BAXTER GROUP LIMITED
ACN 099 618 998

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Clarinda Victoria 3169
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24 November 2006

The Manager
Company Announcements Office
Australian Stock Exchange Limited
Level 45, South Tower Rialto
525 Collins Street
Melbourne VIC 3000

Dear Sir/Madam

Off-market takeover bid for Baxter Group Limited by Transpacific Waste Management Pty Ltd

We enclose a copy, pursuant to item 14 of section 633(1) of the *Corporations Act* 2001 (Cth) (**Corporations Act**), of the target's statement of Baxter Group Ltd ACN 099 618 998 in relation to the off-market bid by Transpacific Waste Management Pty Ltd ACN 120 175 635 (**TWM**) for all of the ordinary shares in Baxter.

TWM is a wholly owned subsidiary of Transpacific Industries Group Limited.

Please note that in accordance with item 11 of section 633(1) of the Corporations Act, we have sent a copy of this Target's Statement to TWM, and in accordance with item 13 of section 633(1) of the Corporations Act we have lodged a copy of this Target's Statement with the Australian Securities and Investments Commission.

On behalf of the Board,

Craig Graham-Smith CPA
Company Secretary
Baxter Group Limited

This is an important document and requires your immediate attention.

If you are in any doubt as to how to deal with this document, please consult your stockbroker, legal or other professional adviser immediately.

TARGET'S STATEMENT

OF

BAXTER GROUP LIMITED

ACN 099 618 998

in response to the off-market takeover bid by:
Transpacific Waste Management Pty Ltd
ACN 120 175 635,
a wholly owned subsidiary of:

TRANSPACIFIC INDUSTRIES GROUP LIMITED

ACN 101 155 220

for all of the ordinary shares in Baxter Group Limited.

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU

ACCEPT

THE OFFER

IN THE ABSENCE OF A SUPERIOR PROPOSAL

Financial Advisor

CARNEGIE, WYLIE & COMPANY

Legal Advisor

Deacons

Key Dates	
Date of the Bidder's Statement	13 November 2006
Date of the Offer and despatch of the Bidder's Statement	20 November 2006
Date of Target's Statement and lodgement with ASIC	24 November 2006
Close of the Offer	6:00 pm (Melbourne time), 21 December 2006, unless extended

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Shareholder Information Line

If you have any questions in relation to the Offer, please contact the Baxter Shareholder Information Line on 1300 139 843 (within Australia) or +612 8280 7919 (outside Australia) Monday to Friday between 8.30am and 5:30pm (Melbourne time).

As required by the Corporations Act, calls to the Shareholder Information Line will be recorded and those recordings will be indexed and stored.

Important Notices

Nature of this Document

This is the Target's Statement dated 24 November 2006 given by Baxter Group Limited under Part 6.5 Division 3 of the Corporations Act. This Target's Statement is given in response to the Bidder's Statement issued by Transpacific Waste Management Pty Ltd dated 13 November 2006.

ASIC and ASX Disclaimer

A copy of this Target's Statement was lodged with ASIC and ASX on 24 November 2006. None of ASIC, ASX or any of their officers takes any responsibility for the contents of this Target's Statement.

Defined Terms

Terms used in this Target's Statement are defined in section 10.1 of this Target's Statement.

No Investment Advice

The information contained in this Target's Statement does not constitute financial product advice. This Target's Statement has been prepared without considering your particular investment objectives, financial situation, taxation position or needs. You should read this Target's Statement in its entirety before making any investment decision and any decision relating to Transpacific's Offer. If you are in doubt in relation to these matters, you should consult your investment, financial, taxation or other professional adviser before making a decision whether to accept or reject Transpacific's Offer.

Disclaimer Regarding Forward-Looking Statements

This Target's Statement may contain statements in the nature of forward-looking statements. Shareholders should note that those forward-looking statements are only predictions and are subject to inherent uncertainties and risks which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected in any forward-looking statements. These risks, variables and factors include matters specific to the industry in which Baxter operates, as well as general economic conditions, financial market conditions, and legislative, fiscal or regulatory developments.

Any forward-looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement. While Baxter believes that the expectations reflected in the forward looking statements in this document are reasonable, no assurance can be given that such expectations will prove to be correct and none of Baxter, its officers, or any person named in the Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty as to the accuracy or likelihood of any forward looking statement. You are cautioned not to place undue reliance on any forward-looking statement.

Chairman's Letter

24 November 2006

Dear Shareholder,

Transpacific Industries Group Ltd's ("Transpacific") wholly owned subsidiary, Transpacific Waste Management Pty Ltd ("Bidder"), recently announced an off-market takeover bid for all the ordinary shares in Baxter Group Ltd ("Baxter") for $5.55 per Baxter Share ("Offer").

Under the Offer, Baxter Shareholders can elect to receive either:

- $5.55 per share in cash; or
- $3.70 per share in cash plus $1.85 per share in Transpacific Shares, based on the five day VWAP of Transpacific Shares for the period prior to and including the date on which the Offer becomes unconditional; or
- $5.55 per share in Transpacific Shares, based on the five day VWAP of Transpacific Shares for the period prior to and including the date on which the Offer becomes unconditional.

The Offer is open until 6pm (Melbourne time) on 21 December, 2006 unless it is extended by the Bidder. The instructions as to how you may accept the Offer are set out in section 1.2 of this Target's Statement.

Your Directors unanimously recommend you ACCEPT the Offer, and each of your Directors intends to accept the Offer in respect of their shareholdings, in the absence of a superior offer.

This Target's Statement contains your Directors' formal response to the Offer and details their recommendation and the reasons for that recommendation.

Shareholders should read this document and the Bidder's Statement from Transpacific carefully before making any decisions in relation to their shareholdings. If you are considering electing to take Transpacific Shares as part or all of the consideration, you should:

- carefully read Transpacific's Bidder's Statement to understand the Transpacific Shares that are being offered; and
- note that the number of Transpacific Shares to be issued for each Baxter Share will not be determined until Transpacific's Offer becomes unconditional. Any Transpacific Share price movement up to that time will affect the number of Transpacific Shares you receive.

If you have any questions regarding the Target's Statement or the Offer, please call the Baxter Shareholder Information Line on 1300 139 843 (within Australia) or +612 8280 7919 (outside Australia), between 8:30am and 5:30pm (Melbourne time), Monday to Friday. For legal reasons, calls to those numbers will be recorded.

Yours Sincerely,
Andrew Demetriou
Chairman

1. How to Accept Transpacific's Offer

1.1 Assessment of the Offer

Prior to making any decision on whether to accept the Offer, you should read this Target's Statement and the Bidder's Statement in their entirety.

If you are in doubt in relation to the Offer or any matters surrounding the Offer, you should consult your investment, financial, taxation or other professional adviser before making a decision whether to accept or reject the Offer.

1.2 How to accept the Offer

To accept the Offer you must follow the procedures set out in section 11.5 of the Bidder's Statement, which may include completing and returning the Acceptance Form included with the Bidder's Statement.

This can be done in the following ways:

Issuer Sponsored Holdings of Baxter Shares	Complete and sign the Acceptance Form accompanying the Bidder's Statement in accordance with the instructions on it, and return the Acceptance Form to one of the addresses specified on the form.
CHESS Holdings of Baxter Shares	Either: • instruct your stockbroker or other CHESS Controlling Participant to initiate acceptance of the Offer on your behalf; or • complete, sign and return the Acceptance Form accompanying the Bidder's Statement to ask Transpacific to contact your stockbroker or other CHESS Controlling Participant to accept the Offer on your behalf.

Note: If your Security holder Reference Number commences with an "I", your Baxter Shares are in an Issuer Sponsored Holding. If your Holder Identification Number commences with an "X", your Baxter Shares are in a CHESS Holding.

Unless you are a person to whom section 653B(1)(b) of the Corporations Act applies (a person who holds one or more parcels of Baxter Shares as trustee or nominee for, or otherwise on account of, another person), you cannot accept the Offer for a portion of your Baxter Shares.

