FAT PROPHETS AUSTRALIA FUND LIMITED

ACN: 111 772 359

PROSPECTUS

FOR THE INITIAL PUBLIC OFFER OF UP TO 40,000,000 STAPLED SECURITIES AT AN OFFER PRICE OF $1.00 PER STAPLED SECURITY

TO RAISE UP TO $40,000,000

- EACH STAPLED SECURITY CONSISTS OF ONE (1) FULLY PAID ORDINARY SHARE AND ONE (1) OPTION EXERCISABLE AT $1.00 PER SHARE THAT ARE JOINED TOGETHER (or stapled) AND TREATED AS ONE SECURITY QUOTED ON ASX.
- EACH STAPLED SECURITY WILL BECOME UNSTAPLED ON 20 APRIL 2006 AT WHICH TIME THE ORDINARY SHARE AND OPTION WILL TRADE SEPARATELY.
- EACH OPTION CAN BE CONVERTED INTO AN ORDINARY SHARE AFTER UNSTAPLING BUT BEFORE THE EXPIRY DATE OF 20 APRIL 2008.

THIS OFFER IS NOT UNDERWRITTEN

SPONSORING BROKERS:

E*TRADE AUSTRALIA | CommSec

fatprophets
INVESTMENT HEAVYWEIGHTS

IMPORTANT NOTICES

This Prospectus is dated 9 February 2005 and was lodged with ASIC on that date. No responsibility for the contents of this Prospectus is taken by the ASIC or ASX or any of their officers.

This document is important and requires your immediate attention. It should be read in its entirety. You may wish to consult your professional adviser about its contents.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained or taken to be contained may not be relied on as having been authorised by the Company in connection with the Offer.

Defined terms and abbreviations included in the text of this Prospectus are set out in the Glossary in Section 11.

This Prospectus does not constitute an offer of Stapled Securities in any place in which, or to any person to whom, it would not be lawful to do so.

Offers under this Prospectus will be made pursuant to an arrangement between the Company and Australian Financial Services Licensees (Licensees) pursuant to Section 911A(2)(b) of the Corporations Act. The Company will only authorise Licensees to make offers to people and arrange for the issue of Stapled Securities by the Company under the Prospectus and the Company will only issue Stapled Securities in accordance with such offers if they are accepted.

Any Application received which does not bear a Licensee's stamp will be forwarded to the Share Registrar for processing.

The Share Registrar will deposit and deal with the Application Monies pursuant to this Prospectus.

The Sponsoring Brokers' function should not be considered as an endorsement of the Offer or a recommendation of the suitability of the Offer for any Applicant. The Sponsoring Brokers do not guarantee the success or performance of the Company or the returns (if any) to be received by investors. Neither the Sponsoring Brokers nor any other Licensee is responsible for or caused the issue of this Prospectus. The Company reserves the right to enter into similar agreements to those with the Sponsoring Brokers with other Licensees.

This Prospectus may be viewed and is available in Australia at the following address (Electronic Prospectus): **www.fatprophets.com.au/**fatfund/prospectus

The Offer or invitation to which the Electronic Prospectus relates is only available to persons receiving the Electronic Prospectus in Australia and New Zealand.

If you download the Electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. The Stapled Securities to which the downloaded Prospectus relates will only be issued on receipt of a printed copy of the electronic Application Form. The Electronic Prospectus has an option whereby it is possible to apply for Stapled Securities via an online paperless application.

The Company will send to a person a copy of the paper Prospectus and paper Application Form free of charge if the person asks during the Offer period.

This can be obtained by calling **1300 88 11 77**.

FAT PROPHETS AUSTRALIA FUND LIMITED IS AN INVESTMENT COMPANY ESTABLISHED TO PROVIDE INVESTORS WITH ACCESS TO THE BENEFITS OF INVESTMENTS IN THE SHARE MARKET. THIS IS MADE WITH THE HELP OF THE MANAGER AND UTILISING THE FAT PROPHETS REPORT AS AN INPUT TO THE INVESTMENT PROCESS

INDICATIVE TIMETABLE

Date of Prospectus	9 February 2005
Expected expiry of exposure period	16 February 2005
Offer to open	17 February 2005
Offer expected to close	8 April 2005
Proposed allotment date	15 April 2005
Trading of Stapled Securities expected to commence on ASX	21 April 2005

The above dates are indicative only and may vary, subject to the requirements of the Listing Rules and the Corporations Act.

Fat Prophets Australia Fund Limited (Company) may vary the dates and times of the Offer (including closing the Offer early) without notice. Accordingly, investors are encouraged to submit their applications as early as possible.

No application for Stapled Securities under this Prospectus will be accepted (and no Stapled Securities will be issued or transferred under this Prospectus) until the period of seven days after the lodgement of this Prospectus has ended. The Australian Securities and Investments Commission (ASIC) may extend that period to not more than 14 days, by notice in writing to the Company.

No Stapled Securities will be issued on the basis of this Prospectus later than the expiry date of this Prospectus being the date 13 months after the date of this Prospectus.

The Company will apply to the Australian Stock Exchange (ASX) for the Stapled Securities to be listed for quotation on ASX within seven days after the date of this Prospectus.

HOW TO APPLY

An application for Stapled Securities under this Offer can only be made by completing and lodging the Application Form attached to this Prospectus. Detailed instructions on completing the Application Form accompany the Application Form.

Certain Brokers will make the Prospectus available on their websites and may have an online application facility. Investors wishing to use these online application facilities should follow the instructions on how to apply on those websites.

Applications must be made for a minimum of 5,000 Stapled Securities at $1.00 each for a total of $5,000 (being 5,000 Stapled Securities at $1.00 each). A larger number of Stapled Securities may be applied for in multiples of 100 Stapled Securities for $100.

Applications must be accompanied by payment in Australian currency of $1.00 per Stapled Security. Cheques should be made payable to "Fat Prophets Australia Fund Limited – Applications Account" and crossed "Not Negotiable". Payments by cheque will be deemed to have been made when the cheque is honoured by the bank on which it is drawn. Alternatively you can make payment online as part of a paperless application process. The amount payable on each Application will not vary during the period of the Offer and no further amount is payable on allotment.

No brokerage or stamp duty is payable by Applicants.

Completed Application Forms and Application Monies may be lodged with:

Fat Prophets Australia Fund Limited – Applications Account
c/- Registries Limited

Level 2, 28 Margaret Street

SYDNEY NSW 2000

WHEN TO APPLY

Completed Applications must be received by the Share Registrar prior to 5pm AEDT (Australian Eastern Daylight Time) on the Closing Date. The Directors may close the Offer at any time after expiry of the exposure period without prior notice or extend the Offer period in accordance with the Corporations Act. **Early lodgement of your application is recommended as the Offer may be closed early.**

The Directors reserve the right to allocate any lesser number of Stapled Securities than those for which an Applicant has applied. Where the number of Stapled Securities allotted is fewer than the number applied for, surplus Application Monies will be refunded without interest within seven days of the Closing Date.

ENQUIRIES

Investors with questions on how to complete the Application Form or who require additional copies of the Prospectus should contact the Company on 1300 88 11 77 or via www.fatprophets.com.au/fatfund.

PRIVACY

If you apply for Stapled Securities, you will be providing personal information to the Company and the Share Registrar.

The Company and the Share Registrar will collect, hold and use your personal information in order to assess your Application, service your needs as an investor and carry out appropriate administration.

Tax and Company law requires some of the information to be collected. If you do not provide the information requested, your Application may not be efficiently processed, or not processed at all.

CHAIRMAN'S LETTER

Fat Prophets Australia Fund Limited
Level 33, 2 Park Street Sydney NSW 2000

9 February 2005

Dear Investor,

On behalf of the Board of Directors, it is my pleasure to invite you to become a Stapled Security holder in Fat Prophets Australia Fund Limited (Company).

The Company is an investment company that has been established to provide investors with exposure to a value investment style similar to that behind the successful Fat Prophets report.

The Fat Prophets report was established in 2000 by Mint Financial Group Pty Limited as primarily an equities based research report and it has quickly grown its subscriber base.

The Manager, initially Mint Financial Group Pty Limited and then Fat Prophets Funds Management Australia Pty Limited, will be responsible for managing the proceeds raised, with the principal objective to provide Stapled Security holders with long term capital growth and income by investing in companies that are perceived to be undervalued.

The Manager will use the research provided by the Fat Prophets report as well as conduct its own research efforts to obtain a basket of suitable investment opportunities. A portfolio will be constructed, taking individual stock and industry sector risks into consideration, with the objective of out-performing the S&P/ASX 300 Accumulation Index.

While the Manager will use the Fat Prophets report as a component in the investment process and interests associated with the founders of the Fat Prophets report are associated with the Manager and the Company in certain capacities, the past performance of investments made in accordance with recommendations contained within the Fat Prophets report are not indicative as to the future performance of the Company.

Key features of the Company include:

- The stapling of Shares and Options, via the Stapled Security issued pursuant to this Prospectus, until the Unstapling Date of 20 April 2006.
- An opportunity to invest in a fund that uses the Fat Prophets report as an input to its investment process – research that has provided valuable investment advice.
- Alignment of interests of the Manager with the Company and Shareholders through the implementation of a performance fee structure that;
  - rewards the Manager for investment performance that exceeds its benchmark, the S&P/ASX 300 Accumulation Index; and
  - is not payable following under-performance until the under-performance has been made up by subsequent out-performance.
- An independent Chair of the Board and majority of independent Directors on the Board and the Audit committee of the Board.
- Capital management aimed at maximising Stapled Security holder value. The Board may authorise the buy back of Stapled Securities in the Company if Stapled Securities in the Company trade at a substantial discount to net tangible asset value.

The information in this Prospectus is important. I encourage you to read it carefully and in its entirety and to seek independent professional accounting or other advice before deciding to invest.

Together with my fellow directors, I commend this Offer to you and look forward to welcoming you as a Stapled Security holder in Fat Prophets Australia Fund Limited.

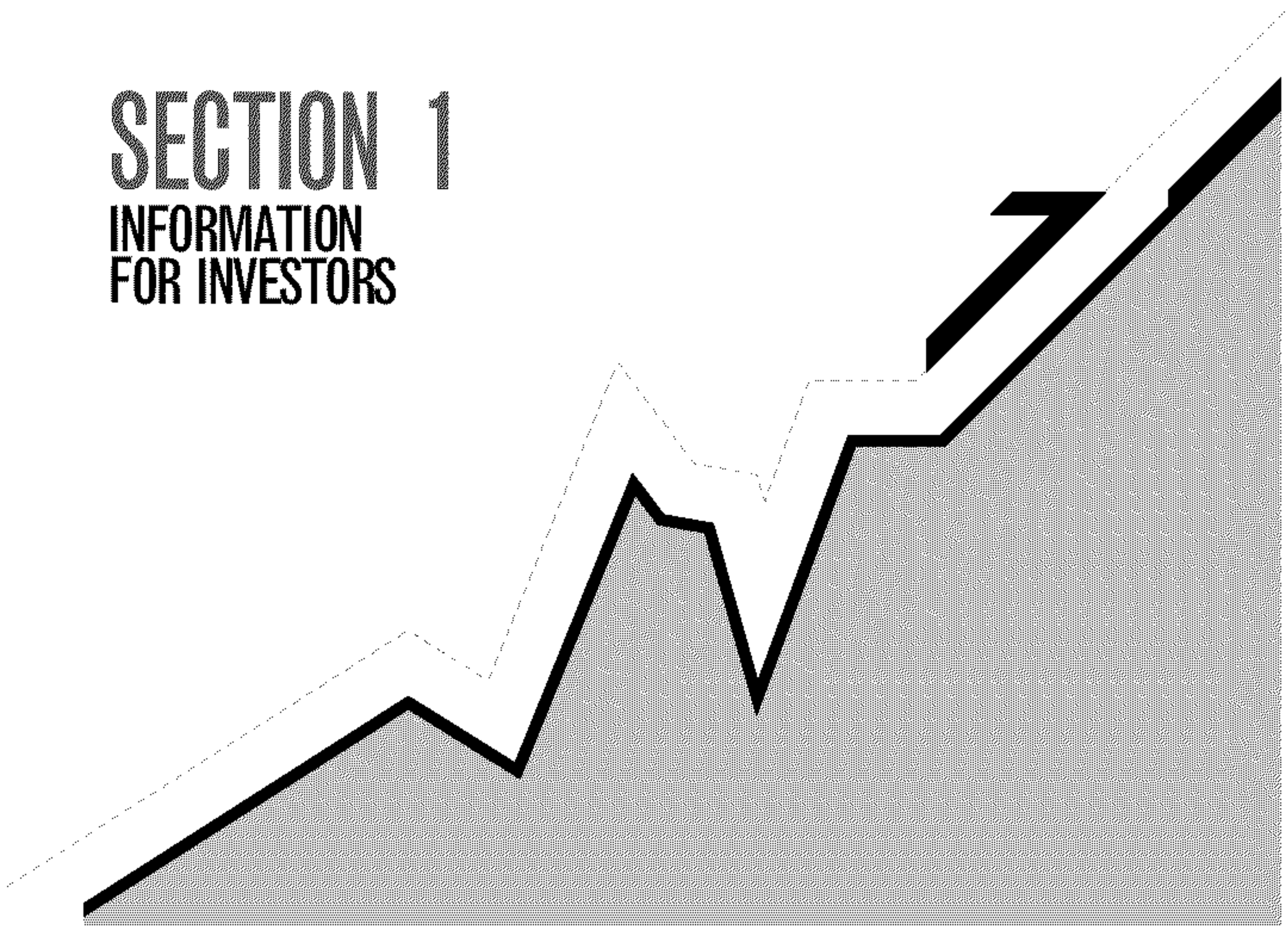
Yours sincerely,

Robert Bolton

Robert Bolton

Chairman

SECTION 1
INFORMATION FOR INVESTORS



This is a summary only. This Prospectus should be read in full before making any decision to apply for Stapled Securities.

The performance of the Company is not guaranteed by the Board, the Manager, or any adviser to the Company.

1.1 BUSINESS OVERVIEW AND OBJECTIVE

The Company is an investment company established to provide investors with access to the benefits of investments in the share market made with the help of the Manager and utilising the Fat Prophets report as an input to the investment process.

