If the dividend return is greater than the Indicator Lending Rates – Bank variable housing loan interest rate then the balance will be applied to repayment of capital.

The term of the loans is 5 years.

Each loan will be limited recourse to the Shares. If the Shares do not vest or are otherwise forfeited, the Shares will be sold and the proceeds of sale applied to repayment of the loan with no further demand made on the borrower.

Participation in the ESP

All executive directors are entitled to participate in the ESP. Subject to completion of the acquisition of MMC Asset Management Limited, the executive directors of the Company will be Simon Rowell, Erik Metanomski and Peter Constable (alternate director for Erik Metanomski).

K. Definitions

$	Australian dollars
Acquisition	The acquisition of MMC Asset Management Limited pursuant to the Acquisition Agreement and associated agreements
Acquisition Agreement	The Share Purchase Agreement between the Principal Vendors and the Company dated 16 November 2006
Acquisition Shares	Shares to be issued to the Vendors in consideration for the Acquisition
AOAI	The All Ordinaries Accumulation Index
ASIC	The Australian Securities and Investments Commission
Associate	Has the meaning given in Division 2 of Part 1.2 of the Corporations Act
ASX	Australian Stock Exchange Limited (ACN 008 624 691)
Board	Board of Directors of the Company
Business Day	A business day under the Listing Rules
Company	MMC Contrarian Limited (ACN 106 248 248)
Constitution	The constitution of the Company
Corporations Act	*Corporations Act 2001* (Cth)
Directors	The Directors of the Company
ESP	The proposed MMC Capital Limited executive share plan.
General Meeting	The general meeting of the Company to be held on 29 January 2007 to approve the resolutions to implement the Acquisition and ancillary transactions
Group	The Company and its Subsidiaries
HGL	HGL Limited (ACN 009 657 961) and/or HGL Company Two Pty Limited (ACN 091 712 159)
Listing Rules	Any rules of ASX which are applicable while the Company is admitted to the official list of ASX
MMC Asset Management or Manager	MMC Asset Management Limited (ACN 071 807 684)
MMC Share	a fully paid ordinary share in the capital of MMC
Notice of Meeting	Notice of annual general meeting attached as Part M of this Explanatory Memorandum
NTA	Net tangible assets of the Company
Principal Vendors	Evanalex Holdings Pty Limited, HGL Limited, HGL Company Two Pty Limited, Peter Constable and Western Pacific Investments Pty Limited
Relevant Interest	Has the meaning given in Section 9 of the Corporations Act
Resolution	A resolution to be considered at the General Meeting
Shareholder	A holder of Shares in the Company
Share	A fully paid ordinary share in the Company
Subsidiary	Has the meaning given to that term in the Corporations Act
Vendor	A vendor of shares in MMC Asset Management pursuant to the Acquisition Agreement and associated agreements
Voting Power	Has the meaning given in Section 9 of the Corporations Act

BDO

FINANCIAL SERVICES GUIDE
AND
INDEPENDENT EXPERT'S REPORT

MMC CONTRARIAN LIMITED

DECEMBER 2006

BDO

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FINANCIAL SERVICES GUIDE

Dated 15 December 2006

BDO Corporate Finance Pty Ltd ABN 91 003 946 030 ("BDO Corporate Finance" or **"we"** or **"us"** or **"ours"** as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

1 FINANCIAL SERVICES GUIDE

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees. This

FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 244345
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our complaints handling procedures and how you may access them.

2 FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide general financial product advice to retail and wholesale clients in the following classes of financial products:

- Derivatives limited to old law securities options contracts and warrants;
- Debentures, stocks or bonds issued or proposed to be issued by a government;
- Interests in managed investment schemes excluding investor directed portfolio services;
- Securities; and
- Superannuation

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

3 GENERAL FINANCIAL PRODUCT ADVICE

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

4 FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement.

Except for the fees referred to above, neither BDO Corporate Finance, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

5 REMUNERATION OR OTHER BENEFITS RECEIVED BY OUR EMPLOYEES

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

6 REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

7 ASSOCIATIONS AND RELATIONSHIPS

From time to time BDO Corporate Finance or BDO and/or BDO related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

8 COMPLAINTS RESOLUTION

8.1 INTERNAL COMPLAINTS RESOLUTION PROCESS

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, BDO Corporate Finance, GPO Box 2551, Sydney NSW 2001.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

8.2 REFERRAL TO EXTERNAL DISPUTE RESOLUTION SCHEME

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Industry Complaints Service Limited ("**FICS**"). FICS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

BDO Corporate Finance is a member of the FICS Complaints Handling Tribunal No. F3819.

Further details about FICS are available at the FICS website www.fics.asn.au or by contacting them directly via the details set out below.

Financial Industry Complaints Service Limited

PO Box 579
Collins Street West
MELBOURNE VIC 8007

Toll free: 1300 780 808
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9 CONTACT DETAILS

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MMC CONTRARIAN LIMITED
INDEPENDENT EXPERT'S REPORT
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BDO

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15 December 2006

The Directors
MMC Contrarian Limited
Level 5
34 Hunter Street
SYDNEY NSW 2000

Dear Sirs

INDEPENDENT EXPERT'S REPORT – MMC CONTRARIAN LIMITED

1 INTRODUCTION

BDO Corporate Finance Pty Limited ("**BDO Corporate Finance**") has been engaged by MMC Contrarian Limited ("**the Company**") to prepare an Independent Expert's Report ("**the Report**") to express an opinion as to whether or not the Company's proposed acquisition of MMC Asset Management Limited ("**the Manager**" or "**MMC Asset Management**" or "**the Acquisition**") is fair and reasonable to the non-associated shareholders of the Company ("**Shareholders**").

Our Report is to be included in the Notice of General Meeting and Explanatory Memorandum ("**Explanatory Memorandum**") to be sent to all Shareholders to assist them in deciding whether to accept or reject the Acquisition.

2 SUMMARY AND OPINION

We have considered the terms of the Acquisition as outlined in the body of this Report and have concluded that the Acquisition is **fair and reasonable**.

A summary of our analysis in forming the above opinion is provided in Sections 2.1 and 2.2 below.

2.1 FAIRNESS

In accordance with our basis of evaluation (set out in Section 5) we have assessed whether or not the Acquisition is fair to Shareholders with reference to the value of the Manager being acquired by the Company and the consideration to be paid under the Acquisition. The results of our analysis are summarised in the table below.

	Section	Low $'000	High $'000
Value of consideration offered	11.1	32,629	34,734
Value of the Manager to be acquired	11.2	34,854	37,477

Based on the above the Acquisition is considered to be fair to Shareholders.

2.2 REASONABLENESS

We have considered the analysis in Section 12 of this Report, in terms of both the advantages and disadvantages of accepting the Acquisition, and the position of Shareholders if the Acquisition does not proceed.

In our opinion, the position of Shareholders if the Acquisition proceeds is more advantageous than the position if the Acquisition does not proceed. Accordingly, we believe that the Acquisition is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below.

ADVANTAGES AND DISADVANTAGES OF ACCEPTING THE ACQUISITION			
Section	**Advantages**	**Section**	**Disadvantages**
12.1.1	Improved Liquidity of Company Shares	12.2.1	Dilution of shareholdings and loss of control
12.1.2	Change in Investment Profile	12.2.2	Diminution of NTA per share
12.1.3	Internalisation of Management	12.2.3	Change in Investment Profile
12.1.4	Alignment of Interests		
12.1.5	Share Issue will be escrowed		

3 OUTLINE OF ACQUISITION

3.1 BACKGROUND

On 17 November 2006 the Company announced that it proposed to acquire all of the issued share capital in MMC Asset Management. The Company has entered into agreements to acquire 84.4% of the issued share capital in MMC Asset Management as well as 5,058,236 MMC Asset Management shares to be issued to HGL Limited ("**HGL**") prior to completion of the Acquisition. The Company has also offered to acquire the remaining issued shares in MMC Asset Management on the same terms and conditions.

MMC Asset Management currently acts as portfolio Manager for the Company. If the Acquisition is approved, the Company will internalise its management. In addition, the current obligation of MMC Asset Management to pay 40% of all management and performance fees received from the Company to HGL will be discontinued.

Further details on MMC Asset Management are set out in Section 7 of this Report.

3.2 CONSIDERATION

The purchase price payable for MMC Asset Management shares is $0.85 per share. MMC Asset Management shareholders are entitled to nominate whether they wish to take cash or shares in the Company ("**Shares**") as consideration. As at the date of this Report, MMC Asset Management shareholders (accounting for 32,981,938 MMC Asset Management shares) have elected to receive Shares as consideration.