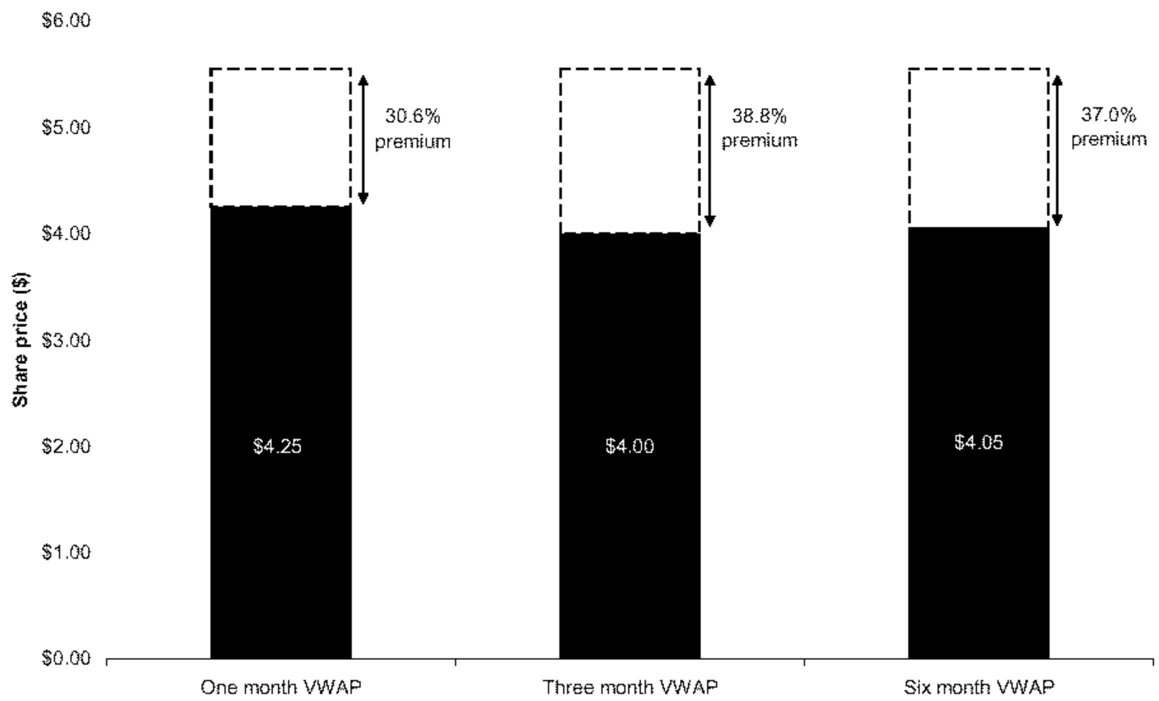
If you do not wish to accept the Offer, simply do nothing, and the Offer will lapse at the end of the Offer Period if the Conditions are not satisfied or waived[1]. If Transpacific acquires 90% of Baxter Shares and the other Conditions are satisfied or waived, Transpacific has stated in its Bidder's Statement that it intends to compulsorily acquire your Baxter Shares. See section 8.12 of this Target's Statement for further details.

[1] In the case of the prescribed occurrences set out in sections 652C(1) and (2) of the Corporations Act, the Bidder may give notice of this waiver up to 3 business days after the end of the Offer Period.

2. Key Reasons Why Your Directors Unanimously Recommend You Should Accept Transpacific's Offer in the Absence of a Superior Offer

2.1 The Offer represents a material premium to recent trading prices of Baxter Shares

The $5.55 Offer Price represents a material premium to the weighted average trading price of Baxter Shares over the last six months[2].

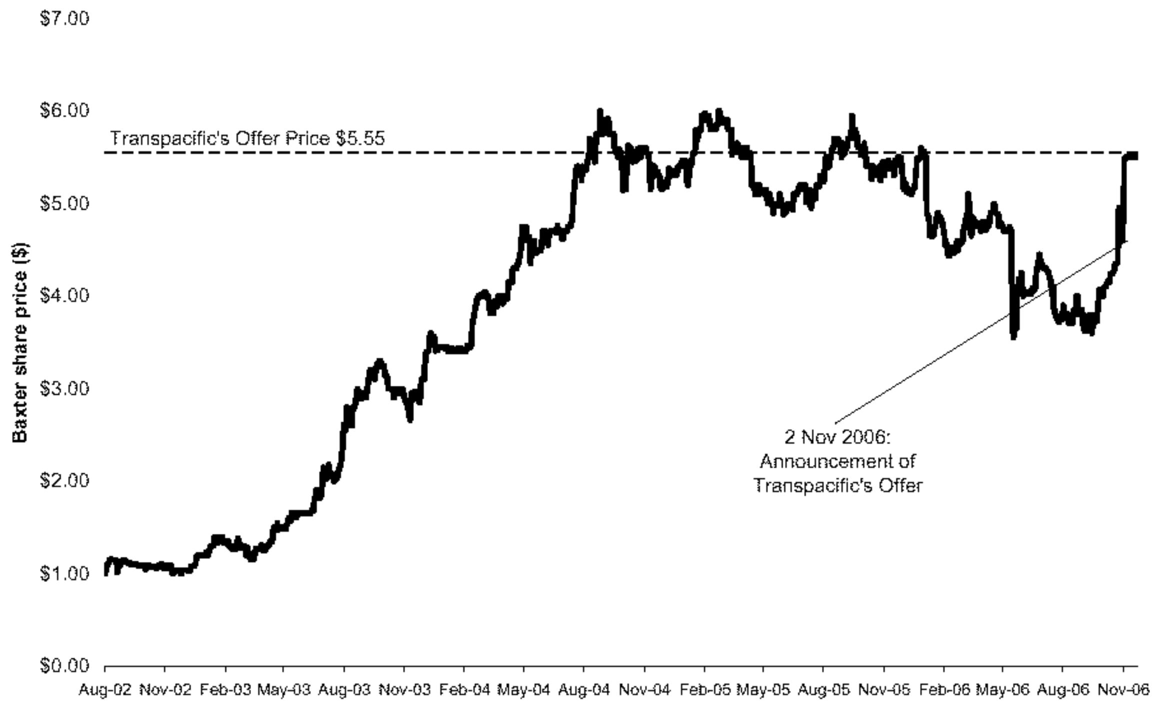


2.2 The Offer also represents a material premium to the prices at which most Baxter Shares have traded since listing

The $5.55 Offer Price represents a material premium to the price at which Baxter Shares have traded since listing in August 2002.

The graph below shows the Baxter share price since its listing at $1.00 a share.

[2] VWAPs based on trading up to and including 2 November 2006.



2.3 The Offer value is higher than the multiples paid in recent waste management transactions

The $5.55 Offer Price represents a multiple of 13.2x Baxter's historical pro-forma FY2006 EBITDA (adjusted for one-off items and full year contribution from acquisitions)[3].

This is higher than multiples paid in recent major Australasian waste management transactions, including:

- Kohlberg Kravis Roberts' $1.8275 billion acquisition of Cleanaway Australia and New Zealand and Brambles Industrial Services at 10.2x historical EBITDA; and
- Transpacific's NZ$1,012 million acquisition of Waste Management New Zealand at 12.1x historical EBITDA.

2.4 Baxter is likely to have greater opportunities as part of a larger waste management organisation

Recent and emerging trends in the waste management sector include:

- greater competition from the entry and expansion of large, integrated businesses in Victoria;
- increased focus on reducing landfill volumes through recycling; and

[3] Pro-forma FY2006 EBITDA of $19.3m has been calculated as reported FY2006 EBITDA ($14.0m) less interest income (-$0.2m), adjustments for BaxVis (+$4.2m) and cancellation of options (-$0.9m), and annualisation of Latrobe Valley Recyclers, Murray Valley Recyclers and Lysterfield Transfer Station acquisitions (+$2.0m)

- development of alternative waste treatment technologies to increase recycling and reduce landfill volumes, which will require significant capital investment over time.

Baxter believes its Victorian waste management activities are highly strategic assets and that it is well placed to benefit from industry changes. However, Baxter also believes it is likely that the performance of its business can be significantly improved as part of a larger, integrated waste management business. Transpacific is one of Australasia's largest integrated waste management businesses.

2.5 Transpacific's Offer provides flexibility with regard to the form of consideration

Under Transpacific's Offer, Baxter Shareholders have the option to elect to take consideration in the form of:

- \$5.55 per share in cash; or
- \$3.70 per share in cash plus \$1.85 per share in Transpacific Shares; or
- \$5.55 per share in Transpacific Shares.

Where Baxter Shareholders elect to take Transpacific Shares, the number of shares will be determined based on the five day VWAP of Transpacific Shares for the period prior to and including the date on which Transpacific's Offer becomes unconditional. Shareholders should note that the Transpacific share price could rise or fall before the Offer becomes unconditional, which will affect the number of Transpacific Shares issued as consideration. See section 5.5 of this Target's Statement for a chart showing the movement in Transpacific's share price since listing in May 2005.