While the Manager will use the Fat Prophets report as a component in the investment process and interests associated with the founders of the Fat Prophets report are associated with the Manager and the Company in certain capacities, the past performance of the investment recommendations contained within the Fat Prophets report should not be seen as being indicative as to the future performance of the Company.

The Company will predominately invest in Securities included in the S&P/ASX 300 Accumulation Index (ASX 300). The Company's Portfolio will be managed with a strong philosophy of capital preservation and a focus on achieving a superior rate of capital appreciation over the medium to long term.

The investment objective of the Company is to provide long-term capital growth and the payment of dividends by investing in undervalued Australian companies. See Section 2 for details.

It is intended that the Company will satisfy the criteria to be considered a listed investment company (LIC) for the purposes of the *Income Tax Assessment Act 1997* (Cwlth). If the company is considered a LIC, tax concessions may be available to Stapled Security holders which allow the benefit of the discount capital gains regime to "flow through" to them in a similar way that would be available if the Company had been established in a trust structure.

The ability of Stapled Security holders to enjoy these tax concessions, provided the Company is considered a LIC for the purposes of the *Income Tax Assessment Act 1997* (Cwlth), is dependent, among other things, on the nature of the Company's investments and the time period in which the Company holds those investments. See Sections 4.7 and 8 for details.

The actual taxation implications applicable to investors will vary from investor to investor. The Company, its advisers and its Directors and officers do not accept any responsibility or liability for any taxation consequences. As a result, investors should consult their own professional tax advisers in connection with subscribing for Stapled Securities under this Prospectus.

1. INFORMATION FOR INVESTORS

1.2 THE OFFER

The Company will offer for subscription up to 40,000,000 Stapled Securities at $1.00 per Stapled Security to raise up to $40,000,000. For each Stapled Security issued, subscribers will receive one (1) Share and one (1) Option to subscribe for a Share at an exercise price of $1.00 exercisable by 20 April 2008. The Company reserves the right to accept over subscriptions.

A Stapled Security consists of one (1) Share and one (1) Option that are joined together (or Stapled) and treated as one security quoted on ASX.

On 20 April 2006 (the Unstapling Date) the Stapled Securities will "unstaple" and trade separately on ASX as Shares and Options.

An Option holder may exercise an Option at any time during the two years between 20 April 2006 and 20 April 2008. Each Option received via a Stapled Security comes attached to a Share and cannot be traded separately prior to the Unstapling Date.

If fully subscribed, the Offer will result in the issue of 40,000,000 Stapled Securities and will raise $40 million. If the Offer is over subscribed, and the Company decides not to accept over subscriptions, the Company's decision as to which Applicants are issued less than the number of Stapled Securities applied for, and the number of Stapled Securities to be issued to those Applicants, is final.

1.3 PRIORITY ALLOCATION

Up to 15,000,000 Stapled Securities have been set aside for the Priority Allocation to existing subscribers of the Fat Prophets report. The Priority Allocation will be restricted to subscribers who lodge applications by 28 February 2005. These applicants should use the online Application Form found within the online Fat Prophets members area. For further details, Fat Prophets report subscribers should contact Fat Prophets on 1300 88 11 77.

Stapled Securities in the Priority Allocation that are not taken up will be allocated by the Company or, subject to fulfilment of the minimum subscription, not issued at the election of the Company.

1.4 MANAGEMENT OF THE PORTFOLIO

It is proposed that the Company's portfolio of investments will be managed by Fat Prophets Funds Management Australia Pty Limited (**Proposed Manager**) (ACN 112 466 887). A summary of the key terms of the Management Agreement is set out in Section 9.1.

The Proposed Manager is a new management company owned by interests associated with the co-founders of the Fat Prophets report, being Angus Geddes and Jason McIntosh.

The Proposed Manager is a newly incorporated company and does not presently hold an Australian Financial Services Licence (**AFSL**) and so cannot presently provide these management services. Until an AFSL is granted, management of the Portfolio will be undertaken by Mint Financial Group Pty Limited (**Interim Manager**), presently a holder of an AFSL. An application for an AFSL has been lodged by the Proposed Manager.

Throughout this Prospectus, references to "Manager" are references to the Interim Manager and the Proposed Manager as the context requires.

The Manager's strategy is to invest in companies trading below their value as assessed by the Manager. For further details refer to Section 2.

Management Fee

The Manager will receive a management fee representing 1.25% per annum of the net value of the portfolio of the Company, calculated on a monthly basis and payable monthly in arrears.

The Company will also pay any applicable GST in respect of the above.

Performance Fee

The Manager will receive a performance fee if the investment performance of the Company's Portfolio has exceeded the benchmark, being the performance of the S&P/ASX 300 Accumulation Index (**ASX 300**).

1. INFORMATION FOR INVESTORS

The performance fee is 15% of the gross total return of the Portfolio that is in excess of the ASX 300, calculated monthly and payable monthly in arrears. Should the return on the Portfolio be less than the corresponding return from the ASX 300 then no performance fee is payable until the historic under-performance has been made up.

The Company will also pay any GST payable in respect of any of the above fee.

Further details of the management fee and the performance fee are set out in Section 9.1.

1.5 RISK FACTORS

An investment in the Company is speculative and involves a number of risks. While the Manager intends to use prudent investment management techniques and expertise to minimise the risks to Stapled Security holders, no assurances can be given by the Company as to the success or otherwise of its business.

Investors should consider the risk factors identified in this Prospectus, particularly those identified in Section 6, before applying for Stapled Securities.

1.6 OFFER NOT UNDERWRITTEN

The Offer is not underwritten.

1.7 MINIMUM SUBSCRIPTION

The minimum total subscription for the Offer is $16,000,000, being receipt of valid Applications for not less than 16,000,000 Stapled Securities. If this minimum subscription is not achieved and the Application Price for these Stapled Securities is not received by the Company by the date four months after the Opening Date, the Company will repay all money received from Applicants within seven days after that date, without interest.

1.8 APPLICATIONS FOR STAPLED SECURITIES

Applications for Stapled Securities must be made and will only be accepted on the Application Form issued with and attached to this Prospectus or accompanying the Electronic Prospectus.

An Application Form must be completed in accordance with instructions set out on the reverse side of the Application Form. Applications must be made for a minimum of 5,000 Stapled Securities for a total of $5,000. Applications may be made for additional Stapled Securities in multiples of 100 Stapled Securities for $100.

Applications must be accompanied by payment in Australian currency of $1.00 for each Stapled Security applied for. Cheques should be made payable to "Fat Prophets Australia Fund Limited – Applications Account" and crossed "Not Negotiable". Payments by cheque will be deemed to have been made when the cheque is honoured by the bank on which it is drawn. Alternatively you can make payment online as part of a paperless application process. No brokerage or stamp duty is payable by Applicants. The amount payable on Application will not vary during the period of the Offer and no further amount is payable on allotment.

Completed Application Forms and accompanying cheques may be lodged with:

Fat Prophets Australia Fund Limited – Applications Account
c/- Registries Limited
Level 2, 28 Margaret Street
SYDNEY NSW 2000

A binding contract to issue Stapled Securities will only be formed at the time Stapled Securities are allotted to Applicants.

Application Forms will be accepted at any time after the issue of this Prospectus and prior to the close of business on the Closing Date.

Applications may also be made online through the websites of certain Licensees.

All Applicants should read this Prospectus in its entirety before deciding to complete and lodge an Application Form.

Investors are encouraged to submit their Application Forms as soon as possible after the Offer opens as the Offer may be closed before the indicated Closing Date without prior notice.

1. INFORMATION FOR INVESTORS

1.9 ASX LISTING

Application will be made to ASX within seven days after the date of this Prospectus for the Company to be listed on ASX and for quotation of the Stapled Securities issued pursuant to this Prospectus and all other Stapled Securities on issue as at the date of such quotation.

The fact that ASX may list the Company is not to be taken as an indication of the merits of the Company or the Stapled Securities. ASX quotation, if granted, will commence as soon as practicable after holding statements are dispatched.

The Directors do not intend to allot any Stapled Securities unless and until ASX grants permission for the Stapled Securities to be listed for quotation unconditionally or on terms acceptable to the Directors. If permission is not granted for the Stapled Securities to be listed for quotation before the end of three months after the date of this Prospectus or such longer period permitted by the Corporations Act with the consent of ASIC, all Application Monies received pursuant to the Prospectus will be refunded without interest to Applicants in full within the time prescribed by the Corporations Act.

1.10 ALLOTMENT

The Company expects that the Stapled Securities will be allocated ASX code of "FATS" having pre-registered this ASX code with ASX.

No allotment of Stapled Securities will be made until the minimum subscription has been received and permission has been granted by ASX for quotation of Stapled Securities unconditionally or on terms acceptable to Directors. It is expected that the allotment of the Stapled Securities will take place on 15 April 2005.

The Company will forward all Application Forms which do not bear a Licensee's stamp it receives to the Share Registrar. All Application Monies held pursuant to this Offer will be held in a subscription account until allotment.

An Application constitutes an offer by the Applicant to subscribe for Stapled Securities on the terms and subject to the conditions set out in this Prospectus. Where the number of Stapled Securities allotted is less than the number applied for or where no allotment is made, the surplus Application Monies will be returned by cheque within seven days of the Closing Date. Interest will not be paid on the refunded Application Monies.

1.11 CHESS

The Company will apply to ASX to participate in the Securities Clearing House Electronic Subregister System known as CHESS. CHESS is operated by ASX's Settlement and Transfer Corporation Pty Limited (**ASTC**) in accordance with ASX Listing Rules and the ASTC Settlement Rules. Under CHESS, the Company will not issue certificates to investors. After allotment of Stapled Securities holders will receive a CHESS statement.

CHESS statements, which are similar to bank statements, will set out the number of Stapled Securities allotted to each holder pursuant to this Prospectus. The statement will also advise holders of their Holder Identification Number (**HIN**) and explain for future reference the sale and purchase procedures under CHESS.

Further statements will be provided to holders which reflect any changes in their Stapled Security holding in the Company during a particular month.

It is the responsibility of Applicants to determine their allocation prior to trading Stapled Securities and after the Unstapling Date, Shares and Options.

The Company will not issue certificates to Stapled Security holders.

1.12 TAXATION IMPLICATIONS

Refer to Section 8 of the Prospectus as to the potential taxation implications which might apply to different types of potential investors investing in the Stapled Securities of the Company. The Company, its advisers and its Directors and Officers do not accept any responsibility or liability for any taxation consequences. As a result, investors should also consult their own professional tax advisers in connection with subscribing for Stapled Securities under this Prospectus.

1.13 OVERSEAS AND NON-RESIDENT STAPLED SECURITY HOLDERS

The Offer does not constitute an offer in any place in which, or to any person to whom, it would be unlawful to make such an offer.

This Offer will be extended to investors in New Zealand by way of this Prospectus and an Investment Statement which, together with associated documents, will be lodged with the New Zealand Companies Office to enable the Offer to be made to New Zealand investors.

1.14 BROKER AND ADVISER HANDLING FEES

Where the Application Form of an Applicant who receives Stapled Securities under the Offer is received from a licensed dealer in securities the Company will pay that participating organisation a handling fee of an amount equal to 3.0%, including GST, of the total amount paid by the Applicant for Stapled Securities received under the Application.

1.15 ENQUIRIES

Potential investors with questions on how to complete the Application Form or who require additional copies of the Prospectus should contact the Company on 1300 88 11 77 or visit www.fatprophets.com.au/fatfund.

SECTION 2
FAT PROPHETS AUSTRALIA FUND LIMITED

2.1 OVERVIEW

Fat Prophets Australia Fund Limited was incorporated on 12 November 2004, ACN 111 772 359 (**Company**).

The Company has been formed to provide investors with the opportunity to invest in an actively managed portfolio of listed Australian public companies that utilises a value investment style and the Fat Prophets report as a major input to its investment process.

The Company will invest predominantly in Securities included in the S&P/ASX 300 Accumulation Index.

The Company has no performance history as it is a new company, incorporated in November 2004.

It is intended that once invested, the Company's investment Portfolio will comprise investments in a minimum of 25 entities. The Manager believes that sufficient diversification of the Portfolio will be achieved by investing in 25 to 80 companies.

The Benchmark is the S&P/ASX 300 Accumulation Index. The Manager will have the discretion to invest up to 30% of the value of the Portfolio outside the Benchmark, excluding the initial period post listing when investments are being acquired.

The Company intends to seek classification by ASX as an investment company and is unlikely to seek to exert influence over the affairs of the majority of companies it invests in. The Company intends to be a patient investor unless individual investment circumstances dictate otherwise and accordingly, the Company anticipates that it will likely be considered a listed investment company for the purposes of the Income Tax Assessment Act.

2. FAT PROPHETS AUSTRALIA FUND LIMITED

2.2 RELATIONSHIP WITH FAT PROPHETS

The Company is a separate entity not directly related to the writing or publishing of the Fat Prophets report. The Company is an investment company that will outsource the investment management process to a Manager, being initially Mint Financial Group Pty Limited.

Mint Financial Group Pty Limited, the owner of the Fat Prophets trade mark in Australia, is primarily involved with the production and distribution of the Fat Prophets report. Mint Financial Group Pty Limited and its shareholders have been involved with the creation of the Company ahead of listing on ASX.

Mint Financial Group Pty Limited has established a separate funds management unit staffed by seconded executives of Fat Prophets Funds Management Australia Pty Limited.

The future performance of the Company's investment portfolio cannot be directly compared to the performance of the Fat Prophets report. Executives of the funds management unit of the Proposed Manager are not executives associated with writing the Fat Prophets report.

2.3 INVESTMENT OBJECTIVES

The investment objectives of the Company are to provide long-term capital growth and the payment of dividends by investing in undervalued Australian companies.

2.4 INVESTMENT PHILOSOPHY

The fundamental investment philosophy is that the share market is not perfect in the short term at determining the appropriate price for every security (or there would not be share price volatility). Rather, business fundamentals revealed over time are the drivers of long term share price movements. By analysing the current long term worth of a company amidst the short term share price volatility there is an opportunity to ignore companies that are presently perceived to be over priced and attempt to purchase companies that are presently perceived to be good value.

To do this successfully takes an investment process that incorporates a regime of analytical rigour, dispassionate risk analysis and disciplined portfolio construction.

