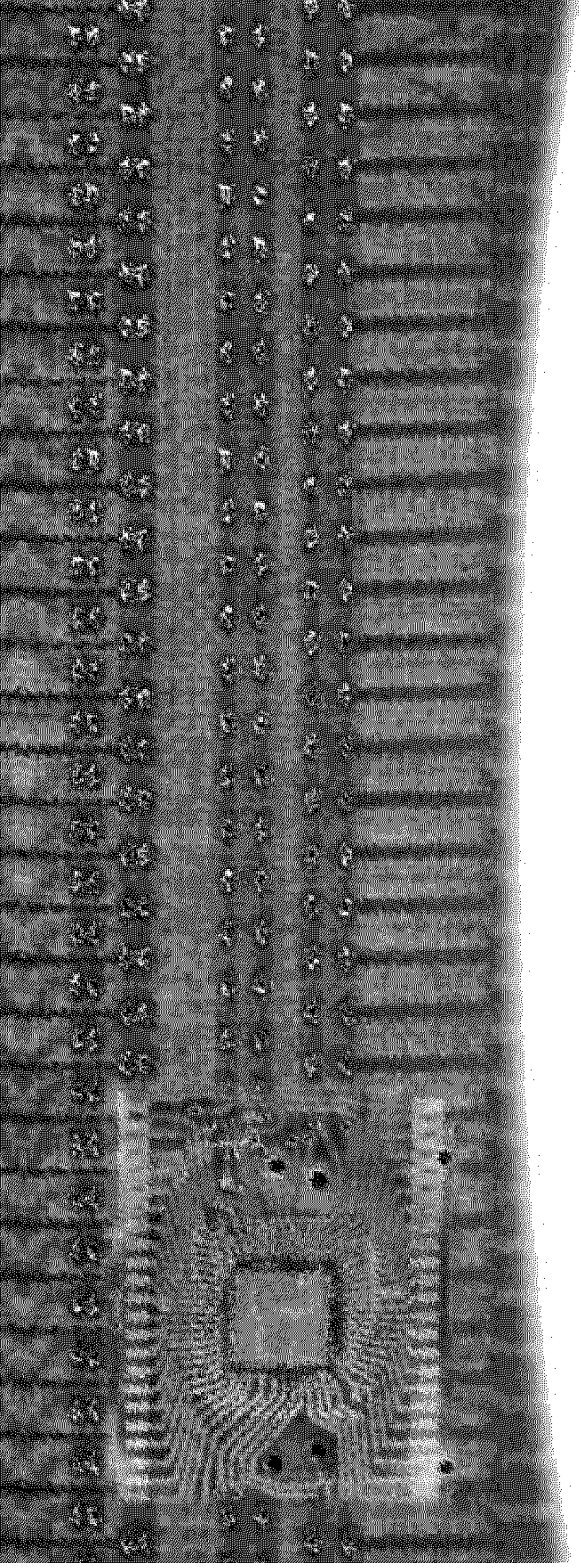
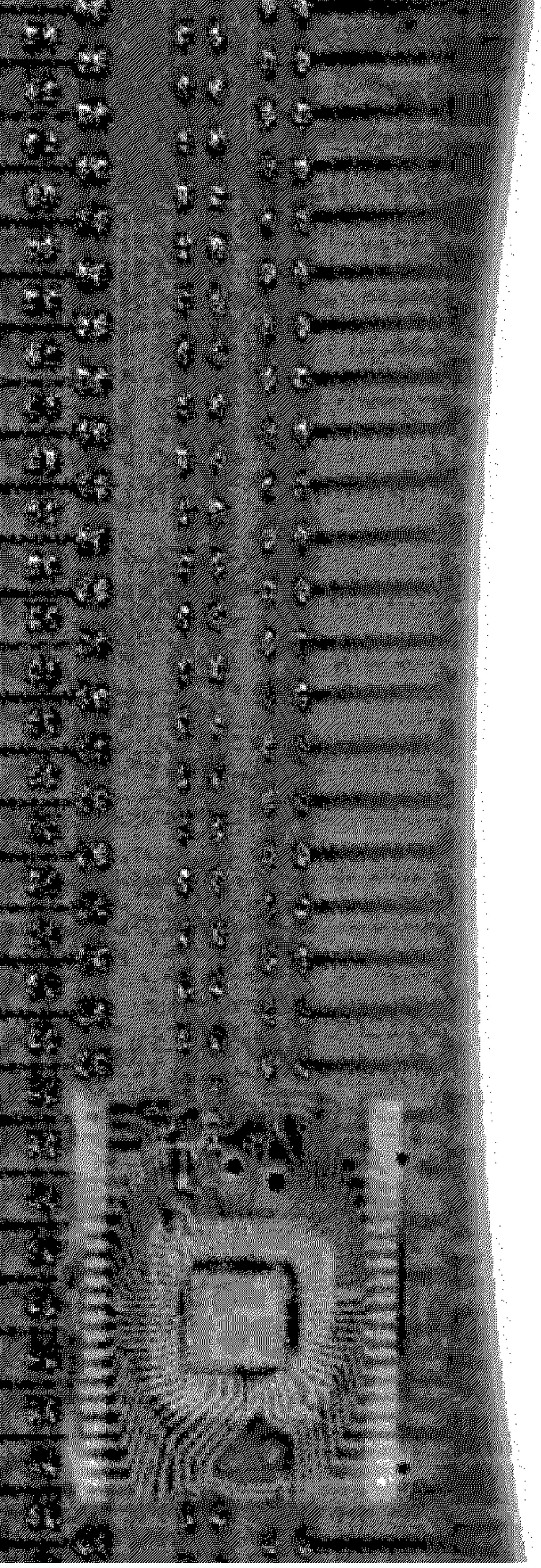


LABTAM LIMITED

ACN 004 749 508

PROSPECTUS



LABTAM LIMITED

ACN 004 749 508

PROSPECTUS

IMPORTANT NOTICE

This Prospectus is dated 29 October 2004 and was lodged with the ASIC on 29 October 2004. No responsibility for the contents of this Prospectus is taken by the ASIC or its officers. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Before deciding to invest in Labtam Limited, potential investors should read the entire Prospectus and in particular consider the risk factors that could affect the financial performance of Labtam Limited. The price of shares may rise or fall according to a number of factors. You should carefully consider these risks in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

No securities will be issued or allotted on the basis of this Prospectus after its expiry date, being the date 13 months after the date of this Prospectus. A number of terms and abbreviations used in this Prospectus have defined meanings which appear in the Glossary in Section 10. All financial amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated.

CONTENTS

KEY DATES AND GENERAL INFORMATION

KEY DATES

Offer opens (following the ASIC exposure period)	Monday	8 November 2004
Offer closes	Friday	17 February 2005
Expected date of dispatch of transaction confirmation statements	Tuesday	3 March 2005
Expected date of quotation of Shares on the ASX	Friday	10 March 2005

The above dates are indicative only and the Company reserves the right to alter them without notice or discontinue the Offer without consultation or allotting some or any of the New Shares.

OFFER STATISTICS

Offer Price	$0.20 per Share
Number of Shares on issue following the Offer	42,600,000 (1)
Number of Shares being offered by this Prospectus	14,000,000 (2)
Number of options being offered by this Prospectus	7,000,000 (2)
Gross proceeds from issue available to Labtam Limited	$2,800,000 (1)
Market Capitalisation at the Offer Price	$8,520,000 (1)
Net assets per Share	14.2 cents (3)
Net tangible assets per Share	5.2 cents (3)

Notes:
1. This assumes successful completion of the Offer including oversubscriptions.
2. Including oversubscriptions.
3. Based on the pro forma financial position (refer Section 7).

CHAIRMAN'S LETTER

Dear Investor

On behalf of my fellow Directors, I have great pleasure in presenting you with the opportunity to participate in the ownership and future growth of Labtam Limited ("Labtam Limited" or "Company").

The Company has been established to initially acquire the automated electronics manufacturing business ("Labtam Business") currently operated by ACN 050 199 678 Labtam Pty Ltd ("Vendor"). The Board intends adding to the Company's operations through the acquisition of complementary businesses as well as growing the Labtam Business.

The strategic investment criteria the Board will apply in assessing further potential acquisitions in the electronics industry include:

- the generation of local sales revenue;
- possessing and owning intellectual property which is clearly identifiable and protected;
- low debt to asset ratios;
- adding to shareholder value and profit; and
- possessing international market potential through sales or licensing arrangements.

The Board and senior management of Labtam Limited are experienced in public company management and the electronics industry and are committed to maximising shareholder returns. Under this Prospectus, Labtam Limited is offering for subscription up to 14 million New Shares at an issue price of $0.20 to raise up to $2.8 million. While the Company is listed on ASX, its Shares are currently suspended from quotation. Upon completion of the Offer, the Company will apply to have all of its Shares re-listed for quotation (other than any Shares classified as restricted securities by ASX). Upon completion of the Offer, Labtam Limited will have a market capitalisation of approximately $8.5 million at the Offer Price.

Details of the Offer and the operations, financial performance and outlook of the Company are set out in this Prospectus. I encourage you to read it carefully. On behalf of the Board of Labtam Limited, I look forward to welcoming you as a shareholder in the Company.

Yours sincerely

Lloyd Gosling AM
Chairman

1. INVESTMENT HIGHLIGHTS

The details contained in this Section constitute a summary and are not intended to provide comprehensive information on the Shares and Options offered under this Prospectus, the business or financial affairs of Labtam Limited. Prospective investors should read the full text of this Prospectus.

Background to Labtam Limited

Labtam Limited, formerly named Heat Exchangers International Limited, was incorporated in 22 October 1968.

On 19 August 2004, the shareholders of the Company approved a number of resolutions aimed at the re-structuring, re-capitalising and potential re-listing of the Company on the ASX. Included within the resolutions were approvals to change the Company's name from "Heat Exchangers International Limited" to "Labtam Limited", change of activities to include activity within the electronics industry, the acquisition of the Labtam Business for cash and shares, the issue of new ordinary shares for settlement of debt and satisfying Deed of Company Arrangement, approval of new shares and options pursuant to a prospectus, an Employee Share Option Plan and the adoption of a new constitution.

The Company intends expanding by focusing on business opportunities that provide value to its shareholders within the electronics industry and meet the strategic investment criteria set by the Company. The Company's strategic investment criteria includes but is not limited to an entity that generates local sales revenue, possess and own intellectual property which is clearly identifiable and can be protected, have a low debt to asset ratio, adds to shareholder value and bottom line and possess international market potential through sales or licensing arrangements.

The Company's first proposed acquisition is the Labtam Business, which is currently operated by the Vendor. The acquisition of the Labtam Business was approved by shareholders at an annual general meeting held on 19 August 2004.

The Vendor has focused on developing and maintaining quality manufacturing relationships with key principals and customers, allowing it to establish a growing, profitable business. The contract manufacturing operations strongly support relationships with innovative product development companies who are looking for channels to market.

The operations of the Vendor include the:

- Provision of customised contract manufacturing services to leading local and international manufacturers of telecommunications, computer networking, security and gaming equipment; and

- Provision of specialist design and prototyping services for a wide range of sophisticated electronic applications to Australian businesses who own Intellectual Property suitable for the domestic and International markets.

The Vendor has a long history of performance and growth. The Vendor has been profitable for the past three years and has grown from a small manufacturing base to achieve the turn-over it has today.

2. DETAILS OF THE OFFER

DESCRIPTION OF THE OFFER

This Prospectus offers a total of 12.5 million New Shares in the Company at an issue price of $0.20 (20 cents) per New Share and up to 6,250,000 one-for-two attaching options (each to acquire one (1) Share in the capital of the Company deemed fully paid at an exercise price of twenty cents ($0.20), expiring on 31 December 2007)

The Company will accept applications for a further 1,500,000 fully paid ordinary New Shares in the Company at a minimum issue price of $0.20 (20 cents) per Share and up to 750,000 one-for-two attaching options (each to acquire one (1) Share in the capital of the Company deemed fully paid at an exercise price of twenty cents ($0.20), expiring on 31 December 2007) in the case of over subscriptions.

The New Shares and Options being offered under this Prospectus comprise an issue of new Shares and Options by Labtam Limited. The New Shares to be issued by Labtam Limited under the Offer will rank equally in all respects with each other and the existing issued Shares of Labtam Limited after completion of the Offer. See Section 8 for details of the rights attaching to the New Shares and Options.
If all the available New Shares are subscribed for, after the close of the Offer the issued capital of Labtam Limited will be 42.6 million fully paid Shares, of which the Vendor will hold 20 million Shares, or approximately 47% of the total issued capital. The Vendor will be governed by any escrow arrangements imposed by ASX relating to their Shares, details of which are set out in Section 8.

The Directors believe that, on completion of the Offer, Labtam Limited will have enough working capital to carry out its objectives stated in this Prospectus.

MINIMUM SUBSCRIPTION

The minimum subscription to be raised pursuant to this Prospectus is $2,500,000.

No New Shares will be issued until the Minimum Subscription has been received. If the Company does not receive the Minimum Subscription within 4 months of the issue of the Prospectus, all Application Monies received from Applicants will be refunded in full without interest.