2.6 There may be benefits to some shareholders in electing to receive Transpacific Shares

Electing to take Transpacific Shares as consideration may have benefits for some Baxter Shareholders including:

- potential capital gains tax rollover relief if Transpacific acquires at least 80% of Baxter Shares; and
- potential to participate in any value upside from synergies arising from the combination of Baxter and Transpacific, to the extent that any such value is not fully reflected in the five day VWAP of Transpacific Shares at the time the Offer becomes unconditional.

In its Bidder's Statement, Transpacific identified a number of benefits for Baxter Shareholders holding Transpacific Shares including:

- the Baxter acquisition is expected to be earnings per share accretive (post synergies) in the first full financial year (subject to the qualifications set out in section 7.5 of the Bidder's Statement);
- the opportunity to participate in the financial benefits and operational synergies of combining Transpacific and Baxter;

- the increased liquidity of holding Transpacific Shares;
- a higher capacity to raise capital and fund future growth opportunities as a result of Transpacific's scale and funding facilities; and
- diversification through exposure to one of Australasia's largest waste management businesses.

Please note that if you elect to accept Transpacific Shares as consideration, or part consideration for your Baxter Shares, you will be exposed to risks associated with an investment in Transpacific. Please see section 9 of the Bidder's Statement and sections 5.4, 5.5 and 8.1 of this Target's Statement for information regarding the risks associated with an investment in Transpacific.

3. Frequently Asked Questions

This section answers some commonly asked questions about the Offer. It is not intended to address all relevant issues for Baxter Shareholders. This section should be read together with all other parts of this Target's Statement.

Question	Answer
What is the Bidder's Statement?	The Bidder's Statement was prepared by Transpacific, and distributed to Baxter Shareholders on 20 November 2006. It sets out the terms of Transpacific's Offer.
What is the Target's Statement?	This Target's Statement has been prepared by Baxter. It provides a response to Transpacific's Offer, including the recommendations of the Baxter Directors.
Who is Transpacific?	Transpacific is a leading Australasian provider of industrial services and total waste management solutions with a focus on liquid and hazardous waste management services. It also operates a commercial vehicles importation and distribution business. Transpacific is listed on the Australian and New Zealand Stock Exchanges and has a market capitalisation of approximately $2.1 billion[4].
Who is the Bidder?	The Bidder is Transpacific Waste Management Pty Ltd, a wholly owned subsidiary of Transpacific.
What is Transpacific's Offer for my Baxter Shares?	Transpacific is offering $5.55 per Baxter Share. Shareholders can elect the form of consideration as either: • $5.55 per share in cash; or • $3.70 per share in cash plus $1.85 per share in Transpacific Shares, based on the five day VWAP of Transpacific Shares for the period prior to and including the date on which Transpacific's Offer becomes unconditional; or • $5.55 per share in Transpacific Shares, based on the five day VWAP of Transpacific Shares for the period prior to and including the date on which Transpacific's Offer becomes unconditional.
What choices do I have as a	As a Baxter Shareholder, you have the following

[4] As at 23 November 2006

Baxter Shareholder?	choices in respect of your shares: • accept Transpacific's Offer of $5.55 per share; or • sell your shares on ASX (unless you have previously accepted Transpacific's Offer for your shares); or • do nothing. You should carefully consider the Baxter Directors' recommendation and other important issues set out in this Target's Statement prior to making your decision. See section 6 of this Target's Statement for further information on your options.
What are the Directors of Baxter recommending?	Each Director recommends that you accept the Offer, in the absence of a superior proposal. Each of your Directors intends to accept the Offer in respect of their Baxter Shareholdings, in the absence of a superior proposal.
What do Baxter's major shareholders intend to do in respect of the Offer?	Baxter's largest shareholder is the current Managing Director, Ms P Mazaris, who controls 20.3% of the shares in Baxter. As a Director, Ms P Mazaris has recommended that you accept the Offer, and intends to accept the Offer in respect of her own shareholding, in the absence of a superior proposal. Ms P Mazaris has agreed to continue in her current role at Baxter if the Offer is successful.
Why is there no independent expert's report in the Target's Statement?	An independent expert's report is only required to be included in a target's statement where the bidder's voting power in the target is 30% or more, or if a director of the target company is a bidder or a director of the bidder company. This requirement does not apply here. In addition, the Board does not consider a report necessary as it believes that the information in this Target's Statement together with the publicly available information referred to in section 9.2(2) of this Target's Statement is sufficient for Baxter Shareholders to determine whether to accept the Offer.
How do I elect which form of consideration to receive?	Details of how to elect the form of consideration are set out on the Acceptance Form.
How do I accept the Offer?	Details of how to accept the Offer are set out in section 11.5 of the Bidder's Statement.
When does the Offer close?	The Offer is scheduled to close at 6.00pm (Melbourne time) on 21 December 2006, unless

	extended. See section 8.3 of this Target's Statement for details of the circumstances in which the Offer Period can be extended.
Will I pay brokerage or stamp duty if I accept the Offer?	No. Any such costs will be borne by Transpacific.
What are the consequences of accepting the Offer now?	You will give up your right to sell your Baxter Shares, including selling them on ASX or accepting any superior proposal that may emerge unless the Offer lapses.
What happens if Transpacific increases its Offer after I have accepted their Offer?	If Transpacific improves the consideration under the Offer, all Baxter Shareholders (who ultimately accept the Offer or whose Baxter Shares are compulsorily acquired) whether or not they have accepted the Offer before the improvement in the consideration, will be entitled to the benefit of the improved consideration.
If I accept the Offer can I withdraw my acceptance at a later stage during the Offer Period?	You only have limited rights to withdraw your acceptance if you decide to accept Transpacific's Offer. You may withdraw your acceptance if Transpacific varies the Offer in a way that extends the time when Transpacific has to meet its obligations under the Offer by more than one month, and its Offer is still subject to Conditions at that time. See section 8.4 of this Target's Statement for further details on the effect of accepting Transpacific's Offer.
What happens if I accept the Offer and a superior proposal is made for my shares after I accept?	Subject to your limited rights to withdraw your acceptance of Transpacific's Offer (see above), you may not accept a superior proposal once you have accepted Transpacific's Offer unless the Offer lapses. At the date of this Target's Statement, the Baxter Directors do not know if such a proposal will arise but they are not currently aware of any rival proposals. See section 8.4 of this Target's Statement for further details on the effect of accepting Transpacific's Offer.
When will I be sent my consideration if I accept the Offer and elect to receive cash and / or shares.	If you accept the Offer, you will be issued with your cash and/or scrip consideration on the earlier of: • one month after the later of the date you accept the Offer or, the date that the Offer becomes or is declared unconditional; or • 21 days after the end of the Offer Period,

	provided that the Offer has become unconditional. However, there are certain exceptions to the above timetable for the timing of payment. See section 11.8 of the Bidder's Statement for further information.
What happens to Baxter Options under the Offer?	Subject to any conditions to the contrary, a holder of Baxter Options may exercise their Baxter Options and accept the Offer in respect of those Baxter Shares that they receive upon exercise. In accordance with its obligations under the Bid Implementation Agreement, Baxter intends to offer to cancel those Baxter Options which Baxter has agreed to issue but has not yet issued. No arrangement has been agreed between Baxter and Transpacific yet in respect of the issued Baxter Options. See section 8.6 of this Target's Statement for further information. In certain circumstances, Transpacific may also be: • obliged to acquire the Baxter Options from the holders; or • entitled to compulsorily acquire the Baxter Options from the holders. See section 8.12 of this Target's Statement for further information.
What are the Conditions to the Offer?	A full list of Conditions is set out in section 11.10 of the Bidder's Statement and section 8.7 of this Target's Statement.
What happens if the Conditions of the Offer are not satisfied or waived?	If the Conditions are not satisfied or waived before the Offer closes, the Offer will lapse. You are then free to deal with your Baxter Shares (even if you have previously accepted the Offer) as if the Transpacific Offer had not been made. Transpacific must make an announcement to ASX if the Conditions of the Offer are satisfied or waived during the Offer Period.
What happens if I do not accept the Offer?	If you do not accept the Offer, you will remain a Baxter Shareholder. If Transpacific acquires 90% of Baxter Shares and the other Conditions have been satisfied or waived, Transpacific has stated in its Bidder's Statement that it intends to compulsorily acquire your Baxter Shares under the compulsory acquisition provisions of the Corporations Act.
Will Baxter remain listed on ASX?	If Transpacific holds 90% or more of Baxter Shares