Analysis involves a focus on five key areas, and their interactivity:

- Industry and demographics;
- Company;
- People (management and board);
- Risk; and
- Valuation.

Investment decisions will be based on a regular assessment of which investment opportunities are likely to maximise capital appreciation and or dividend income generation.

The Manager intends to utilise input from the Fat Prophets report as one source of potential investment ideas. The Manager has full discretion to disregard recommendations sourced from the Fat Prophets report, as it does from all other sources of investment ideas.

The Manager will also source investment ideas from efforts of its own staff: interviewing company management, visiting company assets, talking with competitors of companies, building financial models on companies and conducting industry and demographic research.

The Manager will also receive research from stockbrokers, the media, industry publications and other sources.

2.5 INVESTMENT STRATEGY – "VALUE"

The Company's investment strategy is to search for stocks that it believes are undervalued.

"Value" – relates to an equity investment style whereby there is a focus on purchasing securities in companies that are perceived to be cheaper than the overall market. Value is perceived in many forms, including among other things, high dividend payout, high interest cover, low price earnings ratio, low price to net tangible assets ratio, or a combination of these and other factors.

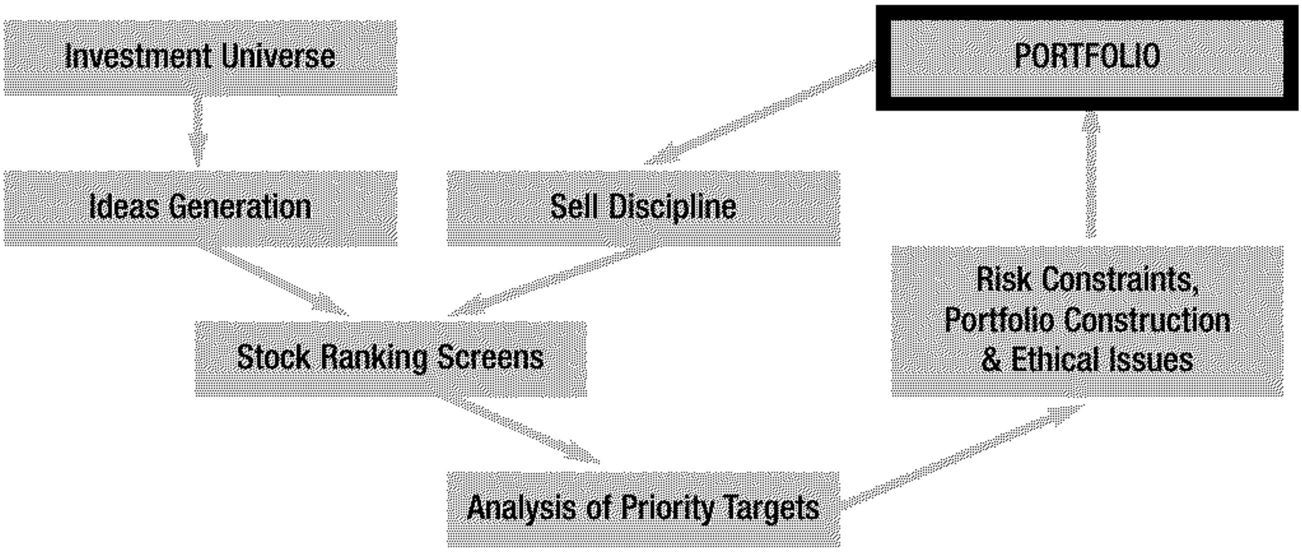
Investment decisions will be based on a regular assessment of which investment opportunities are likely to maximise capital appreciation and or dividend income generation.

2.6 INVESTMENT STYLE – "ACTIVE"

The investment style is "active" – creating a portfolio of securities that are different in make-up to the Benchmark. Hence the return of such a Portfolio will be different (the aim is better) from that of the Benchmark. The use of the word "active" in this context does not refer to an intention to rapidly trade investments held within the investment portfolio.

2.7 INVESTMENT PROCESS

The investment process is multi-staged incorporating ideas generation, analysis, opportunity rankings, risk analysis and portfolio construction. The investment process is illustrated by the following diagram:



(a) Investment Universe

The Investment Universe comprises all permitted investments outlined in Section 2.9.

(b) Ideas Generation

Investment ideas are obtained from a variety of sources, including but not limited to;

- Recommendations contained within the Fat Prophets report;
- Analysis conducted by the Manager, including interviews with company management, visits to assets, interviews with customers and competitors, economic, industry, demographic and geo-political analysis;
- Opportunities identified via investment filters and stock ranking screens that attempt to rank securities on the basis of investment fundamentals and price movement; and
- Ideas sourced or stimulated by stockbroker's research, the media, industry publications and other sources.

All investment ideas are assessed to produce a list of priority targets.

The Manager has full discretion to disregard investment recommendations sourced from any Fat Prophets report, as it does from all other sources of investment ideas.

The past performance of the investment recommendations contained within the Fat Prophets report should not be seen as being indicative as to the future performance of the Company.

(c) Stock Ranking Screens

Financial and price data relating to stocks is manipulated in a series of stock ranking screens that rank stocks from best to worst on various criteria, among other things:

- Recent share price movements;
- Financial strength;
- Value characteristics (dividend yield and price earnings ratio);
- Price to net tangible assets ratio; and
- Liquidity (a measure of the value of stock traded each day).

(d) Analysis of Priority Targets

Analysis of potential investments involves a focus on five key areas, and their interactivity:

- Industry and demographics;
- Company;
- People (management and board);
- Risk; and
- Valuation.

The analytical effort is varied, and not limited to: Interviews with company management, customers, competitors, financial modelling, industry and demographic analysis, risk analysis and valuation analysis both absolute and relative to other investible securities.

The analytical effort is both quantitative and qualitative and is designed to rank new priority investment possibilities with the present securities held within the Portfolio.

Senior staff of the Manager will consider all priority investment proposals uncovered for a final investment decision and determine proposed target portfolio weightings.

(e) Investment Committee

The investment committee is made up of the senior investment executives of the Manager.

The investment committee's role is to review the existing Portfolio and analyse the merits of adding or removing Securities from the existing Portfolio.

The investment committee is to provide a high level review of the composition of the Portfolio on a weekly basis, having regard to market and sector trends and the risk profile of the Company. In addition, members of the investment committee will provide assistance in selecting and assessing investments in permitted investments.

The investment committee's role also includes ensuring the Manager adheres to the Company's Ethical Investment Policy (refer Section 2.8). Where the Manager identifies material ethical issues associated with any investment in the Portfolio both the investment and the material ethical issue will be communicated regularly to the Company.

(f) Portfolio Construction and Risk Constraints

Individual securities weightings within the Portfolio are determined by the interaction of attractiveness of the investment and portfolio risk constraints.

Portfolio construction involves analysis of both the potential size of individual investments within the Portfolio but also analysis of the make-up of the Portfolio in terms of the difference in its overall stock and industry exposures against a portfolio that replicates the "Benchmark Index", being the S&P/ASX 300 Accumulation Index.

Portfolio risk constraints implemented by the Manager will be conveyed in regular reports to the Company, and will likely include, among other things:

- the minimum and maximum number of different securities held within the Portfolio;
- the maximum holding above the index weight of any one Security within the Portfolio;
- the maximum holding above the index weight of any major sub index of the Benchmark Index; and
- the maximum holdings in entities outside the Benchmark index.

The Company has no right to dictate the portfolio risk constraints to be implemented by the Manager.

Risk analysis of the Portfolio will likely include, but not be limited to, analysis of the risk taken against the Benchmark Index with regard to Securities exposure, sector exposure, industry exposure and capitalisation exposure (i.e. does the Portfolio have a large or small capitalisation bias). The Manager will also analyse the risk of the Portfolio, with the outcome of analysis to be provided to the Company on a monthly basis.

Finally, the Portfolio will be reviewed to ensure it is invested in a manner consistent with the terms of the management agreement and the interim management agreement, as the case may be.

(g) Sell Discipline

The disciplined adherence to risk constraints, stock selection and portfolio construction combine to focus a "sell discipline" on the Manager.

For example, a stock that is considered cheap (i.e. ranks well on screens) is analysed and subsequently purchased. Over time its price moves up relative to the market (so its relative ranking on screens moves down). At the same time the active position (bet against the market) increases.

The Manager is repeatedly encouraged to begin the sell down process as the stock becomes expensive by (a) the growing size of the absolute and relative position within the Portfolio, and (b) the reducing attractiveness of the stock within the stock ranking screens.

2.8 ETHICAL INVESTMENT POLICY

The Manager will run an ethical investment screen as part of the broader investment process to identify potential investment opportunities that may be of concern due to broader ethical issues.

The ethical investment screen will attempt to highlight investments that have potential corporate governance issues and or derive revenue associated with, but not limited to, asbestos, tobacco, armaments, child labour, damage to the environment, cruelty to animals and poor occupational health and safety standards.

The possible effect of any ethical concerns will be incorporated into company and industry analysis where applicable and where possible.

Where the Manager has identified material ethical issues associated with any investment in the Portfolio both the investment and the material ethical issue will be communicated regularly to the Board.

2. FAT PROPHETS AUSTRALIA FUND LIMITED

2.9 PERMITTED INVESTMENTS

Under the Management Agreement, the Manager is permitted to undertake investments on behalf of the Company without Board approval. However, if the proposed investment is not in accordance with the investment principles outlined above, Board approval for the investment is required.

Subject to this, the Manager may make the following investments:

(a) listed securities, being any security quoted on ASX and other global markets including, without limitation, shares, stapled securities, units or notes which are redeemable, preference or deferred, fully or partly paid, with or without any right, title or interest thereto or therein (including a right to subscribe for or convert to any such security and including a right to subscribe for or convert to any such security if it is unlisted and there are plans to list);

(b) warrants, options and ASX Indices to purchase any investment and warrants, options and ASX Indices to sell any investment which is a permitted investment;

(c) cash, including cheques, bank deposits, bank transfers, bank drafts and bills of exchange;

(d) debentures, unsecured notes and bonds of a corporation of at least an investment grade credit rating granted by a recognised credit rating agency in Australia;

(e) units or other interests in cash management trusts;

(f) futures or derivatives contracts over Australian shares or equity Indices or any other kind of foreign currency hedging; and

(g) any other financial products which the Manager may use in the management of the Portfolio in accordance with its Australian Financial Services Licence (AFSL).

See Section 9.1 for further details.

2.10 DIVIDEND POLICY

The Company's objective is to provide Stapled Security holders and, after the Unstapling Date, Shareholders with long–term capital growth and the payment of dividends.

The Board is mindful that efficient wealth transfer to Stapled Security holders and, after the Unstapling Date, Shareholders is a function of tax effective dividends and appreciation of the Stapled Securities and, after the Unstapling Date, Shares of the Company.

The Board intends to determine the suitability of declaring a dividend every six months, at its discretion. Any dividends paid will be franked to the extent that available franking credits permit.

2.11 CAPITAL STRUCTURE POLICY

The Company does not presently intend to gear the Portfolio.

Circumstances may occur whereby short term borrowing is deemed beneficial, and should this eventuate, the Company may borrow. The Company intends that borrowing and non-debt liabilities will be limited to 30% of the tangible assets of the Company.

2.12 CAPITAL MANAGEMENT

The Company will focus on active capital management.

The Board may instruct the Manager to consider a buying-back of its Stapled Securities or post the Unstapling Date its Shares should the Stapled Securities or Shares trade at a sizeable discount to net tangible asset backing.

The Company may also consider other capital management alternatives such as, but not limited to, the issue of other Securities through bonus issues, rights issues and option issues, with a view to enhancing the value of Securities held by investors. The Company may also consider buying Options over Shares in the Company post the Unstapling Date.

2.13 DIVIDEND REINVESTMENT PLAN

The Company intends offering a Dividend Reinvestment Plan following the Unstapling Date, and this is described in Section 10.9 in further detail.

The Dividend Reinvestment Plan will allow Shareholders to reinvest part or all of their dividends in the Company's Shares at parity or a discount to the market value of the Shares at the time of the dividend payment. The size of any discount and the period over which the price will be determined will be announced to Shareholders at the time.