It is a condition precedent of the Acquisition that the Company enters into sufficient agreements with MMC Asset Management shareholders to enable it to proceed to compulsory acquisition upon completion (i.e. greater than 90% acceptance)

Under compulsory acquisition the Company will acquire any outstanding shares in the Manager on the same terms and conditions as set out above. Therefore, for the purposes of this Report we have assumed that 100% of MMC Asset Management shares are acquired by the Company.

MMC Asset Management have a number of options on issue to employees as at the date of this Report (refer Section 7.2.2). Therefore, the total number of Shares issued by the Company for the Acquisition will depend on the number of MMC Asset Management options exercised prior to completion.

The Company has estimated that the range of Shares to be issued and cash consideration paid for MMC Asset Management shares to complete the Acquisition is as follows.

Consideration	Minimum[1]	Expected [2]	Maximum[3]
Shares Issued	29,510,155	33,898,509	34,656,053
Cash Consideration for MMC Asset Management shares	4,168,936	-	-

Notes:

1. Minimum Shares issued for consideration assumes Shares are only issued to current MMC Asset Management shareholders who have indicated they will elect to receive Shares and no MMC Asset Management options are exercised (other than those optionholders who have already indicated they will exercise prior to the Acquisition). Also, this scenario assumes the additional 5,058,236 shares in MMC Asset Management are issued to HGL. Cash consideration for the minimum scenario assumes those MMC Asset Management shareholders who have not yet agreed to accept Shares, elect to take cash of $0.85 per MMC Asset Management share.

2. The expected Shares to be issued for consideration assumes all MMC Asset Management shareholders elect to receive Shares as consideration and that 1,433,333 of MMC Asset Management options are exercised (as already indicated by optionholders). The expected scenario also includes the additional shares to be issued to HGL.

3. The maximum Shares to be issued for consideration assumes all MMC Asset Management shareholders elect to receive Shares as consideration and all MMC Asset Management options are exercised and includes additional shares to be issued to HGL.

The Company expects to enter into option deeds with all MMC Asset Management optionholders that will result in the cancellation of all options not exercised within 7 days after the Company's general meeting to approve the Acquisition. The Company will pay option holders the calculated inherent value of the options if the exercise price is less than $0.85 or a nominal sum if it exceeds $0.85.

As at the date of this Report there are 3 optionholders with MMC Asset Management options with an exercise price of less than $0.85.

Of these optionholders, 2 have confirmed they will exercise their options prior to the Acquisition. This has been taken into consideration in the estimated Shares to be issued under the Acquisition.

The third optionholder has agreed to cancel their options in return for $425,000 cash consideration.

All other options on issue have an exercise price greater than $0.85 cents. It is assumed that any cash required to cancel the remaining options would be immaterial. Therefore, the total cash consideration for this cancellation of options is $425,000.

Full details of the Acquisition are also set out in Section E of the Explanatory Memorandum.

3.3 MEETING RESOLUTIONS

Shareholders are being asked to vote on a number of resolutions at the general meeting. Resolutions 1 and 2 relate to approval of the Acquisition and issue of Shares as consideration respectively.

Resolution 3 relates to a proposed change of name for the Company to MMC Capital Limited.

Resolution 4 relates to a proposed increase in Directors' fees.

Resolutions 5, 6 and 7 relate to approval of an Executive Share Plan ("**ESP**") for the Company and subsequent issues of Shares to employees and directors under the ESP.

The purpose of our report (refer Section 4) is to consider the terms of the Acquisition. Therefore, our report specifically relates to Resolutions 1 and 2 as set out in the Notice of Meeting. We provide no opinion on Resolutions 3, 4, 5, 6 or 7.

4 REPORT REQUIREMENTS

Approval is required from Shareholders to complete the issue of its Shares to the shareholders of the Manager, in consideration for the acquisition of Manager for the purposes of ASX Listing Rules 7.1 and 10.1.

ASX Listing Rule 7.1 requires that a listed entity must obtain shareholder approval before issuing or agreeing to issue equity securities if the number of equity securities would, together with all issues undertaken in the preceding 12 months without shareholder approval or pursuant to an exception to Listing Rule 7.1, exceed 15% of the number of equity securities then on issue.

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholder approval before it acquires a substantial asset, when the consideration to be paid on the acquisition constitutes more than 5% of the equity interest of that entity at the date of the last audited accounts. Listing Rule 10.1 applies where the vendors of the relevant assets are related parties of the listed entity. The following shareholders of the MMC Asset Management are considered related parties of the Company:

- HGL Limited – associated with Mr Kevin Eley, a director of the Company;
- Evanalex Holdings Pty Limited – associated with Mr Erik Metanomski, a director of the Company; and
- Peter Constable – an alternate director of the Company.

Listing Rule 10.10.2 requires the Notice of Meeting for Shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the Acquisition is fair and reasonable to the Shareholders whose votes are not to be disregarded in respect of the Acquisition.

The Directors of the Company have engaged BDO Corporate Finance to prepare this report to satisfy their obligations under the ASX listing rules as set out above.

5 BASIS OF EVALUATION

5.1 REGULATORY GUIDELINES

In determining whether the Acquisition is fair and reasonable, we have had regard to the views expressed by the Australian Securities and Investment Commission in their Policy Statement 75 "Independent Expert Reports to Shareholders" ("**PS75**") and Practice Notes 42 and 43.

PS75 considers an offer to be reasonable if:

- The offer is fair; or
- Despite not being fair, but considering other significant factors, shareholders should accept the Acquisition in the absence of any superior offer.

5.2 ADOPTED BASIS OF EVALUATION

BDO Corporate Finance consider that a report and analysis undertaken using the concepts of fair and reasonable as expressed in PS75 is consistent with determining whether the Acquisition is fair and reasonable.

Having regard to the above, BDO Corporate Finance has completed this comparison in two parts:

- A comparison between the value of consideration offered by the Company and the value of the Manager that the Company will acquire under the Acquisition (fairness); and
- An investigation into other significant factors to which the Shareholders might give consideration, prior to approving the Acquisition, after reference to the value derived above (reasonableness).

  Such consideration includes a comparison of the likely advantages and disadvantages for Shareholders if the Acquisition is accepted with the advantages and disadvantages to those Shareholders if it is not.

We have assessed that in all cases the advantages and disadvantages of rejecting the Acquisition are the inverse of accepting the Acquisition. Thus, for simplicity and ease of evaluation, we have set out the significant factors in Section 12 only in the context of approving the Acquisition.

The Acquisition could be considered "reasonable" if there are valid reasons to approve the Acquisition, notwithstanding that it may not be regarded as "fair" to Shareholders.

6 PROFILE OF THE COMPANY

6.1 HISTORY

The Company is an investment company listed on the ASX which primarily invests in other ASX listed securities. The Company raised $200 million of capital by way of a prospectus dated 10 October 2003 and listed on the ASX in December 2003.

The Company has the following investment objectives:

- To exceed the return of the ASX All Ordinaries Accumulation Index ("**All Ords Index**") over the medium to long term;
- To pay regular dividends, franked where possible; and
- To preserve the capital of the Company.

In December 2003 the Company engaged the Manager as its investment manager under a 25 year management agreement. The Manager receives a management fee equivalent to 1.25% per annum of the gross assets of the Company, calculated and payable monthly in arrears. In the event that the value of the Company's portfolio increases by an amount greater than any increase in the ASX All Ordinaries Index over a 12 month period, then the Manager receives a performance fee of 15% of the amount that the Company portfolio has exceeded the All Ordinaries Index.

The Manager receives assistance from HGL in providing these management services to the Company.. As consideration, HGL is currently entitled to 40% of the total management fees payable by the Company.

6.2 CAPITAL STRUCTURE

6.2.1 ORDINARY SHARES AND OPTIONS

The Company's share structure prior to the Acquisition is set out below.

Company Share Structure	Notes	Number of Shares '000	$'000
Ordinary Share Capital as at 30 June 2006		214,386	211,579
Shares Issued Pursuant to DRP	1	1,268	1,183
Share Cancellation	2	(50)	(45)
		215,604	**212,717**

Source: Audited Financial Report for the year ended 30 June 2006 and Company announcements to ASX

Notes:

1 The Company has in place a dividend reinvestment plan ("**DRP**"). 1,268,158 Shares were issued pursuant to the DRP on 21 September 2006 at a price of $0.93 per share.

2 The Company has in place an on market share buy-back scheme. 50,000 Shares were purchased by the Company at a price of $0.91 cents per share and cancelled on 22 August 2006.

Fully paid ordinary Shares carry one vote per share and the rights to dividends. The Company currently has in place an on market share buyback and has bought back and cancelled 4,130,000 Shares since 1 July 2005. The Company currently has no options over ordinary Shares on issue.

