Transpacific Industries Group Ltd
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2 November 2006

Transpacific Proposal to Acquire Baxter

Transpacific Industries Group Limited ("**Transpacific**") and Baxter Group Limited ("**Baxter**") have today agreed to an acquisition proposal (the "**Proposal**") under which Baxter will become part of Transpacific's leading waste management business and provide Transpacific with an outstanding platform to grow its full service waste offering in Australia.

The Proposal will be implemented through an off-market takeover bid for Baxter. The Baxter Board intends to unanimously recommend that shareholders accept the bid in the absence of a superior proposal.

Overview of the Proposal

Under the Proposal, Transpacific will offer Baxter shareholders $5.55 of value for each Baxter share. Baxter shareholders will have the choice of receiving their consideration as:

- $5.55 per share in cash;
- $5.55 per share in Transpacific shares, based on the five day volume weighted average price ("**VWAP**") of Transpacific shares up to and including the date Transpacific's offer becomes unconditional; or
- $3.70 per share in cash plus $1.85 per share in Transpacific shares, based on the five day VWAP of Transpacific shares up to and including the date Transpacific's offer becomes unconditional.

The Proposal values Baxter's equity at approximately A$240 million[1] and implies an enterprise value of approximately A$255 million[2]. Financial, operational and environmental due diligence was undertaken by Transpacific.

Transpacific and Baxter have entered a Bid Implementation Agreement ("**BIA**") in relation to the implementation of the transaction. Transpacific is expecting to release its Bidder's Statement for the takeover bid in mid-November.

Baxter's Managing Director and Chief Executive Officer Ms Polly Mazaris has agreed to continue in her current role after completion of the acquisition.

Transpacific's Executive Chairman Mr Terry Peabody said:

"The acquisition offers significant strategic benefits for Transpacific. Baxter's landfill sites are valuable and scarce assets that will provide an outstanding platform for Transpacific to grow its waste management business. We are also pleased that Ms Polly Mazaris, Baxter's Managing Director and Chief Executive Officer, has agreed to continue in her current role as part of the Proposal."

[1] Assumes all current Baxter options are exercised
[2] Based on Baxter's debt as at 30 June 2006

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Benefits to Baxter Shareholders

The Proposal provides an attractive premium to Baxter shareholders of:

- 34% to the 1-month VWAP; and
- 42% to the 3-month VWAP,

of Baxter shares traded on ASX to 1 November 2006.

Baxter's Managing Director and Chief Executive Officer Ms Polly Mazaris said:

"The Baxter Board believes Transpacific's offer is highly attractive and recommends Baxter shareholders accept it. The Proposal provides an opportunity for Baxter shareholders to become shareholders in a leading Australasian waste management business. I have agreed to continue my existing role with Transpacific following completion of the transaction."

Transpacific Shareholder Benefits

The merger of Baxter and Transpacific is strategically compelling:

- It provides an outstanding **platform to grow Transpacific's Australian waste management business**
    - Enhances the benefits of Transpacific's recent solid waste acquisitions
    - Creates opportunities for future growth, including increased utilisation of Baxter landfills by Transpacific, bundling of recycling product sales and further bolt-on acquisitions
- Baxter's **landfills are valuable, scarce and long-life assets**
    - **Excellent geographic location** in South East Melbourne, which comprises over 30% of the Victorian population and produces 40% of all waste in Victoria
    - Growing penetration into regional Victoria
    - Scarcity of assets of similar quality, location and strategic fit
- Based on the identified synergies and the outlook for Baxter, Transpacific is expecting the transaction to be **EPS accretive in its first full year of ownership**

Transpacific's Executive Chairman Mr Terry Peabody said:

"Transpacific is attracted to Baxter and the growth opportunities it will provide. We aim to continue growing our Australasian waste management business organically and through bolt-on acquisitions. The July 2006 merger with Waste Management NZ demonstrates our record of successful acquisition and integration of complementary businesses, with Waste Management NZ performing very well and achieving our forecasts."

Funding

Transpacific expects to fund the acquisition through a combination of its existing debt facilities and Transpacific scrip issued to Baxter shareholders pursuant to the Proposal whilst maintaining its target gearing ratios.

Bid Implementation Agreement and Timeline

The BIA provides for the parties to facilitate the implementation of the Proposal. Under the BIA, Baxter has agreed not to solicit or initiate any competing proposals.

Pursuant to the BIA, the number of Transpacific shares issued to Baxter shareholders in the scrip component of the Proposal will be calculated based on the VWAP of Transpacific's shares in the 5 trading days up to and including the day on which Transpacific's offer becomes unconditional.

The Proposal is subject to certain limited conditions. A summary of the conditions of the Proposal is detailed in Appendix A.

Macquarie Bank is acting as financial adviser and Clayton Utz as legal adviser to Transpacific in relation to the acquisition.