PURPOSES OF THE OFFER

The purposes of the Offer are as follows:

- to fund the purchase consideration under the Sale of Business Agreement entered into with the Vendor including acquisition costs ($1,150,000). See Section 10 for further details;
- to pay the costs of the Offer ($473,886);
- to provide working capital requirements and expansion of the Labtam Business ($1,026,114, with over subscriptions of a further $300,000);
- to assist Labtam in retaining the services of employees by providing them with the opportunity to own Shares in the Company pursuant to an Employee Incentive Scheme Plan;
- to increase the public profile of Labtam both nationally and internationally; and
- to allow Labtam easier access to the equity markets in order to fund future growth opportunities both through acquisitions and other business opportunities.
- to adhere to ASX Listing Rules requirement, in particular, Chapters 1 & 2.

ASSET BACKING

Based on the Proforma Balance Sheet annexed to the Investigating Accountant's Report in Section 7, Labtam's proforma net asset backing per Share will be 14.2 cents and proforma net tangible asset backing per Share will be 5.2 cents.

DIVIDEND POLICY

It is the current intention of the Directors to provide a payout ratio of 50% of net profit after tax before goodwill amortisation and to make regular, half yearly dividend payments. It is intended that dividends will be franked to the fullest extent possible given available franking credits.

Provided sufficient profits and franking credits are available, the Directors currently intend declaring a fully franked interim dividend for the period between the date ASX reinstates quotation of the Company's Shares and 31 March 2005 (expected to be paid in June 2005) and a fully franked final dividend for the three month period ending on 30 June 2005 (expected to be paid in September 2005).

Investors should note that the Directors cannot give any assurances as to the extent, timing, level of franking or payment of any future dividends as they are dependent upon a number of factors including the level of future earnings, the amount of tax paid, the future financial position of the Company and future operating conditions which may be materially effected by factors outside the control of the Company and the Directors.

HOW TO APPLY FOR NEW SHARES

An application for New Shares in the Offer can be made only by completing an Application Form contained in this Prospectus. Detailed instructions on the correct method of completing an Application Form are included at the end of this Prospectus.

The Application Form must be accompanied by a cheque, drawn on an Australian branch of an Australian bank and in Australian Dollars, for the Application Monies. The minimum Application under this Offer is for 10,000 New Shares (being application monies of $2,000) and thereafter in multiples of 100 New Shares. All cheques must be made payable to "Labtam Limited Float Account" and crossed "Not Negotiable".

The completed Application Form and accompanying Application Monies must be received by

ASX Perpetual Registrars Limited
Level 4
333 Collins Street
Melbourne VIC 3000

no later than 5.00pm EST on the Closing Date. The Closing Date is expected to be Friday 17 February 2005. Payments by cheque will be deemed to be made when the cheque is honoured by the bank on which it is drawn. Applicants are advised to lodge their applications as early as possible after the Offer opens.

Labtam reserves the right to close the application list at any time after expiry of the Prospectus exposure period without prior notice. The Company reserves the right to extend the Offer period.

ACCEPTANCE OF APPLICATIONS

The Company may accept or reject any Application, or accept an Application in respect of a number of Shares less than the number for which the Applicant applied.

Where an Application is rejected, the Application Monies will be refunded in full. If the number of Shares allotted to the Applicant is fewer than the number for which the Applicant applied, the surplus Application Monies will be refunded. Interest will not be paid on any refunded Application Monies.

The Company will issue the Shares that are the subject of successful Applications as soon as possible after the Closing Date and the grant of ASX permission for Official Quotation of the Shares unconditionally or on conditions acceptable to the Directors.

Pending the issue by the Company of the New Shares offered by this Prospectus, the Company will deposit Application Monies in a separate bank account and keep them there for so long as those Applications, or any part of them, are liable to be repaid in accordance with the Corporations Act and this Prospectus.

RISK FACTORS

The Directors advise investors to read this Prospectus in its entirety and to consult their investment advisor, accountant or other financial expert and to consider whether specialist advice should be sought on the features of this investment or any other matter. Investors should consider the factors contained in Section 6 in order to fully appreciate the risks and should have regard to their own investment objectives and financial circumstances.

The New Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns or capital on the market value of those Shares.

EMPLOYEE AND EXECUTIVE SHARE OPTION PLAN

Further details of the employee and executive share option plans are contained in Section 8.

AUSTRALIAN STOCK EXCHANGE

Although the Company is listed on ASX its Shares are currently suspended from quotation. Subject to the Minimum Subscription being satisfied, the Company will apply to ASX to have quotation of its Shares reinstated and will apply for official quotation of the New Shares and Options issued under this Prospectus (other than Shares or Options which are treated by ASX as restricted securities).

The Company will also make an application to the ASX within 7 days after the date of this Prospectus for the official quotation of all Shares (other than the Shares classified as restricted securities by the ASX).

The fact that ASX may grant official quotation of the Shares is not to be taken as an indication of the merits of the Company or the Shares and Options. The ASX, its officers and employees take no responsibility for the contents of this Prospectus.

If granted, quotation of the New Shares and Options will commence as soon as is practicable after the issue of statements of holdings to Shareholders.

If permission for official quotation of the New Shares and Options is not granted or deemed granted within 3 months of the date of this Prospectus none of the New Shares offered by this Prospectus will be issued unless an exemption is granted by the ASIC permitting such issue. If no issue is made, all Application Monies will be refunded within the time prescribed by the Corporations Act. Interest will not be paid on any Application Monies refunded.

CLEARING HOUSE ELECTRONIC SUBREGISTER SYSTEM (CHESS)

The Company participates in the Securities Clearing House Electronic Subregister System, known as CHESS. Under CHESS, the Company does not issue certificates to shareholders.

Upon allotment successful Applicants will be issued a transaction confirmation statement that sets out the number of Shares and Options allotted to each of them under this Prospectus. The notice will also advise holders of their Holder Identification Number ("HIN") for CHESS holdings and security holder reference number ('SRN') for issuer sponsored holdings. At the end of each month in which your holding has changed you will be issued with a holding statement.

OFFER NOT UNDERWRITTEN

The Offer is not underwritten.

OVERSEAS INVESTORS

It is the responsibility of investors to obtain all necessary approvals for the subscription for New Shares under this Prospectus. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make an offer.

3. OVERVIEW OF LABTAM LIMITED

Background

Labtam, formerly named Heat Exchangers International Limited, was incorporated in 22 October 1968.

Although the Company is listed on the ASX its Shares are currently suspended from quotation. On 9 January 2001 a receiver and manager was appointed by the Company's largest secured creditor at the time and the Company's securities were consequently suspended from trading on the ASX. Subsequent to the Company being managed under a receivership arrangement, a voluntary administrator was appointed on 29 September 2003. During the receivership and administration process, all assets of the Company were sold to various parties.

On 14 November 2003, a Deed of Company Arrangement was entered into with the existing creditors of the Company. Under the Deed of Company Arrangement, the creditors agreed to accept 8 cents in the dollar for all substantiated outstanding accounts whereby they would be provided consideration in new ordinary shares of the Company at the re-listed share price, being 20 cents per share ($0.20).

On 19 August 2004, the shareholders of the Company approved a number of resolutions aimed at the re-structuring, re-capitalising and potential re-listing of the Company on the ASX. Included within the resolutions held were approvals to change the Company's name from "Heat Exchangers International Limited" to "Labtam Limited", change of activities to include activity within the electronics industry, the acquisition of the Labtam Business for cash and shares, the issue of new ordinary shares for settlement of debt and satisfying Deed of Company Arrangement, approval of new shares and options pursuant to a prospectus, an Employee Share Option Plan and the adoption of a new constitution.

For any further details regarding the annual general meeting of shareholders held on 19 August 2004, please refer to the registered office of the Company whereby a copy of the notice of meeting and information memorandum will be provided free of charge.

Labtam Limited – moving forward

The Company intends expanding by focusing on business opportunities that provide value to its shareholders within the electronics industry that meet the strategic investment criteria set by the Company.

The strategic investment criteria are defined as those companies or businesses (and their products) that:

- Generate local sales revenue;
- Possess and own intellectual property which is clearly identifiable and can be protected;
- Low debt to asset ratio;
- Add to shareholder value and bottom line; and
- Possess international market potential through sales or licensing arrangements.

It should be noted that future acquisitions may not be required to meet all of the above criteria. The assessment of future acquisitions will be undertaken on a company by company (or business by business) approach. Although the above investment criteria have been identified as the fundamental elements that constitute a future business acquisition by Labtam, other factors will also be taken into consideration such as advice from the Company's professional advisors and the formal due diligence process.

On 19 August 2004, shareholders approved the acquisition of the Labtam Business from the Vendor. See below for further information.

Labtam has identified other potential acquisitions within the electronics industry. The Directors will advise shareholders in relation to any potential acquisition if and when required to do so pursuant to the continuous disclosure requirements of the Corporations Act.

The Labtam Business

The Labtam Business is a leading designer, developer and manufacturer of computer and electronic products.
Its strength lies in its combined technical expertise, vision, management and commitment to quality.
All the major factors that make a successful technology development and manufacturing company are in place including the appropriate financial strength necessary for growth and development.

History of the Labtam Business

The Labtam Business was originally founded in 1972. The Vendor, whose directors are Dawson Johns and Tony Oxley, purchased the Labtam Business in 1990.

Manufacturing Capability

The Labtam Business has manufactured scientific instruments and computer products for approximately 20 years.

Beginning in early 1994, the Labtam Business embarked on a three stage, three million dollar plus re-equipment program for the manufacturing facility. The first stage removed the use of CFC (Chloro Fluro Carbon) based cleaning processes from the manufacturing operation. This was replaced by in line aqueous cleaning equipment. The second stage was the upgrade of the Labtam Business through hole soldering machine for a "SEHO 8530" dual wave oil free unit. This gave it the ability to wave solder double sided surface mount boards. The final stage of this expansion was between October 1994 and June 1995. This added a state of the art Yamaha surface mount line to equip the plant fully and ensure it can produce the volume and quality of manufacture plus the price points that customers require.

Early 1998 saw the manufacturing plant relocate to its current address. This building has a total floor space of 24,500 square feet with 19,000 square foot allocated directly to production.

Later in June 1998 the surface mount line was expanded to give maximum throughput by the addition of two eight head, full vision placement chip shooters. These machines replace the two original three head mechanical alignment machines. This additional equipment boosted the actual placement rate to between eighteen and twenty thousand parts per hour. Currently the factory runs at an average usage of 1 shift per working day. This is readily expandable to three shifts per day and we are actively seeking work to achieve this throughput.

The Labtam Business uses water soluble solder pastes and fluxes whose residues are removed via an in line aqueous washing machine. The Labtam Business has used no-clean process whenever required by customers. The Labtam Business has remained faithful to this technology as they believe the more active ingredients in these fluxes produce a superior solder joint and the total removal of residues ensures an ironically clean and stable product.

The production facility has recently been upgraded with a new yamaha surface mounter YVL88 II and YTF100A pick & place tray feeder with buffer conveyor. This model is capable of mounting parts ranging from super-small 1005 chips and 0.3mm parts to extra long connectors up to 100mm in length. Adoption of a new-design high-speed servo system with modified CPU for increased processing speed and servo motors with increased capacity, and increasing axis speed, particularly in acceleration and deceleration, through improvements in the performance of the custom LSI (large scale integration) motor controller, have combined to help shorten cycle time in actual production by more than 10%.

Other equipment includes a demountable hot room for the removal of moisture from PCB's (printed circuit board) and componentry plus various components forming machines.

The production facility has been maintained to the latest standards and is still current leading edge assembly technology. The Labtam Business plans to add lead-free soldering capabilities in the near future as part of an effort to build a "green" production facility.

Materials Sourcing

Over many years of manufacturing, the Labtam Business has developed a vast network of Australia wide and international suppliers for all aspects of electronic componentry and materials. By utilising this network, the Labtam Business can source for its customers those difficult to obtain devices at cost effective pricing.

Quality Assurance

The Labtam Business is committed to the manufacture and assembly of electronic equipment to the highest standards. The quality control procedures already ensure that products match or exceed best international practice. The Labtam Business has gained accreditation to the AS/NZS ISO 9001:2000 standard with the aim to use the features of this standard for continuous process monitoring and improvement.

Customer Base

The Labtam Business has an extensive customer base who are involved in all aspects of electronic manufacture from the leisure industry and information technology, to specialised scientific instruments. This diversity ensures that The Labtam Business remains on the leading edge of manufacturing technology and it provides us with a stable financial base with which to run our operation.

The Labtam Business was founded 1972, and immediately began selling into global markets.

It succeeded against tough international competition very much because of its quality first attitude.

The Labtam Business branched out in the early eighties into computers designing and manufacturing a range of UNIX work stations, which received international acclaim and enjoyed significant commercial success.

In 1989 the Labtam Business produced the world's first RISC X terminals and in 1993 delivered the first fully integrated ISDN X terminal.

Since 1991 major technology sales have been made to Hyundai in Korea, A Plus in Taiwan and NCR in the USA.

The Labtam Business currently focuses its business efforts in R&D, Manufacturing and System Integration.

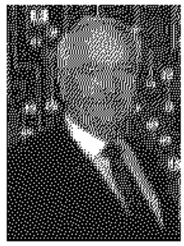
Future Developments

The Labtam Business is a significant participant in the market in Melbourne. To assist the Company develop its business , it has appointed Garry Gosling and Adrien Wing as consultants (see Section 8 for further details).

The Directors intend exploiting the success of the Labtam Business by leveraging its historical success in building quality products for their customers and by acquiring Australian technology and licensing and selling it into international markets.

The Company will add value to new acquisitions by exploiting the strengths of the Labtam Business including the ISO 9001 accreditation, MRPII manufacturing and accounting systems, redesigning products for more cost effective manufacture and using existing management's experience at negotiating international partnering arrangements.