6.2.2 TEN LARGEST SHAREHOLDERS

The ten largest shareholders of the Company as at 11 August 2006 are as follows:

Rank	Name	Number of Shares Held	% of Issued Capital
1	Avanteos Investments Limited	9,965,034	4.65
2	Cogent Nominees Pty Limited	7,528,552	3.51
3	RBC Dexia Investor Services Australia Nominees Pty Limited	6,982,334	3.26
4	Avanteos Investments Limited	4,301,944	2.01
5	Invia Custodian Pty Limited	3,743,305	1.75
6	M F Custodians Limited	2,953,100	1.38
7	Australian Executor Trustees Limited	1,535,102	0.72
8	Huoncan Super Pty Limited	1,453,154	0.68
9	Aust Executor Trustees NSW Limited	1,343,408	0.63
10	Flexiplan Management Pty Limited	1,175,000	0.55

Source 2006 Annual Report

6.3 HISTORICAL BALANCE SHEET

The Company's balance sheets as at 30 June 2005 and 2006 are set out below.

Balance Sheet	As At 30 June 2005 $'000	As At 30 June 2006 $'000
Assets		
Cash	48,515	17,515
Receivables	1,166	3,581
Fixed Interest deposits	85,526	118,091
Equity securities	106,530	103,783
Total Assets	**241,737**	**242,970**
Liabilities		
Payables	1,414	992
Current tax liabilities	2,842	3,174
Deferred tax liabilities	3,950	2,428
Total Liabilities	**8,206**	**6,594**
Net Assets	**233,531**	**236,376**
Equity		
Issued Capital	213,166	211,580
Retained Profits	1,504	20,533
Asset revaluation reserve	10,054	4,263
Capital profits reserve	8,807	-
Total Equity	**233,531**	**236,376**

Source: Audited Financial Report for the years ended 30 June 2005 and 2006

We make the following comments in relation to these balance sheets:

- As at 30 June 2006, 43% of Company's total assets were invested in equity securities. This compares with 44% invested in equity securities at 30 June 2005.
- The Company's issued capital has reduced during the year ended 30 June 2006 as a result of the Company's share buy-back scheme.

6.4 Historical Income Statement

The Company's income statements for the years ended 30 June 2005 and 2006 are set out below.

Profit and Loss	Year Ended 30 June 2005	Year Ended 30 June 2006
	$'000	$'000
Revenue	9,832	10,556
Realised Capital Gains	-	22,655
Expenses	(3,764)	(3,968)
Profit before income tax	**6,068**	**29,243**
Income tax benefit/(expense)	(1,736)	(8,266)
Profit attributable to members of Company	**4,332**	**20,977**

Source: Audited Financial Report for the years ended 30 June 2005 and 2006

We make the following comment in relation to these income statements:

- The profit for the year ended 30 June 2006 includes capital gains from the sale of investments totalling $22.7 million. For the year ended 30 June 2005, equivalent capital gains of $10.8 million were made. A change in the accounting treatment in 2006 has led to the apparent differences in the income statements above.

7 PROFILE OF MMC ASSET MANAGEMENT

7.1 History

The Manager is an unlisted public company, founded in 1993 by Mr Erik Metanomski, as a boutique, value focussed, funds manager. The Manager has acted as investment manager of the Company since 2003.

In addition to managing funds on behalf of the Company, the Manager is also the Responsible Entity of the following managed funds.

i. **MMC Value Growth Trust ("VGT")**

VGT invests in Australian equities, listed property securities and cash. It aims to achieve a rate of return of 4% in excess of medium-term government bond interest rates over the long-term.

ii. **MMC Australian Share Fund ("ASF")**

ASF invests in Australian equities, listed property securities and cash. It aims to achieve a rate of return of 4% in excess of medium-term government bond interest rates.

iii. **MMC Property Securities Fund ("PSF")**

PSF invests in high quality, income producing, Australian listed property securities. It aims to achieve a rate of return of 2% in excess of medium-term government bond interest rates over the long-term.

iv. **MMC Small Companies Fund ("SCF")**

SCF invests in high quality small company securities and cash that aims to achieve a rate of return of 5% in excess of medium-term government bond interest rates over the long-term.

The Manager is also the Investment Manager of the following fund.

i. **Western Pacific Concentrated Fund ("WPCF")**

WPCF is a fund established in 2005, specifically for clients of Western Pacific Financial Group Pty Limited – a network of financial planners.

WPCF aims to provide positive returns over the long term (five years plus) by investing in a portfolio of Australian equities, listed property securities and cash.

7.1.1 SUMMARY OF FUNDS UNDER MANAGEMENT

Funds under management ("**FUM**") for the 6 funds managed by the Manager have grown from $113 million in 2003 to $575 million at 30 June 2006. At 30 June 2006, the FUM for each fund is as follows.

Fund	$M
VGT	52
ASF	216
SCF	55
PSF	4
WPCF	5
The Company	243
	575

Source: Management

7.1.2 FUNDS PERFORMANCE

The historical performance of the funds managed by the Manager, excluding the Company, is as follows as at 30 June 2006.

Fund	1 year	3 year	5 year	Inception
	%	%	%	%
VGT	7.10	13.88	14.25	20.03
ASF	7.54	13.23	11.39	12.98
SCF	11.81	21.55	19.72	29.27
PSF	13.37	15.78	N/A	17.66
WPCF	N/A	N/A	N/A	11.75

Source: Management

7.2 Capital Structure

7.2.1 Issued Capital

The Manager's share structure as at the date of this report is summarised below.

	Notes	Number of Shares '000	Number of Options '000
Ordinary share capital		31,395	
Convertible Redeemable Preference Shares ("**CRPS**")	1	316	
Options on Issue			3,130

Source: Management
Notes:

1. All CRPS outstanding are owned by HGL. It is a condition precedent to completion of the Acquisition that all CRPS are redeemed for cash prior to completion.

7.2.2 Share Options

As at the date of the report, the Manager currently has 3.1 million employee options over ordinary shares on issue at various exercise prices.

Option Holders	Number	Exercise Price $
Erik Metanomski	850,000	0.35
Peter Charles Constable	1,200,000	0.60
Kismet Capital Pty Ltd ATF <The Bubbles Trust>	233,333	0.80
Kerensa Argyriou	50,000	1.00
Kismet Capital Pty Ltd ATF <The Bubbles Trust>	233,333	1.00
Daniel Mueller	25,000	1.15
Rosemary Tan	25,000	1.15
David Mackaway	40,000	1.20
RK Sydney Pty Limited ATF <RK Family Trust>	20,000	1.20
David Mackaway	40,000	1.20
Kerensa Argyriou	50,000	1.20
Kismet Capital Pty Ltd ATF <The Bubbles Trust>	133,334	1.20
RK Sydney Pty Ltd ATF <RK Family Trust>	20,000	1.20
David Mackaway	40,000	1.20
RK Sydney Pty Ltd ATF <RK Family Trust>	20,000	1.20
David Mackaway	40,000	1.20
RK Sydney Pty Ltd ATF <RK Family Trust>	20,000	1.20
David Mackaway	40,000	1.20
Daniel Mueller	25,000	1.32
Rosemary Tan	25,000	1.32
TOTAL	**3,130,000**	

Source: Management

As set out in Section 3.2, agreement has been reached with holders to exercise 1,433,333 options (being options held by Peter Constable and Kismet Capital). The 850,000 options held by Erik Metanomski will be cancelled in consideration for payment of $425,000 by the Company.

7.2.3 Issued Capital at Acquisition Date

The Manager's estimated share structure at acquisition date is summarised below.

	Notes	Number of Shares '000
Ordinary Share Capital		31,395
Shares Issued to HGL	1	5,058
Conversion of Options	2	1,433
Total shares on Issue		37,886

Notes:
1. Reflects issuing of 5,058,236 Manager shares to HGL.
2. Reflects conversion of 1,433,333 options as detailed in Section 7.2.2.

7.3 Historical Balance Sheet

The Manager's balance sheets as at 30 June 2005 and 2006 are set out below.

Balance Sheet	As At 30 June 2005 $'000	As At 30 June 2006 $'000
Current Assets		
Cash assets	2,820	3,875
Receivables	1,405	756
Investments	-	1,319
Other assets	174	120
Total Current Assets	**4,399**	**6,070**
Non Current Assets		
Deferred Tax Assets	22	204
Intangible Assets	735	695
Property plant & equipment	168	130
Total Non Current Assets	**925**	**1,029**
Total Assets	**5,324**	**7,099**
Current Liabilities		
Payables	806	811
Current tax liabilities	477	767
Provisions	31	70
Total Current Liabilities	**1,314**	**1,647**
Non Current Liabilities		
Deferred income tax liabilities	6	114
Total Non Current Liabilities	**6**	**114**
Total Liabilities	**1,320**	**1,761**
Net Assets	**4,004**	**5,337**
Equity		
Issued Capital	2,679	3,320
Employee Share options	143	148
Accumulated losses	1,182	1,869
Total Equity	**4,004**	**5,337**

Source: Audited Financial Report for the years ended 30 June 2005 and 2006

We make the following comments in relation to these balance sheets:

- The above balance sheets do not include the value of the Manager's fund management agreements with the six funds detailed in Section 7.1.
- The Manager has to maintain a minimum of 0.5% of Funds under Management in liquid assets pursuant to the conditions of its Australian Financial Services License.

