

BIRON APPAREL LIMITED
ABN 58 009 087 469

NOTICE OF MEETING

AND

EXPLANATORY MEMORANDUM

IMPORTANT INFORMATION

*This is an important document that should be read in its entirety.
If you do not understand it you should consult your professional advisers without delay.*

*If you wish to discuss any aspect of this document with the Company please contact
the Company Secretary, Mr Scott Mison on telephone (08) 9421 2111*

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CHAIRMAN'S LETTER

13 November 2006

Dear Shareholder,

Enclosed are a Notice of Meeting and Explanatory Memorandum outlining a proposal for the disposal of Biron's wholly owned subsidiary, EDH Pty Ltd.

The Meeting to approve the transaction will be held on Wednesday, 20th December 2006 at 10 am.

As you are aware from previous announcements, Biron has encountered significant difficulties with its intended business plan. As a result of trading losses and consequential banking financial covenant breaches certain of which have been forgiven, Biron has determined to cease trading one of its subsidiary companies, Physico Clothing Company Pty Ltd and appoint an administrator to that company.

As a condition of the forgiveness of those banking covenants, Biron has subject to Shareholder approval at the Meeting, agreed to sell EDH Pty Ltd, the subsidiary which owns and operates the Ed Harry Business to Neil Brine and or his nominee so as to repay its interest bearing debt. Suregroup Pty Ltd, an entity controlled by Neil Brine was the original vendor of the Ed Harry Business

The total consideration for EDH is \$12,643,500 (subject to the adjustments outlined in the Explanatory Memorandum) which is being paid as follows:

- (a) the purchase price for the shares in EDH is \$3,228,900 payable in cash; and
- (b) Biron interest bearing debt being assumed and refinanced in the amount of \$9,414,600.

Furthermore, in the circumstances outlined in the Explanatory Memorandum, Neil Brine and or his nominee has agreed to make a further payment of up to \$250,000 by way of a subscription for fully paid ordinary shares in Biron, at a subscription price of \$0.15 per share.

The sale of EDH to Neil Brine and or his nominee is conditional on the Directors not being able to secure a Higher Offer prior to the Meeting.

In the event that the sale is approved by Shareholders it is expected that Biron will remain as a listed shell and it is anticipated that in due course it will be recapitalised.

As the ED Harry Business is a substantial asset of Biron and the purchaser is a related party of the Company, the sale of EDH requires the approval of Shareholders in accordance with the Listing Rules and the Corporations Act. The implications for Biron and the expected outcomes with regard to the sale proceeds are explained in the Explanatory Memorandum.

The Board recommends that you read the enclosed material thoroughly.

Please note in particular the Report by the Independent Expert which sets out the advantages and disadvantages of the proposed Transaction. The Independent Expert concludes that "the Proposal is "fair and reasonable" to Non Associated Shareholders".

On behalf of the Board, I encourage you to attend the Meeting and support the Resolution in respect of the Transaction or, if you are unable to attend, to complete and lodge a proxy form.

Yours sincerely,

John Corr
Chairman

NOTICE OF MEETING

BIRON APPAREL LIMITED ABN 58 009 087 469

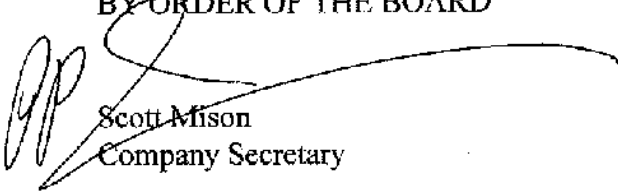
Notice is hereby given that a general meeting of members of the Company will be held at 10 am on Wednesday, 20th December 2006 at Level 34, Exchange Plaza, 2 The Esplanade, Perth, Western Australia to consider and, if thought fit, to pass the following Resolution:

1. Ordinary Resolution

"That approval be and is hereby given to the Transaction which includes the sale by the Company of EDH Pty Ltd to Neil Brine and or his nominee, the issue of up to 1,666,666 Shares at a price of 15 cents per Share to Neil Brine and or his nominee and the release of Neil Brine and Suregroup under and pursuant to the terms of the Release Deed, for the purposes described in the Explanatory Memorandum (including Listing Rules 10.1, 10.11 and 11.2 and Division 3 of Part 2E.1 of the Corporations Act) and for the consideration and on the terms and subject to the conditions contained and described in the Explanatory Memorandum."