4. DIRECTORS AND MANAGEMENT TEAM

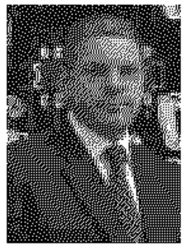


Mr Lloyd Gosling AM
Non Executive Chairman

Lloyd Gosling was appointed as Director and Chairman of the Company on 6 September 2004.

Lloyd has a high degree of experience in foreign and domestic markets whereby he has held senior positions in several multi national companies specializing in strategic business and marketing development and has highly developed relationships with foreign government departments.

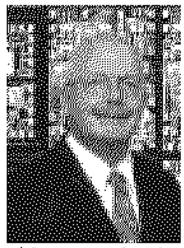
At present, Lloyd Gosling is a member of the Automotive Advisory Board to Deloittes Honorary Chairman of the Australian Automotive International Business Group, Director of Winchelsea Community Bank, Member of the Geelong Economic Development Board and Managing Director of Paladin Business Systems Pty Ltd.



Constantine Andrew Scrinis
Non Executive Director

Con Scrinis was appointed as a Director of Heat Exchangers International on 12 November 2003.

Con has over 20 years experience in the lighting industry. After spending several years with Sunlighting and three years as owner and operator of various retail businesses, he and business partners established Moonlighting Limited (now AXE limited) in 1991. Since 1991, he and business partners built a manufacturing and distribution business in industrial and commercial lighting employing approximately 140 people. Con has been involved in the development of the Smart Traffic Light since 1997 and achieved the first commercial sales of the Company's Smart Traffic Light product into Malaysia in 2000. Con is the Joint Managing Director of Traffic Technologies Limited.



Garry Lloyd Gosling
Non Executive Director

Garry was appointed as a Director of Labtam Limited on 12 March 2004.

Garry is highly experienced in the areas of reorganisation and restructuring of private and public companies with expertise in the field of IT systems integration and business/management reorganisation. Combined with his broad and in-depth working skill and experience, Garry lectures in advanced management at Deakin University. Garry's skills will be utilised in the restructuring program that has been set for the Company. Garry is currently a director of Media Monitors International Limited.

Peter Robert Camm
Non Executive Director

Peter was appointed as a Director of the Company on 6 September 2004. Peter has over 30 years banking and finance experience in providing and arranging both debt and equity finance for private and public companies. Peter has been heavily involved in the reconstruction of companies and their successful financial turnaround.

During the past 8 years, Peter has been involved in providing strategic advice to selected company boards and shareholders. Peter is a director of several private companies and is a director of the National Trust of Australia (Victoria).

Adrien Michele Wing
Non Executive Director & Company Secretary

Adrien was appointed as a Director of the Company on 12 March 2004.

Adrien is CPA qualified. He practiced in the audit and corporate divisions of a second tier chartered accounting firm before working with a number of public companies listed on the Australian Stock Exchange as a corporate/accounting consultant and company secretary.

PROPOSED MANAGEMENT TEAM

The Board proposes appointing Dawson Johns, Peter Davies and Vicky Heathcote to senior management positions in Labtam Limited once the conditions precedent in the Sale of Business Agreement have been satisfied. The Board intends also appointing Dawson Johns as a Director at that time.

Details of Dawson Johns, Peter Davies and Vicki Heathcote and their current and proposed roles are set out below.

Dawson Noy Johns
Chief Executive Officer

Dawson Johns will bring a wealth of operational and executive experience to the Company as chief executive officer as a result of his role in developing the Labtam Business and his previous experience in public companies.

Dawson Johns has wide experience in corporate Australia having worked with a number of public and private organizations. He has developed his own businesses for over 15 years and during this time has sold technology into the United States, Korea, Malaysia and Taiwan. He has extensive management experience having managed two enterprises with a combined staff of over 100 people.
Dawson, along with his business partner, also developed one of Australia's leading ISP networks during the early growth of the Internet. As an adjunct to this business, he played a key role in the development and ultimate sale of leading edge communications technology into the United States. More recently he has established, from scratch, a glass fabrication business in Queensland which has grown in three years to a business with annualized sales in excess of 10 million dollars.

Dawson has been a director of the Vendor for over ten years and has overseen its profitable growth and the implementation of major manufacturing technology.

Peter Davies
General Manager Sales & Exports – Manufacturing Division

Peter Davies joined the Vendor in 1992 with the express view of improving the profitability of the company through better customer relationships, improved quality systems and product sourcing solutions. Peter's key achievements with the Labtam Business include the implementation and commissioning of high tech manufacturing equipment into the assembly process.

Peter also played the pivotal role of implementing ISO 9002 Quality Standards into the organisation in 1996.

Peter has total operational management of the Vendor's manufacturing division including the development and growth of all key departments within the business such as quality, purchasing, sales, administration, production and test.

Vicki Heathcote
Financial Controller

Vicki was employed by the Vendor in 2003 and is responsible for the financial management of the Vendor.. Vicki is a fellow of the NIA, a member of the AATA and has a post graduate Diploma in Business Administration. Prior to joining the Vendor, Vicki spent 7 years as the financial controller for the South East Asia area of a multi national company and 16 years as finance/business manager of a large government department. She was responsible for the full range of administrative procedures and financial reporting for the organisation.

5. HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

Introduction and Basis of Preparation

All information presented in this section should be read in conjunction with the risk factors set out in Section 6 and the Investigating Accountant's Report set out in section 7 of this Prospectus.

This section outlines the basis of preparation of the Historical Financial Information included in the Prospectus.
The Historical Financial Information is comprised of:

- **Pro forma historical consolidated statements of earnings before interest, income tax and amortisation of goodwill ("EBITA") of Labtam for the financial years ended 30 June 2002 and 2003 and the ten months ended 30 April 2004 ("Historical Statements of EBITA").**

  The future activities of Labtam will comprise the Labtam Business. The pro forma historical consolidated statements of EBITA have been derived from the unaudited management accounts of the Vendor.

  The Directors have excluded the financial performance of the Company's past activities from the Prospectus, given its irrelevance to the Company's ongoing operations.

  During the periods covered by these pro forma historical consolidated statements of EBITA, the Labtam Business operated under a substantially different corporate structure to that which it will operate under when it is owned by the Company. In the historical periods disclosed, the Labtam Business was operated under the ownership of a private company.

  The pro forma historical consolidated statements of EBITA therefore do not include the additional costs of operating as a publicly listed company. The Directors' estimates of these additional costs are outlined later in this section 5 of the Prospectus.

  Furthermore, the asset values and level of gearing of the Labtam Business is expected to be considerably different under the Company's corporate structure. Accordingly, the historical levels of tax, interest expense and amortisation have not been included in the pro forma historical statements of EBITA as this information is not considered by the Directors to be meaningful to a potential investor in Labtam.

  It is important to note that the pro forma historical consolidated statements of EBITA do not purport to represent the actual results of operations of the Labtam Business had it been owned by the Company throughout those periods.

- **Historical consolidated statement of financial position of Labtam as at 30 June 2004**

  The historical consolidated statement of financial position of Labtam has been extracted from the financial report of Labtam for the year ended 30 June 2004. This financial report was audited by Pitcher Partners, who issued a qualified audit opinion and emphasised in their audit report the inherent uncertainty regarding the Company's ability to continue as a going concern.

  Pitcher Partner's audit report is further discussed in the Investigating Accountant's Report in section 7 of this Prospectus. It should be noted, however, that Pitcher Partner's audit report was not qualified with respect to the Company's financial position at 30 June 2004.

- **Pro forma historical consolidated statement of financial position of Labtam as at 30 June 2004**

  The pro forma historical consolidated statement of financial position of Labtam as at 30 June 2004 has been prepared based on the audited historical statement of financial position of Labtam as at 30 June 2004, adjusted as if the capital raising that is the subject of the Prospectus and certain other transactions, including the proposed acquisition of the Labtam Business, occur on 30 June 2004. These adjustments are referred to collectively as the "pro forma transactions".

The pro forma transactions are outlined in the Investigating Accountant's Report in section 7 of this Prospectus.

Historical Statements of EBITA

The Historical Statements of EBITA of the Labtam Business are provided in the table below:

Statement of EBITA	Pro forma Historical 10 months 30 April 2004 ($'000)	Pro forma Historical Year ended 30 June 2003 ($'000)	Pro forma Historical Year ended 30 June 2002 ($'000)
Sales revenue	3,690,375	4,561,363	4,450,344
EBITDA	303,673	371,374	471,615
Depreciation	113,043	144,052	133,394
EBITA	190,630	227,322	338,221

Sales Revenue

The level of the Labtam Business's sales revenue has been relatively steady over the historical period.
During the 2004 financial year, Labtam Business management made a strategic decision to be more selective with the clients it serviced to ensure that its client base was more aligned to its core business strengths. The objective was to eliminate those clients who had high set up and administration costs relative to their revenue levels. Subsequent to implementing this approach, the number of clients serviced by the Labtam Business has decreased by approximately 14%.

Significant items Impacting Performance

Significant Items	Pro forma Historical 10 months 30 April 2004 ($'000)	Pro forma Historical Year ended 30 June 2003 ($'000)	Pro forma Historical Year ended 30 June 2002 ($'000)
Reported EBITDA	303,673	371,374	471,615
Plus significant one-off costs:			
Inventory write-downs	152,840	98,699	-
Loss on disposal of assets	-	50,909	-
Total significant items	**152,840**	**149,608**	-
EBITDA before significant items	456,513	520,982	471,615
EBITDA before significant items as a % of revenue	12.37%	11.42%	10.60%

The significant inventory write-off during the 2004 financial year ($152,840) arose as a result of the business's decision to focus on its more profitable customers. Current inventory levels only reflect the needs of current clients and no further large write downs are expected in the near future.

During the 2004 financial year the Labtam Business has been working towards a more streamlined sourcing service and "Just in Time" manufacturing principles. Further streamlining of purchasing and inventory controls are planned for 2004/05 year.

In recent years, the Labtam Business has increased investment in staff development for the greater utilisation of current systems, which has resulted in profit improvements. Management intends to extend staff training with the objective of realising further profit improvements.

Company Prospects

Whilst the Company intends to grow the Labtam Business, it is also equally focused on acquiring other businesses within the electronic industry that meet the Company's strategic investment criteria (refer section 3 of this Prospectus for further details). The Directors believe that the acquisition of the Labtam Business together with the Company's current investment/acquisition strategy is likely to create significant changes in the Company's operations and financial affairs following completion of the Offer. As a result, the Directors do not believe that they have reasonable grounds for including financial forecasts in this Prospectus, as the provision of such information may prove unreliable or potentially misleading.

Costs of Operating the Labtam Business as part of a Publicly Listed Company

The pro forma historical consolidated statements of EBITA do not include the additional costs of operating as a publicly listed company.

The Company has budgeted to spend $200,000 over the next 12 months on operating the listed entity. These costs include:

- ASX listing fees;
- Director fees;
- Audit and accounting fees.
- Share registry fees;
- Company secretarial fees; and

Historical and Pro Forma Consolidated Statements of Financial Position

The historical and pro forma consolidated statements of financial position of Labtam is provided in the table below:

These statements of financial information should be read in conjunction with the Investigating Accountant's Report in section 7 of this Prospectus and the disclosures included at Appendices A and B to the Investigating Accountants Report.

	Consolidated 30 June 2004 $	Pro forma Consolidated 30 June 2004 $
Current assets		
Cash assets	-	1,024,000
Receivables	-	803,488
Inventory	-	1,047,591
Deferred tax assets	-	54,687
Total current assets	-	2,929,766
Non-current assets		
Plant and equipment	3,500	442,952
Intangible assets	-	3,820,610
Total non-current assets	3,500	4,263,562
Total assets	3,500	7,193,328
Current liabilities		
Payables	1,344,352	715,684
Interest bearing liabilities	-	8,292
Provisions	-	131,523
Other		228,024
Total current liabilities	1,344,352	1,083,523
Non-current liabilities		
Interest bearing liabilities	-	5,633
Provisions	-	50,766
Total non-current liabilities	-	56,399
Total liabilities	1,344,352	1,139,922
Net assets	(1,340,852)	6,053,406
Equity		
Contributed equity	7,192,270	6,983,903
Reserves	1,468,116	1,468,116
Accumulated losses	(10,001,238)	(2,398,613)
Total equity	(1,340,852)	6,053,406

6. RISK FACTORS

The business activities of the Company are subject to risks and there are many factors that may impact on its future performance. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but many are outside the control of the Company and cannot be mitigated. There are also general risks associated with any investment. There are a number of factors which investors should consider before they make a decision whether or not to apply for Shares. The principal factors include, but are not limited to, the following:

Dependence on General Economic Conditions

In common with other promoters of branded products, the Company is affected by general economic conditions including the level of interest rates, exchange rates, tax regulation and tax rates, global and national economic cycles, employment rates, inflation and spending by clients on software related services. Any changes in government fiscal, monetary and regulatory policies may also affect the Company's business.

Reliance on Key Personnel

The Company's success will depend in part on the continued services of its key employees and contractors. The loss of services of one or more of the Company's key employees or contractors could have a material adverse effect on the Company's business, operating results and financial condition. This risk is addressed in part by the existence of a 2 year service contract with Dawson Johns. See Section 8 for details.