7.4 HISTORICAL INCOME STATEMENT

The Manager's income statements for the years ended 30 June 2005 and 2006 are set out below.

Profit and Loss	Year Ended 30 June 2005 $'000	Year Ended 30 June 2006 $'000
Management and Performance Fees	7,407	6,829
Interest	137	169
Other Income	23	220
Gains on investments	-	98
Unrealised gains on investments	-	357
Total Income	**7,568**	**7,673**
Operating expenses	(929)	(660)
Research expenses	(568)	(565)
Marketing expenses	(138)	(123)
Employee expenses	(2,747)	(2,421)
Profit before income tax	**3,186**	**3,903**
Income tax benefit/(expense)	(901)	(1,167)
Profit attributable to members of Manager	**2,285**	**2,737**

Source: Audited Financial Report for the years ended 30 June 2005 and 2006

We make the following comment in relation to these income statements:

- The reduction in management and performance fees between the 2005 and 2006 financial years is due to the Manager not earning any performance fees during the 2006 financial year.

8 VALUATION METHODOLOGIES

Valuation methodologies commonly used for valuing assets and businesses are summarised at ***Appendix A.***

Our selected valuation methodologies for valuing the Company and the Manager are set out below.

8.1 THE COMPANY

To value the Shares in the Company we have considered the observed market price for the Company as traded on the ASX as this represents a value for the Shares in the Company currently being traded by willing buyers and willing sellers.

We have also had consideration of the net tangible assets ("**NTA**") valuation methodology as the Company is an investment company with liquid assets.

We are not able to apply the discounted cash flow ("**DCF**") methodology or future maintainable earnings ("**FME**") valuation methodology to value the Shares for the following reasons:

- The DCF methodology could not be applied due to the unavailability of reliable medium to long term forecast cash flows.

- The Company generates income from realised and unrealised gains on its investments. These investment earnings are unpredictable making it difficult to accurately forecast future maintainable earnings.

Full details of the valuation of the Company are included in Section 9.

8.2 THE MANAGER

For the Manager, we have selected the FME valuation methodology for the following reasons:

- The Manager's business is well established and has been operating for a number of years.
- The Manager's business would be considered to have a non-finite life.
- The DCF methodology could not be applied due to the non-availability of reliable medium to long-term forecast cash flows.
- The NTA method is not appropriate given the value of the Manager is derived from its management agreements, the value of which are not currently recognised in the balance sheet.
- The Manager's business requires minimal amount of ongoing capital expenditure.

The full details of the valuation of the Manager are included in Section 10.

8.3 SURPLUS ASSETS

Companies may hold surplus assets that are not used in normal operating activities.

Surplus assets of the Company or the Manager (if relevant) have been identified and valued separately from the main operations.

8.4 FUTURE EVENTS

The businesses of the Company and the Manager that are to be considered in both valuations are those that exist at the date of this Report. Future growth potential, which may result from new activities, business initiatives and the like, are not within the scope of our valuations.

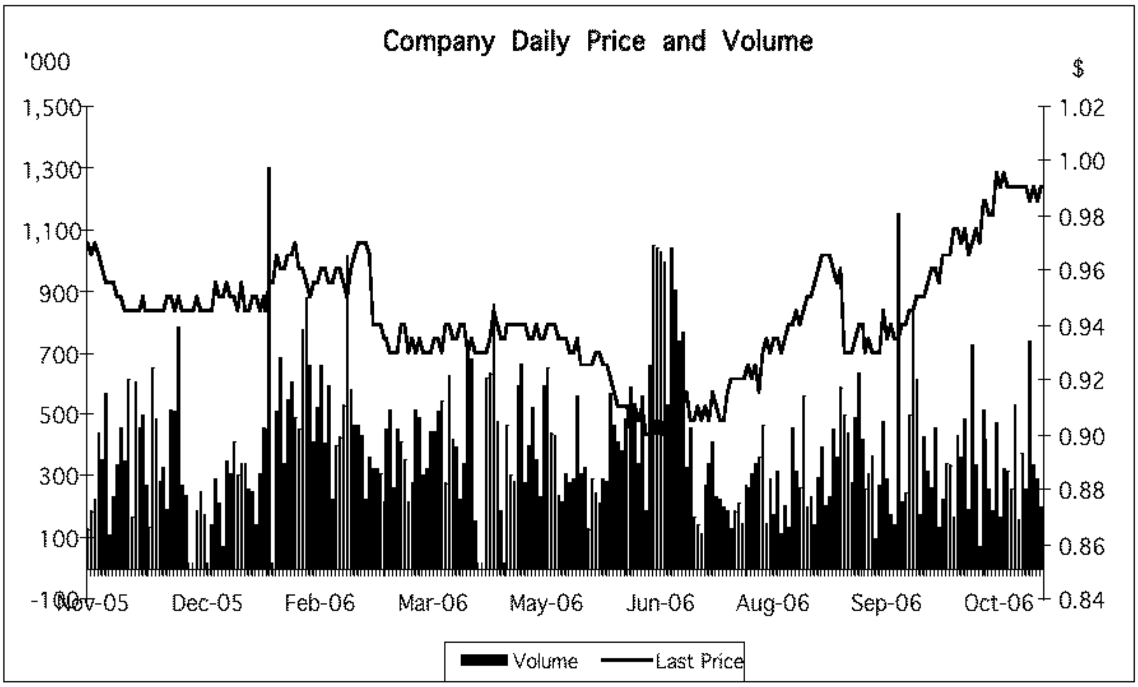
9 VALUATION OF THE COMPANY

In accordance with our valuation approach set out in Section 8.1, we have selected the ASX market valuation and NTA valuation methodologies to value the Company.

9.1 ASX MARKET VALUATION

The Company is listed on the ASX, accordingly there is a ready market for its securities. The recent prices at which its securities are bought and sold can be taken as the market value per security. Such market value includes all factors and influences that impact upon the ASX.

The following chart provides a summary of the trading prices and volumes in Shares over the 12 month period up to, and including, 16 November 2006, being the last trading day immediately prior to the Company's announcement to the ASX of the proposed acquisition of the Manager.



Source: Bloomberg

The following comments relate to the share price movements and volumes traded as presented in the graph above:

- The daily price of Shares has traded in a narrow band over the period 17 November 2005 to 16 November 2006. The share price has ranged from a high of $0.99 recorded on 31 October 2006 and 2 November 2006 to a low of $0.90, recorded on 8 trading days between 14 June 2006 and 4 July 2006.

- On 26 January 2006, over 1.3 million Shares traded, following an investment update announced to the ASX on 25 January 2006 in which Company advised that they would be paying an increased dividend of 3 cents per share for the half year ending 31 December 2005.

- Between 22 June 2006 and 29 June 2006 approximately 5.7 million Shares were traded. Some of the Shares traded during this period were purchased, and subsequently cancelled, by Company as part of their share buyback program.

- On 20 October 2006 the Company released to the ASX their September 2006 quarterly investment update. The Company's share price increased following this announcement, closing at $0.995 on 31 October 2006.

To provide further analysis of the market prices for Shares, we have also considered the weighted average market price over a 10, 30, 60 and 90 day period to 16 November 2006.

	16 November 2006	10 days	30 days	60 days	90 days
Closing price	$0.99				
Weighted Average Share Price		$0.99	$0.98	$0.96	$0.95

In assessing the market price we have also considered the levels of trading in securities of the Company. Over the 12 months to 16 November 2006, approximately 100 million Shares have been actively traded. The total volume of Shares traded equated to approximately 47% of the total Shares on issue.

Given the consistent range in which the Company's Shares have traded over the past 90 days, we consider the appropriate value of Shares in the Company, based on ASX pricing, to be between $0.95 and $0.99.

9.2 Net Asset Valuation

Under the net tangible asset ("**NTA**") valuation methodology, all tangible assets and liabilities of the Company are valued at market value and this combined market value forms the basis for Company's NTA valuation. The NTA methodology is an appropriate valuation method for companies whose assets consist of cash and investments in other ASX listed companies which can be valued at market value.

We have determined the net asset value of the Company as at 31 October 2006 after making adjustments to the Company's reported net tangible assets as at 30 June 2006.