DATED this 13th day of November 2006.

BY ORDER OF THE BOARD



Scott Mison
Company Secretary

Notes:

Definitions

Terms which are used in this Notice and which are defined in Section 9 of the Explanatory Memorandum have the meanings ascribed to them therein.

Voting Entitlement

Biron (as convener of the Meeting) has determined that a person's entitlement to vote at the Meeting will be the entitlement of that person set out in the register of members as at 7pm Sydney time on the 18th day of December 2006.

This means that any holder registered at 7pm Sydney time on the 18th day of December 2006 is entitled to attend and vote at the Meeting.

Proxies

A member entitled to attend this Meeting and vote is entitled to appoint a proxy to attend and vote for the member at the Meeting. A proxy need not be a member. If the member is entitled to cast 2 or more votes at the Meeting the member may appoint 2 proxies. If a member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes. A form of proxy is attached with this notice.

Voting Restrictions

1. In accordance with Rules 10.1, 10.10, 10.11, 10.13, 11.2 and 14.11 of the Listing Rules and Section 224 of the Corporations Act the Company will disregard any votes cast on the Resolution by:
 - Mr N Brine;
 - Enbee;
 - Suregroup;
 - A person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities in the Company if the Resolution is passed; and
 - Any associate of the abovementioned persons.

However the Company need not disregard a vote if:

- A vote is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- A vote is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides; and
- The vote is not cast by or on behalf of a related party or associate of a kind referred to in subsection 224(1) of the Corporations Act.

BIRON APPAREL LIMITED
ABN 58 009 087 469

EXPLANATORY MEMORANDUM

This Explanatory Memorandum forms part of a Notice convening a Meeting of members of the Company to be held on Wednesday, 20th December 2006 at 10.00 am at Level 34, Exchange Plaza, 2 The Esplanade, Perth, Western Australia. This Explanatory Memorandum is to assist Shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the Resolution proposed. Certain terms used in this Explanatory Memorandum are defined in Section 3.

1. INTRODUCTION

1.1 Background – The Company

Pursuant to the Original Agreements the Company acquired the EDH Business and Physico for the total consideration described in the Original Notice.

The Company incurred a total debt of \$14 million in connection with the acquisitions under the Original Agreements. Of this approximately \$8 million was owed to Westpac and \$6 million was owed to Enbee.

On 13 June 2006 the Company requested ASX to halt trading the Company's Shares and the Shares were suspended from trading on 15 June 2006.

The request for a trading halt occurred when the Company became aware that the internal forecasts of the Company's revenue and profits for the 2007 financial year were such that certain of the banking covenants under the Westpac Facility and the Enbee Loan were not likely to be met.

The Board's assessment of the reasons for the decline in revenue and profits included the following:

EDH Business

- Discounting required as a result of unseasonably warm winters in 2005 and 2006;
- Sales and margin pressures due to overhang of stock in place at acquisition;
- Resulting disruptions to intake of 2005 summer and 2006 winter stocks;
- Impacts of interest rate and petrol price increases; and
- Poorer than expected performance by newly opened EDH stores.

Physico Business

- Reduction in volume of orders leading to the loss of a major customer of Physico immediately post acquisition;
- Unforeseen intensity of working capital demands of Physico business;
- Pressures on Physico wholesale margins in the poorer than expected retail market in 2005;
- Loss of further Physico customers in early 2006 following resignation of senior sales personnel;
- Retail slowdown at EDH level causing delays and disruption to the expected synergies from Physico sales to EDH and resulting disruption in cashflow.