Need to attract Qualified Staff

The Company's future success will in part depend on its ability to hire and train suitable staff. Competition for such personnel is intense and there can be no assurance that Labtam Limited will be successful in attracting and retaining such personnel. The Directors believe that the implementation of the employee share option plan will assist in attracting and retaining key staff. See Section 8 for details.

Management of Growth

The Company has experienced a period of rapid growth and an increase in the number of its employees and offices and the scope of its supporting infrastructure. This growth has resulted in new and increased responsibilities for management personnel and has placed and will continue to place a significant strain on the Company's management. The Company will be required to continue to implement and improve its systems on a timely basis in order to accommodate the increased number of transactions and clients and the increased size of its operation.

Competition

The branded products market is comprised of a large number of participants and is subject to rapid change and intense competition. Labtam Limited faces competition from other organisations, many of which may have significantly greater financial, technical and marketing resources than the Company. Labtam Limited has faced, and is expected to continue to face, additional competition from new entrants into its markets. In most of the markets in which the Company currently operates, there are few or no special barriers to entry.

Increased competition could result in margin reductions, under-utilisation of employees, reduced operating margins and loss of market share. Any of these occurrences could adversely affect the Company's business, operating results and financial condition. There can be no assurance that Labtam Limited will be able to compete successfully against current or future competitors.

Potential Acquisitions

As part of its business strategy, the Company may make acquisitions of or significant investments in, complementary companies, products or technologies, although no such acquisitions or investments are currently pending. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products and technologies.

Further Capital Requirements

Although the Directors believe that, on completion of the Offer, the Company will have sufficient working capital to carry out its stated business objectives, there can be no assurance that such objectives can be met without further financing or, if further financing is necessary, that it can be obtained on favorable terms or at all.

Stock Market Conditions

Share market conditions may affect the value of listed shares regardless of the operating performance of particular companies. Share market conditions are affected by many factors such as:

- General market outlook
- Movements in, or outlook on, interest rates and inflation rates
- Currency fluctuations
- Commodity prices
- Changes in investor sentiment towards particular market sectors; and
- The demand for, and supply of, capital.

Investors should be aware that the price of shares listed on ASX may fall as well as rise due to factors such as those described above.

Failure to Implement and Manage Integration and Growth

Labtam Limited's commercial strategy involves acquiring a number of complimentary businesses over time as well as growing the Labtam Business. This is expected to create a range of efficiencies and other commercial synergies. There are execution risks inherent in this strategy and no assurance can be given that the Company will be successful in its implementation of its strategy.

In particular, there is no guarantee that Labtam Limited will be able to be successfully acquire businesses that meet its investment criteria. The willingness of owners of profitable potential acquisition targets to sell their businesses is subject to a wide range of factors beyond the control of the Company, the occurrence or effect of which cannot be predicted.

Failure to Acquire the Labtam Business

While the Company has entered into a legally binding agreement to purchase the Labtam business, the Sale of Business Agreement is subject to various conditions precedent that need to be satisfied before the acquisition can be completed. These are described further in Section 8.

Relating to the Labtam Business

The Labtam Business is also subject to a number of specific commercial risks. These include the following:

- The Labtam Business is not unique in developing and marketing electronic control systems. There is a risk that Australian and/or overseas markets will be more successfully developed by competitors of the Labtam Business.
- The Labtam Business utilises some of the latest technology available for manufacturing which enables greater flexibility, accuracy and speed over that of some competitors. This capability can be adopted by others and, given continual improvement in machinery, the Labtam Business's capabilities could be superseded.
- The Labtam's Business will be dependent on the awarding of contracts to supply electronic control systems to and by third parties. The Labtam Business has no control over the timing of opportunities to seek contracts, or in respect of the awarding of contracts.

- The performance of contracts may incur additional, unexpected costs or be subject to delays that may cause the Labtam Business to revise its timetable or prevent the successful development of its business activities.

- The Labtam Business's contract manufacturing division derives the majority of its revenue from a limited number of customers and products.

- Due to the nature of contract manufacturing activities, the Labtam Business may experience fluctuations in the flow of work, and hence in revenues, associated with the timing of commencement and completion of various customer orders.

- The Labtam Business, and many of its customers, rely on third party suppliers for components used in the assembly process. Component shortages may occur from time to time which may adversely affect its ability to meet customer orders.

- Certain components are customer specific which can result in an inability to use such components in other applications, should customer requirements change.

William Buck
Financial Services

29 October 2004
The Directors
Labtam Limited (formerly Heat Exchangers International Limited)
110 Stephenson Street
Richmond VIC 3121

Dear Directors,

INVESTIGATING ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION

1. INTRODUCTION

The Directors of Labtam Limited (formerly Heat Exchangers International Limited) ("Labtam" or "the Company") have requested William Buck Financial Services (Vic) Pty Ltd ("William Buck") to prepare an Investigating Accountant's Report ("Report") on the following:

- The pro forma historical consolidated statements of earnings before interest, income tax and amortisation of goodwill ("EBITA") of Labtam for the financial years ended 30 June 2002 and 2003 and for the 10 months ended 30 April 2004 ("Historical Statements of EBITA");
- The historical consolidated statement of financial position of Labtam as at 30 June 2004; and
- The pro forma consolidated statement of financial position of Labtam as at 30 June 2004;

referred to collectively as the "Historical Financial Information".

This Report on the Historical Financial Information has been prepared for inclusion in a prospectus dated on or about 29 October 2004 ("the Prospectus") relating to the minimum issue of 12,500,000 ordinary shares in Labtam at $0.20 per share ("the Offer"). The Company has agreed to accept over subscriptions of 1,500,000 ordinary shares to raise an additional $300,000.

Expressions defined in the Prospectus have the same meaning as in this Report.

2. BACKGROUND TO HISTORICAL FINANCIAL INFORMATION

Labtam listed on the Australian Stock Exchange ("ASX") on 18 February 1994. Labtam is the parent entity of the wholly owned subsidiaries PT Heat Exchangers Indonesia Pty Ltd and ACN 064 063 396 Pty Ltd. The principal activities of Labtam and its controlled entities ("the Group") were the design and manufacture of heat transfer equipment. These business activities ceased on 9 January 2001 when the Australia and New Zealand Banking Group Limited ("the ANZ Bank") appointed Mark Mentha as the Receiver and Manager of the Company. The Company's securities were also suspended from official quotation on the ASX on that day.

The Receiver and Manager sold the business and all the assets of Labtam; however, the sale proceeds were insufficient to fully cover all debt. Labtam still owed money to the ANZ Bank as well as to a number of unsecured creditors.

On 29 September 2003, AXE Limited ("AXE") purchased the balance of Labtam's secured debt owing to the ANZ Bank for approximately $360,000. AXE then appointed John Ross Lindholm and George Georges of the firm Ferrier Hodgson as Administrators ("the Administrators") of the Company. The Receiver and Manager resigned on the date that the Administrators were appointed.

On 14 November 2003, the Company executed a Deed of Company Arrangement ("DCA") with the Administrators, to facilitate the acquisition of an appropriate business and the re-listing of Labtam on the ASX.

On 18 June 2004, the Company entered into a Sale of Business Agreement ("the Acquisition Agreement") to acquire the business of ACN 050 199 678 Labtam Pty Ltd (formerly Labtam Pty Ltd) ("the Labtam Business"). The Labtam Business designs and assembles printed circuit boards for the electronic and computer industries.

This Acquisition Agreement is subject to a number of conditions, including, inter alia, Labtam obtaining funding of not less than $2,500,000 and the necessary approval of its shareholders.

At the Annual General Meeting held on 19 August 2004 ("the AGM"), Labtam shareholders approved: the acquisition of the Labtam Business; the consolidation of the Company's share capital; the reduction of share capital; the issue of ordinary shares to the unsecured creditors of the Group as at 9 January 2004 ("the Deed Creditors"); the issue of ordinary shares to AXE in consideration for converting the AXE debt to equity, the issue of ordinary shares to seed investors; the change in the Company's activities; the change in the Company's name to Labtam Limited; the replacement of the Company's existing constitution; the issue of a prospectus to raise capital; the application for re-quotation of the Company's securities on the ASX; the establishment of a share option plan and the issue of options.

The Company was released from the DCA on 28 October 2004.

3. SCOPE OF THE REPORT

The Directors of Labtam have requested William Buck to prepare a report on the Historical Financial Information for inclusion in the Prospectus. The Directors of Labtam are responsible for the preparation of the Historical Financial Information. We disclaim any assumption of responsibility for any reliance on this report or on the Historical Financial Information to which it relates for any purpose other than for which it was prepared.

In accordance with the terms of our engagement, this report does not address the future prospects or forecasts of Labtam, or the risks associated with an investment in Labtam, nor does it provide any opinion in relation to the appropriateness of the issue price of $0.20 per share.

4. HISTORICAL FINANCIAL INFORMATION

Basis of Preparation

The Historical Financial Information is included at section 5 of the Prospectus (Historical Statements of EBITA) and Appendices A and B of this Report (historical consolidated and pro forma consolidated statements of financial position of Labtam and Notes to the Financial Information).

Historical Statements of EBITA

As Labtam's business activities ceased in January 2001 and the future activities of Labtam will comprise the Labtam Business, the pro forma historical consolidated statements of EBITA have been derived from the unaudited management accounts of Labtam Pty Ltd.

In the historical periods that these pro forma historical consolidated statements of EBITA relate to, the Labtam Business operated under a substantially different corporate structure to that which it will operate under when it is owned by Labtam. In the historical periods disclosed, the Labtam Business was operated under the ownership of a private company. Therefore, the pro forma historical consolidated statements of EBITA do not include the additional costs of operating as a publicly listed company. Such additional costs include: ASX listing fees; share registry fees; additional director and company secretarial fees; and additional audit and accounting fees. The Directors' estimates of these additional costs are outlined in section 5 of the Prospectus.

Furthermore, the asset values and level of gearing of the Labtam Business is expected to be considerably different under the Labtam corporate structure. Accordingly, the historical levels of tax, interest expense and amortisation have not been included in the pro forma historical statements of financial performance as this information is not considered by the Directors to be meaningful to a potential investor in Labtam.

Historical Statement of Financial Position

The historical consolidated statement of financial position of Labtam has been extracted from the financial report of Labtam for the year ended 30 June 2004. This financial report was audited by Pitcher Partners, who issued a Qualified Audit Opinion and emphasised in their audit report the inherent uncertainty regarding the Company's ability to continue as a going concern.

Qualified Audit Option

The Pitcher Partners audit report was qualified due to a limitation of scope that arose during the period where the Receiver and Manager was appointed. That is, during this period, the Company did not maintain its financial records in the manner required by the Corporations Act 2001 and the ASX listing rules. As a result of this limitation of scope, Pitcher Partners was unable to determine whether all material transactions had been identified and properly recorded in the Company's financial report for the year ended 30 June 2004.

However, the Pitcher Partner's audit report was not qualified with respect to the Company's financial position as at 30 June 2004.

Inherent Uncertainty

Pitcher Partners also highlighted in their audit report that there was a significant uncertainty as to whether the Company will be able to continue as a going concern. The Company's audit report for the year ended 30 June 2004 stated that, should the going concern basis not be appropriate, it is likely that the Company will not be able to extinguish its liabilities at the amounts stated in the financial report.

The Notes to this financial report indicated that the Company's ability to continue as a going concern is dependent upon:

- The continued support of the new Directors;
- The terms of the DCA being satisfied; and
- A successful recapitalisation process.

On 28 October 2004 the terms of the DCA were satisfied and the Company was released from administration.

The historical and pro forma consolidated statements of financial position of Labtam as at 30 June 2004 have been prepared on the assumption that the capital raising, which is the subject of this Prospectus, and the Company's subsequent relisting on the ASX, will be successful.

Pro Forma Consolidated Statement of Financial Position

The pro forma consolidated statement of financial position of Labtam as at 30 June 2004 has been prepared based on the audited historical statement of financial position of Labtam as at 30 June 2004, adjusted as if the capital raising that is the subject of this Prospectus and certain other transactions, including the proposed acquisition of the Labtam Business, occur on 30 June 2004. These adjustments are referred to collectively as the "pro forma transactions".

The pro forma transactions are:

a) The acquisition of the Labtam Business for a total consideration of $5 million, payable in the form of $1 million in cash plus the issue of 20,000,000 Labtam shares at a deemed issue price of $0.20 per share. Costs of $150,000, which are directly attributable to the acquisition of the Labtam Business, have also been incurred.

The assets of the Labtam Business, which are to be acquired pursuant to the Acquisition Agreement, include: Receivables; Inventory; Goodwill; and Plant and Equipment. The liabilities to be assumed include: Payables; Employee Entitlements, interest bearing liabilities and certain loans. The value of the assets and liabilities to be acquired is to be determined as at the effective date of acquisition of the Labtam Business.