	before or at the end of the Offer Period and proceeds to compulsory acquisition of the remaining Baxter Shares under the Corporations Act, Baxter Shares will be removed from quotation on ASX and Baxter will cease to be listed on ASX. If following the close of the Offer, Baxter becomes a controlled entity, but not a wholly-owned subsidiary of Transpacific, Transpacific presently intends to ensure that Baxter continues to be listed on ASX if appropriate and consistent with the ASX Listing Rules.
What are the tax implications of accepting the Offer?	A general outline of the tax implications of accepting the Offer for Australian resident Baxter Shareholders is set out in section 10 of the Bidder's Statement. As the outline is a general guide only, shareholders are encouraged to obtain their own specific professional advice as to the taxation implications applicable to their circumstances.
Will I be entitled to the CGT discount concession if I realise a capital gain on disposal of my Baxter Shares?	If you realise a capital gain on disposal of your Baxter Shares, you will generally be entitled to the CGT discount concession if you are an individual, a trust, a complying superannuation fund or a life insurance company and you have held your Baxter Shares for at least 12 months. You will not be entitled to the CGT discount concession if you are a company. The CGT discount percentage for individuals and trusts (that are non complying superannuation funds) is 50% and for complying superannuation funds and life insurance companies is 33.33%. As mentioned above, Baxter Shareholders should seek their own specific professional advice as to the taxation implications applicable to their circumstances.
What if I am a foreign shareholder?	If you are a foreign shareholder and you accept the Offer, you will not be entitled to accept shares in Transpacific. Instead, you will be deemed to have selected the all cash option as consideration for your Baxter Shares. Please see section 5.7 of this Target's Statement for further information.
What will happen to the surplus in Baxter's franking account?	If Baxter becomes a wholly-owned subsidiary of Transpacific, the surplus in Baxter's franking account will be transferred to Transpacific's franking account (subject to the application of certain anti-avoidance rules) and may be applied by Transpacific to frankable distributions it makes. If Baxter does not become a wholly-owned

	subsidiary of Transpacific, the surplus will remain in Baxter's franking account and may be applied by Baxter to frankable distributions it makes.
Is there a number that I can call if I have further queries in relation to the Offer?	If you have any further queries in relation to the Offer, you can call the Baxter Shareholder Information Line on 1300 139 843 (within Australia) or +612 8280 7919 (outside Australia) between 8:30am and 5:30pm (Melbourne time), Monday to Friday. As required by the Corporations Act, all calls to the Shareholder Information Line will be recorded. Further information relating to Transpacific's Offer can also be obtained from Baxter's website at www.baxgroup.com.au.

4. Directors' Recommendation

4.1 Directors of Baxter

The Directors of Baxter at the date of this Target's Statement (and their relevant interests in Baxter Shares and Options) are set out below.

Director	Position	Baxter Shares	Baxter Options
Mr Andrew Demetriou	Non-executive Chairman	110,000	0
Ms Polly Mazaris	Managing Director / CEO	8,684,692[5][6][7]	100,000[8]
Mr Ronald Graham Overs	Non-executive Director	2,890,451[9]	0
Mr Ian Russell Davis	Non-executive Director	10,000	0
Mr John Menzies Spark	Non-executive Director	0	0

Information on the background and qualifications of each of the Directors can be found on pages 18 and 19 of Baxter's 2006 Annual Report.

4.2 Recommendation of the Directors

Each of your Directors desires to make, and considers himself or herself justified in making a recommendation to Baxter Shareholders in relation to the Offer.

Your Directors unanimously recommend that, in the absence of a superior proposal, Baxter Shareholders accept the Offer for the reasons set out in section 2 of this Target's Statement.

4.3 Intentions of Baxter Directors to Accept the Offer

Each of your Directors who has a relevant interest in Baxter Shares intends to accept the Offer in respect of those Baxter Shares in the absence of a superior proposal. None of the Directors has yet determined whether he or she will accept cash, or shares in Transpacific or a combination of both as consideration for his or her acceptance of the Offer. None of the Directors makes any representation as to

[5] 6,000 shares are held by Ms P Mazaris on trust for the beneficial ownership of other family members.
[6] Gormacile Pty Ltd, a company controlled by Ms P Mazaris, holds 8,280,451 shares. Gormacile has agreed to sell 776,699 shares to Latrobe Valley Recyclers Pty Ltd and Murray Valley Recyclers Pty Ltd (see ASX announcement dated 16 December 2005). The sale of these shares is yet to be completed. See section 4.4(1) for further details in relation to this share sale transaction.
[7] Shalpoil Nominees Pty Ltd (A&P Superfund), a company controlled by Ms P Mazaris, holds 350,000 shares. Ms P Mazaris also directly holds 48,241 shares.
[8] 50,000 Baxter Options yet to be issued pursuant to the Baxter ESOP and Ms P Mazaris' contract of employment. The terms of the contract provide that the earliest date for the issue of these Baxter Options is 1 July 2006 and these options have not yet been issued. A further 50,000 Baxter Options are also to be issued pursuant to the Baxter ESOP and Ms P Mazaris' contract of employment. The terms of the contract provide that the earliest date for the issue of these Baxter Options is 1 July 2007.
[9] 10,000 shares are held by Mr R Overs on trust for the beneficial ownership of other family members.

whether Baxter Shareholders should accept cash or Transpacific Shares or a combination of both for their Baxter Shares. Please see section 8.1 of this Target's Statement for a brief outline of the risks associated with accepting Transpacific Shares as part of the consideration.

4.4 Directors' Interests and Dealings

(1) No Dealings in Baxter Securities by Directors

No Director has provided or agreed to provide, or received or agreed to receive, consideration for any Baxter Securities under a sale, purchase or agreement for sale or purchase of such Baxter Securities in the period of four months ending on the date immediately preceding the date of this Target's Statement, other than as set out below or elsewhere in this Target's Statement:

(a) Gormacile Pty Ltd, a company controlled by Ms P Mazaris and the holder of 8,280,451 Baxter Shares, entered into an agreement on 16 December 2005 to sell 776,699 Baxter Shares to the nominees of Latrobe Valley Recyclers Pty Ltd (**LVR**) and Murray Valley Recyclers Pty Ltd (**MVR**) at $5.15 (**Purchasers**) - the last sale price on 16 December 2005. This share sale agreement was entered into in conjunction with the acquisition by Baxter of the businesses conducted by LVR and MVR[10].

(b) On 18 September 2006, 500,000 performance options granted to Ms P Mazaris at an exercise price of $4.68 were cancelled for no consideration. The grant of these options to Ms P Mazaris was approved by shareholders at the annual general meeting of Baxter held on 29 November 2004.

(2) No Relevant Interests in Marketable Securities of Transpacific

(a) Interests held by Directors of Baxter

As at the date of this Target's Statement, no Director had a relevant interest in any marketable securities of Transpacific other than Ms P Mazaris and Mr R Overs, who jointly had 10,825 Transpacific Shares.

(b) Dealings in Transpacific securities by Baxter Directors

No Director has provided or agreed to provide, or received or agreed to receive, consideration for any marketable securities in Transpacific under a sale, purchase or agreement for sale or purchase of such securities in the period of four months ending on the date immediately preceding the date of this Target's Statement, other than Ms P Mazaris and Mr R Overs who have acquired the following Transpacific Shares in that period:

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[10] It is proposed that the share sale will either be completed during the Offer Period so that the Purchasers may accept the Offer if they choose to do so or that Gormacile Pty Ltd will be authorised by the Purchasers to accept the Offer on behalf of the Purchasers at the same time as it accepts the Offer. If the share sale is completed during the Offer Period, the shares will remain subject to the voluntary escrow arrangements already agreed between Baxter and the Purchasers except that those escrow arrangements will be released if the Bidder, or any other person, acquires unconditionally a relevant interest in more than 50% of the ordinary shares of Baxter.

(i) 714 shares on 23 October 2006 by way of participation in Transpacific's share purchase plan; and

(ii) 63 shares on 27 October 2006 by way of participation in Transpacific's dividend reinvestment plan.

(3) **Payments and Benefits**

As a result of Transpacific's Offer, no benefit (other than a benefit permitted by section 200F or 200G of the Corporations Act) has been or will be given to a person:

(a) in connection with the retirement of a person from the Board or managerial office in Baxter; or

(b) who holds, or has held a Board or managerial office in Baxter or a related body corporate, or a spouse, relative or associate of such a person, in connection with the transfer of the whole or any part of the undertaking or property of Baxter.