A further update regarding the Proposal will be provided at Transpacific's AGM on Wednesday 8 November 2006.

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Appendix A

Summary of BIA conditions

The Takeover Bid by Transpacific is subject to each of the following conditions:

1. Minimum acceptance condition: Transpacific has a relevant interest in the number of Baxter Shares equal to at least 90% of the number of Baxter Shares which are on issue at the end of the Offer Period.

2. No regulatory actions: That between the date of the Bidder's Statement and the end of the Offer Period:

(a) there is not in effect any preliminary or final decision, order or decree issued by a Government Agency; or
(b) no application is made to any Government Agency (other than by Transpacific), or action or investigation is announced, threatened or commenced by a Government Agency,

in consequence of or in connection with the Takeover Bid, which restrains or prohibits (or if granted could restrain or prohibit), or otherwise materially adversely impacts upon the making of the Takeover Bid or the completion of any transaction contemplated by the Takeover Bid (whether subject to conditions or not) or the rights of Transpacific in respect of Baxter and the Baxter Shares to be acquired under the Takeover Bid, or requires the divestiture by Transpacific of any Baxter Shares, or the divestiture of any material assets of Baxter or of Transpacific.

3. Regulatory approval: All Regulatory Approvals are obtained before the end of the Offer Period. For the purposes of this condition, a Regulatory Approval will be regarded as having been obtained even though a condition has been attached to that Regulatory Approval if that condition is satisfactory to Transpacific (acting reasonably).

4. No material adverse change: That between the Announcement Date and the end of the Offer Period, there has not occurred, been announced or become known to Transpacific (whether or not becoming public) any Material Adverse Change.

5. No break fee: Baxter not pay any break or inducement fee to any third party in connection with a Superior Proposal.

6. Fall in indices: that the S&P/ASX 200 Industrial Index published by ASX at the close of business on any 3 consecutive days after the date of the BIA is not below 4,500.

7. Prescribed Occurrences: Between the Announcement Date and the end of the Offer Period, no Prescribed Occurrence occurs.

8. Conduct of business: Between the Announcement Date and the end of the Offer Period, neither Baxter nor any of its Subsidiaries:

(a) purchases or otherwise acquires or agrees to purchase or otherwise acquire, sells or otherwise disposes of or surrenders, or agrees to sell or otherwise dispose of or surrender, or comes under an obligation to purchase, acquire, sell or otherwise dispose of or surrender, any property or assets (or any right, title or interest therein), the total consideration for which, or value of which, in aggregate, exceeds $3.5 million; or

(b) enters any other commitment, or comes under an obligation to enter any other commitment, which would require expenditure by Baxter or a subsidiary of Baxter of an amount which, in aggregate, exceeds $3.5 million;

(c) enters into any joint venture arrangement in relation to assets or liabilities of $3.5 million or more in aggregate or in relation to EBITDA of $1.75 million or more;

(d) assumes any liabilities the aggregate amount of which exceeds $3.5 million,

other than of an operational nature and in the ordinary course of business or as publicly announced, or otherwise than as disclosed in writing to Transpacific, by Baxter on or before the Announcement Date.

9. Material contracts: No person exercises, or announces that it intends to exercise, a right under any contract with Baxter or any Subsidiaries impacting recurring annual EBITDA by $1 million or more where the right arises as a result of or in connection with the Takeover Bid, including as a result of a change in control of Baxter.

10. No material breach of warranty: that Baxter not have materially breached any material term of the BIA including any warranty given by Baxter.

Relevant definitions

"**Announcement Date**" means the date of this Announcement.

"**ASX**" means Australian Stock Exchange Limited.

"**Baxter Board**" means the board of directors of Baxter.

"**Baxter Share**" means a fully paid ordinary share in Baxter and all Rights attached to it.

"**Bidder's Statement**" means the document which is given by Transpacific in respect of the Takeover Bid pursuant to part 6.5 of the Corporations Act which is in compliance with sections 636 and 637 of the Corporations Act.

"**Corporations Act**" means the *Corporations Act* 2001 (Cth).

"**EBITDA**" means earnings before interest tax depreciation and amortisation calculated in accordance with usual Australian International Financial Reporting standards.

"**Government Agency**" means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia, or any State.

"Material Adverse Change" means any matter, event or circumstance:

(a) which, when taken as a whole, is, or is reasonably likely to have one of the following effects:
  (i) diminish the value of the net assets of Baxter by $4 million or more; or
  (ii) diminish the recurring EBITDA of Baxter by $2 million or more; or

(b) that is, or is reasonably likely to be, materially adverse to:
  (i) the business, operations or financial condition (including contingent liabilities) of Baxter and its Subsidiaries taken as a whole;
  (ii) the ability of Baxter to perform its obligations under the BIA; or
  (iii) the status of any Regulatory Approvals which have been granted and affect the Takeover Bid,

but does not include any matter, event or circumstance which the parties agree in writing is not a Material Adverse Change.