2.14 NET TANGIBLE ASSET REPORTS TO SHAREHOLDERS

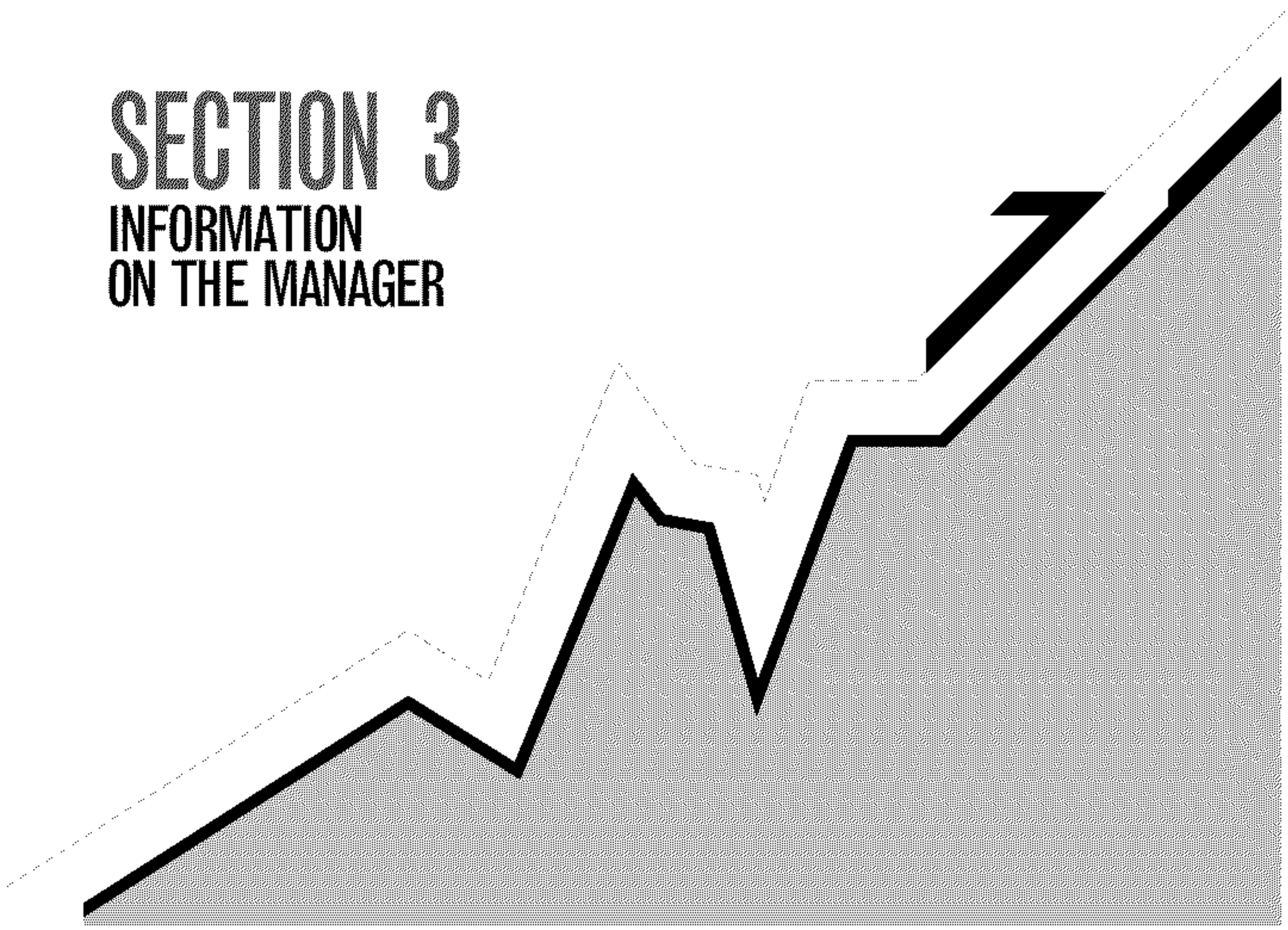
To assist Stapled Security holders and, after the Unstapling Date, Shareholders to assess the value of Stapled Securities and Shares and to comply with ASX Listing Rules, within fourteen (14) days after the end of each month the Company will release to Stapled Security holders and, after the Unstapling Date, Shareholders through ASX a statement of the net tangible asset ("NTA") backing of its Stapled Securities and, after the Unstapling Date, Shares as at the end of the preceding month.

The NTA figure released can be interpreted as an unaudited measurement of the underlying value of the Company.

The calculation of the net tangible asset backing of Stapled Securities and, after the Unstapling Date, Shares will be made in accordance with ASX Listing Rules.

The Company will provide to holders of Stapled Securities and after the Unstapling Date Shareholders on request, free of charge, a copy of statements to Stapled Security holders and Shareholders through ASX of the net tangible asset backing of Stapled Securities and Shares from time to time.

SECTION 3
INFORMATION ON THE MANAGER



3.1 INTRODUCTION

The Proposed Manager is Fat Prophets Funds Management Australia Pty Limited, ACN 112 466 887. The Proposed Manager was incorporated on 12 January 2005.

The Proposed Manager does not presently hold an AFSL and so may not provide portfolio management services for the Company or any other party. An AFSL application was lodged with ASIC on 24 January 2005. The Proposed Manager has no reason to believe that an AFSL will not be granted. If the Proposed Manager is not able to obtain an AFSL by 31 December 2005, the management agreement with the Proposed Manager automatically terminates and management of the portfolio will remain with the Interim Manager, Mint Financial Group Pty Limited.

Until an AFSL is granted to the Proposed Manager, portfolio management services will be provided to the Company by the Interim Manager. Details of the interim management agreement with the Interim Manager are set out in Section 9.2. Details on the Interim Manager are set out in Section 3.7.

The Proposed Manager has agreed to initially make available the services of David Shearwood, Drew Wilson and Steve O'Hanna to act as the executives responsible for carrying out the investment management function of the Interim Manager under the interim management agreement. In return for making available the services of these executives, the Proposed Manager will receive a fee equal to 75% of the management and performance fees payable to the Interim Manager under the interim management agreement.

3.2 BUSINESS OF THE PROPOSED MANAGER

The Proposed Manager was incorporated to undertake the management of investment companies and funds. The Proposed Manager is a management company owned by entities associated with the co-founders of the Fat Prophets report, Angus Geddes and Jason McIntosh. The Proposed Manager is not directly involved with researching or publishing the Fat Prophets report. The Proposed Manager uses the name "Fat Prophets" under a licensing arrangement with Mint Financial Group Pty Limited (see Section 9.6 for further details). The "Fat Prophets" name is also used by entities involved with writing and publishing the Fat Prophets report however the Proposed Manager has no historic or future direct relationship with the performance of the recommendations contained within the Fat Prophets report.

As at the date of this Prospectus, the Proposed Manager does not provide management services to any other entities, nor has it done so in the past.

3.3 PERFORMANCE HISTORY

As the Proposed Manager was incorporated on 12 January 2005 and has not conducted business to date, no performance history in providing investment management services is available. The Company has no performance history available as it has yet to commence trading.

The Proposed Manager will manage the Portfolio of the Company using the investment strategies outlined in Section 2 of this Prospectus.

The past performance of the investment recommendations contained within the Fat Prophets report should not be seen as being indicative as to the future performance of the Company.

3.4 USE OF FAT PROPHETS REPORT

The Proposed Manager is a separate legal entity and will be provided with the research from the Fat Prophets report at the same time as all subscribers of the Fat Prophets report by accessing the Fat Prophets website.

Mint Financial Group Pty Limited is the legal entity responsible for the production and publication of the Fat Prophets report (see further details below).

There are no restrictions on when or whether the Proposed Manager can choose to implement a recommendation contained within the Fat Prophets report. Practically speaking the Proposed Manager is restricted in the timing of implementing Fat Prophets report recommendations, should it choose to do so, by the time the Proposed Manager requires to independently analyse the merits of any recommendation sourced from a Fat Prophets report.

The possible or actual use or non-use by the Proposed Manager of investment recommendations contained within a Fat Prophet report is neither an endorsement nor criticism of the Fat Prophets report service.

While Mint Financial Group Pty Limited is the legal entity responsible for the production and publication of the Fat Prophets report, the investment management function to be performed by it under the interim management agreement will be carried out entirely by executives seconded from the Proposed Manager who will be provided with research from the Fat Prophets report at the same time as all subscribers to the Fat Prophets report by accessing the Fat Prophets website.

3.5 KEY PERSONNEL OF THE PROPOSED MANAGER

Board

The board of the Proposed Manager presently comprises Angus Geddes, Jason McIntosh (Chair) and David Shearwood. David Shearwood is also a Director of the Company, with Angus Geddes and Jason McIntosh as his alternates. Their profiles can be found in Section 5.1.

Senior Executives

The Proposed Manager will employ experienced investment professionals to help manage the Company's portfolio of investments.

Senior executives of the Proposed Manager currently comprise Steve O'Hanna, David Shearwood and Drew Wilson.

3. INFORMATION ON THE MANAGER

David Shearwood – Chief Executive Officer – Bachelor of Engineering (mining, honours), ASIA, GAICD (order of merit)

David has 18 years experience in financial markets across a range of analytical areas covering funds management, investment banking and stockbroking.

David attended the University of Sydney during the period 1981 to 1984 with the aid of a scholarship from Peko Wallsend (now owned by Rio Tinto Limited), who provided vacation employment at the Warrego gold and copper mine in the Northern Territory and the Ellalong coal mine in the Hunter Valley. He joined Dupont in 1985 as an explosives engineer, responsible for marketing technical – Hunter Valley region of NSW.

Between 1986 and 1994 David worked in a variety of roles within stockbroking and corporate finance beginning as an mining equities analyst with Bain & Company (now Deutsche Bank) rising to mining strategist at McIntosh & Company (now Merrill Lynch). During this time he travelled globally analysing companies and speaking to fund managers about the merits of Australian companies.

Between 1994 and 2002 David worked within funds management in a variety of roles covering equities analysis, equities portfolio management, equity and bonds funds management and private equity with Westpac Investment Management, the Infrastructure & Specialised Funds Division of Macquarie Bank and with QBE Insurance Group. In 1997 and 1998 David was voted within the top three fund manager analysts in Australia within the Corpscan survey.

Recently David has acted as a consultant working largely in the managed funds industry, covering business design and analysis, financial modelling and strategic planning.

David is a Director of Christian Children's Fund of Australia ("CCFA", a child sponsorship charity) with additional responsibilities: Chair – Audit, Finance and Risk committee, Chair – Organisation Governance and Board Nominations committee, member – Strategy and CCF International committee.

Previous directorships include, alternate director Airport Motorway (an entity associated with the Eastern Distributor tollway in Sydney), and alternate director Interlink Roads (an entity associated with the M5 tollway in Sydney).

David has an Engineering Degree (mining with honours), a Graduate Diploma in Applied Finance and Investment (Securities Institute of Australia) and is a Graduate (with Order of Merit) Member of the Australian Institute of Company Directors.

David currently holds the position of Chief Executive Officer with the Proposed Manager.

Drew Wilson – Chief Operating Officer – Bachelor of Business Administration (Finance, Marketing)

Drew has more than 10 years experience in the Canadian and Australian financial services industries.

Graduating from Bishop's University, Lennoxville, Quebec, Canada at the head of his class (marketing) in 1989, Drew joined the Toronto-Dominion Bank. Over the next five years Drew implemented a variety of initiatives that streamlined the bank's service delivery infrastructure and improved customer service levels.

In 1995 Drew joined TD Asset Management, the managed funds division of the bank. For the next 5 years Drew focused on front-office activities including developing distribution networks, enhancing the company's investor relations capabilities and using online technologies to better serve unit holders.

In 2000 Drew was transferred to Sydney as Managing Director, TD Asset Management (Australia) Pty Limited. Drew imported six US Mutual Funds to the Australian market. Drew was also the Head of Business Development for TDAM's sister company, TD Waterhouse Investor Services Pty Limited.

Drew currently holds the position of Chief Operating Officer with the Proposed Manager.

Steve O'Hanna – Senior Fund Manager – Bachelor of Business

Steve has 9 years' experience working in the financial markets in various roles across funds management, stockbroking and Investment banking.

Steve attended the Australian Catholic University completing a Bachelor of Business in 1994. He commenced working with Rothschild Australia Asset Management Limited in 1995 in a client services role and later continued working for Rothschild in London in a similar capacity. Whilst in the UK, Steve also gained experience working in various trader support roles at JP Morgan Securities Limited between 1997 and 1999 before returning to Australia. Steve joined ABN Amro Equities Australia Limited in early 2000 in trade support of the equities desk.

Steve joined Advance Asset Management Limited in 2001 where he performed both analytical and dealer functions. He was responsible for the global asset allocation model which involved implementing the investment team's global market strategy using derivatives and allocating cash. Steve's roles also encompassed co-managing the Listed Property Trust portfolio, undertaking property trust research, portfolio construction and dealing for the Advance Property Securities Fund.

Steve currently holds the position of Senior Fund Manager at the Proposed Manager.

3.6 FAT PROPHETS

Fat Prophets is a registered trade mark of Mint Financial Group Pty Limited (ACN 094 448 549) in Australia. Mint Financial Group Pty Limited publishes the "Fat Prophets" report and is owned by, or interests associated with, Angus Geddes and Jason McIntosh.

3.7 MINT FINANCIAL GROUP PTY LIMITED

Mint Financial Group Pty Limited (**Mint**) was incorporated on 12 September 2000.

Mint provides independent research in the form of the Fat Prophets report.

At present Mint produces and publishes the Fat Prophets Australasia report – that predominantly covers Australian equities.

The Fat Prophets report is released to subscribers electronically via the Fat Prophets website (www.fatprophets.com.au) and to a small number of subscribers by direct mail.

The Fat Prophets report investment philosophy combines both fundamental analysis, which involves analysis of an entity's financial statements and future earnings outlook, as well as technical analysis or charting which involves studying the price history of an investment and looking for trends or patterns to gain an insight into possible future performance.

The past performance of the investment recommendations contained within the Fat Prophets report should not be seen as being indicative as to the future performance of the Company.

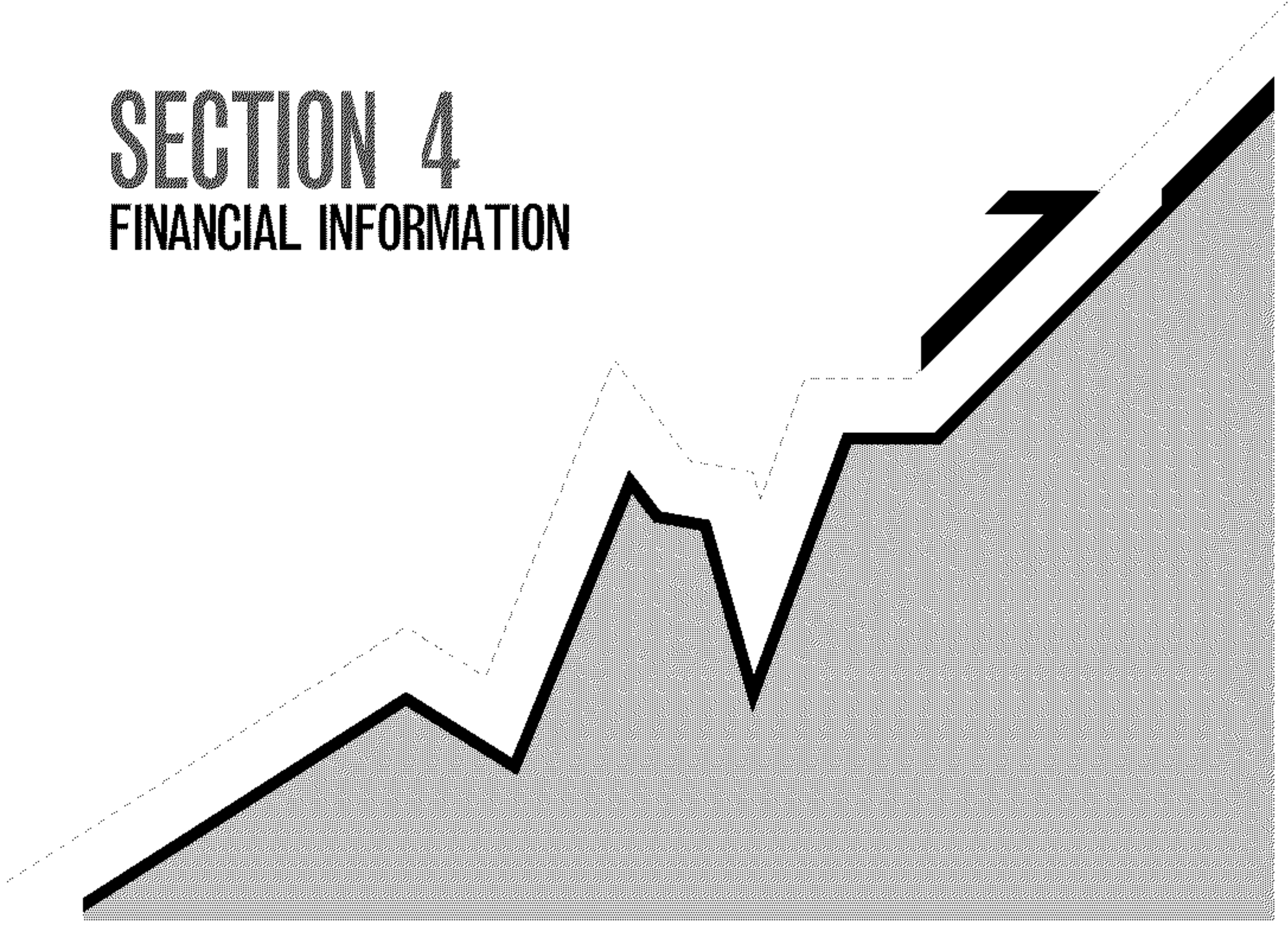
The Fat Prophets report regularly communicates the cumulative performance of recommendations contained within its report to the public via its website and other forms of media.