The unaudited income statement for EDH for the year ended 30 June 2006 is set out in Section 8.1 of the Independent Expert's Report.

Following the suspension referred to above, the Company's efforts have been focussed on concluding a wind-down of Physico culminating in the appointment of the Physico Administrator and Receiver and in negotiations with Westpac and Enbee in an effort to procure the repayment of the Westpac Debt and the Enbee Loan without Westpac enforcing the Westpac Security and Enbee enforcing the Enbee Security in accordance with their terms.

These efforts culminated in the execution of the Transaction Agreements between 9 October 2006 and 13 October 2006.

1.2 Physico Wind-down

As at 3 November 2006 approximately \$1,739,502 has been realised from the Physico Wind-down and the administration of Physico.

As a result of the Westpac Securities and the appointment of the Physico Receiver, the majority of these funds have been applied to the reduction of the Westpac Debt. As at 6 November it is estimated that a further \$2,196,273 (after professional and other costs) will be realised from the Physico Wind-down. As at 6 November 2006 the Westpac Debt stood at approximately \$6,721,168.

1.3 The Proposed Transaction

Sale Agreement

On 17 October 2006 the Company announced that it had executed a share purchase agreement to sell 100% of the Company's interest in EDH to Neil Brine and or his nominee.

Set out below is a summary of the essential terms of the Sale Agreement.

The Company entered into the Sale Agreement on 9 October 2006.

Purchase and Price

Under the Sale Agreement the Company has agreed to dispose of all of its shares in EDH. EDH owns and operates the EDH Business. EDH will be acquired by Neil Brine and or his nominee from the Effective Date. The purchase price payable is \$3,228,900 (subject to adjustment as described hereunder). The consideration includes the assumption and refinancing by Neil Brine and or his nominee of:

- (a) the Enbee Loan of \$6,000,000;
- (b) the Suregroup Debt of \$900,000; and
- (c) net interest bearing liabilities which stood at approximately \$2,121,168 as at 6 November 2006.

Further, as noted below, Neil Brine and or his nominee has undertaken to make the Ex Gratia Payment on and subject to the circumstances described below.

Further, as was previously agreed by the Company at the time of the Original Agreements, that in the event that EDH was required by any taxation or revenue authority to pay stamp duty in respect of the acquisition of the EDH Business under the Original Agreements, the Company would reimburse EDH in respect of such liability. It was therefore agreed under the Sale Agreement that if such payment arose prior to Completion, that part of the purchase price payable which exceeds the amounts required to satisfy the Westpac Facility will be reduced by an amount equal to that part of the stamp duty liability which is paid by EDH prior to Completion. If EDH is not required to pay such amount prior to Completion, then the Company must apply the cash received under the Sale Agreement to the payment of such stamp duty, but only after the Company has repaid in full all money owing under the Westpac Facility.

Conditions to Completion

Completion under the Sale Agreement is conditional on the following occurring:

- the Company must not have received a Higher Offer by the Meeting;
- the approval of the Transaction by shareholders of the Company, which is the subject of the Resolution;
- the entry into of the Westpac Waiver Deed, under which Westpac consents to the Transaction and, subject to its terms, waives compliance with and forgives certain non-compliance of certain financial covenants under the Westpac Facility. This has occurred;
- the entry into of the Enbee Waiver Deed, under which Enbee consents to the Transaction and, subject to its terms, waives compliance with and forgives certain non-compliance of certain financial covenants under the Enbee Loan Agreement. This has occurred;
- there being no breach of the Westpac Waiver Deed or the Enbee Waiver Deed unless the breach is subsequently waived by Westpac and Enbee;

- the release of the Westpac Security. This is expected to occur at Completion; and
- the release of the Enbee Security over the Company. This is expected to occur at Completion.