"**Offer Period**" means the period, as extended if relevant, during which the Takeover Bid remains open for acceptance as described in the Bidder's Statement.

"**Option**" means options to subscribe for Baxter Shares.

"**Prescribed Occurrence**" means any of the following events:

(a) Baxter converts all or any Baxter Shares into a larger or smaller number of shares;

(b) Baxter or a Subsidiary resolving to reduce its share capital in any way;

(c) Baxter or a Subsidiary of Baxter:
  (i) enters into a buy-back agreement; or
  (ii) resolves to approve the terms of a buy-back agreement under Section 257C (1) or 257D (1) of the Corporations Act;

(d) Baxter or a Subsidiary of Baxter issues shares or grants an option over its shares or agrees to make such an issue or grant such an option, other than issues following the exercise of an Option in accordance with its terms or issues of Options pursuant to contractual rights existing on or prior to the Announcement Date;

(e) Baxter or a Subsidiary of Baxter issues, or agrees to issue, convertible notes;

(f) Baxter or a Subsidiary of Baxter disposes, or agrees to dispose, of the whole, or a substantial part, of Baxter's business or property;

(g) Baxter or a Subsidiary of Baxter charges, or agrees to charge, the whole, or a substantial part, of Baxter's business or property;

(h) Baxter shareholders resolve that Baxter be wound up or the shareholders of any Subsidiary of Baxter resolve that the Subsidiary (as the case may be) be wound up;

(i) the making of an order by a court for the winding up of Baxter or a Subsidiary of Baxter;

(j) the appointment of a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of Baxter, or a Subsidiary of Baxter;

(k) the appointment of a liquidator or provisional liquidator of Baxter or a Subsidiary of Baxter;

(l) an administrator of Baxter or a Subsidiary of Baxter is appointed under the Corporations Act;

(m) Baxter or Subsidiary of Baxter executes a deed of company arrangement;

(n) Baxter or a Subsidiary of Baxter making any change to its constitution;

(o) after the Announcement Date, Baxter or a Subsidiary of Baxter entering or agreeing to enter into any new borrowing facility with a financier, or increasing, or agreeing to increase, the borrowing limits of any existing borrowing facility, other than to finance an event permitted under clause (p)(v) or (vi) of this definition;

(p) Baxter or a Subsidiary of Baxter:
   (i) entering into any contract or commitment requiring payments by Baxter and its Subsidiary taken as a whole in excess of $2 million;
   (ii) waiving any material third party default; or
   (iii) accepting as a settlement or compromise of a material matter (relating to an amount in excess of $1.5 million), less than the full compensation due to Baxter or a Subsidiary of Baxter,

   other than:
   (iv) in the ordinary course of business;
   (v) with the prior written consent of Transpacific; or
   (vi) an event of this kind disclosed in writing to Transpacific prior to execution of the BIA;

(q) Baxter or a Subsidiary of Baxter entering into or materially amending any employment, consulting, severance or similar agreement or arrangement with officers, directors or other executives of Baxter or a Subsidiary of Baxter or otherwise materially increasing compensation or benefits for any of the above other than:
   (i) in the ordinary course of business;
   (ii) pursuant to contractual arrangements in effect on the date of the BIA; or
   (iii) to implement a transaction contemplated by clause 7 (options) of the BIA; and

(r) Baxter or a Subsidiary of Baxter entering into or resolving to enter into a transaction with any related party of Baxter as defined in the Corporations Act

"**Regulatory Approvals**" means any approvals necessary for the implementation of the Takeover Bid from any Government Agency (including ASX).

"**Rights**" means all accretions, rights or benefits of whatever kind attaching to or arising from Baxter Shares directly or indirectly at or after the Announcement Date, without limitation, all distributions or entitlements declared, paid or issued by Baxter and all rights to receive them or rights to receive or subscribe for shares, notes, bonds, options or other securities declared, paid or issued by Baxter.

"**Subsidiary**" of a person means any entity whose financial results are consolidated with the financial results of that person for the purposes of preparing the financial statements of that person in accordance with the applicable accounting standards.

"**Superior Proposal**" means any bona fide, written offer or proposal in respect of acquiring control of Baxter or all or a substantial part of its business which a majority of the Baxter Board believes (acting reasonably and in good faith) would be superior to the Takeover Bid if implemented taking into account, amongst other things, all terms and conditions of the offer or proposal.

"**Takeover Bid**" means takeover offers by Transpacific or a subsidiary of Transpacific for all issued Baxter Shares on terms no less favourable to Baxter shareholders than those contained in the Proposal and conditions outlined above.