Adjusted Net Tangible Assets	$'000
Net tangible assets at 30 June 2006	236,376
Adjustments	
Add: Net increase in all assets to 31 October 2006 (including increase in market value of investments)	11,086
Less: Net increase in all liabilities to 31 October 2006	(3,880)
Adjusted Net Tangible Assets	**243,582**

Source: Annual Report 2006 and Management's Portfolio Valuation Report as at 31 October 2006.

The NTA value per share of Company is summarised below.

Net Tangible Asset Valuation	
Adjusted net tangible assets ($'000)	243,582
Total number of Shares on Issue at 31 October 2006 (000)	215,604
Net Tangible Assets per Share ($)	**1.13**

We note that the calculated NTA per share will be subject to realisation charges and any diminution in value that may occur upon realising, on market, the Company's investments. The NTA calculation may also be subject to a liability attaching to the termination of the management agreement.

9.3 Valuation Summary of The Company

We have considered the value resulting from the weighted average trading prices of Shares (Section 9.1) and the net tangible asset valuation of the Company (Section 9.2).

Given the NTA calculation are subject to certain adjustments as detailed in Section 9.2, we consider the ASX traded market prices to best represent the value of the Company as determined by a willing buyer and willing seller.

Based on the above we have assessed the value of each Company share in the following range.

MMC Contrarian	Low	High
Value per Share	**$0.95**	**$0.99**

10 VALUATION OF THE MANAGER

10.1 Overview of FME Methodology

In accordance with our valuation approach set out in Section 8.2, we have selected the FME methodology to value the Manager. The FME methodology requires consideration of the following factors.

10.1.1 Determination of an Appropriate Level of Maintainable Earnings

The determination of an appropriate level of FME requires assessment of:

- The historical and forecast operating results;
- Items of income and expenditure, that are non recurring, not on commercial terms, or related to surplus assets; and
- Any other known factors likely to affect the future operating performance of the business existing at the valuation date.

10.1.2 Selection of an Appropriate Capitalisation Multiple

In deciding what multiple range to use, assessment must be made of:

- Comparable companies;
- The extent and nature of competition in the industry;
- Quality of earnings, future growth opportunities; and
- Relative risk compared to other investments.

10.2 DETERMINATION OF FME

The FME valuation of the Manager has been based on the Manager's adjusted net profit after tax. In determining the FME, we considered actual operating results for the year ending 30 June 2006 and Management's forecasts for the year ending 30 June 2007.

To determine FME, items of revenue or expenditure of an abnormal or non-recurring nature (which are not considered to be sustainable in the future), or are related to surplus assets, need to be adjusted from historical and forecast financial information. The normalisation adjustments we have considered are set out below.

	Section	Actual Year Ending 30 June 2006 $'000	Forecast Year Ending 30 June 2007 $'000
Net profit before tax		**3,852**	**3,615**
Adjustments:			
40% of Company management fees	10.2.1	1,231	1,235
Cost recoupment from HGL	10.2.2	(367)	(383)
Incremental Petroleum income	10.2.3	(160)	
AM Constable write off	10.2.4	60	
Legal settlement	10.2.5	(181)	
Earnings on investments	10.2.6	(25)	(60)
Total Adjustments		**558**	**792**
Adjusted net profit before tax		**4,410**	**4,407**
Less: Notional Tax	10.2.7	(1,323)	(1,322)
Adjusted net profit after tax		**3,087**	**3,085**
Weighting	10.2.8	40%	60%
Weighted FME			**3,086**

Source: 2006 Audited Accounts and 2007 Management Forecasts

Following our review of the Manager's historical and forecast financial information and discussions with management of the Manager, we have determined that the following normalisation adjustments should be made in assessing the FME of the Manager.

10.2.1 40% OF COMPANY MANAGEMENT FEES

The Manager currently directs the Company to pay 40% of the Company's fund management fees to HGL. We have made adjustments to reflect the Manager receiving the additional 40% of the Company management fee.

10.2.2 COST RECOUPMENT FROM HGL

The Manager currently recovers various costs from HGL that the Manager pays, including insurance and salaries. Following the Acquisition, the Manager will no longer be entitled to recover these costs from HGL. Accordingly, the 2006 actual operating results and the 2007 forecast operating results have been adjusted to reflect the relevant costs not being recovered from HGL.

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10.2.3 Incremental Petroleum Income

The Manager acquired shares and options in Incremental Petroleum Limited ("**IPM**") in its own right during the year ended 30 June 2006. The realised and unrealised capital gain, and associated performance fees paid by the Manager relating to the IPM investment, are considered to be of a non-recurring nature and have been excluded from the 2006 actual operating results. This asset has been sold subsequent to 30 June 2006, prior to the Acquisition.

10.2.4 AM Constable Limited Write Off

AM Constable Limited, a 100% owned subsidiary of the Manager, was placed in voluntary liquidation during the year ending 30 June 2006. On liquidation, an amount of $60,000 was written off and expensed. This has been adjusted for in the 2006 actual operating results.

10.2.5 Legal Settlement

The Manager received proceeds during the year ending 30 June 2006 from a legal settlement in relation to previous legal advice given to the Manager. These proceeds, after costs, are non-recurring and have been adjusted for in the 2006 actual operating results.

10.2.6 Manager Investment Earnings

The Manager has investments by way of units in three of the funds that it manages. These investments are not part of the Manager's main operating activities and accordingly we have deemed these investments to be surplus assets. These surplus assets are valued separately from the Manager's main operating activities and accordingly we have made an adjustment to both the 2006 actual operating results and the 2007 forecast operating results in relation to these investment earnings.

10.2.7 Taxation

Tax has been estimated for both the 2006 and 2007 financial years at a notional tax rate of 30% of the adjusted net profit, being the standard company tax rate.

10.2.8 Basis of Assumptions of Forecasts

MMC Asset Management has provided forecasts, which are supported by budgets prepared by management, for the year ending 30 June 2007. The forecasts are also supported by specific assumptions. The major assumptions underlying the forecasts are in relation to management fees paid for FUM under existing agreements.

The Directors of MMC Asset Management are responsible for the preparation and presentation of the forecasts. Our procedures have consisted primarily of enquiry and comparison and such other analytical review procedures we considered necessary to ensure the assumptions adopted provide a reasonable basis for the forecasts. These procedures included discussions with Management. Based on our review the forecasts do not appear to be prepared on an unreasonable basis.

The forecasts provided to BDO Corporate Finance by MMC Asset Management are based upon assumptions about events and circumstances that have not yet occurred. Accordingly, BDO Corporate Finance cannot provide any assurance that the forecasts will be representative of results that will actually be achieved. BDO Corporate Finance disclaims any possible liability in respect of these forecasts.

Our review of the forecast information is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the forecasts.

10.2.9 APPLIED WEIGHTING

In determining the FME for the Manager we have applied weightings to the adjusted net profit after tax and have taken into account the following factors:

- We have placed a 60% weighting on management's forecast operating results for the year ending 30 June 2007, as these earnings are based on Management's projections of an increase in Funds Under Management from the year ending 30 June 2006.
- We have placed a 40% weighting on the operating results for the year ending 30 June 2006, as these earnings represent the most recent actual audited historical results available at the date of this Report.

10.3 CAPITALISATION MULTIPLE

10.3.1 SELECTION OF THE MULTIPLE

The selection of an appropriate earnings multiple to apply to the FME is ultimately a matter of judgement, reflecting both expected returns from investments in the relevant industry and the expected risks in achieving those returns.

In selecting the price earnings ("**PE**") multiple, we considered Australian listed companies in the funds management sector.

Listed Comparable Companies

The following table sets out the PE multiples of applicable Australian listed comparable companies.

Comparable Company	Note	Market Cap (1) $'Million	FUM (2) $, billion	PE Multiple as at 30 June 2006 (3)	PE Multiple as at 10 November 2006 (4)	Forecast PE Multiple (5)	FUM /Mkt Cap (%) (6)
Hunter Hall International Limited	i.	282	1.7	14.97	21.76	-	17
Treasury Group Limited	ii.	273	4.6	16.05	19.25	19.50	6
Australian Ethical Investment Ltd	iii.	30	0.4	18.96	21.62	-	7
HFA Holdings Limited	iv.	390	3.7	-	-	25.39	11
IOOF Holdings Limited	v.	590	29	24.58	24.90	19.61	2
High				24.58	24.90	25.39	17
Average				18.64	21.88	21.50	8
Low				14.97	19.25	19.50	2

Source: Bloomberg and ASX Company announcements

Notes

1. Market capitalisation has been determined as at 10 November 2006.
2. Funds under management are per the most recent disclosure by the Company

3. The PE multiples as at 30 June 2006 have been based on the net profit for the year ending 30 June 2006 and the share price as at 30 June 2006

4. The PE multiples as at 10 November 2006 have been based on the net profit for the year ending 30 June 2006 and the share price as at 10 November 2006.