4.5 Continued Employment of Ms P Mazaris

Ms P Mazaris has agreed to continue in her current role for at least 18 months after the close of the Offer if the Offer is successful.

4.6 No Agreement with any Director

There is no agreement made between any Director and any other person in connection with or conditional on the outcome of the Transpacific Offer other than in their capacity as a holder of Baxter Securities, or as otherwise disclosed in this Target's Statement.

Ms P Mazaris intends to enter into an agreement with Baxter on the basis described in section 8.6 of this Target's Statement to cancel up to 100,000 Baxter Options that Baxter has agreed to issue to her but has not yet issued.

4.7 Interests of Directors in any Contract with Transpacific

Other than as disclosed in this Target's Statement, no Director has an interest in any contract entered into by Transpacific or its related bodies corporate as at the date of this Target's Statement.

5. Other Important Considerations For Baxter Shareholders

In making a decision whether to accept the Offer, Baxter Shareholders should also carefully consider and have regard to the following matters:

5.1 Superior proposal

Baxter Shareholders who accept the Offer (even while the Offer is conditional) may give up certain rights to sell or otherwise deal with their Baxter Shares, including their rights to accept any other offer should such an offer eventuate.

You may only withdraw your acceptance of the Offer if the Offer is varied in such a way as to delay the time by which you would receive payment by more than one month. This will occur if the Offer Period is extended by more than one month and the Offer is still subject to any Conditions.

There is no certainty that another takeover offer will be made or announced for Baxter Shares and, to the best of the Directors' knowledge, no such offer has at the time of this Target's Statement been announced, or made known, to Baxter. Baxter will keep Shareholders informed if another takeover offer is publicly announced during the Offer Period.

5.2 Taxation

Baxter Shareholders may incur a liability for taxation, depending on their individual circumstances, by selling their Baxter Shares to Transpacific. The extent of that liability will depend on each Baxter Shareholder's individual circumstances.

Please see section 8.14 of this Target's Statement and section 10 of the Bidder's Statement for more information regarding taxation consequences.

5.3 The Offer is Conditional

The Offer and any contracts resulting from acceptance of the Offer are subject to the fulfilment (or waiver) of the Conditions (see section 11.10 of the Bidder's Statement for further information).

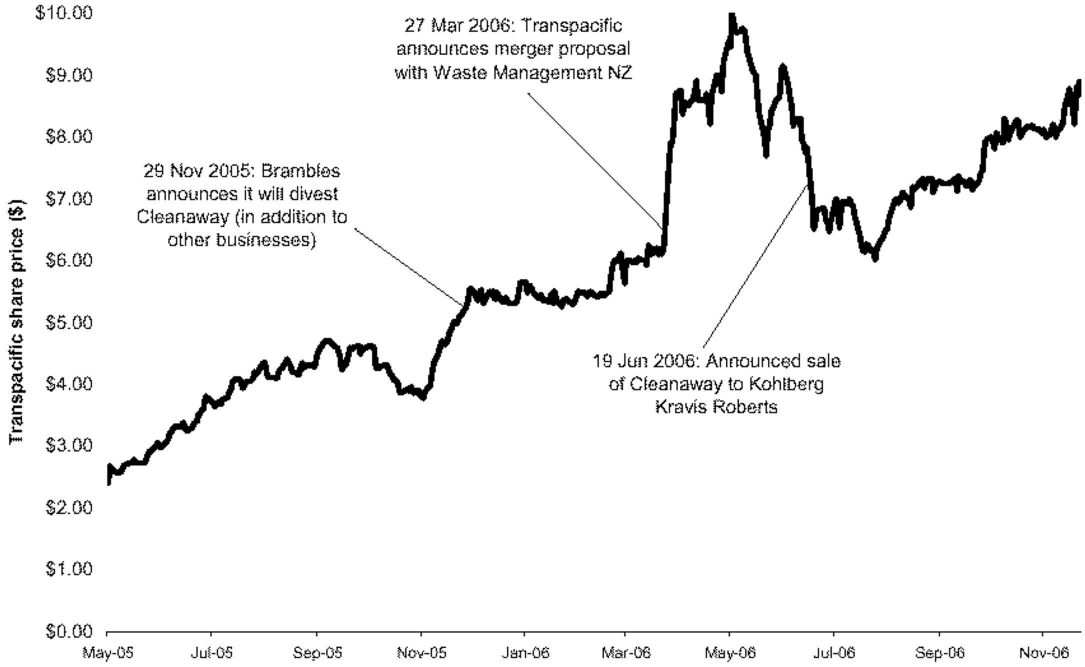
Baxter Shareholders should note that the Offer is currently subject to the Bidder achieving a relevant interest in at least 90% of all issued Baxter Shares by the close of the Offer Period (**Minimum Acceptance Condition**) and that the Offer will lapse if this Minimum Acceptance Condition is not satisfied or waived prior to the end of the Offer Period.

5.4 Risk profile of Transpacific Shares

If you accept Transpacific Shares as consideration, or part consideration for your Baxter Shares, you will be exposed to risks associated with an investment in Transpacific. Please see section 9 of the Bidder's Statement for information regarding the risks associated with an investment in Transpacific.

5.5 Transpacific Share price history

While Transpacific's share price has increased since its ASX listing in May 2005, Baxter Shareholders should note that there has also been some short term volatility in Transpacific's share price as illustrated below.



Any volatility in Transpacific's share price around the time that the Offer becomes unconditional could impact the value of the consideration that you receive if you elect to accept Transpacific Shares as part of your consideration.

5.6 Brokerage and Stamp Duty

You will not be required to pay any brokerage or stamp duty if you accept the Bidder's Offer. Any such costs will be borne by the Bidder.

5.7 Foreign Shareholders

If you are a citizen or resident of a jurisdiction outside of Australia, or your address in the register of members of Baxter is an address outside of Australia, subject to the Bidder deeming otherwise, you will not be entitled to accept shares in Transpacific if you accept the Offer. If you accept the Offer, you will be deemed to have selected the all cash option as consideration for your Baxter Shares. See section 11.9 of the Bidder's Statement for more information.

6. Your Choices as a Baxter Shareholder

To support you in determining how to deal with the Offer, a summary of the two alternatives available to you in respect of the Offer and the possible outcomes of each alternative is provided in the table below. Baxter Shareholders should also note that unless they accept the Offer or their Baxter Shares cease to be quoted (because, for example Transpacific proceeds to compulsory acquisition), they are free to sell their Baxter Shares on ASX (see below for further information).

	Your alternatives	
Possible outcomes	Accept offer	Take no action
Offer by the Bidder proceeds and the Minimum Acceptance Condition is satisfied and the other Conditions are satisfied or waived	Shareholders will receive the consideration for their Baxter Shares.	The Bidder has stated that it will compulsorily acquire all your Shares, upon acquisition of 90% or more of all Baxter Shares.
Offer by the Bidder proceeds, the Minimum Acceptance Condition is waived and the other Conditions are satisfied or waived and Transpacific does not become entitled to compulsorily acquire your Baxter Shares	Shareholders will receive the consideration for their Baxter Shares.	You will continue to hold your Baxter Shares (subject to the Bidder subsequently becoming entitled to compulsorily acquire your Baxter Shares – see section 8.12 of this Target's Statement).
Offer by the Bidder fails and the Conditions are not satisfied or waived	You will continue to hold your Baxter Shares.	You will continue to hold your Baxter Shares.

You should be aware that there is no obligation on the Bidder to waive any Condition, including the Minimum Acceptance Condition.

During a takeover, shareholders in a target company can still sell their shares on ASX for cash provided that they have not accepted a takeover offer. Details of Baxter's Share price are set out in section 2.2 of this Target's Statement. The latest price for Baxter may be obtained from the ASX website, www.asx.com.au, using the code "BAX".

Shareholders who sell their Baxter Shares on ASX:

- lose the ability to accept the Bidder's Offer or any other proposal that may emerge;
- may receive more or less for their Baxter Shares than the Offer Price of $5.55 per Baxter Share; and
- may incur a brokerage charge.

Baxter Shareholders who wish to sell their Baxter Shares on ASX should contact their stockbroker.

7. Information About Baxter

7.1 Overview

Baxter is an integrated waste management and recycling company operating predominantly in the south eastern suburbs of Melbourne and the Latrobe Valley in regional Victoria. It offers waste disposal services to a wide base of customers including major waste management corporations, councils, and private operators.