Higher Offer

As provided for in the Sale Agreement, since the execution of the Sale Agreement the Company has endeavoured to solicit a Higher Offer. As at the date hereof no Higher Offer has emerged.

In the event that the Directors elect to recommend a Higher Offer the Sale Agreement includes provision for the payment by the Company to Neil Brine of his proper legal, advisory and financing costs incurred in negotiating, preparing and facilitating the Sale Agreement up to an aggregate maximum of \$500,000 (GST inclusive) and requires the new purchaser to accept responsibility for all purchase orders placed in the ordinary course of business.

Ex Gratia Payment

It is a provision of the Sale Agreement that if the Pre Completion Management Accounts for the Company reflect:

- negative Net Assets of the Company, on an unconsolidated basis, not exceeding \$250,000, then Neil Brine and or his nominee agrees to make a further payment of \$250,000 by way of subscription for fully paid ordinary shares in the Company, at a subscription price of \$0.15 per share; or
- positive Net Assets of the Company, on an unconsolidated basis, not exceeding \$250,000, then Neil Brine and or his nominee agrees to make a further payment by way of a subscription for fully paid ordinary shares in the Company, at a subscription price of \$0.15 per share, in an amount not exceeding the amount required for the Pre Completion Management Accounts to reflect Net Assets of the Company, on an unconsolidated basis, not exceeding \$250,000.

Any shares to be issued by the Company under the above provision of the Sale Agreement will be issued on and subject to the passing of the Resolution and Completion.

Warranties

Extensive warranties are to be given by and to the Company that reflect the negotiations that preceded their execution.

There are various other provisions of the Sale Agreement and the other documents described above. The Company retained independent financial and legal advice in connection with these documents and the Transaction.

Release Deed

Under the Sale Agreement, the parties acknowledge that they have entered into the Release Deed. Under the Release Deed, the Company, Enbee, EDH, Neil Brine, Neil Brine and or his nominee and Suregroup acknowledge and agree that all existing and or known claims, loss or liability arising under the Business Sale Agreement or in respect of its subject matter are released subject to the payment of the Suregroup Debt in full without disgorgement by a liquidator or other insolvency administrator at any time. The Release Deed is conditional on:

- the approval of the Transaction by shareholders of the Company, which is the subject of the Resolution; and
- Completion of the Sale Agreement.

Capitalisation

Prior to the execution of the Sale Agreement, having received written approval from Westpac and Enbee and as acknowledged in the Sale Agreement by Neil Brine and or his nominee, the Company and EDH resolved on 9 October 2006 to capitalise \$11,974,339 of the EDH Loan by the issue of fully paid ordinary shares in EDH to the Company at an issue price of \$1.00 per share to the extent required to reduce the EDH Loan from \$17,670,300 to a sum of \$6,000,000. This was considered necessary to allow EDH to continue to trade and to maximise the sale proceeds the Company would receive in the event of a sale of EDH to Neil Brine or any third party. It is arguable that Neil Brine and or his nominee will have gained a benefit as a result of the capitalisation of the EDH Loan essentially related to the fact that if EDH was to be sold other than pursuant to the Sale Agreement it would have a reduced level of debt to Biron. However, this was not considered to result in any detriment to the Company as the alternative was that Enbee (a company controlled by Neil Brine) still could have exercised its rights under the Enbee Security to appoint a receiver and manager to the Company and or purchase EDH from a receiver appointed by Westpac. The relevant Directors therefore considered that there was no disadvantage to the Biron Group in capitalising the debt at the time and the relevant Directors considered that this “benefit” fell within the exemption in Section 210 of the Corporations Act so that the approval of Shareholders was not required for the purposes of Section 208 of the Corporations Act.

1.4 The Company’s Position following Completion

Please refer to the pro forma financial position of the Company in Section 11 of the Independent Expert’s Report for a description of the anticipated financial position of the Company if Completion occurs.