For the purposes of the pro forma consolidated statement of financial position, the fair value of the assets and liabilities to be acquired have been based on their fair values as at 30 April 2004. These assumed fair values are disclosed in Note 7 of Appendix B to this report.

b) The issue of 4,500,000 ordinary shares to seed investors at a subscription price of 6.67 cents per share.

c) Consolidation of the Company's share capital on the basis of 1 share for each 100 shares held.

d) The transfer of $7,192,270 in accumulated losses to share capital as agreed by shareholders at the AGM.

e) The issue of 217,415 fully paid ordinary shares to satisfy debts of $543,536.35 owed to Deed Creditors. Deed Creditors agreed to convert this debt to equity at a conversion rate of 8 cents for every dollar owed based on an issue price of $0.20 per share.

f) Payment of $50,000 of the AXE debt.

g) The issue of 2,500,000 shares to AXE as consideration for converting the remaining debt owed of $463,420 to equity.

h) Payment of the amount owing at 30 June 2004 of $138,302 to the Director related entity, Wired Capital Pty Ltd ("Wired Capital").

i) Payment of $25,000 of other payable amounts which were owing as at 30 June 2004.

j) The issue of a further 1,107,337 ordinary shares to seed investors at a subscription price of 12 cents per share.

k) In accordance with the Offer, Labtam will issue a minimum 12,500,000 fully paid ordinary shares at $0.20 each to raise $2,500,000.

l) The incurring of $32,150 of equity raising costs prior to the issue of the shares under this Prospectus.

m) Equity raising costs of $423,886 to be paid from the proceeds of the shares issued under this Prospectus.

n) The recognition of $89,698 in expenses incurred between 1 July 2004 and 29 October 2004.

It is important to note that, unless specifically stated above, the pro forma consolidated statement of financial position does not include any adjustments relating to movements in operating assets and liabilities (e.g. debtors and creditors) of the Company post 30 June 2004 nor the operating assets and liabilities of the Labtam Business post 30 April 2004.

5. REVIEW OF HISTORICAL FINANCIAL INFORMATION

We have conducted our review of the Historical Financial Information in accordance with the Australian Auditing and Assurance Standard AUS 902 "Review of Financial Reports". We made such inquiries and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances including:

- Analytical procedures on the Historical Financial Information of Labtam for the relevant historical periods;
- A review of work papers, accounting records and other documents;
- A review of the basis of preparation and adjustments used to compile the Historical Financial Information;
- A review of the adjustments made to the pro forma consolidated statement of financial position of Labtam as at 30 June 2004;
- A comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Labtam disclosed in Appendix B to this Report; and
- Enquiry of Directors, management and others.

These procedures 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, we do not express an audit opinion.

6. CONCLUSION

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

- The basis of preparation of the Historical Financial Information, including pro forma transactions, is unreasonable;
- The Historical Financial Information has not been properly prepared using this basis; and
- The Historical Financial Information, as set out in Section 5 of the Prospectus and Appendices A and B to this Report, does not present fairly:
  - The pro forma historical consolidated statements of EBITA of Labtam for the financial years ended 30 June 2002 and 2003 and for the 10 months ended 30 April 2004;
  - The historical consolidated statement of financial position of Labtam as at 30 June 2004; and
  - The pro forma consolidated statement of financial position of Labtam as at 30 June 2004, prepared on the basis of the pro forma transactions;

in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements, and accounting policies adopted by Labtam and disclosed in Appendix B to this Report.

7. SUBSEQUENT EVENTS

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief, no material transactions or events outside of the ordinary business of Labtam 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.

8. INDEPENDENCE OR DISCLOSURE OF INTEREST

William Buck does not have any interest in the outcome of the Offer other than in the preparation of this Investigating Accountant's Report and participation in due diligence procedures for which normal professional fees will be received.

Yours faithfully,
WILLIAM BUCK FINANCIAL SERVICES (VIC) PTY LTD
ACN 007 073 305

PAUL McCLUSKEY

BRAD TAYLOR

LABTAM LIMITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004 AND PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

		Consolidated 30 June 2004 $	Pro forma Consolidated 30 June 2004 $
Current assets			
Cash assets	2	-	1,024,000
Receivables	3	-	803,488
Inventory	4	-	1,047,591
Deferred tax assets	5	-	54,687
Total current assets		-	2,929,766
Non-current assets			
Plant and equipment	6	3,500	442,952
Intangible assets	7	-	3,820,610
Total non-current assets		3,500	4,263,562
Total assets		3,500	7,193,328
Current liabilities			
Payables	8	1,344,352	715,684
Interest bearing liabilities	9	-	8,292
Provisions	10	-	131,523
Other	11	-	228,024
Total current liabilities		1,344,352	1,083,523
Non-current liabilities			
Interest bearing liabilities	9	-	5,633
Provisions	10	-	50,766
Total non-current liabilities		-	56,399
Total liabilities		1,344,352	1,139,922
Net assets		(1,340,852)	6,053,406
Equity			
Contributed equity	12	7,192,270	6,983,903
Reserves		1,468,116	1,468,116
Accumulated losses	13	(10,001,238)	(2,398,613)
Total equity		(1,340,852)	6,053,406

The Labtam historical and pro forma consolidated statements of financial position have been prepared in accordance with, and should be read in conjunction with, the accounting policies set out in the Notes to the Financial Information provided in Appendix B to this Report and assuming the performance of the pro forma transactions. The historical and pro forma consolidated statements of financial position are presented in an abbreviated form insofar as they do not include all the disclosures as required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

NOTES TO THE FINANCIAL INFORMATION

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The Historical Financial Information of Labtam has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, except that certain disclosures have been omitted. In the view of Labtam, these disclosures are not considered relevant to a potential investor in Labtam.

The Historical Financial Information includes:

- The pro forma historical consolidated statements of EBITA of Labtam for the financial years ended 30 June 2002 and 2003 and for the ten months ended 30 April 2004;
- The historical consolidated statement of financial position of Labtam as at 30 June 2004; and
- The pro forma consolidated statement of financial position of Labtam as at 30 June 2004.

The following is a summary of the material accounting policies adopted by Labtam in the preparation of the Historical Financial Information. The accounting policies have been consistently applied, unless otherwise stated, and are consistent between the historical consolidated statement of financial position as at 30 June 2004 and the pro forma consolidated statement of financial position as at 30 June 2004.

Principles of Consolidation

The pro forma consolidated statement of financial position of Labtam is comprised of Labtam and its controlled entities and the assets and liabilities of the Labtam Business that are to be acquired.

All inter-company balances and transactions (including unrealised profits and losses) have been eliminated on consolidation.

Revenue

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of any goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition, plus incidental costs directly attributable to the acquisition.

NOTES TO THE FINANCIAL INFORMATION

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Cash

Cash includes cash at bank and deposits with financial institutions.

Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less any provision for uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable.

Inventory

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure.

Recoverable Amount of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

When the carrying amount of a non-current asset is greater than the recoverable amount, the asset is written down to the recoverable amount. Where the net cash inflows are derived from a group of assets working together, the recoverable amount is determined on the basis of the relevant group of assets. The decrement in carrying amount is recognised as an expense in net profit or loss in the reporting period in which the write-down occurs. The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted.

Leased Assets

Leases under which Labtam or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed.

Operating leases

Operating lease payments are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

Plant and Equipment

Plant and equipment is carried at cost, less where applicable any accumulated depreciation.

Depreciation is calculated on a straight-line basis to write-off the net cost or revalued amount of plant and equipment over its expected useful life to the Group.

Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over the period during which the benefits are expected to arise, which is assumed to be 10 years.

NOTES TO THE FINANCIAL INFORMATION

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Trade and Other Creditors

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

Employee Benefits

Provision is made for Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year, together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

Interest Bearing Liabilities

Loans are carried at principal amounts. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

Transaction Costs on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued. The amount of transaction costs recognised in equity are costs incurred of $456,036 (i.e $32,150 and $423,886).

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 on or after 1 January 2005.

The Directors of Labtam have performed an initial assessment of the impact of IFRS and consider that the key changes to accounting policies that will arise from the adoption of IFRS to be as follows:

Impairment of Assets

The Group currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of pending AASB136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. The Directors of Labtam do not anticipate that this change in accounting policy will lead to impairments being recognised more often under the existing policy.

Goodwill on Consolidation

Under the proposed changes to the IAS 22: Business Combinations, goodwill is to be capitalised to the statement of financial position and subjected to an annual impairment test. Amortisation of goodwill is to be prohibited. Labtam's current accounting policy is to amortise goodwill on a straight line basis over a period of 10 years.

As IFRS will not apply to Labtam until the financial year ended 30 June 2006, IFRS has no impact on the financial information reported in this report and the Prospectus.

Income Tax

Currently the Company adopts 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 tax or future income tax benefit. Under the Australian equivalent to IAS 12, Labtam will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather that the effects of the timing and permanent differences between taxable income and accounting profit.

NOTES TO THE FINANCIAL INFORMATION

		Pro forma Transaction(s)	Pro forma Consolidated 30 June 2004 $

2. CASH ASSETS

The pro forma consolidated cash position has been calculated as follows:			
Cash position of Labtam at 30 June 2004			-
Outflow of cash to acquire the Labtam Business		(a)	(1,000,000)
Incidental costs associated with acquisition of the Labtam Business		(a)	(150,000)
Issue of shares to seed investors (approved at AGM)		(b)	300,150
Reduction of AXE Debt		(f)	(50,000)
Repayment of acquisition and capital raising costs provided by Wired Capital		(h)	(138,302)
Payment of other 30 June 2004 payables		(i)	(25,000)
Additional issue of shares to seed Investors		(j)	132,886
Proceeds from the Offer		(k)	2,500,000
Equity raising costs paid prior to this Offer		(l)	(32,150)
Costs incurred in connection with the Offer		(m)	(423,886)
Expenses incurred between 1 July 2004 and 29 October 2004		(n)	(89,698)
Pro forma consolidated cash position at 30 June 2004			1,024,000

	Consolidated 30 June 2004	Pro forma Transaction(s)	Pro forma Consolidated 30 June 2004 $

3. RECEIVABLES

Trade receivables	-	(a)	803,488
	-		803,488

4. INVENTORY

Raw materials and finished goods	-		1,030,928
Work in progress	-		16,663
	-	(a)	1,047,591

5. DEFERRED TAX ASSETS

Future income tax benefit	-	(a)	54,687
	-		54,687

6. PLANT AND EQUIPMENT

At cost	3,500	(a)	442,952
	3,500		442,952

NOTES TO THE FINANCIAL INFORMATION

	Consolidated 30 June 2004	Pro forma Transaction(s)	Pro forma Consolidated 30 June 2004 $

7. INTANGIBLE ASSETS

Goodwill	-	(a)	3,820,610

Goodwill has been determined as follows:

Consideration:	
Cash	1,000,000
Shares	4,000,000
Total consideration	5,000,000
Direct acquisition costs	150,000
Total cost of acquisition	5,150,000

Fair value of the assets and liabilities of the Labtam Business as at 30 April 2004

Assets	
Receivables	803,488
Inventory	1,047,591
Plant and equipment	439,452
Deferred tax assets	54,687
Total Assets	2,345,218
Liabilities	
Payables	591,590
Interest bearing liabilities	13,925
Provisions	182,289
Other	228,024
Total Liabilities	1,015,828
Net assets acquired	1,329,390
Pro forma goodwill on consolidation	3,820,610

NOTES TO THE FINANCIAL INFORMATION

	Consolidated 30 June 2004	Pro forma Transaction(s)	Pro forma Consolidated 30 June 2004 $
8. PAYABLES			
Deed Creditors	543,536	(e)	-
Trade creditors and accruals	149,094	(a), (i)	715,684
Director related entity - AXE Limited	513,420	(f), (g)	-
Director related entity - Wired Capital Pty Ltd	138,302	(h)	-
	1,344,352		715,684
9. INTEREST BEARING LIABILITIES			
Current			
Lease liability	-	(a)	8,292
-			
Non-current			
Lease liability	-	(a)	5,633
Total interest bearing liabilities	-		13,925
10. PROVISIONS			
Current			
Employee benefits	-	(a)	131,523
Non-Current			
Employee benefits	-	(a)	50,766
Aggregate employee entitlements	-		182,289
11. OTHER			
Loans	-	(a)	228,024
			228,024

NOTES TO THE FINANCIAL INFORMATION

12. CONTRIBUTED EQUITY

The movement in the contributed equity of Labtam from the historical consolidated statement of financial position as at 30 June 2004 to the pro forma consolidated statement of financial position as at 30 June 2004 is detailed below:

Subscription Shares	Description	Pro forma Transaction(s)	Pro forma Consolidated 30 June 2004 $
27,520,274	Opening balance		7,192,270
20,000,000	Acquisition of the Labtam Business	(a)	4,000,000
(27,245,026)	Consolidation of share capital on a 1 share for every 100 shares held basis		-
4,500,000	Issue of shares to seed investors at 6.67 cents per share	(b)	300,150
-	Transfer of accumulated losses to share capital	(d)	(7,192,270)
217,415	Issue of shares to Deed Creditors	(e)	43,483
2,500,000	Issue of shares to AXE in consideration for conversion of debt to equity	(g)	463,420
1,107,337	Issue of shares to seed investors at 12 cents per share	(j)	132,886
12,500,000	Issue of shares in accordance with the offer	(k)	2,500,000
-	Equity raising costs incurred prior to the offer	(l)	(32,150)
-	Costs incurred in connection with the offer	(m)	(423,886)
41,100,000	Total contributed equity		6,983,903
1,500,000	Over subscriptions		300,000
42,600,000	Total contributed equity after over subscriptions		7,283,903

13. ACCUMULATED LOSSES

The movement in the consolidated accumulated losses of Labtam from the historical consolidated statement of financial position as at 30 June 2004 to the pro forma consolidated statement of financial position at 30 June 2004 is summarised below:

	Pro Forma Transaction (s)	Pro Forma Consolidated 30 June 2004 $
Accumulated losses as at 30 June 2004	-	(10,001,238)
Transfer to share capital	(d)	7,192,270
Gain on conversion of Deed Creditors to equity	(e),(g)	500,053
Labtam expenses incurred between 1 July 2004 and 29 October 2004	(n)	(89,698)
Total adjustments		7,602,625
Pro forma consolidated accumulated losses at 30 June 2004		(2,398,613)

14. OVER SUBSCRIPTION

If the Offer is over subscribed, the Directors have shareholder approval to issue a further 1,500,000 fully paid shares in the Company at an issue price of $0.20 per share to raise a further $300,000.