Further information on Baxter is available on its website at www.baxgroup.com.au

7.2 Baxter History and Operations

Shareholders should refer to Baxter's 2006 Annual Report for information on the company's history and operations. Copies of the Annual Report are available on Baxter's website at www.baxgroup.com.au.

7.3 Baxter's Trading Update

Baxter's unaudited results for the four months ended 31 October 2006 include EBITDA of approximately $6.8 million, compared to approximately $5.0 million, in the prior comparable period. The EBITDA for the four months ended 31 October 2006 includes a contribution from the business acquired from Latrobe Valley Recyclers Pty Ltd and Murray Valley Recyclers Pty Ltd (**LVR/MVR**) which was acquired in March 2006. Baxter has previously indicated the full year EBITDA contribution from LVR/MVR is expected to be at least $3 million. Baxter's EBITDA for the balance of the 2007 financial year is expected to reflect price rises implemented on 1 November 2006 and planned price rises to be implemented on 1 January 2007, amongst other things.

Baxter's unaudited results for the four months ended 31 October 2006 include net profit after tax of approximately $2.0 million, compared to approximately $1.9 million in the prior comparable period. Baxter's unaudited net profit after tax in the four months ended 31 October 2006 has been impacted by:

- depreciation and amortisation charges being approximately $1.4 million higher than the previous comparable period, primarily due to higher development and capital expenditure resulting in higher depreciable asset levels and amortisation of acquisition related intangibles; and

- interest charges being approximately $0.3 million higher than the prior comparable period, primarily due to higher debt levels as a result of the LVR/MVR acquisition.

Baxter's net profit after tax for the six months ended 31 December 2005 was approximately $4.0 million. Baxter normally makes accounting adjustments at the end of each half and full financial year which are not reflected in the monthly unaudited results. These adjustments include those arising from aerial surveys of Baxter's landfill sites completed at those times.

It is possible that Baxter's net profit after tax for the six months ending 31 December 2006 could be materially lower than the approximately $4.0 million reported for the prior comparable period, depending on trading results in November and December 2006 and the level of accounting adjustments normally made at each half and full year end. Baxter Shareholders should refer to the Baxter Annual Report released on 19 October 2006 for more detailed disclosures in relation to the historical financial performance, financial position and accounting policies of Baxter.

7.4 Baxter Issued Capital

As at the date of this Target's Statement, Baxter's issued capital consisted of:

- 42,820,450 Baxter Shares; and
- 69,750 issued Baxter Options.

Baxter has also agreed pursuant to contracts with Baxter employees to issue a further 334,500 Baxter Options subject to the achievement of certain hurdles.

Each Baxter Option gives the holder the right to be issued one Baxter Share upon exercise. The exercise price for Baxter Options ranges between $1.75 and $2.92.

8. Important Aspects of Transpacific's Offer

8.1 Consideration payable by Transpacific on accepting the Offer

Baxter Shareholders (other than foreign shareholders (see section 5.7 of this Target's Statement)) will have three options as to the consideration they may accept under Transpacific's Offer. Baxter Shareholders may choose to accept either:

(1) $5.55 per Baxter Share in cash;

(2) $5.55 per Baxter Share in Transpacific Shares (based on the five day VWAP of Transpacific Shares for the period up to and including the date on which the Offer becomes unconditional); or

(3) $3.70 per Baxter Share in cash plus $1.85 per Baxter Share in Transpacific Shares (based on the five day VWAP of Transpacific Shares for the period up to and including the date on which the Offer becomes unconditional).

Shareholders of Baxter who accept the Offer can choose which of the above options to accept at their complete discretion. The Directors of Baxter make no recommendation as to which of the above options Baxter Shareholders should select. The Directors strongly recommend that each Baxter Shareholder obtains their own financial advice in relation to which of these options is most suitable for his or her own personal circumstances. In certain instances, it may be more tax effective for a Baxter Shareholder to accept Transpacific Shares in consideration for his or her Baxter Shares. However, Baxter Shareholders should be aware that there are risks associated with any investment in the share market and they will bear the risk of an investment in Transpacific Shares if they accept Transpacific Shares as part of the consideration. The risks associated with Transpacific Shares are different to those associated with Baxter Shares and your Directors strongly recommend that you carefully read section 9 of the Bidder's Statement for an outline of the risks associated with Transpacific Shares.

Further, Baxter Shareholders should be aware that if they accept Transpacific Shares as part of their consideration, they will not receive those Transpacific Shares for up to one month after the Offer becomes unconditional. Accordingly, from the time at which they accept the Offer until the time at which they receive the Transpacific Shares, they will not be able to deal in their Baxter Shares (subject to certain limited withdrawal rights) or in the Transpacific Shares that they are to receive as consideration for accepting the Offer.

8.2 Offer Period

The Offer Period is open until 6pm (Melbourne time) on 21 December 2006, unless extended. Acceptances must be received prior to the end of the Offer Period.

8.3 Extension of Offer Period

While the Offer is subject to the Conditions, Transpacific may extend the Offer Period at any time before giving the notice regarding the status of Conditions referred to in section 8.8 of this Target's Statement but, after that notice is given, only in limited circumstances relating to competing takeover bids.

If the Offer is unconditional (i.e. all the Conditions have been satisfied or waived), Transpacific may extend the Offer Period at any time before the end of the Offer Period.

Also, the Offer Period will be automatically extended if, within the last seven days of the Offer Period:

(1) Transpacific improves the consideration offered under the Offer; or

(2) Transpacific's voting power in Baxter increases to more than 50%.

If either of the events referred to above occur, the Offer Period is automatically extended so that it ends 14 days after the event. Transpacific is required to give Baxter and Baxter Shareholders who have not yet accepted the Offer notice of the extension within three days after the event.

8.4 Effect of Acceptance and Rights of Withdrawal

If you accept the Offer, you will have limited rights to withdraw your acceptance. You will be entitled to withdraw your acceptance of the Offer if:

(1) the Bidder varies the Offer in a way that postpones, for more than one month, the time when the Bidder must meet its obligations under the Offer; and

(2) the Offer is still subject to Conditions.

An example of when this will occur is if the Bidder extends the Offer Period by more than one month and the Offer remains conditional at the time of the extension.

If you accept the Offer:

(1) the Bidder will obtain the right to attend and vote on resolutions affecting the Offer at any general meeting of Baxter on your behalf, irrespective of whether or not the Offer has become unconditional; and

(2) you will be unable to sell or otherwise deal with your Baxter Shares.

The effect of acceptance of the Offer is set out in section 11.7 of the Bidder's Statement. You should read these provisions carefully and in full.

8.5 Payment under the Offer

In the usual case, you will be paid on the earlier of:

(1) one month after the Offer is validly accepted by you, or if the Offer is conditional when accepted, within one month after the offer becoming unconditional; and

(2) 21 days after the end of the Offer Period.

There are exceptions to the timing outlined above. See section 11.8 of the Bidder's Statement for further information.

8.6 Dealing with Baxter Options

(1) Requirements of Bid Implementation Agreement

Baxter has agreed with Transpacific under the Bid Implementation Agreement that the Offer will extend to Baxter Shares issued on the exercise of Baxter Options during Offer Period and that, in respect of the remaining Baxter Options, Transpacific will make a separate offer to holders of Baxter Options, or will agree with Baxter that Baxter will cancel the Baxter Options, on terms no less favourable to holders of Baxter Options than the terms they would receive if they were to exercise their Baxter Options (assuming they were presently exercisable) and to accept the Offer. Further, Baxter has agreed to use its best endeavours to enter into arrangements with those persons who have contractual rights to the issue of Baxter Options to cancel those contractual rights on terms no more favourable (when taken as a whole) to those offered to the holders of Baxter Options or such other terms as are reasonably agreed by Transpacific.

(2) Issued Baxter Options

Subject to any conditions that may restrict the exercise of those Baxter Options, a holder of issued Baxter Options may exercise their Baxter Options and accept the Offer in respect of the Baxter Shares that they receive upon exercise of their Baxter Options.

The Baxter ESOP provides that if a takeover offer is made for the Baxter Shares and the Board becomes aware that more than 20% of the issued Baxter Shares have or will become vested in the offeror or its associates (i.e. the Bidder or Transpacific), all unexercised Baxter Options (whether vested or not) will become exercisable. As required by the Baxter ESOP, Baxter will notify the holders of Baxter Options when the Board becomes aware that the relevant condition has been satisfied.

Baxter and Transpacific have not yet agreed whether Transpacific will make a separate offer in respect of the unexercised Baxter Options or Baxter will make offers to cancel those Baxter Options.