This needs to be read in conjunction with the following issues:

- Mr David Greenblo, the former Managing Director of the Company has advised the Company that he claims certain amounts due by way of salary and for early termination under his former executive services agreement. As at the date hereof, Mr Greenblo has not quantified these amounts, but

the Company believes that to the extent that any amounts are owed by it to Mr Greenblo the Company has claims against Mr Greenblo under the Original Agreements and as a result of Mr Greenblo's executive services agreement and the amount of these claims would exceed any amounts which could be claimed by Mr Greenblo under his former executive services agreement. If Mr Greenblo continues to pursue his claims, the Company intends to defend those claims and cross claim against Mr Greenblo.

- Under the terms of the 72 cent Options issued to Investec as part of the arrangements relating to the Original Agreements, Investec can by 30 days written notice to the Company elect to forfeit all of the 72 cent Options and in that event at the end of the 30 day notice period the Company will cancel all the 72 cent Options and pay Investec \$500,000 in exchange for the delivery of the certificate or holding statement in respect of the 72 cent Options. As at the date hereof, Investec have not provided the Company with notice that it wishes to forfeit the 72 cent Options, however, if Investec provides the Company with such notice, the Company does not intend to pay Investec the \$500,000 and would counterclaim against Investec.
- The Company has applied to ASIC to have the time by which it must hold its annual general meeting deferred until 31 March 2007 and for the time by which the audit of its accounts for the financial year ending 30 June 2006 must be completed to be similarly deferred.
- Please refer to Section 1.9 of this Explanatory Memorandum for information on the proposed Physico DOCA and the consequences for the Company if completion under the proposed Physico DOCA does not occur.

1.5 Capital Structure

At Completion the capital structure of the Company will, assuming none of the Existing Options have been exercised and assuming the Resolution is passed, be as follows:

Ordinary Shares

Existing Shares	35,894,170 ¹
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Performance Shares

Original Performance Shares	11,333,333
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Options

Existing Options	9,778
60 cent Options	1,000,000
72 cent Options	<u>3,000,000</u>
	<u>4,009,778</u>

Note 1. This does not include any Shares to be issued by the Company to Neil Brine and or his nominee under the terms of the Sale Agreement in the event that the Pre Completion Management Accounts reflect a deficit. Up to a maximum of 1,666,666 Shares may be issued on and subject to Completion.

1.6 Use of Sale Proceeds

At Completion the only asset of the Company will be cash which, net of liabilities incurred in connection with the Transaction is estimated to be \$220,000. The Board intends that as from Completion the Company will seek out opportunities that will enable the Shares to be reinstated to quotation on ASX.

For further information about the future of the Company after Completion please refer to Section 1.8 of this Explanatory Memorandum.

1.7 Proposed Directors

At Completion Messrs Brine and Shervington intend to resign as Directors. Mr Corr will remain as a Director and it is proposed that Mr Gavin Argyle who retired as a Director on 21 September 2005 will rejoin the Board. It is proposed that a third director will be appointed by Messrs Corr and Argyle as from Completion.

1.8 Future of the Company

Following Completion of the Transaction it is not expected that quotation of the Company's securities will be able to commence until the Company complies with Chapters 1, 2 and 11 of the Listing Rules. This will necessitate the acquisition of a suitable asset or business enterprise and a raising of capital at 20 cents per share involving the issue of a prospectus.

Under Rule 11.1 of the Listing Rules it is provided that if an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as is practicable. It must do so in any event before making the change.

Rule 11.1.1 specifically requires that an entity must give ASX information regarding the change and its effect on future potential earnings and any information that ASX asks for.

Further, Rule 11.1.2 of the Listing Rules provides that in the case of a change of the nature contemplated by Rule 11.1, if ASX requires, the entity must get the approval of holders of its ordinary securities and must comply with any requirements of ASX in relation to the relevant notice of meeting.