If a further 1,500,000 ordinary shares are issued as a result of the Offer being over subscribed, the impact on the pro forma consolidated statement of financial position as at 30 June 2004 would be as set out below:

	Pro forma Consolidated 30 June 2004 Disclosed in the Prospectus $	Pro forma Consolidated 30 June 2004 Including Over subscription $
Cash	1,024,000	1,324,000
Issued capital	6,983,903	7,283,903
Net assets	6,053,406	6,353,406

15. OPTIONS

Options issued pursuant to the terms of the Offer

The 12,500,000 fully paid ordinary shares in the Company to be issued pursuant to the Offer are to be issued with 6,250,000 one-for-two attaching options. Any further shares issued as a result of the Offer being over subscribed are also to be issued with one-for-two attaching options. That is, in the event of the Offer being over subscribed, the Directors are authorised to issue a further 1,500,000 ordinary shares with 750,000 one-for-two attaching options.

Each option gives the holder the right to acquire one ordinary share in the capital of the Company deemed fully paid at an exercise price of twenty cents ($0.20). The options expire on 31 December 2007.

Options approved to be issued to the Directors

The Company has issued a further 3,000,000 options to the Directors and proposed Directors of Labtam. Details of the options to be issued to the Directors and the proposed Directors are included in the table below:

Director or Proposed Director		No. of Options Issued
Mr Constantine Andrew Scrinis		500,000
Mr Garry Gosling		500,000
Mr Adrien Michele Wing		500,000
Mr Lloyd Gosling		1,000,000
Mr Peter Camm		500,000
	Total	3,000,000

Each of these options gives the holder the right to acquire one ordinary share in the capital of the Company deemed fully paid at an exercise price of twenty cents ($0.20). The options are exercisable at any time between the issue date and five years after the issue date. Further information on the rights attaching to these options is disclosed at section 8 of the Prospectus.

Shares issued to financial services licensees

At the AGM the Labtam shareholders gave approval for 7,000,000 options to be issued to Licensed Security Holders. Further information on these options is disclosed in section 8 of the Prospectus.

Share Option Plan

The Company has implemented a Share Option Plan ("ESOP"). Details of this ESOP are provided in section 8 of this Prospectus.

16. RELATED PARTY DISCLOSURES

The Directors of Labtam and their interests in Labtam are listed in sections 4 and 8 of the Prospectus.

8. ADDITIONAL INFORMATION

Capital Structure

The share capital of Labtam after the issue of the New Shares under this Prospectus and completion of the Sale of Business Agreement will be as follows:

Shareholder	Shares Held	Percentage of Shares after the Offer and completion of the Sale of Business Agreement (%)
Existing shareholders	8,600,000	20.19
New shares issued by the Company under the Offer (1)	14,000,000	32.86
New shares issued to the Vendor pursuant to the Sale of Business Agreement	20,000,000	46.95
Total	42,600,000	100.00

(1) Including oversubscription

Optionholder	Options Held
Options issued to Directors (1)	3,000,000
Options attaching to New Shares issued by the Company under the Offer (2)	7,000,000
Options issued to holders of financial services licences (3)	Up to 7,000,000
Total	Up to 17,000,000

1 The options issued were issued pursuant to shareholder approval on 19 August 2004. The options are governed by the Share Option Plan.
2 Including oversubscriptions.
3 The issue of these options was approved by shareholders on 19 August 2004. These options may be issued at the discretion of the Directors to holders of financial services licences who assist in the financing of this Prospectus.

Rights Attaching to Shares

The rights attaching to ownership of the Shares are detailed in the constitution of Labtam and the Corporations Act. The following is a summary of the major provisions:

Voting

At a general meeting, every member present in person or by proxy, attorney or representative has one vote on a show of hands and one vote for each fully paid Share held on a poll.

General Meetings

Each member is entitled to receive notice of and, except in certain circumstances, to attend and vote at general meetings of the Company and to receive all financial statements, notices and other documents required to be sent to members under the constitution, the Corporations Act or the ASX Listing Rules.

Dividends

Subject to any special terms and conditions of issue, the profits of the Company which the Directors from time to time determine to distribute by way of dividend are divisible among the members in proportion to the number of Shares held by them (if applicable, adjusted for partly paid Shares).

Issue of Further Shares

The Directors may (subject to the restrictions on the allotment of shares imposed by the constitution, the Listing Rules and the Corporations Act) allot, grant options in respect of or otherwise dispose of further Shares on such terms and conditions as they see fit.

Transfer of Shares

Holders of Shares may transfer them by a proper transfer effected in accordance with the business rules of the Securities Clearing House and the ASX and as otherwise permitted by the Listing Rules and the Corporations Act. The Directors may decline to register a transfer of Shares where the refusal to register the transfer is permitted under or would be required by the Listing Rules. If the Directors decline to register a transfer, the Company must give the party lodging the transfer written notice of the refusal and the reason for refusal.

Winding Up

Subject to any special or preferential rights attaching to any class or classes of Shares, members will be entitled in a winding up to share in any surplus assets of the Company in proportion to the Shares held by them, less any amounts which remain unpaid on those Shares at the time of distribution.

Directors

The minimum number of Directors is 3 and the maximum is to be fixed by the Directors but may not be more than 10 unless the Company passes a resolution varying that number. Questions arising at a meeting of Directors will be decided by a majority vote.

Dividend Plans

The constitution contains a provision allowing Directors to implement a dividend reinvestment plan. No dividend reinvestment plan has been implemented at this stage although one may implemented at a later stage if the Directors believe it is in the interests of members to do so.

Director's Indemnity

The Company, to the extent permitted by law, indemnifies each Director, alternate Director or executive officer (and any person who has previously served in any such capacity) against any liability or cost incurred by the person as an officer of the Company or a related body corporate of the Company, including but not limited to liability for negligence or costs incurred in defending proceedings in which judgment is given in favour of the person or in which the person is acquitted.

Alterations of the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of members present and voting at a general meeting of the Company. The Company must give at least 28 days written notice of an intention to propose a resolution as a special resolution.

Variation of Rights

The rights, privileges and restrictions attaching to Shares or to any other class of shares can only be altered with the approval of a resolution passed at a separate general meeting of the holders of the class of shares concerned by three quarters majority of those holders, who being entitled to do so vote at that meeting or with the written consent of the holders of at least three quarters of its shares of that class on issue.

Rights attaching to Options

a) The Options are exercisable at prior to 5.00pm Melbourne time on 31 December 2007 by completing the option exercise form and delivering it together with the payment for the number of shares in respect of which the Options are exercised to the registered office of the Company;

b) The exercise price of the Options is 20 cents per Option;

c) Subject to the Corporations Act, the Listing Rules and the Constitution, Options are freely transferable and application will be made to ASX for official quotation of the Options;

d) All ordinary fully paid Shares issued upon exercise of Options will rank pari passu in all respects with the Company's then issued ordinary fully paid Shares. The Company will apply for Official Quotation by ASX of all Shares issued upon exercise of Options;

e) There are no participating rights and entitlements inherent in the Options and holders will be entitled to participate in new issues of capital offered to shareholders during the currency of the Options;

f) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the expiry date, the number of Options or the exercise price of the Options or both shall be reconstructed in accordance with the Listing Rules.

Any options issued to licensed security holders, as approved by shareholders at the Company's annual general meeting held on 19 August 2004 have the same rights as above except they are will be subject to a 24 month escrow provision commencing from the date the Company issues such options.

Employee & Director Share Option Plan

Purpose

The Company has implemented a Share Option Plan, which it believes will provide Directors, employees and contractors with the opportunity to participate in the success of the Company and to provide them with an added incentive to ensure wealth is created in the Company for the benefit of all members. The Share Option Plan was approved by the Company at an annual general meeting held on 19 August 2004.

The Board considers that, by establishing such a plan with exercise prices that relate to increases in the market price of the Company's Shares, the Company is able to provide a fair reward to Directors, employees and contractors if they are able to successfully improve the performance of the Company while also ensuring that the Shareholders benefit in the form of an increased market price of the Company's Shares on ASX.

A copy of the full terms of the Share Option Plan will be sent free of charge to members on request.

Structure

The principal terms of the Share Option Plan are that the Board will issue Options at no cash consideration to purchase fully paid ordinary Shares in the Company on the basis of one Option for one Share at an exercise price to be determined by the Board at the time the Options are issued. Options will be exercisable from the time of issue and will lapse on the fifth anniversary of the date of grant if they have not been exercised before that time. Options will be issued up to a maximum of 10% of the issued share capital of the Company.

Allocation

The Share Option Plan will be administered by the Board. The Board may from time to time offer Options to eligible persons to participate in the Share Option Plan. The number of Options to be offered to a participant, the price (if any) payable for the Options, the exercise conditions, the exercise price, the date the Options vest, the exercise period and any other conditions will be determined by the Board at its discretion, having regard to the participant's role in the Company.

Offers

The Board may from time to time offer Options to eligible persons. Subject to the rules of the Share Option Plan, the Board may offer Options on such conditions as it considers appropriate.

Offers of Options made under the Share Option Plan shall be made by the Board in writing and shall at the discretion of the Board include or be accompanied by some or all of the following information:

(a) the number of Options being offered to the offeree;
(b) the price (if any) payable for the Options;
(c) the exercise conditions attaching to the Options;
(d) the exercise price or method of determining the Exercise Price of the Options;
(e) the date the Options vest;
(f) the exercise period; and
(g) any other information required to be specified in the offer by the Corporations Act or considered by the Board to be relevant.

An eligible person may accept an offer of Options in whole or in part.

Eligibility

Eligible persons under the Share Option Plan are Directors, employees and contractors of the Company. If the directorship, employment or contract of the participant terminates, the participant may, within 28 days after the date of termination, exercise all or part of those of the participant's Options which the participant is then entitled to exercise. Any Option not exercised within that 28-day period will lapse.

Transfer and assignment

Options may not be assigned or transferred.

Exercise of Options

Options may be exercised at any time prior to the date occurring five years after the date upon which they are issued.

An Option may be exercised for one Share by a participant lodging a notice of exercise with the Company; and paying the exercise price. A participant must exercise Options in multiples of 500, unless the participant exercises all Options able to be exercised by the participant at that time.

Takeovers

If prior to the exercise of an Option an offer or invitation is made by any person or company to all holders of Shares, the Company must use its best endeavors to procure that there is made to each Option holder an offer or invitation on terms which correspond with those of the offer or invitation the holder would have received had the holder been, at the time for determining entitlement to that offer or invitation, the holder of the number of Shares to which the holder would have been entitled if immediately prior to that time the Options held by the holder were exercised.

Notwithstanding any conditions of an offer of Options, all Options may be exercised immediately if a person or company makes a public announcement of a takeover bid and as a consequence of that bid the offeror obtains control of the Company.

Termination of employment or directorship

If the employment or directorship or contract of the participant terminates, the participant may, within 28 days after the date of termination of employment or directorship, exercise all or part of those of the Participant's Options which the participant is then entitled under the conditions of issue to exercise. Any Option not exercised within that 28 day period shall lapse, notwithstanding the conditions of the issue of the Option.

Issue of Shares

The Company will allot to a participant the number of Shares referable to the Options exercised as soon as practicable after the participant exercises any Options.

Ranking of Shares

Shares allotted on the exercise of Options will be credited as fully paid and rank equally in all respects with all existing fully paid Shares from the exercise date of the Options and will be entitled to those dividends which have a record date for determining entitlements on or after the exercise date.

New issues and reconstructions

If between the date of issue and the date of exercise of an Option the Company makes one or more bonus issues to the holders of Shares then upon the exercise of the Option the participant is entitled to have allotted and issued to the participant:

(a) the number of Shares to which the participant is entitled upon such exercise disregarding such bonus issue or issues; and

(b) the number of Shares which would have been issued to the participant as bonus Shares if the participant had been registered as the holder of the number of Shares referred to in paragraph (a) on the record date for the bonus issue.

The bonus shares so issued to the participant shall be paid up by the Company in the same manner as was applied in relation to each such bonus issue. Any entitlement to a fraction of a Share remaining following exercise of an Option will be disregarded

In the event of a reconstruction of the issued capital of the Company, the Options shall be reorganised in a manner considered appropriate in the circumstances by the Board, provided that it complies with ASX Listing Rules

Rights issues

A participant may not participate in a rights issue without exercising the participant's Options. The participant may participate in a rights issue in respect of an Option if the participant exercises the Option before the record date of the rights issue.

Loans to participants on exercise of Options

The Board may offer a participant a loan from the Company or a group company for the purposes of funding in whole or in part the subscription by the participant for the Shares to be issued on the exercise of Options and any transaction costs incurred in connection with the acquisition of the Shares or procuring the loan.

The maximum amount of a loan which may be provided to a participant is an amount equal to the aggregate issue price of the Shares to be issued on exercise of the Options and the costs referred to above.

If the Company grants a loan the entire amount of the loan must be applied towards paying the subscription price for Shares and the transaction costs referred to above.