On 16 October 2002 ASIC announced it had accepted an enforceable undertaking from Mint relating to the way in which it presented the returns associated with its stock recommendations in the Fat Prophets report. ASIC's concerns related to the inclusion or otherwise of returns generated from the report recommendations in advertising of the past performance of those recommendations. While Mint at all times maintained that it had not breached the law, nevertheless it:

- published a notice addressing ASIC's concerns within three weeks and sent a copy of the notice to all past subscribers;
- invited complaints from its subscribers and past subscribers who believed that they were misled; and
- engaged an independent expert to devise a methodology, with reasonable and appropriate assumptions, to record results in the future which it still uses today.

Results are now independently verified on a monthly basis and Mint is not aware of any concerns regarding reporting of returns from ASIC.

SECTION 4
FINANCIAL INFORMATION



4.1 USE OF FUNDS

The Company is offering 40 million Stapled Securities (each comprising one Share and one Option) under the Offer, to raise gross funds of up to $40 million. The Company reserves the right to accept over subscriptions.

4.2 PROCEEDS OF THE ISSUE

The proceeds of the Issue will be used for investment opportunities that meet the Company's investment objectives as set out in Section 2 and to meet the day-to-day operating expenses of the Company.

The Company will have relatively low operational costs. Its major expenditure will be the management fee and performance fee (if applicable) payable to the Manager.

The Company's ongoing expenditure (excluding management and performance fees – where relevant) will include custody fees, printing costs associated with the annual report, annual audit fees, Directors' fees, administration fees, share registry services fees, accounting fees and legal fees. The Company will also incur other minor office expenses including stationery and postage costs. The Company does not expect that these costs will vary or increase significantly from year to year as these costs relate mainly to fulfiling its ongoing compliance obligations.

4.3 PRO-FORMA STATEMENTS OF FINANCIAL POSITION

The Pro-forma Statements of Financial Position have been prepared for illustrative purposes only to show the financial position of the Company following completion of the Issue. These Pro-forma Statements of Financial Position are illustrative only and may not actually reflect the position of the Company as at the date of the Prospectus or at the conclusion of the Offer.

Pro-forma Statements of Financial Position

	Minimum Subscription $16 million	Subscription $30 million	Subscription $40 million
Assets			
Cash	15,194,855	28,924,905	38,637,352
Liabilities	–	–	–
Net Assets	15,194,855	28,924,905	38,637,352
Equity	15,194,855	28,924,905	38,637,352
NTA	95.0 cents	96.4 cents	96.6 cents

A reconciliation of the Pro-forma Statements of Financial Position for cash are as follows:

Pro-forma Cash Position

	Minimum Subscription $16 million	Subscription $30 million	Subscription $40 million
Initial issue subscribers	1	1	1
Proceeds of Offer	16,000,000	30,000,000	40,000,000
Expenses of Offer (Refer Section 10.15)	805,146	1,075,096	1,362,649
Estimated Net Cash Position	15,194,855	28,924,905	38,637,352

These Pro-forma Statements of Financial Position have been prepared on the basis of the following assumptions:

1. Application of the proposed accounting policies and notes to the accounts set out in Section 4.4.
2. In the Pro-forma Statement of Financial Position entitled "Minimum Subscription", reference is to subscription of 16,000,000 Stapled Securities by Applicants under this Prospectus.
3. In the Pro-forma Statement of Financial Position entitled "Subscription $30 million" reference is to subscription of 30,000,000 Stapled Securities by Applicants under this Prospectus.
4. In the Pro-forma Statement of Financial Position entitled "Subscription $40 million", reference is to subscription of 40,000,000 Stapled Securities by Applicants under this Prospectus.
5. Initial expenses relating to the Issue includes a handling fee and commission of up to 3% (including GST) of the funds raised that may be paid to an Applicant's Licensee (plus marketing fees). For the purpose of the above Pro-forma Statements of Financial Position, it has been assumed that handling fees of 3% (including GST) will be paid on all but $5 million of the minimum subscription and all but $10 million on the $30 million and $40 million subscriptions total for all Applications in respect of Stapled Securities issued from Licensees.
6. Expenses of the offer have been paid and recognised as a reduction to the proceeds of equity instruments to which the costs relate. Details of the costs of the Offer are shown in Section 10.15.
7. No oversubscriptions are accepted by the Company.

4.4 PROPOSED ACCOUNTING POLICIES

A summary of significant accounting policies, which have been adopted in the preparation of the Pro-forma Statements of Financial Position, set out in Section 4.3, and will be adopted and applied in preparation of the Financial Statements of the Company for the year ended 30 June 2005 and subsequent years, is set out below:

(a) Basis of preparation of accounts

The Financial Statements are a general purpose financial report that have been prepared in accordance with applicable Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and the Corporations Act 2001.

The Statements are prepared from the records of the Company on an accruals basis. They are based on historical costs and do not take into account changing money values or, except where specifically stated, current valuation of non-current assets.

(b) Investments

Investments will be revalued constantly and for this reason, cost of sales equals sales revenue when investments are sold. Changes in market value will be recorded directly in the Asset Revaluation Reserve, after deducting a provision for potential capital gains tax. When shares, securities and other investments are disposed of, the balance in the Asset Revaluation Reserve relating to the disposed share, security or other investment is transferred to the Capital Profits Reserve. Investments are valued as follows:

- *Securities and rights to them listed on a Financial Market* – valued at the market value as quoted on relevant exchange.
- *Securities which are not listed on a Financial Market* – valued at their estimated market value.
- *Derivative Financial Instruments* – all derivatives are brought to account at market value and the resulting profit or loss is recognised in the Statement of Financial Performance.

(c) Revenue recognition

- *Trading income* – profit and losses realised from the sale of investments and unrealised gains and losses on investments held at market value are included in the Statement of Financial Performance in the year they are incurred.
- *Dividend income* – dividends and distributions are brought to account on the date that the shares or units are traded "ex-dividend".
- *Interest income* – interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.
- *Other income* – other revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and when the revenue can be reliably measured.

4.5 CAPITAL STRUCTURE POLICY AND CAPITAL MANAGEMENT

The Company does not presently intend to gear the Portfolio.

Circumstances may occur whereby short term borrowing is deemed beneficial, and should this eventuate, the Company may borrow. The Company intends that borrowing and non-debt liabilities will be limited to 30% of the tangible assets of the Company.

The Company through its Board will regularly review the capital structure of the Company. The Company will actively engage in capital management. For example, if the value of Stapled Securities in the Company falls below net tangible assets, then the Company may elect to buy back Stapled Securities. Similarly, post unstapling, if the value of Shares in the Company falls below net tangible assets, then the Company may elect to buy back Shares.

4.6 DIVIDEND POLICY

The Company may pay dividends from the profit, dividend and interest income it receives from its investments to the extent permitted by law and prudent business practices. Dividends will be franked to the extent that available imputation credits permit. Dividends that are paid from the realisation of a capital gain may be passed on to Stapled Security holders and, post unstapling, to Shareholders.

4.7 LISTED INVESTMENT COMPANY (LIC)

Tax concessions may be available to Stapled Security holders and post unstapling Shareholders if the Company is considered a LIC for tax purposes.

Due to the nature of the Manager's investment strategy, it is possible that the Company may initially be considered a LIC for tax purposes. Despite this possibility, potential applicants should not make a decision to apply for Stapled Securities under this Prospectus primarily on the basis of any potential taxation concessions. For further details refer to the Taxation Report in Section 8.

In order for the Company to be treated as a LIC for tax purposes, a number of requirements detailed in the tax law must be satisfied. Broadly, the Company must:

- be an Australian resident company;
- be listed for quotation on the Australian Stock Exchange or other stock exchange approved by the Corporations Act 2001; and
- have at least 90% of the market value of its capital gains tax assets being permitted investments, such as shares, options, units, financial instruments and certain asset types which has the main use of deriving passive income such as interest, annuities, rent royalties or foreign exchange gains.

Broadly, for ownership interests to be permitted investments of the Company the Company must not, directly or indirectly, own more than 10% of the investee company or trust.

In the event that the Company does not continue to satisfy these requirements, other than where there is a temporary breach of the 90% permitted investment requirement that is outside of the control of the Company, the company will cease to be a LIC for tax purposes.

The tax concessions discussed in the Taxation Report in Section 8 will not be available in respect of gains made by the Company after it has ceased to be an LIC.

4.8 ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. The adoption of IFRS will be first reflected in the Company's financial statements for the year ended 30 June 2006 and will require the production of accounting data for the 30 June 2005 comparative year.

The Company's Directors are assessing the significance of these changes and preparing for their implementation. The Company currently expects that the most significant impacts will be in the areas described below. Reliable estimation of the impacts of these changes in accounting policies is impracticable as the actual impacts will depend on the particular circumstances and conditions prevailing at the time of application of IFRS.

4.8.1 Asset and financial instrument valuation

Pending Accounting Standards 132, 136 and 139 will provide significant guidance on the valuation of assets and financial instruments. Under these Standards, various measurement, recognition and disclosure prescriptions are likely to change. This will potentially impact the Company's accounting treatment of investments and investment-related income, including the following:

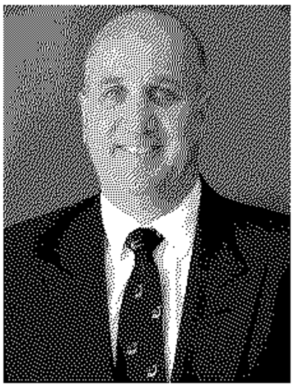
- *Treatment of realised gains and losses on disposal of investments* – realised gains and losses net of tax will be transferred from the Asset Revaluation Reserve directly to the income statement. The current intended policy (Refer to Section 4.4) is to transfer realised gains and losses, net of tax to the Capital Profits Reserve. The Company intends to transfer the realised capital gains and losses from the income statement to the Capital Profits Reserve, hence it is unlikely to have any effect on the Company's Retained Profits.

4.8.2 Income tax

Currently, the Company intends to adopt the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS 12, the Company will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

SECTION 5
DIRECTORS AND CORPORATE GOVERNANCE

5.1 DIRECTORS



Robert Bolton – Independent Chair – Bachelor of Engineering (civil), MBA

Robert has over 20 years of executive management and project management experience in the construction, mining, IT, financial services and consulting sectors. He holds a Bachelor of Engineering (civil) from the University of Sydney and a MBA from Ashridge Management College United Kingdom.

Following graduation as a Civil Engineer from the University of Sydney, Robert worked with Leighton Contractors on a number of different building, civil and mining projects. These included the Sydney Harbour Tunnel, Hume Highway duplication (NSW), Parliament House development (Canberra), Darling Harbour Redevelopment (Sydney) and the London Victoria goldmine (NSW).

In 1990 as part of his MBA program in the United Kingdom, he reviewed the "New Product Development Strategies" within Land Rover, Rover and Honda with the aim of comparing project management techniques. This work resulted in the introduction of new metrics for determining program resources.

Between 1991 and 1996, Robert held leadership positions with Alexander Proudfoot/Phillip Crosby and then Price Waterhouse Urwick as a management consultant focused on productivity improvement and innovation. Clients included NZ Post, GRE Insurance, Argyle Diamond Mines, GIO Life, JNA Telecommunications, British and American Tobacco (Wills) and Worsley Alumina.

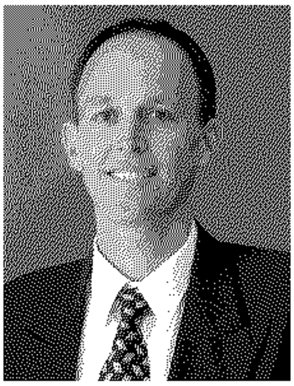
In 1996 Robert founded "Probative Solutions" to provide innovative constraint management solutions. Clients have included Westpac, JNA Lucent, P&O Services, Memorex Telex, Worsley Alumina, Kaltim Prima Coal, Normandy Mining and Iluka Resources.

More recently he has led a number of business development teams in start-up environments in roles encompassing innovative business and project turnaround often in an interim executive and director capacity.

Robert is a leading Australian advocate of the Theory of Constraints International Certification Organisation (TOC-ICO) approach to management and complex systems operations and has been actively involved in the development of the TOC project management solution "Critical Choice". He is certified in the TOC Thinking Process Operations Management, Project Management and Finance and Measurement fields.

Robert became a Director and Chair of the Company in January 2005.