Further, Rule 11.1.3 of the Listing Rules provides that if ASX requires, the relevant entity must meet the requirements of Chapters 1 and 2 of the Listing Rules as if the entity were applying for admission to the Official List. These requirements include:

- the “spread requirements” of Listing Rule 1.1 are met namely:
 - (i) that the Company has at least 400 Shareholders each having a parcel of Shares with a value (based on 20 cents each) of at least \$2,000 excluding “restricted securities”; and
 - (ii) that persons who are not related parties of the Company hold more than 25% of the issued Shares (excluding “restricted securities”); and
- that Shares in the Company trade at or above or are issued at a price at or above 20 cents.

It will be the task of the Proposed Directors to find an appropriate investment for the Company with a view to the Company meeting the necessary ASX and other requirements outlined above to enable it to apply for quotation of its Shares.

1.9 Physico DOCA

The Company has made a proposal to the Physico Administrator for the Physico DOCA which involves the payment by the Company of \$150,000 to be made available to creditors of Physico in return for the extinguishment of all claims Physico may have against the Company. The Physico DOCA is subject to Shareholders approving the Transaction at the Meeting and is also subject to the approval of creditors of Physico to the terms of the Physico DOCA. A meeting of creditors of Physico will be held for this purpose on 17 November 2006. If the creditors of Physico do not approve the Physico DOCA, then the Company remains potentially liable for claims by creditors of Physico in the event of the liquidation of Physico. The Company denies any such liability.

Please refer to the pro-forma consolidated balance sheet of the Company prepared as if Completion had occurred in Section 11 of the Independent Expert’s Report and please note the various assumptions on which it is prepared.

1.10 Likely Consequences if Resolution not Passed

If the Resolution is not passed it is likely that Westpac and or Enbee will exercise their rights under the Westpac Security and the Enbee Security respectively to appoint a receiver and manager to the Company, EDH and others in the Biron Group. Please refer to Section 13 of the Independent Expert’s Report for further information in this respect.

2. Regulatory Requirements

2.1 Listing Rule 10.1

Chapter 10 of the Listing Rules contains certain provisions in relation to transactions between a company and “persons in a position of influence” which includes “related parties” as defined in the Corporations Act. Under Rule 10.1 it is provided that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, any of the

following persons without obtaining approval from the holders of the entity's ordinary securities:

- a related party;
- a subsidiary;
- a substantial holder;
- an associate of a related party, a subsidiary or a substantial holder; or
- a person whose relationship to the entity or any of the abovementioned persons is such that, in ASX's opinion, the transaction should be approved by security holders.

An asset is deemed to be substantial if its value or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity set out in the latest accounts given to ASX under the Listing Rules.

The total equity interests of Biron Apparel as at 31 December 2005 (as contained in the half year report for the period ending 31 December 2005, being the latest accounts given to ASX) is \$24,506,000. 5% of the equity interests of Biron Apparel as at 31 December 2005 is \$1,225,300 which is less than the value of the consideration being given for the sale of EDH.

Neil Brine is a Director of the Company and is therefore a related party of the Company.

Approval is, therefore, sought under the Resolution for the purposes of fulfilling the requirements of Listing Rule 10.1 in relation to the sale of the Company's shares in EDH to Neil Brine and or his nominee.

Listing Rule 10.10 provides that where approval is sought under Listing Rule 10.1, the Notice of Meeting must include a report on the transaction from an independent expert stating whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes are not to be disregarded.

The Independent Expert's Report sets out a detailed examination of the Transaction contemplated by the Resolution to enable Shareholders to assess its merits. The Independent Expert concludes that "the Proposal is "fair and reasonable" to Non Associated Shareholders".