If the offer of a Loan is on the basis that interest is payable, the participant must pay interest on the daily balance of the principal amount outstanding under the loan at the rate determined by the Board when approving the Loan.

A participant may not transfer or deal in a loan Share except in the circumstances set out in the Share Option Plan. The Company may implement such procedures as it considers appropriate to restrict participants from transferring or dealing in loan Shares for so long as dealing in those loan Shares is restricted.

Maximum number of Options

The Board must not issue or offer to issue Options under the Share Option Plan if, following the issue of Options, the aggregate number of Shares that would be issued if all Options issued under the Share Option Plan and under any other employee share scheme of the Company during the previous five years that are on issue or have been issued during the previous five years under any other employee share scheme of the Company exceeds 10% of the number of Shares then on issue.

Approval of Share and Option Issues

At the Company's annual general meeting to be held on 17 November 2004 Shareholders will be asked to consider various resolutions to approve various issues of Shares and Options contemplated by this Prospectus. Shareholders have previously provided such approvals at its annual general meeting held on 19 August 2004 and is 'refreshing' such approvals to comply with the requirements of the Listing Rules. The Offer is conditioned upon the relevant resolutions being passed by Shareholders at the Company's annual general meeting to be held on 17 November 2004.

Material Contracts Summary

The Directors consider that the contracts described below and elsewhere in this Prospectus are the contracts which an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of the Offer.

The following is a summary only of the material contracts and their substantive terms.

Sale of Business Agreement

The Company has entered into a Sale of Business Agreement with the Vendor dated 18 June 2004 to acquire the Labtam Business.

The Sale of Business Agreement is conditional upon the following key matters:

1. The Company completing its due diligence enquiries in relation to the business and assets and being satisfied with the outcome of those due diligence enquiries;

2. The Company obtaining any necessary approvals from the deed administrators, its shareholders, ASX, ASIC and any other relevant regulatory or government body to the transactions contemplated by the heads of agreement;

3. The Company obtaining the necessary funding to complete the transaction being not less than $2,500,000;

4. The Company's solicitors being reasonably satisfied as to the terms of the lease of the business premises and the assignment of lease;

5. The Vendor changing its name and that of all its related body corporate using the Labtam name; and

6. The Company securing the services of Dawson Johns and Peter Davies on terms acceptable to both the purchaser and to those personnel.

Other key terms of the Sale of Business Agreement include that:

7. Until completion, the Vendor will remain in possession of the assets and will carry on the business as a going concern.

8. Before completion, the Company will offer employment to each of the employees of the Labtam Business to commence from the day after completion.

9. On completion, a purchase price of $5,000,000 to be paid by the Company to the Vendor for the assets of the business, to be satisfied at completion by a cheque payment in the sum of $1,000,000 and the issue to the Vendor of 20,000,000 Shares;

10. On completion, the Vendor will:

(a) deliver to the Company the plant and equipment, stock, motor vehicles, business records, hired, leased or any other assets the subject of the business contracts in its possession, the leased property and all relevant executed transfers of motor vehicles, business names, intellectual property and brand names, certificates of registration, notices, documents and services; and

(b) assign its rights and benefits under the premises lease to the Company;

11. Restraint of trade provisions covering the Vendor, its directors, its shareholders and its related bodies corporate, preventing them from competing with the Labtam Business within Australia after completion by:

(a) carrying on a similar business in competition;

(b) soliciting the business' previous clients;

(c) leading or acting as guarantor for any entity in competition with the business; or

(d) inducing any transferring employee to leave his/her employment with the business.

Executive Service Agreement for Dawson Johns

Subject to the completion of the Sale of Business Agreement, Labtam Limited has appointed Dawson Johns as chief executive officer of the Company reporting to the Board by way of an executive service agreement. The executive service agreement, dated 23 August 2004, has a term of 2 years commencing on the date of this Prospectus unless terminated earlier in accordance with the agreement. The initial remuneration payable to Mr. Johns comprises base remuneration having a total cost to Labtam Limited of $144,000 per annum plus $2,000 per month for outgoings. Mr Johns has undertaken not to engage in competitive conduct with Labtam Limited for the term of the agreement and for a further period of 2 years. The Company is not responsible for any superannuation contributions.

It should be noted that Labtam entered into discussions with Mr. Dawson Johns recently to vary the current executive service arrangement whereby it was agreed to increase Mr. John's service agreement from $75,000 per annum to the above mentioned arrangement. The increase in fees has been correlated with the increased number of hours and full time commitment that the Board required from the expected chief executive officer.

Agreement with Wired Capital Pty Ltd

The Company has entered into a consultancy agreement with Wired Capital Pty Ltd ("Wired Capital") dated 23 August 2004. The key terms of the agreement include:

- The Company engaged Wired Capital to provide services in relation to the proposed acquisition of the Labtam Business, the proposed initial capital raising for the Company and this Prospectus.

- If the Company acquires the Labtam Business or any other business during the term of the agreement Wired Capital is entitled to the greater of:
  (a) $300,000 in cash and Shares of the Company; or
  (b) 5% of all Shares issued in consideration of the purchase of the Labtam Business and 5% of all monies paid in consideration of the purchase of the Labtam Business.

- If the proposed purchase of business does not take place Wired Capital is entitled to a fee of $50,000.

Deed of Access and Indemnity

Labtam has agreed to provide access to the books and records of the Company to current officers of the Company while they are officers and for a period of 7 years from when they cease to be officers. The Company has agreed to indemnify, to the extent permitted by the Corporations Act, each officer in respect of certain liabilities which the officer may incur as a result of, or by reason of (whether solely or in part), being or acting as an officer of the Company. Labtam Limited has also agreed to maintain in favour of each officer a directors' and officers' policy of insurance for the period that they are an officer and for a period of 7 years after the officer ceases to be an officer of the Company.

Litigation

Labtam is not, and has not been, during the 12 months preceding the date of this Prospectus, engaged in any legal proceedings which would be likely to have a material adverse effect on its business, financial condition or the results of its operations nor, in so far as the Directors are aware, are any such proceedings pending or threatened except as follows.

Consents and Disclaimers of Responsibility

Written consents to the issue of this Prospectus have been given and at the date of this Prospectus have not been withdrawn by the following parties:

Hunt & Hunt have given and, before lodgment of this Prospectus, have not withdrawn their consent to be named as lawyers to the Offer in the form and context in which it is named. Hunt & Hunt specifically disclaims liability to any person in the event of any omission from, or any false or misleading statement included elsewhere in, this Prospectus. While Hunt & Hunt has provided advice to the Directors in relation to the issue of this Prospectus and the conduct of due diligence enquiries by the Company and the Directors, Hunt & Hunt has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of the Prospectus other than references to its name.

William Buck Financial Services (Vic) Pty Ltd has given and, before lodgment of this Prospectus, has not withdrawn its consent to be Investigating Accountants to the Offer in the form and context in which it is named. William Buck Financial Services (Vic) Pty Ltd specifically disclaims liability to any person in the event of any omission from, or any false or misleading statement included elsewhere in, this Prospectus. They have not authorised or caused the issue of this Prospectus and take no responsibility for any part of the Prospectus other than the Investigating Accountant's Report.

ASX Perpetual Registrars Limited has given and, before lodgment of this Prospectus, has not withdrawn its consent to be named as the share registry of the Company in the form and context in which it is named. It has had no involvement in the preparation of any part of this Prospectus other than assisting in the design of the Application Form and recording its name as share registrar to the Company. ASX Perpetual Registrars Limited specifically disclaims liability to any person in the event of any omission from, or any false or misleading statement included elsewhere, in this Prospectus. It has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of the Prospectus other than the references to its name.

Pitcher Partners have given and, before lodgement of this Prospectus, have not withdrawn their consent to be named as auditors of the Company. Pitcher Partners specifically disclaims liability to any person in the event of any omission from, or any false or misleading statement included in this Prospectus. They have not authorized or caused the issue of this Prospectus and take no responsibility for any part of the Prospectus.

Expenses of the Offer

All expenses connected with the Offer are being borne by the Company. No form of payment of any kind will be made or agreed to be made to any expert or firm other than for cash. The expenses of the Offer (including any applicable GST) are as follows:

Break up of expenses:

Accounting	$70,000
Legal	$53,000
Estimated broking costs/ Share application processing	$150,000
Corporate advisory services	$150,000
Printing	$11,000
Share registry	$5,000
ASX and ASIC	$34,886
Total	**$473,886**

Of these costs $456,036 are included in the proforma transactions in the Investigating Accountant's Report in Section 7. The balance of the costs were incurred prior to 30 June 2004.

In addition to these costs Wired Capital is entitled to receive a further fee of $150,000 for assistance with the acquisition of the Labtam Business.

Except as set out above or elsewhere in this Prospectus, no sums have been paid or agreed to be paid to any professional adviser or other person in cash, Shares or otherwise by any person in connection with the formation or promotion of Labtam. Certain parties and employees of the above firms may subscribe for Shares in the context of the Offer.

Interests of Directors and Others

Other than as set out in this Prospectus:

- no Director or other person envisaged in Section 711(4) of the Corporations Act has, or has had in the two years before the date of this Prospectus, any interest in the Offer, in the formation or promotion of the Company or in any property of or proposed to be acquired by the Company in connection with the formation or promotion of the Company or the Offer;

- no amount, whether in cash or Shares or otherwise, has been paid or agreed to be paid, or any benefit given or agreed to be given, to any Director to induce him or her to become, or to qualify him or her as, a Director; and

- no amount, whether in cash or Shares or otherwise, has been paid or agreed to be paid, or any benefit given or agreed to be given, for services provided by a Director or other person envisaged in Section 711(4) of the Corporations Act in connection with the formation or promotion of the Company or the Offer.

Interests of Advisers

William Buck Financial Services (Vic) Pty Ltd have provided services to the Company in relation to the annual general meeting of 19 August 2004 referred to in this Prospectus. William Buck Financial Services (Vic) Pty Ltd may also carry out additional work for the Company. Any such work has been or will be provided at William Buck Financial Services (Vic) Pty Ltd's usual charge out rates.

Hunt & Hunt have provided services to the Company in relation to the acquisition of the Labtam Business and the annual general meeting of 19 August 2004 referred to in this Prospectus. Hunt & Hunt may also carry out additional work for the Company. Any such work has been or will be provided at Hunt & Hunts usual charge out rates.

Shareholdings and Optionholdings

Directors are not required under the constitution of the Company to hold any Shares in the Company. Upon completion of the Offer, Directors of the Company and their Associates will hold the following shareholdings and optionholdings in the Company:

Director	Shares		Options	
	Beneficial	Non Beneficial	Beneficial	Non Beneficial
Lloyd Gosling	-	-	1,000,000	-
Con Scrinis	2,500,000	-	500,000	-
Peter Camm	149,925	-	500,000	-
Garry Gosling	-	-	500,000	-
Adrien Wing	-	-	500,000	-

Directors may apply for Shares under this Prospectus. As at the date of this Prospectus none of the Directors had determined whether or not to apply for Shares under this Prospectus.

Remuneration

Under the Company's Constitution, each Director (other than the Chief Executive Officer or an Executive Director) may be paid remuneration for ordinary services performed as a Director. Under the ASX Listing Rules, the maximum fees payable to Directors may not be increased without prior approval from the Company at a general meeting. Directors will seek approval from time to time as deemed appropriate.

Executive Directors are full time employees of the Company. No director's fees are paid to Mr Dawson Johns in addition to the annual remuneration. Details of remuneration payable under the executive service agreements for Mr Dawson Johns are set out in the summary of material contracts above.

The Directors may also be paid all travelling and other expenses properly incurred by them in attending meetings of the Directors or any committee of Directors or general meetings of the Company or otherwise in connection with the execution of there duties as Directors.

In addition, any Director who is called on to perform extra services or to make special exertions or to undertake any executive or other work for the Company beyond his ordinary duties or to go or to reside abroad or otherwise for the purposes of the Company may, subject to law, be remunerated either by a fixed sum or a salary as determined by the Directors. This sum may be either in addition to or in substitution for his share in the remuneration for ordinary services.
In addition, any Director who is called on to perform extra services or to make special exertions or to undertake any executive or other work for the Company beyond his ordinary duties or to go or to reside abroad or otherwise for the purposes of the Company may, subject to law, be remunerated either by a fixed sum or a salary as determined by the Directors. This sum may be either in addition to or in substitution for his share in the remuneration for ordinary services.

Related Party Transactions

As at the date of this Prospectus, the Company is a party to the following transactions with related parties:

Labtam Limited has appointed Garry Gosling as a consultant.. The consultancy agreement, dated 23 August 2004, has a term of 2 years commencing on the date of this Prospectus unless terminated earlier in accordance with the agreement. The initial remuneration payable to Mr Gosling comprises base remuneration having a total cost to Labtam Limited of $4,000 per month. The Company is not responsible for any superannuation contributions. Mr Gosling has undertaken not to engage in competitive conduct with Labtam Limited for the term of the agreement and for a further period of 2 years.

Labtam Limited has appointed Adrien Wing as a consultant . The consultancy agreement, dated 23 August 2004, has a term of 2 years commencing on the date of this Prospectus unless terminated earlier in accordance with the agreement. The initial remuneration payable to Mr Wing comprises base remuneration having a total cost to Labtam Limited of $4,000 per month. The Company is not responsible for any superannuation contributions. Mr Wing has undertaken not to engage in competitive conduct with Labtam Limited for the term of the agreement and for a further period of 2 years.