5. The forecast PE multiples for the companies have been based on the forecast net profit for the year ending 30 June 2007 per Bloomberg based on broker estimates and the share price as at 10 November 2006.

Details of the comparable companies are provided below.

i. **Hunter Hall International Limited** ("**HHL**") is an ethical fund manager whose investment policy restricts investment in companies involved in activities such as tobacco, armaments, gambling, and destruction of the environment or cruelty to animals.

ii. **Treasury Group Limited ("TRG")** is an Australian investment funds management company. The company is developing a wholesale funds management service.

iii. **Australian Ethical Investment Limited ("AEF")** operates as a funds manager. The company manages a portfolio of ethical investments that support society and the environment such as recycling, renewable energy, complementary healthcare, education and bio-diversity.

iv. **HFA Holdings Limited** ("**HFA**") is a specialist funds management company. The company provides absolute fund products to retail, whole sale and institutional investors throughout Australia.

v. **IOOF Holdings Limited ("IFL")** is a financial services company operating in Australia. The services provided by the company include personal superannuation, allocated pension services, employee superannuation retirement services and investment services.

10.3.2 ADOPTED MULTIPLE

Based on the above, we have selected a multiple range of 13 to 14 after consideration of the following factors:

- The range of PE multiples observed in identified comparable companies.
- Relativity of the Manager to the identified comparable companies in terms of market capitalisation, size and scale of its operations. We deem HHL, TRG and AEF to be the most similar of the companies identified;
- Relativity of the Manager to the identified comparable companies in terms of business segmentation and diversification.
- We note that four of these comparable companies identified as having similar business operations, HHL and TRG, HFA and IFL are considerably larger than the Manager. We would therefore assume that those comparable companies trade at a higher PE multiple than the Manager through their greater profile and scale of operations.
- Due to their larger business segmentation, diversification and client base, we assume that the comparable companies are able to achieve greater economies of scale and are less risk averse than the Manager which would justify their higher PE multiples.

10.4 FME Valuation - Manager Listed Equivalent

By applying the FME determined at Section 10.2 and the capitalisation multiple range determined at Section 10.3.2 the following equity value range for the listed equivalent of the Manager is derived.

	Section	Low $'000	High $'000
FME	10.2	3,086	3,086
Capitalisation Multiple	10.3.2	13	14
Manager - Listed Equivalent Value (Before Surplus Assets)		**40,118**	**43,204**

10.5 FME Valuation of Manager

The value of the listed equivalent of the Manager was determined at Section 10.4. However the Manager is an unlisted private company. Shares in unlisted entities trade at discounts to their listed counterparts due to a lack of liquidity in the unlisted entity's securities.

We have examined such discounts in the Australian and the United Kingdom markets. This evidence is presented in ***Appendix B***. Having considered the discounts in these markets, we have determined that a discount adjustment of 15% should be applied to the value of the listed equivalent of the Manager.

Based on the value of a listed equivalent of the Manager determined at Section 10.4 and a private company discount of 15%, the equity value of the Manager (before any surplus assets) is determined as follows.

	Section	Low $'000	High $'000
Listed Equivalent Equity Value	10.4	40,118	43,204
Private Company Discount	Appendix B	(6,017)	(6,480)
Manager - Equity Value (Before Surplus Assets)		**34,101**	**36,724**

10.6 Surplus Assets

10.6.1 Investments – Managed Funds

The Manager has investments by way of units in three of the funds that it manages. The number of units held by the Manager, the current unit price and the market value of the units, as at 31 October 2006, are detailed below.

Managed Fund Investments	Number of Units	Unit Price	$'000
-MMC Australian Companies Fund	174,128	$1.24	216
-MMC Small Companies Fund	143,876	$1.60	230
Western Pacific Concentrated Fund	190,944	$1.22	233
Total Managed Fund Investments			**679**

Source: Management

10.6.2 Investments – Other Listed Shares

The Manager owns a small quantity of shares in approximately 130 companies listed on the ASX. We have been advised by management that the market value of these shares, as at 31 October 2006, is approximately $74,000.

10.6.3 Valuation Summary of Surplus Assets

The estimated value of the Manager's surplus assets as at the date of this Report is set out below.

Surplus Assets	Section	$'000
Investments - Managed Funds	10.6.1	679
Investments - Other listed shares	10.6.2	74
Total Surplus Assets		**753**

10.7 MMC Asset Management Valuation Summary

Based on the value of the FME determined at Section 10.4 and 10.5 and surplus assets determined at Section 10.6, the Manager's equity value is determined as follows.

	Section	Low $'000	High $'000
Value (Pre Surplus Assets)	10.5	34,101	36,724
Add: Surplus Assets	10.6.3	753	753
Total Value		**34,854**	**37,477**

10.8 Comparison of Value to FUM

As a reasonableness check of the values for the funds management business derived using the FME methodology in Section 10.1, we have compared the FUM percentage implied by our valuation (prior to the private company discount) with the comparable company FUM percentages outlined in Section 10.3.1 of our Report.

The FUM percentage implied by our valuation is as follows.

	Low $'000	High $'000
FUM at 30 June 2006	575,557	575,557
Manager Listed Equivalent Value	40,118	43,204
% of FUM	**6.9%**	**7.5%**

The FUM percentages, as calculated above, do not appear unreasonable when compared with the equivalent percentages as calculated for the five comparable companies detailed in Section 10.3.1 above.

11 IS THE ACQUISITION FAIR?

11.1 Value of Consideration

As set out in Section 3.2 the consideration paid by the Company under the Acquisition will be the issue of Shares (and potentially payment of cash for unexercised MMC Asset Management options).

As the total Shares issued or cash paid under the Acquisition cannot be determined accurately at the date of this Report we have considered the potential range of consideration paid as follows.

	Section	Minimum	Maximum
Shares Issued	3.2	29,510,155	34,656,053
Value per Share	9.3	\$0.95	\$0.99
Total Value of Shares Issued		28,034,647	34,309,492
Cash Consideration for shares	3.2	4,168,936	-
Cash Consideration for Options	3.2	425,000	425,000
Total Value of Consideration		**32,628,583**	**34,734,492**

11.2 Value of the Manager

Based on the value of the FME valuation determined at Section 10.5, and the surplus assets of the Manager determined at Section 10.6, the equity value range of the Manager to be acquired by the Company is as follows.

	Section	Low \$'000	High \$'000
Value of the Manager	10.7	34,854	37,477

11.3 Assessment of Fairness of the Acquisition

A comparison of the value of the Manager to be acquired by the Company, to the consideration offered by the Company is provided below.

	Section	Low \$'000	High \$'000
Value of Consideration	11.1	32,629	34,734
Value of the Manager	11.2	34,854	37,477

The value of consideration offered is less than the assessed value of the Manager being acquired by the Company. Based on this comparison, the Acquisition is considered fair to Shareholders.

12 IS THE ACQUISITION REASONABLE?

In order to assess whether the Acquisition is both fair and reasonable to Shareholders, we have also assessed the advantages and disadvantages of the Acquisition other than those that relate to the valuation.

The Directors are unable to provide forecasts for the business before and after the Acquisition. Accordingly, we are unable to assess the financial impact of the dilution in shareholdings in terms of earnings or distributions per share.

We have given consideration to relevant advantages and disadvantages detailed below.

12.1 Advantages of accepting the Acquisition

In accordance with our basis of evaluation at Section 5 we have investigated other significant factors to which Shareholders might give consideration prior to approving the Acquisition. The matters we have considered are outlined below.

12.1.1 Potential Improved Liquidity of Company Shares

Subsequent to the Acquisition, depending on the number of Manager shareholders that accept Shares as consideration, there will be an additional 29,510,155 to 34,656,053 Shares on issue. The increased scale and size of the Company could potentially increase the liquidity in trading in Company Shares. This represents an advantage to Shareholders.

12.1.2 Change in Investment Profile

If the Acquisition is approved, Shareholders, in addition to their exposure to the current investments of the Company, will also have exposure to a significant funds management operation.

Prior to the Acquisition, the Company derives its income from interest on its cash holdings and from dividends and capital gains on its investments in Australian and New Zealand equities.

After the Acquisition, the Company will also derive income from the management agreements that the Manager has with 5 unlisted funds with, in excess of, $330 million under management.

This new income source exposes Shareholders to a change in their risk profile, as detailed below.

Change	Effect on Risk Profile
Income received from managed funds based on: - Base fee of a % of gross assets under management; - Performance fees for out performance.	- Risk on quantum of cash flows reduced due to contractual nature of the base fee. - Potential for upside in any performance fees.

The changes to the risk profile would represent an advantage to Shareholders who wish to change their investment profile in such a way.