As a non-executive Director of the Company, his involvement in this capacity will be limited to attending board meetings of the Company (expected to be held at least quarterly), and to providing strategic advice and assistance to the Board from time to time. The Board anticipates that the average time to be made available by Robert to the affairs of the Company should not exceed 20 hours per month.



Bruce Holman – Independent Director – Bachelor of Engineering (mining), Grad Dip Geoscience, ASIA, GAICD

Bruce has 14 years' experience in Australian equities funds management, as an analyst, portfolio manager and fund manager.

Bruce attended the University of Sydney between 1980 and 1983 completing a degree in Mining Engineering, with the aid of a scholarship from the NSW Joint Coal Board. Between 1984 and 1988 Bruce worked for ACIRL (Australian Coal Industry Research Laboratory) undertaking research and consultancy across a range of mines in NSW and Queensland.

Between 1989 and 1994 Bruce worked as a mining and commodity analyst with CBA Financial Services, the funds management arm of the Commonwealth Bank. In 1994 Bruce moved to Prudential Portfolio Management Australia as an analyst and then Assistant Director, covering a range of sectors within the equities market, as well as managing a property trust portfolio. Between 1996 and 2002 Bruce worked with Westpac Investment Management as an analyst and portfolio manager, where he had responsibility for a range of industry sectors. Following a merger of Westpac Investment Management with Rothschild Australia Asset Management in 2002 to form Sagitta Wealth Management and a subsequent merger with BT Financial Group, Bruce also worked with these firms during 2002 and 2003 as an analyst.

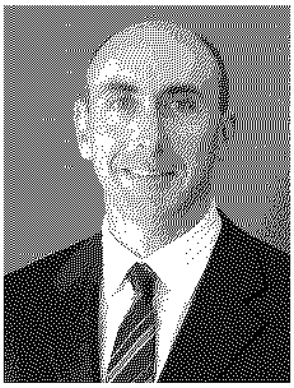
Bruce was ranked within the Reuters surveys of 1998, 1999 and 2000, whereby the top 100 listed Australian companies were asked to rank the best analysts within funds management.

Bruce has an Engineering Degree (mining), a Graduate Diploma in Applied Finance and Investment (Securities Institute of Australia), a Graduate Diploma in Geoscience (mineral economics) from Macquarie University and is a graduate member of the Australian Institute of Company Directors (AICD).

Bruce became a Director of the Company in November 2004.

As a non-executive Director of the Company, his involvement in this capacity will be limited to attending board meetings of the Company (expected to be held at least quarterly), and to providing strategic advice and assistance to the Board from time to time. The Board anticipates that the average time to be made available by Bruce to the affairs of the Company should not exceed 20 hours per month.

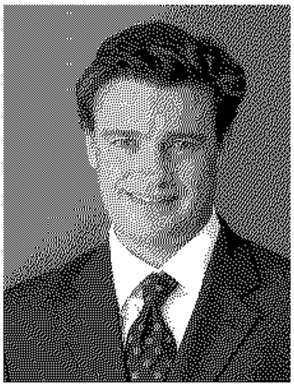
5. DIRECTORS AND CORPORATE GOVERNANCE



David Shearwood – Director – Bachelor of Engineering (mining, honours), ASIA, GAICD (order of merit)

David became a Director of the Company in November 2004. Further details on David's background can be found at Section 3.5.

David will be available on a part time basis to manage the affairs of the Company subject to his aforementioned obligations and his duties as a member of the Investment Committee of the Proposed Manager and Chief Executive Officer ("CEO") of the Proposed Manager.



Angus Geddes – Alternate Director – Bachelor of Commerce, ASIA

Angus has 15 years' experience in the international and domestic financial markets in stockbroking, investment banking and research. Angus's investment track record began in 1982 at the young age of 13. In 1986 he received a "highly commended" award from the New Zealand Chamber of Commerce for increasing an initial investment of $200 to $35,000 on the New Zealand, Australian and London stock exchanges.

Majoring in Economics, Angus completed a Bachelor of Commerce degree at Otago University, New Zealand in 1990. Angus commenced his professional career in 1990 when joining the graduate program at the Bank of New Zealand. For nearly three years he worked as a money market dealer in the Treasury division.

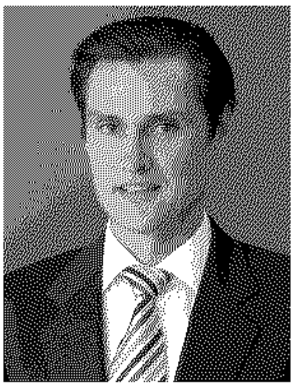
Between 1993 and 1995, Angus worked for Investor Associates, a Wall Street stockbroking firm, and consulted to a number of large investment banks such as Salomon Brothers, BZW, Mercury Asset Management and Nomura in London.

At the beginning of 1996, Angus joined Bankers Trust Australia as a stockbroker before moving to JB Were & Son in 1999.

In 2000, Angus co-founded Mint Financial Group Pty Limited – which publishes the Fat Prophets report. Angus currently holds the position of Chief Executive Officer at Mint Financial Group Pty Limited.

Angus has a Commerce Degree and a Graduate Diploma in Applied Finance and Investment (Securities Institute of Australia).

Angus is an Alternate Director for David Shearwood.



Jason McIntosh – Alternate Director – Bachelor of Arts (Economics)

Jason has 14 years' experience in the financial industry as an analyst and trader.

Majoring in Economics, Jason completed a Bachelor of Arts degree at the University of Sydney in 1991. He also holds a Certificate in Financial Markets from the Securities Institute of Australia (1990-1991).

From 1991 to 1999, Jason worked at Bankers Trust Australia where he achieved the position of Vice President in 1998. Commencing in the Charting Department, Jason was later promoted to the Foreign Exchange desk. As a senior trader, his responsibilities included currency dealing and proprietary trading in local and international financial markets.

In 2000, Jason co-founded Mint Financial Group Pty Limited – which publishes the Fat Prophets report. Jason currently holds the position of executive director of Mint Financial Group Pty Limited.

Jason is an Alternate Director for David Shearwood.

5.2 CORPORATE GOVERNANCE STATEMENT

The Board has the responsibility to ensure that the Company is properly managed so as to protect and enhance Stapled Security holders and post unstapling Shareholders interests in a manner which is consistent with the Company's responsibility to meet its obligations to all parties with which it interacts. To this end, the Board has adopted what it believes to be appropriate corporate governance policies and practices having regard to its nature of activities and size.

The Company will not satisfy all of the best practice recommendations set by ASX Corporate Governance Council.

The Company does have an Independent Chair and a majority of Independent Directors, and its Audit Committee will have an Independent Director as Chair and a majority of Independent Directors as members. On matters that could benefit the Manager, Directors associated with the Manager may not be entitled to vote.

The Board has no direct involvement with the management of the Portfolio. Although the Board will closely monitor the compliance of the Manager with the terms of the management agreement and the interim management agreement, the performance of the Company is dependent upon the performance of the Manager.

Some members of the Board or interests associated with them, not classified as Independent Directors, do have involvement with management of the portfolio in their executive roles as employees of the Manager. Some members of the Board, or interests associated with them have shares or options over shares in the Manager.

The main corporate governance policies are summarised below.

Appointment and Retirement of Non-Executive Directors

The Board will not establish a Nominations Committee. It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of non-executive Directors on a case-by-case basis and in conformity with the requirements of the Listing Rules and the Corporations Act.

Directors' Access to Independent Professional Advice

For the purposes of the proper performance of their duties, Directors are entitled to seek independent professional advice at the Company's expense, unless the Board determines otherwise.

It is the Board's policy that any committees established by the Board should:

- Operate in accordance with the terms of reference established by the Board;
- Be entitled to obtain independent professional or other advice at the cost of the Company, unless determined otherwise by the Board; and
- Be entitled to obtain such resources and information from the Company including direct access to employees of and advisers to the company as they might require.

Conflicts of Interest – Policy

The Board is mindful of the need to identify issues pertaining to actual, potential and perceived conflicts of interest and has adopted a Conflicts of Interest Policy.

The conflict of interest policy aims to ensure that all employees and the Board of the Company are engaged in a business that is not significantly compromised by conflicts of interest as outlined in ASIC's Policy Statement 181 "Licensing: Managing Conflicts of Interest" (in the lead-up to changes in the Corporations Law following CLERP 9 that took effect on 1 January 2005). This will be achieved in part by having adequate mechanisms in place to manage conflicts of interest.

There is an obligation for disclosure of conflicts of interest (or potential conflicts of interest) by all employees and Directors of the Board to each other and other external stakeholders.

All employees, customers and other stakeholders are entitled to be treated fairly without fear of mistreatment due to disclosed conflicts of interest.

5. DIRECTORS AND CORPORATE GOVERNANCE

The Company will use three mechanisms for managing conflicts of interest.

(i) Controlling

The Company aims to identify conflicts of interest relating to its business.

The Company assesses and evaluates any identified conflicts of interest.

The Company decides upon and implements an appropriate response to those conflicts.

(ii) Avoiding

Where conflicts of interest are likely to have a serious impact on the Company or its clients, and the conflicts cannot be adequately managed in other forms, the Company may choose to avoid altogether circumstances and situations that would allow such conflicts of interest to occur.

(iii) Disclosing

Where conflicts of interest are likely to have a material impact on the Company, or the perception of the Company by an outside party, these will be disclosed to the parties concerned in a timely fashion.

Audit Committee

The members of the Audit Committee are Bruce Holman (Independent Chair), Robert Bolton (Independent Director) and David Shearwood. The Committee's main responsibilities include assessing and monitoring:

1. the adequacy of the Company's internal controls and procedures to ensure compliance with all applicable legal obligations;
2. compliance by the Manager with the interim management agreement and the management agreement;
3. the adequacy of the financial risk management processes; and
4. the appointment of the external auditor, any reports prepared by the external auditor and liaising with the external auditor.

The Audit Committee intends to meet with the external auditors as required.

Remuneration Committee

The Board has not established a Remuneration Committee, nor does it intend to, at this stage. A remuneration committee will be established in the event the Board deems it necessary.

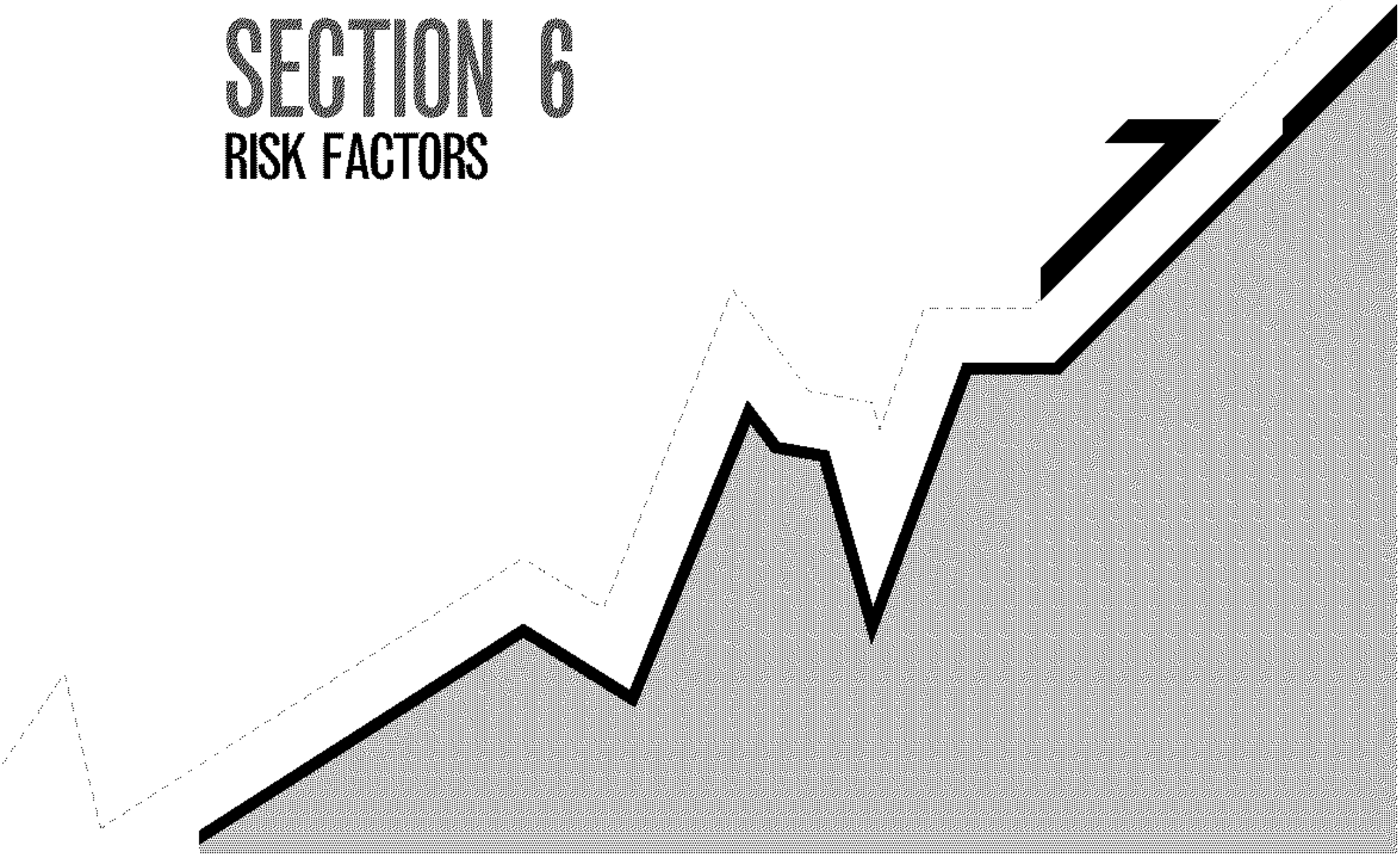
Remuneration

The initial maximum total remuneration payable by the Company to the Directors is $135,000 per annum to be dividend amongst them in such proportions as the Board agrees.

5.3 SHAREHOLDING QUALIFICATIONS

The Directors are not required to hold any Stapled Securities or Shares or Options after unstapling in the Company under the Company's constitution.

SECTION 6
RISK FACTORS



6.1 GENERAL RISK FACTORS

The principal risks are described below. Whilst some of these risks can be mitigated by appropriate safeguards and systems, some risks are outside the control of the Company.