(3) Options Rights

In exercising its best endeavours to cancel the rights to unissued Baxter Options as required by the Bid Implementation Agreement, Baxter proposes to offer to cancel the contractual rights to be issued Baxter Options in the future (**Option Rights**) held by certain Baxter employees, including Ms P Mazaris. The main terms of that offer are outlined below:

(a) in respect of each Baxter Option which an employee was, or would have been entitled to receive, on or before 31 December 2007, each employee will be paid the difference between the cash consideration being offered by the Bidder and the exercise price for the Baxter Option, being $2.63 based on the Offer Price of $5.55 (**Cancellation Proceeds**);

(b) in respect of each Baxter Option which an employee was, or would have been entitled to receive, after 31 December 2007 (**Post 2007 Options**), the Cancellation Proceeds will be paid into an employee bonus pool and distributed, at the sole discretion of the management of Baxter in consultation with the Chairman of the Remuneration Committee, Mr A Demetriou, to employees of Baxter to reward employees during this transitional period and as an incentive for remaining with Baxter; and

(c) to the extent that the Cancellation Proceeds are not distributed from the employee bonus pool, the balance of the Cancellation Proceeds will be distributed between the former holders of contractual rights to Post 2007 Options at the sole discretion of the management of Baxter in consultation with the Chairman of the Remuneration Committee, Mr A Demetriou.

The offer to cancel the Option Rights is conditional upon the Bidder, or another person, acquiring unconditionally a relevant interest in more than 50% of the ordinary shares in Baxter by 30 June 2007.

(4) Compulsory acquisition of Baxter Options

See section 8.12 of this Target's Statement.

8.7 Offer subject to Conditions

Transpacific's Offer is subject to a number of conditions:

(1) Minimum Acceptance Condition

That the Bidder 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 Offer, which restrains or prohibits (or if granted could restrain or prohibit), or otherwise materially adversely impacts upon the making of the Offer or the completion of any transaction contemplated by the Offer (whether subject to conditions or not) or the rights of the Bidder in respect of Baxter and the Baxter Shares to be acquired under the Offer, or requires the divestiture by the Bidder 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) 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 fees to other persons

That 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 Index published by ASX at the close of business on any three consecutive days after the Announcement Date is not below 4,500.

(7) Prescribed Occurrences

That 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;

(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; or

(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 Offer, 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 Bid Implementation Agreement including any warranty given by Baxter.

8.8 Notice of Status of Conditions

The Bidder will provide notice to you not more than 14 days and not less than seven days prior the end of the Offer Period which will provide:

(1) whether the Offer is free from the Conditions;

(2) whether, so far as the Bidder knows, the Conditions have been fulfilled; and

(3) the Bidder's voting power in Baxter.

8.9 Notice of the Bidder's voting power

The Bidder has notified ASX and Baxter that as of 14 November 2006 it has a relevant interest in 4.08% of Baxter Shares.

The Bidder is obliged by law to notify ASX and Baxter before 9:30am on each trading day during the Offer Period where there is a movement of at least 1% in its holding of Baxter Shares.

8.10 Lapse of Offer

The Offer will lapse if the Conditions to the Offer are not satisfied or waived by the end of the Offer Period or, in the case of those occurrences set out in section 652C(1) and (2) of the Corporations Act, within three business days after the end of the Offer Period. If the Offer lapses, all contracts resulting from acceptance of the Offer and all acceptances which have not yet resulted in binding contracts will become void.

8.11 Withdrawal of Offer

The Bidder may withdraw the Offer for your Baxter Shares with the written consent of ASIC and subject to any conditions specified in such ASIC consent.

8.12 Compulsory acquisition

(1) Compulsory acquisition following takeover

The Bidder will be entitled to compulsorily acquire any outstanding Baxter Shares in respect of which it has not received acceptances on the same terms as the Offer if, during or at the end of the Offer Period, the Bidder (and its Associates) have a relevant interest in at least 90% (by number) of Baxter Shares.

The Bidder has indicated in its Bidder's Statement that it intends to compulsorily acquire any outstanding Baxter Shares if it becomes entitled to do so. If the compulsory acquisition thresholds are met, the Bidder must give compulsory acquisition notices to each holder of Baxter Shares during the Offer Period or within one month after the end of the Offer Period.

Baxter Shareholders have statutory rights to challenge the compulsory acquisition by applying to a court, but the court may order the Baxter Shares not be compulsorily acquired only if the court is satisfied that the consideration does not represent fair value for their Baxter Shares. Baxter Shareholders should be aware that if their Baxter Shares are acquired compulsorily, they are not likely to receive any payment until at least one month after the compulsory acquisition notices are sent.

(2) General compulsory acquisition power

The Bidder has indicated in its Bidder's Statement that, if Baxter becomes a partly-owned subsidiary of the Bidder, it may exercise its general compulsory acquisition rights if it becomes entitled to do so at a later time. The general compulsory acquisition rights may be triggered if after the end of the Offer Period:

(a) in respect of Baxter Shares, if the Bidder acquires 90% of all Baxter Shares; or

(b) in respect of Baxter Securities, if the Bidder acquires a full beneficial interest in at least 90% by value of Baxter Securities, and its voting power in Baxter is above 90%.

The Bidder may become entitled to compulsorily acquire the Baxter Options as a result of the general compulsory acquisition power referred to in paragraph (b) above.

In each case, the Bidder would have a period of six months from that time to compulsorily acquire Baxter Securities not owned by it, which requires the acquisition to take place at a price which equals or exceeds the "fair value" of the Baxter Shares or, in the case of a compulsory acquisition of the Baxter Options, the Baxter Options.

If persons holding at least 10% of those Baxter Securities which the Bidder is seeking to compulsorily acquire object to the acquisition, the Bidder would need to apply to the court for approval of the acquisition of those Baxter Securities the subject of the compulsory acquisition notice.

(3) Compulsory buy out rights

If the Bidder (taken together with its Associates) has a relevant interest in at least 90% of Baxter Shares at the end of the Offer Period and it does not exercise or is not entitled to exercise the compulsory buy out rights described above, the Bidder must offer to acquire for fair value the remaining Baxter Shares and Baxter Options. The terms of the offer must be set out in a notice given during or within one month after the end of the Offer Period and the offer must be accepted within one month after the notice has been given.

The terms for a compulsory buy-out of the Baxter Shares will be the same as those offered under the takeover bid (or as otherwise agreed between the Baxter Shareholder and the Bidder).

The terms for a compulsory buy-out of the Baxter Options must be included in the notice sent out by the Bidder and the notice must be accompanied by a report made by an expert stating whether the terms give fair value for the securities and giving reasons for that opinion. The terms for a compulsory buy-out of Baxter Options will be those agreed by the bidder and the holder or the terms determined by the Court on application by the holder.

8.13 Litigation

There is no current litigation of a material nature against Baxter or any controlled entity of Baxter. Your Directors have no knowledge of any potential material litigation.

8.14 Taxation Consequences for Baxter Shareholders

The taxation consequences of accepting Transpacific's Offer depends on a number of factors and will vary depending on each Baxter Shareholder's particular circumstances.

If a Baxter Shareholder realises a capital gain on disposal of Baxter Shares, they will generally be entitled to the CGT discount concession if they are an individual, a trust, a complying superannuation fund or a life insurance company and they have held their Baxter Shares for at least 12 months. They will not be entitled to the CGT discount concession if they are a company. The CGT discount percentage for individuals and trusts (that are non complying superannuation funds) is 50% and for complying superannuation funds and life insurance companies is 33.33%.

However, CGT rollover may be available upon the disposal of Baxter shares to the Bidder if the following conditions are satisfied:

(1) as a result of the Offer, the Bidder becomes the owner of 80% or more of Baxter Shares;

(2) apart from the rollover, the Baxter Shareholder would make a capital gain as a result of the exchange (i.e. rollover relief is not available if a capital loss would arise to a Baxter Shareholder on the exchange of its Baxter Shares for Transpacific Shares); and

(3) the Baxter Shareholder chooses to obtain the scrip for scrip rollover.

A general outline of the Australian taxation considerations of accepting Transpacific's Offer for certain Baxter Shareholders is set out in section 10 of the Bidder's

Statement. You should carefully read and consider the taxation consequences if you intend to accept the Offer.

The outline in the Bidder's Statement and in this Target's Statement is only a general outline and does not address the taxation implications for all Baxter Shareholders. You should not rely on that outline as it may not be applicable to your circumstances.

You should seek your own personal, independent taxation advice before making a decision as to whether or not to accept Transpacific's Offer.