12.1.3 INTERNALISATION OF MANAGEMENT

If the Acquisition is approved, the management of the Company will be performed by the Company. Accordingly, the management fees, and any performance fees, previously paid to parties external to the Company will be retained within the group.

The cash outflow of approximately $3.1 million dollars (based on fees paid in 2006) will be retained by the Company.

12.1.4 ALIGNMENT OF INTERESTS

As part of the Acquisition, the key executives of the Manager, Mr Erik Metanomski and Mr Peter Constable (or parties associated with Mr Erik Metanomski and Mr Peter Constable), will receive Shares in consideration for their respective shareholdings in the Manager. A financial interest in the Company by the key executives is an advantage in aligning their personal interests to those of Shareholders. This is an advantage to Shareholders in approving the Acquisition.

12.1.5 SHARE ISSUE WILL BE ESCROWED

Mr Erik Metanomski, Mr Peter Constable and HGL (or parties associated with Mr Erik Metanomski, Mr Peter Constable and HGL) together with Western Pacific Investments Pty Ltd have agreed to enter into selling restriction agreements in relation to their Shares in the Company to be issued on approval of the Acquisition, as follows:

- 25% to be held for a period of at least 6 months from completion;
- 25% to be held for a period of at least 12 months from completion;
- 25% to be held for a period of at least 18 months from completion; and
- 25% to be held for a period of at least 24 months from completion.

Large parcels of shares placed for trading on the ASX will generally have an adverse effect on that entity's share price. As the Shares to be issued as consideration in the Acquisition are to be held in escrow under the conditions above, these shareholders are unable to dispose of large shareholdings in the company at the same time.

This is an advantage to Shareholders in approving the Acquisition.

12.2 DISADVANTAGES OF ACCEPTING THE ACQUISITION

12.2.1 DILUTION OF SHAREHOLDING AND LOSS OF CONTROL

If the Acquisition is accepted, approximately 34 million additional Shares will be issued to the Manager's shareholders. Shareholders will consequently have a reduction in the level of voting power.

The following table sets out the relative voting power percentage before and after approval of the Acquisition based on a holding of 1,000,000 Shares.

	No of Shares	% Shareholding
Before Acquisition	1,000,000	0.46%
After Acquisition	1,000,000	0.42%

As a result the voting power of current Shareholders will reduce.

This may represent a disadvantage to those Shareholders who wish to maintain their respective voting power.

12.2.2 DIMINUTION OF NTA PER SHARE

The majority of the Manager's assets are intangible assets relating to the income it generates from its long term fund management contracts. As at 31 October 2006 the Manager had approximately $4.2 million in tangible assets being cash and investments in managed funds.

The NTA of the Company as at 31 October 2006 was $1.13 per Share (unaudited). On a proforma basis, the Acquisition is estimated to reduce NTA per Share by 13 cents per Share before tax or 17 cents per Share after accounting for the national future tax liability as required by the Australian equivalents to International Financial Reporting Standards. The calculation of NTA is subject to determination of the amount and nature of the intangible assets, including goodwill which are created by the Acquisition.

The reduction in the Company's net tangible asset backing represents a disadvantage to Shareholders of approving the Acquisition.

12.2.3 CHANGE OF INVESTMENT PROFILE

As set out in Section 12.1.2 if the Acquisition is approved, Shareholders will also have exposure to a significant funds management operation. This change in investment profile may be considered a disadvantage to Shareholders who do not want their investment profile changed in such a way.

13 SOURCES OF INFORMATION

BDO Corporate Finance has relied upon the following information for the purposes of this Report:

- The Company Audited Financial Reports for years ended 30 June 2004 to 2006;
- The Company Management Accounts as at 31 October 2006;
- The Manager Audited Financial Reports for years ended 30 June 2004 to 2006;
- The Manager Management Accounts as at 31 October 2006;
- Share Purchase Agreement between the Company and the Manager dated 16 November 2006
- Notice of General Meeting and Explanatory Memorandum dated 15 December 2006;
- Company announcements to ASX;
- Publicly available information;
- Bloomberg; and
- Discussions with Directors and Management of the Company and the Manager.

14 INDEPENDENCE

BDO Corporate Finance is entitled to receive a total fee of $63,000 excluding GST and reimbursement of out of pocket expenses) for completion of this Report. Except for this fee, BDO Corporate Finance has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this Report.

BDO Corporate Finance is wholly owned by BDO, a member of BDO International. Prior to accepting this engagement BDO Corporate Finance considered its independence with respect to MMC Contrarian Limited and any of their respective associates with reference to the ASIC Practice Note 42 entitled "Independence of Expert's Reports". In BDO Corporate Finance's opinion it is independent of MMC Contrarian Limited and its respective associates.

BDO Corporate Finance and BDO do not have at the date of the Report, and have not had within the previous two years, any shareholding in or other relationship with MMC Contrarian Limited or any of its respective associates.

A draft of this Report was provided to MMC Contrarian Limited and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this Report as a result of this review.

15 QUALIFICATIONS

BDO Corporate Finance has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sebastian Stevens and Judith Ryan of BDO Corporate Finance. They have significant experience in the preparation of independent expert reports, valuations and merger and acquisitions advice across a wide range of industries in Australia.

16 DISCLAIMERS AND CONSENTS

This Report has been prepared at the request of MMC Contrarian Limited for inclusion in the Notice of Meeting and Explanatory Memorandum which will be sent to all Shareholders. The Company engaged BDO Corporate Finance to prepare an independent expert's report to consider the acquisition of the Manager.

BDO Corporate Finance hereby consents to this Report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance.

BDO Corporate Finance takes no responsibility for the contents of the Notice of Meeting other than this Report.

BDO Corporate Finance has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit of the Company or the Manager. However, we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld.

The statements and opinions included in this Report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance has no obligation to update this Report for events occurring subsequent to the date of this Report.

17 INDEMNITY

The Company has provided an indemnity to BDO Corporate Finance for any claims arising out of any mis-statement or omission in any material or information provided to it in the preparation of this Report.

Yours faithfully
BDO CORPORATE FINANCE PTY LIMITED

SEBASTIAN STEVENS
Director

JUDITH RYAN
Director

BDO

APPENDIX A

VALUATION METHODOLOGIES

VALUATION METHODOLOGIES

Methodologies commonly used for valuing assets and businesses are as follows:

1 DISCOUNTED FUTURE CASH FLOWS ("DCF METHODOLOGY")

DCF valuations are applicable to all businesses and specifically ones that demonstrate the following characteristics:

- Limited lives
- Current growth
- Start-up phase
- Irregular cashflows

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows. Future cash flows are discounted to their present value at an appropriate discount rate. This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period. This is also discounted to its present value using the appropriate discount rate.

2 CAPITALISATION OF FUTURE MAINTAINABLE EARNINGS ("FME METHODOLOGY")

The FME Methodology is particularly applicable to businesses with relatively steady growth histories and forecast, regular capital expenditure requirements and non-finite lives.

This method places a value on the business by estimating the likely future maintainable earnings ("**FME**"). The FME is then capitalised at an appropriate rate which reflects:

- Business outlook,
- Business risk,
- Investor expectations,
- Future growth prospects and
- Other entity specific factors.

This approach relies on the availability and analysis of comparable market data.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ("**EBIT**") or earnings before interest, tax, depreciation and amortisation ("**EBITDA**"). The capitalisation rate or earnings multiple is adjusted to reflect which FME base is being used.

3 NET TANGIBLE ASSET VALUE ON A GOING CONCERN BASIS ("NTA METHODOLOGY")

NTA valuations are normally used as a secondary valuation method and as a basis for determining the level of goodwill implied in FME and DCF valuations.

The NTA Methodology is usually appropriate where the majority of assets consist of cash or passive investments, or the business is under performing. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall NTA valuation.

4 FUTURE MAINTAINABLE DIVIDENDS ("FMD METHODOLOGY")

The FMD Methodology applies particularly to minority holdings in private and unlisted public companies. This methodology places a value on a company based on expected future dividend streams.

The FMD Methodology is similar to the FME Methodology and requires an estimation of the future maintainable dividends, a required rate of return and expected rate of dividend growth.

5 QUOTED MARKET PRICE VALUATION

For listed entities such as the Company a further method that can be used is the quoted price for securities. Where there is a ready market for securities such as the ASX through which the Company shares are traded, recent prices at which shares are bought and sold can be taken as the market value, per shares.

Such market value includes all factors and influences that impact upon the ASX. If shares in an entity are thinly traded then less reliance can be placed on the current listed price.

APPENDIX B

VALUATIONS OF PRIVATE COMPANIES

VALUATIONS OF PRIVATE COMPANIES

Note: All Section references are related to this Appendix unless specifically stated.