You should carefully consider the risks and uncertainties set out below and the information contained elsewhere in this Prospectus before you decide whether to invest in the Company. The risks outlined may be understated, there may be additional unmentioned risks, or there may be a cumulative combination of mentioned and unmentioned risks that have an undesirable effect.

The value of shares, stapled securities and options listed on ASX can change considerably over time and your investment can go up or down with the value of the Company's investment portfolio. This fluctuation in value is known as volatility and the level of volatility depends on the type of investment. Generally, in order of risk for asset classes, shares are the riskiest, then fixed interest, then cash. As with most investing, performance is not guaranteed. These risks may result in loss of income and principal invested.

You can do some things to reduce the impact of risk. Firstly, get professional advice – advice suitable to your investment objectives, financial situation and particular needs. Nothing in this Prospectus can replace or offer that. Secondly, invest for at least the time frame recommended by your professional adviser.

The following matters, as well as others described elsewhere in this Prospectus, should be carefully considered in evaluating the Company and its prospects. Risks for the company include but are not limited to:

Individual investment risk

Individual investments within the investment portfolio could (and sometimes likely will) fall in value for many reasons such as changes in the entity's internal operations, management, or in its business environment. If this occurs the value of the NTA of the Company will fall and likely result in a fall in the Stapled Security price or after the Unstapling Date, a fall in the Share and Option price.

6. RISK FACTORS

Market risk
Economic, technological, political or legal conditions, and even market sentiment, can (and sometimes do) change and this can mean the equity investments purchased in those markets can change in value. In addition exogenous shocks, natural disasters and acts of terrorism can (and sometimes do) add to equity market volatility as well as impact directly individual entities, assets and human beings.

Interest rate risk
Changes in interest rates can have an impact directly or indirectly on investment valuations and share, stapled security and option prices.

Company risk
Risks particular to the Company include that the Company may give different after-tax results than investing individually because of income or capital gains accrued in the Company.

Derivatives risk
The risk of loss associated with derivatives can be substantial due to the leverage associated with these financial instruments. Importantly, the Company will not use any form of derivative to leverage its net assets. Accordingly, the primary risks associated with the use of derivatives by the Company are that they may perform differently and be less liquid than the underlying Securities.

Price: NTA risk
The risk of loss associated with the Stapled Securities price not trading at the NTA backing. The Stapled Securities and after the Unstapling Date the Shares of the Company may trade at a premium or discount to its NTA backing and the level of any premium or discount will likely fluctuate over time.

Liquidity
The Company will be a listed entity, therefore the ability to sell Stapled Securities or Shares and Options (post the Unstapling Date) will be a function of the turnover of the Company's Stapled Securities, Shares or Options at the time of sale. Turnover is itself a function of the size of the Company and also the cumulative investment intentions of all current and possible investors in the Company at any one point in time.

Industry Risk
There are a number of industry risk factors that may affect the future operational performance of the Company. These factors are outside the control of the Company. Such factors include increased regulatory and compliance costs, unforeseen Government legislation, and collapse in equity markets.

Reliance on Key Personnel
The Company has instructed the Manager to put in place systems and processes to mitigate the risk of losing key people, however the loss of key personnel both within the Company and the Manager could have a negative impact on the Company.

Licensing Requirements
The ability of the Manager to continue to manage the Portfolio in accordance with this Prospectus and the Corporations Act is dependent on the maintenance of the Manager's AFSL and its continued solvency. Maintenance of the AFSL depends, among other things, on the Manager continuing to comply with the ASIC imposed licence conditions and the Corporations Act.

Financial Market Volatility
A fall in global or Australian equity markets, global or Australian bond markets or a rapid change in the value of the Australian dollar against other major currencies may discourage investors from moving money into or out of equity markets. This may have a negative effect on the Company's Stapled Security or Share and Option (post the Unstapling Date) prices.

Performance of Other Asset Classes

Good performance, or anticipated performance, of other asset classes can encourage individuals to divert money away from equity markets. This may have a negative impact on the price at which the Company's Stapled Securities or Shares or Options (post the Unstapling Date) trade.

Tax

Taxation and changes to tax systems can have an effect on returns but also the relative merit of putting monies in various asset classes and in an individual security. All of these items may have a negative impact on the Company or the price of its Securities.

6.2 INVESTOR CONSIDERATIONS

The Company aims to manage the impact of many of the aforementioned risks by instructing the Manager to use a prudent and disciplined investment process. The Company's investment process attempts to control risk by selecting investments and levels of relative exposure after analysis and allowing for share market liquidity, historic volatility and likely performance correlation factors.

Investors should be aware that the risks might result in loss of income and principal invested. Neither the Company, the Manager, nor any of their associates guarantee the repayment of capital or the payment of distributions from the Company.

Before deciding to subscribe for Stapled Securities, Applicants should consider whether Stapled Securities are a suitable investment. There are general risks associated with any investment in the stock market. The value of Stapled Securities listed on ASX may rise or fall depending on a range of factors beyond the control of the Company.

6.3 TAX CONSIDERATIONS

There may be tax implications arising from the application for Stapled Securities, the receipt of dividends (both franked and unfranked) from the Company, participation in the dividend re-investment plan of the Company, participation in any on market Stapled Security or, post the Unstapling Date, Share buy-back and on the disposal of Stapled Securities and post the Unstapling Date Shares or Options. Applicants should carefully consider these tax implications and obtain advice from an accountant or other professional tax adviser in relation to the application of tax legislation.

If you are in doubt as to whether you should subscribe for Stapled Securities, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant or other professional adviser immediately.

SECTION 7

INDEPENDENT ACCOUNTANT'S REPORT

MOORE STEPHENS WI
CHARTERED ACCOUNTANTS

FINANCIAL SERVICES GUIDE

Moore Stephens WI Pty Limited carries on business at Level 5, 14 Martin Place Sydney NSW 2000. Moore Stephens WI Pty Limited holds Australian Financial Services Licence No 236886 authorising it to provide financial product advice on securities and interest in managed investments schemes to wholesale and retail clients.

The Corporations Act 2001 requires Moore Stephens WI Pty Limited to provide this Financial Services Guide ("**FSG**") in connection with its provision of an Independent Accountant's Report and Independent Taxation Report ("**Reports**") which is included in a document ("**Prospectus**") provided by Fat Prophets Australia Fund Limited ("**FPAF**"/ **the "Entity**") for which Moore Stephens WI Pty Limited prepared the Reports.

When providing the Reports, Moore Stephens WI Pty Limited's client is the Entity to which it provides the Report. Moore Stephens WI Pty Limited receives its remuneration from the Entity.

No related body corporate of Moore Stephens WI Pty Limited, or any of the directors or employees of Moore Stephens WI Pty Limited of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Reports.

MSWI is required to be independent of FPAF. The following information in relation to the independence of MSWI is stated in section 10 of our Independent Accountant's Report.

Moore Stephens WI Pty Limited is only responsible for its Reports and this FSG. Complaints or questions about the Prospectus should not be directed to Moore Stephens WI Pty Limited which is not responsible for that document.

If you have a complaint about Moore Stephens WI Pty Limited's Reports or this FSG you should take the following steps.

1. Contact the Enquiries and Complaints Officer of Moore Stephens WI Pty Ltd on (02) 8236 7700 or put your complaint in writing and send it to us at Level 5, 14 Martin Place, Sydney NSW 2000. We will try and resolve your complaint quickly and fairly.
2. If you still do not get a satisfactory outcome, you have the right to complain to the Financial Services Complaints Resolution Scheme at PO Box 386 Collins St West, Melbourne, Victoria 3007. [Telephone (03) 9620 7666]. We are a member of this scheme.
3. The Australian Securities & Investments Commission (ASIC) also has a freecall Infoline on 1300 300 630 which you may use to make a complaint and obtain information about your rights.

Liability is limited by the Accountant's Scheme, approved under the Professional Standards Act 1994 (NSW)

7. INDEPENDENT ACCOUNTANT'S REPORT

MOORE STEPHENS WI
CHARTERED ACCOUNTANTS

7 February 2005

The Directors
Fat Prophets Australia Fund Limited
Level 33
2 Park Street
Sydney NSW 2000

Dear Sirs

7. INDEPENDENT ACCOUNTANT'S REPORT

1.0 Purpose

1.1 This report has been prepared for inclusion in a prospectus to be dated on or about 7 February 2005 relating to the issue by Fat Prophets Australia Fund Limited ACN: 111 772 359 (the "Company") of up to 40,000,000 stapled securities at an offer price of $1.00 per stapled security. The minimum subscription is 16,000,000 stapled securities. The issue has not been underwritten.

1.2 A stapled security consists of one (1) share and one (1) option to subscribe for a share at an exercise price of $1.00, exercisable between the unstapling date of 20 April 2006 and 20 April 2008.

1.3 The Company may at its discretion accept oversubscriptions.

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

1.5 This report considers the pro-forma statement of assets and liabilities at completion of the proposed capital raising immediately after the allocation of stapled securities.

2.0 Background

2.1 The Company was incorporated on 12 November 2004 with 1 ordinary share at $1.00 and has not issued shares since incorporation. The share is held by Mr Angus Geddes. Further to this, an option has been issued to Mr Angus Geddes, and will be stapled to the ordinary share, forming a "stapled security". Refer to section 1.2 of the Prospectus for further information.

2.2 The Company intends to invest the proceeds of the Prospectus offering in securities predominantly comprising of securities quoted on the ASX, bills of exchange, other negotiable investments, debentures, warrants, futures, derivative contracts and other investments, as set out in section 2.9 of the Prospectus.

Moore Stephens WI Pty Limited ABN [illegible]
CML Building, Level 5, 14 Martin Place, Sydney NSW 2000 AUSTRALIA
Tel [illegible] Fax [illegible] Web [illegible]
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MOORE STEPHENS WI
CHARTERED ACCOUNTANTS

2.3 There have been no significant activities conducted by the Company since incorporation as it is in the initial phase of operations. The Company has however incurred costs associated with establishing the business.

2.4 Mint Financial Group Pty Limited ACN 094 448 549 is the Interim Investment Manager as set out in section 3.7 of the Prospectus. The Interim Manager will receive a management fee and performance fee as set out in section 9.2 of the prospectus.

2.5 Fat Prophets Funds Management Pty Limited ACN 112 466 887 will be appointed Investment Manager, as set out in section 3.1 of the Prospectus upon the issue of an Australian Financial Services Licence. The Investment Manager will receive a management fee and performance fee as set out in section 9.1 of the prospectus.

2.6 The first balance date of the Company will be 30 June 2005.

3.0 Scope of our Report

3.1 This report deals with the pro-forma financial information included in the Prospectus at section 4.3.

3.2 The pro forma Statements of Financial Position have been prepared to illustrate the financial position of the Company on completion of the issue and have been prepared on the basis of the assumptions, notes and accounting policies as set out in sections 4.1 to 4.4 of the Prospectus. As the Company may accept capital from the minimum of $16,000,000 to a maximum of $40,000,000, a number of scenarios have been set out in section 4.3 of the prospectus.

3.3 The directors of the Company are responsible for the preparation and presentation of the pro forma Statements of Financial Position including the assumptions, notes and accounting policies on which they are based.

3.4 The directors are not making any forecasts for earnings by the Company.

4.0 Review of Financial Information

4.1 We have conducted our review of the pro forma Statements of Financial Position in accordance with Auditing Standards AUS902 "Review of Financial Reports" and AUS804 "The Audit of Prospective Financial Information". Our procedures consisted primarily of enquiry and comparison and such other analytical procedures we, in our professional judgement, considered necessary so as to adequately evaluate whether the assumptions and estimated expenses appear reasonable in the circumstances.

These review procedures were substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and accordingly do not express an audit opinion.

MOORE STEPHENS WI
CHARTERED ACCOUNTANTS

5.0 Statement of Financial Information

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

a. the pro forma financial information has not been properly prepared on the basis of the pro forma transaction;

b. the pro forma transactions do not form a reasonable basis for the pro forma information; and

c. the assumptions, notes, accounting policies and estimated expenses of the offer made by directors, do not provide a reasonable basis for the preparation of the pro forma statements of Financial Position.

6.0 Related Parties

6.1 Directors' entitlements under the issue

Mr Angus Geddes, an alternate director of the Company owns one subscriber share in the Company. The directors have no special entitlement to stapled securities due to their position as directors. The directors may subscribe for stapled securities under the terms offered to the public under the Prospectus.

6.2 Directors' remuneration and other benefits.

The Directors will be entitled to receive the benefits as set out in section 10.11 of the prospectus.

7.0 Working Capital

As required by ASX Listing Rule 1.3.3, we advise that in our opinion, the Company will have enough working capital to carry out it's stated objectives.

8.0 Subsequent events

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

9.0 Sources of Information

9.1 We have made enquiries of the directors of the Company and other parties as considered necessary during the course of our analysis. We have also referred to the Prospectus and material documents which will relate to the operations of the Company.

We have no reason to believe the information supplied is not reliable.

MOORE STEPHENS WI
CHARTERED ACCOUNTANTS

10.0 Declarations

10.1 Moore Stephens WI Pty Limited has prepared this report for inclusion in the Prospectus. We have not acted in any other capacity to the Prospectus, and have not been involved in the preparation of any part thereof. White Funds Management Pty Limited, an associated entity, have been appointed the "back-office" administrators of Fat Prophets Australia Fund Limited.

10.2 Other than a fee for the preparation of this report and the Independent Taxation Report no pecuniary or other benefit, direct or indirect, has been received by Moore Stephens WI Pty Limited for or in connection with the making of this report.

10.3 This report has been prepared on behalf of Moore Stephens WI Pty Limited by Scott Melville Whiddett, who is a director of Moore Stephens WI Pty Limited and a director of White Funds Management Pty Limited. Mr Whiddett is an associate of the Institute of Chartered Accountants and a Registered Company Auditor. Mr Whiddett has over 13 years of experience including audit of public companies, detection of fraud, valuations, economic loss calculations, due diligence and the preparation of Independent Expert's Reports.

10.4 Moore Stephens WI, a chartered accounting firm associated with Moore Stephens WI Pty Limited have consented to be appointed auditors and provide accounting and taxation services to the Proposed Manager, Fat Prophets Funds Management Australia Pty Limited.