Escrow Arrangements

The ASX may, as a condition of granting Labtam Limited's application for Official Quotation of the new Shares and Options, classify certain Shares and Options as Restricted Securities. The identified shareholders and optionholders of the Company may be required to enter into a relevant restriction agreement with the Company in accordance with the Listing Rules.

The escrow arrangements will prohibit the transfer of effective ownership or control of some or all of the Shares held by the identified shareholders of Labtam for a period of up to 24 months without the holders of those Shares first obtaining the written consent of ASX to the transfer.

Corporate Governance

The composition of the Board is subject to shareholder approval. All nominations for appointment to the Board are reviewed by the current Board. Currently, the Board comprises Lloyd Gosling (Non-Executive Chairman), Con Serinis (Non-Executive Director), Garry Gosling (Non-Executive Director), Peter Camm (Non-Executive Director) and Adrien Wing (Non-Executive Director and Company Secretary). At each annual general meeting one third of the Board will retire and, if those Directors so choose, will offer themselves for re-election.

The Company policies regarding the terms and conditions for remuneration relating to the appointment and retirement of Board members are approved by the Board following professional advice. The remuneration and terms and conditions of employment for the Chief Executive Officer and other executive Directors and senior executives are also reviewed and approved by the Board after seeking professional advice.

Non-Executive Directors have the right to seek independent professional advice in the furtherance in there duties as Directors at the Company's expense. The Chairman's prior approval of such expenditure is required.

The Board is the vehicle to facilitate the identification of significant areas of business risk, to implement procedures to manage such risks and to develop policies regarding the establishment and maintenance of appropriate ethical standards. In relation to these matters, the Board specifically:

- ensures compliance in legal, statutory and ethical matters;
- monitors the business environment;
- identifies business risk areas;
- identifies business opportunities; and
- monitors systems established to ensure prompt and appropriate responses to shareholder complaints and enquiries.

The Company does not presently have an audit committee, however, all members of the Board currently participate in matters affecting the auditing, risk and compliance requirements of the Company.

Documents Available for Inspection

Copies of the following documents are available for inspection during normal office hours free of charge at the registered office of the Company:

- the Constitution ;
- the material contracts referred to in this Section 8;
- the consents referred to above; and
- the terms of the Share Option Plan.

9. STATEMENT BY DIRECTORS

The Directors report that, in their opinion, since the date of the financial statements used in the preparation of the Investigating Accountant's Report, namely 30 June 2004, no circumstances have arisen that materially affect or will materially affect the profitability of the Company or the value of the Company's assets and liabilities, except as disclosed in this Prospectus.

The Directors consent to, and have authorised the issue of, this Prospectus.

Signed by each Director of the Company or by a person authorised by that Director in writing to sign this Prospectus on their behalf.

Lloyd Gosling
Non-Executive Chairman

Constantine Andrew Scrinis
Non-Executive Director
by Adrien Wing his agent appointed in writing

Peter Robert Camm
Non-Executive Director

Garry Lloyd Gosling
Non-Executive Director

Michele Wing
Non-Executive Director

10. GLOSSARY

The following terms and abbreviations used in this Prospectus have the following meanings:

GENERAL TERMS

Term/Abbreviation	Meaning
$, A$	Australian Dollars
Applicant	A person who submits an Application
Application	A valid application to subscribe for or acquire a specified number of Shares and attaching Options under the Offer
Application Form	The application form which is attached to and forms part of this Prospectus in relation to the subscription or purchase of Shares
Application Monies	Monies accompanying an Application Form for New Shares.
ASIC	Australian Securities & Investments Commission
Associate	An "associate" as defined in the Corporations Act
ASX	Australian Stock Exchange Limited
ASX Listing Rules	The official listing rules of ASX as amended from time to time
Board	The board of Directors of the Company
CHESS	Clearing House Electronic Subregister System
Closing Date	The date on which the application list closes, expected to be Friday xx November 2004 unless the Directors, in conjunction with the Sponsoring Broker, exercise Labtam's right to vary that date
Company or Labtam	Labtam Limited (ACN 004 749 508) and all Subsidiaries
Constitution	The constitution of the Company
Directors	Directors of the Company
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
ESOP	Employee Share Option Plan
Promoters	Means the shareholders of the Company on the date of this Prospectus being the shareholders referred to in Section 8
Financial Year	A year commencing on 1 July and ending on 30 June of the following year

GST	Goods and Services Tax
Issue	The issue of Shares and attraching Options pursuant to this Prospectus
Labtam Business	The automated electronics manufacturing business currently conducted by the Vendor
Minimum Subscription	The minimum subscription amount of $2,500,000
Net Borrowings	Financial borrowings less cash
New Shares	The Shares to be issued by the Company pursuant to this Prospectus
Offer	The offer of New Shares under this Prospectus
Offer Price	$0.20 per Share
Options	The options to be issued by the Company pursuant to this Prospectus
Prospectus	This prospectus dated 29 October 2004 for the offer of 10 million Shares in Labtam as modified by any supplementary prospectus made by the Company and lodged with ASIC from time to time
Sale of Business Agreement	The sale of business agreement dated 18 June 2004 for the purchase of the Vendor's business by the Company.
Shares	Ordinary shares in the Company.
Shareholder	A holder of Shares.
Share Option Plan	The Company's share option plan described in section 8 of this Prospectus.
Subsidiary	A subsidiary as "subsidiary" is defined in the Corporations Act
Vendor	ACN 050 199 678 Labtam Pty Ltd
Wired Capital	Wired Capital Pty Ltd ACN 077 730 783

CORPORATE DIRECTORY

Directors

Lloyd Gosling (Non-Executive Chairman)
Constantine Andrew Scrinis (Non-Executive Director)
Peter Robert Camm (Non-Executive Director)
Garry Lloyd Gosling (Non-Executive Director)
Adrien Michele Wing (Non-Executive Director)

Company Secretary

Adrien Michele Wing

Share Registry

ASX Perpetual Registrars Limited
Level 4
333 Collins Street
MELBOURNE VIC 3000

Investigating Accountant

William Buck Financial Services (Vic) Pty Ltd
Level 2
215 Spring Street
MELBOURNE VIC 3000

Auditor

Pitcher Partners
Level 6
161 Collins Street
Melbourne VIC 3000

Solicitors to the Offer

Hunt & Hunt
Level 26
360 Collins Street
MELBOURNE VIC 3000

Labtam Limited Office

110 Stephenson Street
RICHMOND VIC 3121

Your Guide to the Application Forms

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The securities to which this Application Form relates are Labtam Limited ("Labtam") Shares and Options. Further details about the Shares and Options are contained in the Prospectus dated 29 October 2004 issued by Labtam. The expiry date of the Prospectus is 13 months from the date of the Prospectus.

While the Prospectus is current Labtam will send paper copies of the Prospectus, any supplementary document and the Application Form free of charge on request.

This Application Form accompanies the Prospectus. The Prospectus contains important information about investing in the Shares and Options. You should read the Prospectus before applying for Shares and Options.

A Insert the number of Shares you wish to apply for. For each Share issued, Applicants will be issued 1 Option. The Application must be for a minimum of 10,000 Shares and thereafter in multiples of 200 Shares. You may be issued all of the Shares applied for or a lesser number.

B Insert the relevant amount of Application monies. To calculate your Application monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque(s) equals this amount.

C Write the full name you wish to appear on the statement of Shares. This must be either your own name or the name of a company. Up to three joint applicants may register. You should refer to the table below for the correct registrable title.

D Please enter your postal address for all correspondence. All communications to you from Labtam and the Registrar will be mailed to the person(s) and address as shown. For joint applicants only one address can be entered.

E If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form your Shares and Options will be issued to Labtam's Issuer Sponsored subregister.

F Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your application. However, if these are not provided Labtam will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from income payments.

G Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.

H Please complete cheque details and make it payable to "Labtam Limited - Share Issue Account" as follows:

- Make your cheque payable to Labtam Limited - Share Issue Account" in Australian currency and cross it "Not Negotiable". Your cheque must be drawn on an Australian branch of an Australian bank.
- The amount should agree with the amount shown in Section B.
- Sufficient cleared funds should be held in your account, as cheques dishonoured by your Bank are likely to result in your Application being rejected.
- Pin (do not staple) your cheque(s) to the Application Form where indicated.

ASX Perpetual Registrars Limited advise that once you become a shareholder in Labtam Limited, Chapter 2C of the Corporations Act 2001 requires information about you (including your name, address and details of the Shares you hold) to be included in Labtam's public register. This information must continue to be included in Labtam's public register if you cease to be a shareholder. These statutory obligations are not altered by the Privacy Amendment (Private Sector) Act 2000. Information is collected to administer your security holding and if some or all of the information is not collected then it might not be possible to administer your security holding. Our privacy policy is available on our website (www.asxperpetual.com.au).

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares and Options. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs / Unincorporated Bodies / Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

- Put the name(s) of any joint applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application

Broker Code   Adviser Code

Application Form

This Application Form must not be handed to another person unless attached to or accompanied by the Prospectus dated 29 October 2004 and any relevant supplementary Prospectus. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus.

Number of Shares applied for. For each Share issued, Applicants will be issued 1 Option — Issue price per Share — I/We lodge full Application Money (A$ 0.20 per share)

A __ __ , __ __ __ , __ 0 0 at A$ 0.20 **B** A$ __ __ , __ __ __ , __ 0 0 . 0 0

(minimum 10,000 Shares, thereafter in multiples of 200 Shares)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

Applicant
Surname/Company Name

C

Title   First Name   Middle Name

Joint Applicant #2
Surname

Title   First Name   Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

PLEASE COMPLETE ADDRESS DETAILS
PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

D

Unit Number/Level   Street Number   Street Name

Suburb/City or Town   State   Postcode

Email address if available

CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

E X   The name or address on CHESS must exactly match the name you have given here on this Application Form

TFN/ABN/Exemption Code
First Applicant   Joint Applicant #2

F

Joint Applicant #3

TFN/(ABN) type - if NOT an individual, please mark the appropriate box ☐ Company ☐ Partnership ☐ Trust ☐ Super Fund

Telephone Number where you can be contacted during business hours   Contact Name (PRINT)

G ( )

Cheque or money orders should be drawn on an Australian branch of an Australian bank in Australian currency and be made payable to "Labtam Limited - Share Issue Account" and crossed "Not Negotiable".

Cheque or Money Order Number   BSB   Account Number

H

LODGEMENT INSTRUCTIONS You must return your application so it is received before 5.00 AEST on 17 February 2005 to: ASX Perpetual Registrars Limited, GPO Box 2785, Melbourne, VIC, 3001

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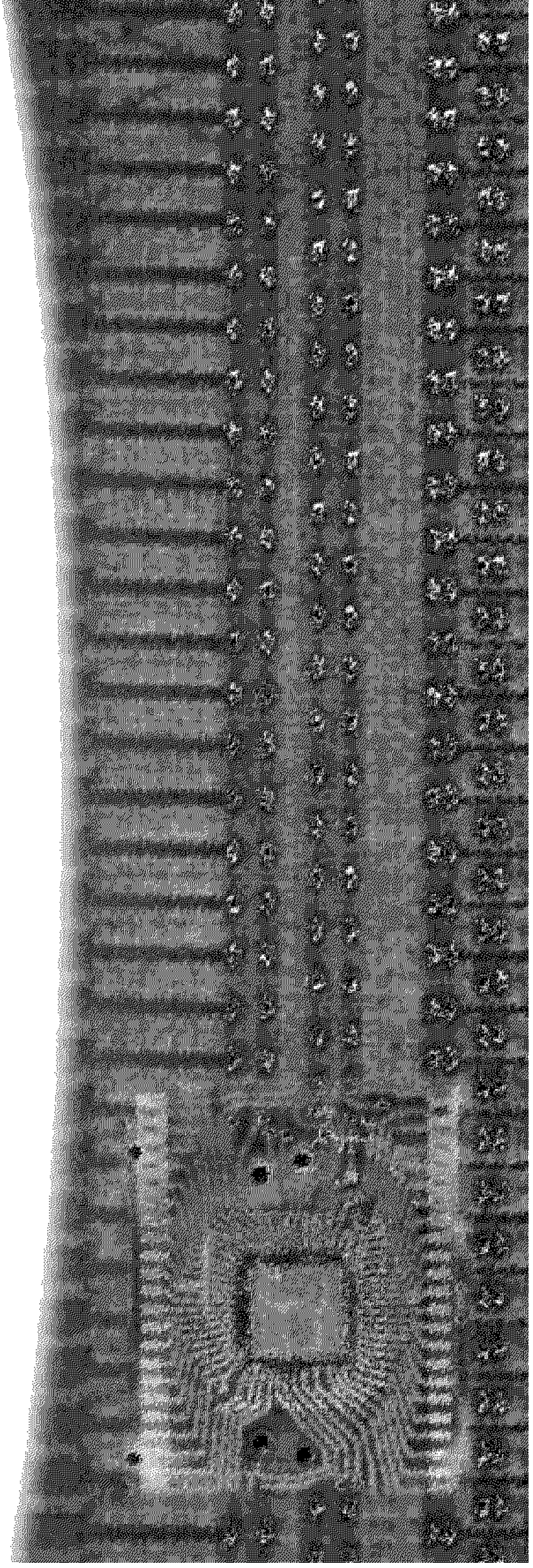

INVESTOR RELATIONS

Labtam Ltd
33 Malcolm Road
Braeside Victoria 3195
Tel: (03) 9580 5911
Fax: (03) 9587 4986
investor@labtam.com.au