MMC Asset Management Limited ("**the Manager**") is a private company. There is empirical evidence that shares in private companies trade at discounts to listed entities due to lack of liquidity in the unlisted entity's securities. We have examined such discounts evident in markets, including Australia, and the United Kingdom in order to determine an appropriate adjustment to apply to the valuations of the Manager.

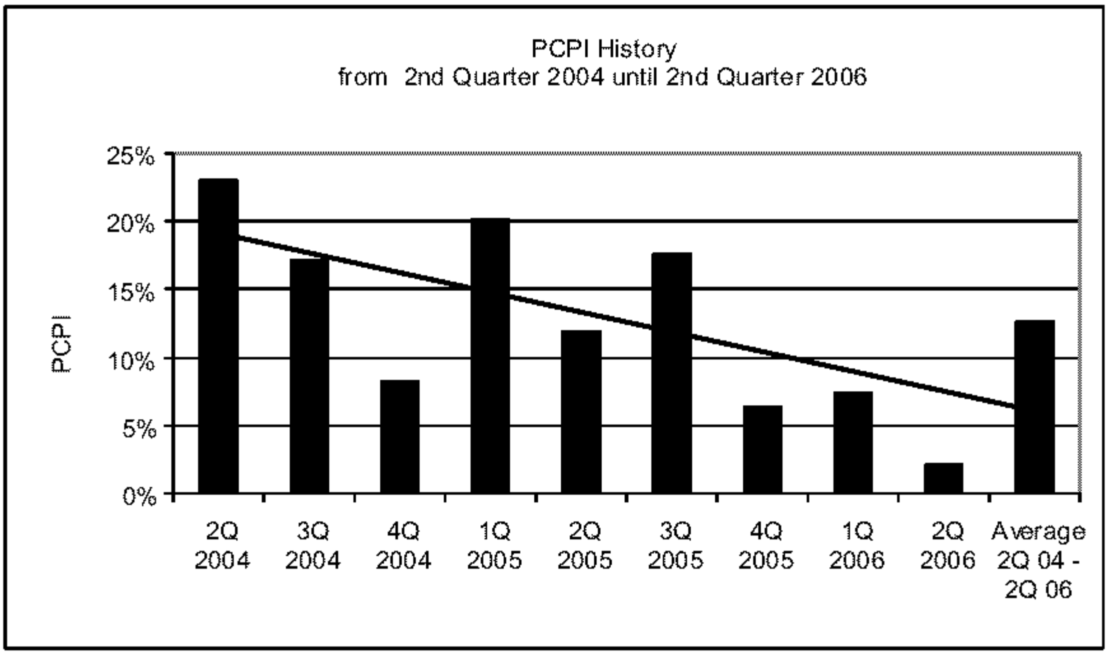
1 AUSTRALIAN EVIDENCE

Wayne Lonergan[1] refers to the discounts for the non-negotiability of shares not listed on exchanges. Lonergan sites evidence from Australian and international court decisions and concludes, "a reasonable discount for non-negotiability would generally be in the range of 10 to 25 per cent."

2 UNITED KINGDOM EVIDENCE

BDO Stoy Hayward (UK) publishes a quarterly Private Company Price Index ("**PCPI**") which compares the Price Earning multiples ("**PE**") of private companies to the PE of listed entities.

The reported quarterly PCPI's for the 2003 to 2005 years inclusive are summarised in the graph below.



As shown above the discount attached to private companies relative to comparable listed companies has ranged from 2% to 23% over the past 2 years with an average of 13%.

The transactions included in this analysis generally involve the acquisition of 100% of the unlisted company. Therefore the PCPI inherently includes a control premium.

[1] Wayne Lonergan, The Valuation of Businesses, Shares and Other Equity, 3rd Edition, page 479

3 CONCLUSION

Having considered the above markets, we have determined that a **15%** discount should be applied to the value of the listed equivalents of the Manager to reflect the relative lack of liquidity when compared to listed stocks.

MMC
Contrarian
Limited

ABN 83 106 248 248

Notice of General Meeting

Notice is hereby given that a general meeting of MMC Contrarian Limited **(Company)** will be held at Menzies Hotel, 14 Carrington Street, Sydney NSW 2000 on Monday 29 January 2007 at 11:00 am.

This meeting is convened for the purpose of considering and, if thought fit, passing resolutions to facilitate the acquisition of MMC Asset Management Limited **(MMC)** as described in detail in the accompanying explanatory memorandum.

Special Business

1. Approval of acquisition from related party

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

That the acquisition of all of the issued share capital of MMC Asset Management Limited from the MMC Vendors in accordance with the Acquisition Agreement is approved.

Without limitation, Listing Rule 10.1 is relevant to this resolution.

Note: The Company will disregard any votes cast on this resolution by the MMC Vendors and any of their Associates (other than votes cast:

- as proxy in accordance with the directions on the proxy form, for any other member of the Company who is entitled to vote; and
- by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides).

2. Issue of Shares to MMC Vendors

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

That the allotment and issue of up to 34,656,053 Shares at an issue price of $0.95 per Share to the MMC Vendors as described in the explanatory memorandum is authorised and approved.

Without limitation, Listing Rules 7.1 and 10.11 are relevant to this resolution.

Note: The Company will disregard any votes cast on this resolution by a Vendor who may participate in the issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any of their Associates (other than votes cast:

- as proxy in accordance with the directions on the proxy form, for any other member of the Company who is entitled to vote; and
- by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides).

3. Change of Name

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

That the name of the Company be changed from MMC Contrarian Limited to MMC Capital Limited with effect from completion of the acquisition of MMC Asset Management Limited by the Company.

4. Increase in Directors' Fees

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

That an increase of $225,000 in the maximum remuneration payable to non-executive Directors of the Company in aggregate from $75,000 to $300,000 per annum be approved.

Without limitation Listing Rule 10.17.1 is relevant to this Resolution.

Voting Exclusion: The Company will disregard any votes cast on this resolution by a Director and any of their associates, unless the vote is cast by:

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

5. Approval of the MMC Capital Limited Executive Share Plan

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

That the issue of securities under the MMC Capital Limited Executive Share Plan be approved as an exception to Listing Rule 7.1.

Without limitation, Listing Rule 7.1 and Listing Rule 7.2 Exception 9 are relevant to this Resolution.

Voting Exclusion: The Company will disregard any votes cast on this resolution by a Director (except one ineligible to participate in any plan), any employees of the Company and any of their associates, unless the vote is cast by:

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

6. Issue of Shares to Erik Metanomski under the ESP

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

That the issue of 1,500,000 fully paid ordinary Shares in the Company to Erik Metanomski on the terms and conditions set out in the notice of meeting be approved.

Without limitation, Listing Rules 7.1 and 10.14 are relevant to this Resolution.

Voting Exclusion: The Company will disregard any votes cast on this resolution by a Director (except one ineligible to participate in any plan) and any of his associates, unless the vote is cast by:

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

7. Issue of Shares to Peter Constable under the ESP

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

That the issue of 1,500,000 fully paid ordinary Shares in the Company to Peter Constable on the terms and conditions set out in the notice of meeting be approved.

Without limitation, Listing Rules 7.1 and 10.14 are relevant to this Resolution.

Voting Exclusion: The Company will disregard any votes cast on this resolution by a Director (except one ineligible to participate in any plan) and any of his associates, unless the vote is cast by:

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

Other Information

An explanatory memorandum accompanies and forms part of this notice of meeting. Certain terms used in this notice are defined in that explanatory memorandum.

All shareholders should read the explanatory memorandum carefully and in its entirety. Shareholders who are in doubt regarding any part of the business of the meeting should consult their financial or legal adviser for assistance.

Voting by Proxy

Any shareholder of the Company entitled to attend and vote at this meeting is entitled to appoint two proxies to attend and vote instead of that shareholder.

The proxy does not need to be a member of the Company. A shareholder that is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the shareholder's votes.

Proxies must be received by the Company's share registry, Computershare Investor Services Pty Limited at GPO Box 242, Melbourne, VIC 3001 or by fax on (03) 9473 2118 or:

(a) lodged at the registered office of the Company; or

(b) received at the fax number specified below,

not later than 48 hours before the meeting ie 11:00 am (Sydney time) on 27 January 2007.

The Company's registered office:	Level 5 34 Hunter Street Sydney NSW 2000
Postal address:	GPO Box 4406 Sydney NSW 2001
Fax number:	(02) 9233 2713

A form of proxy is provided with this notice.

Entitlement to Vote

In accordance with Section 1074E(2)(g)(i) of the Corporations Act and regulation 7.11.37 of the Corporations Regulations, the Company has determined that for the purposes of the meeting all Shares will be taken to be held by the persons who held them as registered shareholders at 7.00 pm (Sydney time) on 27 January 2007. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

By order of the Board

David Sutherland
Company Secretary
MMC Contrarian Limited
ACN 106 248 248

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MMC Contrarian Limited

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