9. Additional Information

9.1 Consents

(1) Directors

This Target's Statement contains statements made by, or statements based on statements made by the Directors. Each of the Directors has consented to the inclusion of each statement they have made and each statement which is based on a statement they have made, and in the form and context in which the statements appear. None of the Directors has withdrawn that consent prior to the date that this Target's Statement was lodged with ASIC.

(2) Financial Adviser

Carnegie, Wylie & Company Pty Ltd has given and not withdrawn its consent before the date of this Target's Statement to being named in this Target's Statement as financial adviser to Baxter.

(3) Legal Adviser

Deacons has given and not withdrawn its consent before the date of this Target's Statement to being named in this Target's Statement as legal adviser to Baxter.

(4) Disclaimer

Each person named above as having given its consent to the inclusion of a statement or to being named in this Target's Statement:

(a) does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, a statement included in this Target's Statement with the consent of that person; and

(b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement or for any statement included in this Target's Statement other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Target's Statement with the consent of that person.

(5) Statements made by reference to documents lodged with ASIC or ASX

As permitted by ASIC Class Order 01/1543, this Target's Statement may contain statements which are made in documents lodged with ASIC or the ASX (in compliance with ASX Listing Rules). Pursuant to this Class Order, the consent of persons such statement are attributed to is not required for the inclusion of such statements in this Target's Statement.

As permitted by ASIC Class Order 03/635, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or a published book, journal or comparable publication,

without the consent of persons responsible for such statements.

Any Baxter Shareholder who would like to receive a copy of any of the documents (or parts of the documents) that contain the statements which have been included in reliance to Class Order 01/1543 may obtain a copy (free of charge) during the Offer Period. A copy may be distributed by contacting the Baxter Shareholder Information Line on 1300 139 843 (within Australia) or +612 8280 7919 (outside Australia) Monday to Friday between 8.30am and 5:30pm (Melbourne time). As required by the Corporations Act, calls to the Shareholder Information Line will be recorded and those recordings will be indexed and stored.

9.2 No Other Material Information

(1) This Target's Statement is required to include all the information that Baxter's Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Bidder's Offer, but:

(a) only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and

(b) only if the information is known to any of Baxter's Directors.

(2) The Baxter Directors are of the opinion that the information that Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Bidder's Offer is:

(a) the information contained in the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);

(b) the information contained in Baxter's 2006 Annual Report (for the year ended 30 June 2006);

(c) the information contained in Baxter's releases to ASX and in documents lodged by Baxter with ASIC prior to the date of this Target's Statement; and

(d) the information contained in this Target's Statement.

(3) The Baxter Directors have assumed, for the purposes of preparing this Target's Statement, that the information contained in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement).

However, the Baxter Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

(a) the nature of Baxter Shares;

(b) the matters Baxter Shareholders may reasonably be expected to know;

(c) the fact that certain matters may reasonably be expected to be known to the professional advisers of Baxter Shareholders; and

(d) the time available to Baxter to prepare this Target's Statement.

10. Glossary And Interpretation

10.1 Glossary

In this Target's Statement, the following defined terms are used, unless the contrary intention appears or the context requires otherwise:

(1) **Acceptance Form** means the acceptance form attached to the Bidder's Statement.

(2) **Announcement Date** means 2 November 2006, being the date on which the takeover bid of Transpacific was announced to ASX.

(3) **ASIC** means the Australian Securities and Investments Commission.

(4) **Associate** has the same meaning as that ascribed to it in section 12 of the Corporations Act.

(5) **ASTC** means ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532.

(6) **ASTC Settlement Rules** means the operating rules of the settlement facility provided by ASTC.

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

(8) **ASX Listing Rules** means the listing rules of ASX, as amended or waived from time to time.

(9) **Baxter** means Baxter Group Limited ABN 94 099 618 998.

(10) **Baxter ESOP** means the employee share option plan adopted by Baxter and approved by Baxter Shareholders at the Annual General Meeting of Baxter held on 27 November 2003.

(11) **Baxter Options** means the options over unissued shares in the capital of Baxter, including, as the context requires, contractual rights for the issue of such options, on issue or subject to contractual rights in existence on the Announcement Date.

(12) **Baxter Shareholders** means holders of Baxter Shares.

(13) **Baxter Shares** means fully paid ordinary shares in the capital of Baxter, including all rights attaching to them.

(14) **Baxter Securities** means Baxter Options and Baxter Shares.

(15) **Bid Implementation Agreement** means the agreement entered into by Baxter and Transpacific on 2 November 2006 to facilitate the acquisition of Baxter by Transpacific.

(16) **Bidder** means Transpacific Waste Management Pty Ltd ACN 120 175 635, a wholly owned subsidiary of Transpacific.

(17) **Bidder's Statement** means the bidder's statement dated 13 November 2006 in relation to the Bidder's Offer.

(18) **Board** means the Baxter Board as set out in section 4.1 of this Target's Statement.

(19) **Business Days** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

(20) **CGT** means capital gains tax.

(21) **Conditions** means a condition of the Bidder's Offer as set out in section 11.10 of the Bidder's Statement and section 8.7 of this Target's Statement.

(22) **Controlling Participant** has the meaning given in the ASTC Settlement Rules.

(23) **Corporations Act** means *Corporations Act 2001* (Cth).

(24) **Director** means a director of Baxter as at the date of this Target's Statement.

(25) **EBITDA** means earnings before interest, tax, depreciation, and amortisation calculated in accordance with usual Australian International Financial Reporting Standards.

(26) **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.

(27) **Material Adverse Change** means any matter, event or circumstance that:

(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) 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 this agreement; or

(iii) the status of any Regulatory Approvals which have been granted and affect the Offer,

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

(28) **Minimum Acceptance Condition** means the condition described in section 5.3 of the Target's Statement.

(29) **Offer** means the offer by the Bidder to acquire all of the Baxter Shares in accordance with the Bidder's Statement.

(30) **Offer Period** means the period during which the Offer will remain open for acceptance in accordance with section 11.2 of the Bidder's Statement.

(31) **Offer Price** means the consideration offered for Baxter Shares in accordance with section 8.1 of this Target's Statement and section 11.1(a) of the Bidder's Statement.

(32) **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 a Baxter Option in accordance with its terms or issues of Baxter 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 a 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 Bid Implementation Agreement;

(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 this agreement; or

(iii) to implement a transaction in respect of the Baxter Options contemplated by the Bid Implementation Agreement; 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.

(33) **Regulatory Approvals** means any approvals necessary for the implementation of the Offer from any Government Agency (including ASX).

(34) **Target's Statement** means this document (including any annexures and appendices) being the statement of Baxter under Part 6.5 Division 3 of the Corporations Act.

(35) **Transpacific** means Transpacific Industries Group Limited ABN 74 101 155 220.

(36) **Transpacific Shares** means fully paid ordinary shares in the capital of Transpacific, including all rights attaching to them.

(37) **VWAP** means volume weighted average price.

10.2 Interpretation

In this Target's Statement:

(1) capitalised terms are defined in section 10.1 of this Target's Statement.

(2) unless specified otherwise, or otherwise required by the context, all words and phrases in this Target's Statement shall have the meanings given to them in the Corporations Act.

(3) headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise:

- (a) the singular includes the plural and conversely;
- (b) a gender includes all genders;
- (c) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (d) a reference to a person includes a body corporate, an unincorporated body or other entity and conversely; and
- (e) a reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.

(4) references to time are to Melbourne, Australia time.

(5) all amounts are in Australian dollars.

11. Date And Authorisation

11.1 Date

This Target's Statement is dated 24 November 2006 which is the date on which it was lodged with ASIC.

11.2 Authorisation

This Target's Statement has been approved by a resolution passed by the Directors of Baxter. No Director of Baxter voted against the resolution authorising this Target's Statement.

SIGNED for and on behalf of Baxter

Mr Andrew Demetriou
Chairman
Baxter Group Limited

12. Corporate Directory

Directors of Baxter

Andrew Demetriou (Non Executive Chairman)
Polly Mazaris (Managing Director, CEO)
Ian Davis (Non Executive Director)
Ron Overs (Non Executive Director)
John Spark (Non Executive Director)

Company Secretary

Craig Smith

Registered Office

Lot 1, Victory Road
Clarinda Vic 3169

Legal Advisor

Deacons
Level 15, 485 Bourke Street
Melbourne Vic 3000

Financial Advisor

Carnegie, Wylie and Company
Level 33, 101 Collins Street
Melbourne Vic 3000