10.5 Other than as disclosed above, Mr Whiddett, the other directors and the staff involved with the preparation of this report have, at the date of this report, no interest or financial relationship with Fat Prophets Australia Fund Limited, Mint Financial Group Pty Limited or Fat Prophets Funds Management Australia Pty Limited.

Yours faithfully,
MOORE STEPHENS WI PTY LIMITED

S. M. WHIDDETT
Director

SECTION 8
INDEPENDENT TAXATION REPORT

MOORE STEPHENS WI
CHARTERED ACCOUNTANTS

7 February 2005

The Directors
Fat Prophets Australia Fund Limited
Level 33
2 Park Street
Sydney NSW 2000

Dear Sirs

8. INDEPENDENT TAXATION REPORT

We have been requested to provide a report on the income tax issues affecting Fat Prophets Australia Fund Limited (the "**Company**") and its stapled security holders. The report has been prepared for inclusion in a Prospectus to be dated on or about 7 February 2005 under which investors will be invited to subscribe for a minimum of 16,000,000 Stapled Securities paid to $1.00. For each stapled security issued, subscribers will receive one (1) Share and one (1) Option to subscribe for a share at an exercise price of $1.00 exercisable between 20 April 2006 and 20 April 2008. They are joined together (or stapled) and treated as one security quoted on the Australian Stock Exchange (ASX) until 20 April 2006 (the Unstapling Date), when they will "unstaple" and trade separately on the Australian Stock Exchange (ASX) as shares and options. This report should be read in conjunction with the Prospectus issued.

Our advice is based on the relevant taxation laws as presently incorporated in the *Income Tax Assessment Act 1936, Income Tax Assessment Act 1997 and Income Tax Rates Act 1986* (all of which are referred to collectively herein as "Tax Act").

This opinion only provides a general overview of the income tax consequences to investors. It is not intended to be a detailed analysis of all such issues. Individual investors should consult their own taxation adviser about their specific taxation circumstances.

Shareholders in a public company are generally taxed on the dividends received and are subject to income tax upon the disposal of their shares in the company.

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1. Dividends

Dividends received by an Australian resident shareholder (either directly or indirectly through a partnership or trust) are included in the taxable income of the shareholder.

To the extent that dividends are franked, then the imputation credits attached to the franked dividend are also included in the taxable income of the shareholder.

Shareholders are then entitled to a tax credit equivalent to the imputation credit received. Dividends received by a non-resident shareholder will be subject to 15% withholding tax, to the extent the dividends received are unfranked. No withholding tax is paid on franked dividends.

Where shareholders receive franked dividends from the Company, the shares in the Company need to be held 'at risk' (as defined) for a period of 45 days before being entitled to franking credits.

Dividends attributable to LIC Capital Gains

Under Subdivision 115-D of the Tax Act a Listed Investment Company ("LIC") may make a "LIC Capital Gain" where it sells a post September 1985 asset after 1 July 2001, where that asset has been held for more than 12 months. We have assumed that the company will meet the definition of a "Listed Investment Company".

In accordance with current tax law, this gain will be taxable to the LIC at 30%.

Assuming the LIC transfers the "LIC Capital Gain" profit (after tax) to a Discount Capital Gains Reserve, a dividend paid from this reserve would attract concessional tax treatment in the hands of the shareholder.

The dividend paid from the Discount Capital Gains Reserve would be frankable and subject to the regular franking rules. Certain shareholders are entitled to a tax deduction in respect to the "attributable part" of the dividend.

The tax deduction amounts to 50% (for individual shareholders) or 33 1/3 % (for superannuation fund shareholders) of the "attributable part" of the dividend.

The "attributable part" of the dividend is calculated by a formula but is equal to the dividend amount plus the tax paid at the company level. In practice this is equal to the grossed up value of the dividend (100/70 x dividend amount).

MOORE STEPHENS WI
CHARTERED ACCOUNTANTS

In this way the effect on an individual of a dividend paid from a Discount Capital Gains Reserve would be calculated as follows:

Dividend paid from Reserve	70.00
Plus imputation credits	30.00
Less Tax deduction allowable	(50.00)
Net taxable income	**50.00**
Income Tax @ 48.5% (maximum rate)	24.25
Less imputation credit	(30.00)
Tax refund	**5.75**
Summary	
Dividend Received	70.00
Tax refund	5.75
Value of dividend after tax	**75.75**
Effective tax rate on capital gain incurred by investment company	*24.25%*

In this way the effect on a superannuation fund would be calculated as follows:

Dividend paid from Reserve	70.00
Plus imputation credits	30.00
Less Tax deduction allowable	(33.33)
Net taxable income	**66.67**
Income Tax @ 15% (maximum rate)	10.00
Less imputation credit	(30.00)
Tax refund	**20.00**
Summary	
Dividend Received	70.00
Tax refund	20.00
Value of dividend after tax	**90.00**
Effective tax rate on capital gain incurred by investment company	*10.00%*

For corporate shareholders who are not LICs themselves, the receipt of a franked dividend paid from a discount capital gains reserve will be treated in the same way as any other dividend. That is, the franking credit will be added to the company's assessable income, and allowed as a credit to reduce the company's tax payable. Further, the franking credit will be added to the company's franking account.

MOORE STEPHENS WI
CHARTERED ACCOUNTANTS

Corporate shareholders cannot pass on the discount capital gain to their own shareholders.

2. Tax treatment of profits on sale of investments

Where the Company makes a profit or a loss on the sale of an investment, that profit or loss may be on revenue account (ordinary income) or on capital account (capital gain or loss). There are many factors that need to be considered by the Company in assessing which tax treatment is appropriate for each investment. A detailed analysis of those factors is outside the scope of this report.

Where the Company determines that a profit is on capital account, then such a profit may be treated as a "LIC Capital Gain" as outlined above. Where the Company determines that a profit is on revenue account, then the profit will be ordinary income and will not be treated as a "LIC Capital Gain".

Accordingly, although a company may satisfy the definition of a LIC, the company may not have any eligible LIC capital gains to pass on to shareholders.

3. Gains from Disposal of Stapled Securities in the Company

Where stapled securities in the Company are acquired on revenue account by a shareholder, any gain or loss on sale is taxable as ordinary income.

Where stapled securities in the Company are acquired on capital account by a shareholder, any gain or loss on sale is taxed in accordance with the Capital Gains Tax rules. Where stapled securities in the Company are held for more than 12 months, a CGT discount of 50% would be available to individual shareholders (33.33% for superannuation funds).

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

4. Unstapling date

We note that there will be no taxation implications for holders of stapled securities when they are unstapled to enable the separate trading of shares and options on the ASX. The acquisition of shares and options on revenue or capital account will generally be derived from the acquisition of the stapled securities.

MOORE STEPHENS WI
CHARTERED ACCOUNTANTS

5. Gains from Disposal of Shares in the Company

Where shares in the Company are acquired on revenue account by a shareholder, any gain or loss on sale is taxable as ordinary income.

Where shares in the Company are acquired on capital account by a shareholder, any gain or loss on sale is taxed in accordance with the Capital Gains Tax rules. Where shares in the Company are held for more than 12 months, a CGT discount of 50% would be available to individual shareholders (33 1/3 % for superannuation funds).

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

6. Gains from Disposal of Options in the Company

Any gain on sale of options will either give rise to a capital gain (if held on a capital account) or ordinary income if held as trading stock.

There will be no cost base of options issued under this Prospectus as they are being issued for no consideration. There would therefore be no Capital Gains Tax loss on the sale of the options issued pursuant to the Prospectus.

Any options acquired after the initial issue will have a cost base equivalent to the acquisition price.

On exercise of the option, a shareholder will be required to pay $1.00 to the Company in return for the issue of one share. There are no tax consequences to the Company for the issue of the share.

A shareholder who exercises an option will acquire a share in the Company. The taxation consequences from the disposal of the share are as outlined above.

Yours faithfully,
MOORE STEPHENS WI PTY LIMITED

Andrew Blackwell

A. D. BLACKWELL
Director

* PIN CHEQUE(S) HERE

APPLICATION FORM

Fat Prophets Australia Fund Limited

ACN 111 772 359

Fill out this Application Form to apply for stapled securities in Fat Prophets Australia Fund Limited

- Please read the Prospectus dated 9 February 2005.
- Follow the instructions to complete this Application Form (see reverse).
- Print clearly in capital letters using black or blue pen.

Broker Reference – Stamp Only

Broker Code Adviser Code

A Number of stapled securities you are applying for **B Total amount payable**

x $1.00 per stapled security =

Minimum of 5,000 stapled securities to be applied for, and thereafter in multiples of 100 stapled securities.

C Write the name(s) you wish to register the securities in (see reverse for instructions)

Applicant 1

Name of Applicant 2 or < Account Designation >

Name of Applicant 3 or < Account Designation >

D Write your postal address here

Number/Street

Suburb/Town State Postcode

E CHESS participant – Holder Identification Number (HIN)

X

F Enter your Tax File Number(s), ABN, ACN or exemption category

Applicant #1 Applicant #2

Applicant #3

G Cheque payment details

Please enter details of the cheque(s) that accompany this application.

Name of Drawer of Cheque	Cheque No.	BSB No.	Account No.	Cheque Amount A$

H Contact telephone number (daytime/work/mobile) **I Email address**

☐ I am a current Fat Prophets Subscriber and wish to participate in the Priority Offer closing on February 28, 2005.

By submitting this Application Form, I/we declare that this Application is completed and lodged according to the Prospectus and the instructions on the reverse of the Application form and declare that all details and statements made by me/us are complete and accurate. I/We agree to be bound by the Constitution of Fat Prophets Australia Fund Limited. I/We was/were given access to the Electronic Prospectus together with the Application Form. I/We represent, warrant and undertake to the Company that our subscription for the above Securities will not cause the Company or me/us to violate the securities or other laws of Australia or any other jurisdiction which may be applicable to this subscription for Securities in the Company.

Note, Fat Prophets Australia Fund Limited will not deal with your Application. All Applications will be processed by AFSL holders on behalf of Fat Prophets Australia Fund Limited.

APPLICATION FORM

GUIDE TO THE APPLICATION FORM

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS.

These instructions are cross-referenced to each section of the Application Form.

Instructions

A. If applying for stapled securities insert the number of stapled securities for which you wish to subscribe at Item A (not less than 5,000 and then in multiples of 100).

B. Multiply by A$1.00 to calculate the total for stapled securities and enter the $ amount at B.

C. Write your full name. Initials are not acceptable for first names.

D. Enter your postal address for all correspondence. All communications to you from Fat Prophets Australia Fund Limited will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN.

NB: your registration details provided must match your CHESS account exactly.

F. Enter your Australian tax file number (TFN) or Australian Business Number (ABN) or exemption category, if you are an Australian resident. Where applicable, please enter the TFN/ABN of each joint Applicant. Collection of TFNs is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.

G. Complete cheque details as requested. Make your cheque payable to Fat Prophets Australia Fund Limited in Australian currency, cross it and mark it "Not Negotiable". Cheques must be made in Australian currency, and cheques must be drawn on an Australian Bank.

H. Enter your contact details so we may contact you regarding your Application Form or Application Monies.

I. Enter your email address so we may contact you regarding your Application Form or Application Monies or other correspondence.

CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities can hold the Stapled Securities. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to Fat Prophets Australia Fund Limited. At least one full name and surname is required for each natural person.

Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

LODGEMENT

Mail your completed Application Form with cheque(s) attached to the following address:

Delivery address:
Fat Prophets Australia Fund Limited
C/- Registries Limited
Level 2, 28 Margaret Street
SYDNEY NSW 2000

Mailing address:
Fat Prophets Australia Fund Limited
C/- Registries Limited
PO Box R67, Royal Exchange
SYDNEY NSW 1223

It is not necessary to sign or otherwise execute the Application Form.

If you have any questions as to how to complete the Application Form, please contact Fat Prophets Australia Fund Limited on: Tel: 1300 88 11 77.

* PIN CHEQUE(S) HERE

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Fat Prophets Australia Fund Limited
ACN 111 772 359

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Broker Code | Adviser Code

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PO Box R67, Royal Exchange
SYDNEY NSW 1223

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CORPORATE DIRECTORY

DIRECTORS

Robert Bolton (Chair)
Bruce Holman
David Shearwood
Angus Geddes (as Alternate to David Shearwood)
Jason McIntosh (as Alternate to David Shearwood)

COMPANY SECRETARY

David Shearwood

REGISTERED OFFICE

Fat Prophets Australia Fund Limited
ACN 111 772 359
Level 33
2 Park Street
Sydney NSW 2000

SPONSORING BROKERS

Commonwealth Securities Limited
AFSL No. 238814
ABN 60 067 254 399
Level 18
363 George Street
Sydney NSW 2000

ETRADE Australia Securities Limited
AFSL No. 238277
ABN 93 078 174 973
Level 1
10 Bridge Street
Sydney NSW 2000

AUDITOR

Grosvenor Schiliro
Chartered Accountants
ABN 12 225 759 072
Level 2
333 George Street
Sydney NSW 2000

CUSTODIAN

Australia and New Zealand Banking Group Limited
Custodian Services
Level 25, 530 Collins Street
Melbourne VIC 3000

INTERIM MANAGER

Mint Financial Group Pty Limited
AFSL No. 229183
ABN 62 094 448 549
Level 33
2 Park Street
Sydney NSW 2000

PROPOSED MANAGER

Fat Prophets Funds Management Australia Pty Limited
ACN 112 466 887
Level 33
2 Park Street
Sydney NSW 2000

SHARE REGISTRY

Registries Limited
ACN 003 209 836
Level 2
28 Margaret Street
Sydney NSW 2000

SOLICITORS TO THE OFFER

Watson Mangioni
Level 13
50 Carrington Street
Sydney NSW 2000

INDEPENDENT ACCOUNTANT

Moore Stephens WI Pty Limited
ACN 098 199 118
Level 5
14 Martin Place
Sydney NSW 2000

TAX ADVISER

Moore Stephens WI Pty Limited
ACN 098 199 118
Level 5
14 Martin Place
Sydney NSW 2000

BANK

Australia and New Zealand Banking Group Limited
Level 25, 530 Collins Street
Melbourne VIC 3000