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

2.2 Listing Rule 10.11

Chapter 10 of the Listing Rules contains certain provisions in relation to transactions between a company and "persons in a position of influence" which includes "related parties" as defined in the Corporations Act. Rule 10.11 provides

that a company must not issue or agree to issue equity securities to a “related party” (or a person whose relationship with the Company or a related party is, in ASX’s opinion, such that shareholder approval should be obtained) without the approval of the holders of ordinary securities by ordinary resolution. As noted above Neil Brine is a “related party” of the Company. Approval is, therefore, sought under the Resolution for the purposes of fulfilling the requirements of Listing Rule 10.11 in relation to the potential Share Issue to Neil Brine under the Sale Agreement.

The following information is included in this Explanatory Memorandum for the purposes of Listing Rule 10.13:

- the number of securities to be issued if the Share Issue occurs is a maximum of 1,666,666 Shares to be issued to Neil Brine and or his nominee;
- The Shares are to be issued at 15 cents each;
- The allottees of the Shares will be Suregroup, as nominee of Neil Brine;
- The terms of issue of the Shares are that the Shares will rank equally in all respects with Existing Shares;
- The intended use of the funds raised – the funds raised will be used by the Company to repay any outstanding creditors of the Company. The remainder of the funds, if any, will be retained by the Company pending the Company’s recapitalisation. Please refer to Section 1.6 of this Explanatory Memorandum for further information about the use of the funds raised;
- The Shares will all be issued simultaneously at Completion which is expected to occur on the day after the date of the Meeting;
- The relevant notice is required to include a voting exclusion statement – this is included in the Notice.

2.3 Chapter 11 – Listing Rules

Under Rule 11.2 of the Listing Rules it is provided that if an entity proposes to dispose of its main undertaking, the entity must get the approval of holders of its ordinary securities and must comply with any requirements of ASX in relation to the notice of meeting. The entity must also provide full details to ASX of the proposed disposal

The proposed sale of the Company’s shares in EDH in the terms contemplated by the Sale Agreement constitutes a change involving the disposal of the Company’s main undertaking as contemplated by Rule 11.2.

The announcement made by the Company to ASX on 17 October 2006 together with the contents of the Notice and of this Explanatory Memorandum are intended

to fulfil the above requirements of Rule 11.2, subject to the passage of the Resolution.

The Sale Agreement is conditional upon the Company meeting all of the above requirements in relation to Rule 11.2 at or prior to Completion.

2.4 Corporations Act - Chapter 2E

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party subject to certain exceptions.

Pursuant to Subsections 228(2) and 228(4) of the Corporations Act Neil Brine as a director of the Company is a related party to the Company as are entities that he controls.

The definition of what constitutes giving a financial benefit is broad and does not necessarily involve paying money. It includes buying or selling of assets, issuing securities and granting options. It includes giving a financial benefit indirectly, for example, through 1 or more interposed entities.

Paragraph 229(1)(c) of the Corporations Act provides that in deciding whether a financial benefit is given any consideration that is or may be given for the benefit is to be disregarded, even if it is adequate.

Various aspects of the Transaction, therefore, contemplated by the Resolution may constitute the Company giving a financial benefit to a related party namely:

- The sale of the Company's shares in EDH to Neil Brine and or his nominee on the terms provided for in the Sale Agreement.
- The release of claims against Neil Brine and Suregroup and others under the Release Deed.
- The Share Issue, namely the possible issue of up to 1,666,666 Shares if the Ex Gratia Payment is made.

Section 208 of the Corporations Act provides an exemption from the prohibition contained in Chapter 2E and provides that a public company may give a financial benefit to a related party if a resolution of the shareholders of the public company permits the benefit to be given, and the resolution was passed at a general meeting of the public company held within 15 months before the public company gives the benefit and if the conditions prescribed by Division 3 of Part 2E.1 of the Corporations Act have been satisfied in relation to the resolution.

The Resolution is therefore, intended to satisfy these requirements in relation to the "related party" aspects of the Transaction that fall within the Resolution.

The requirements of Section 219 of the Corporations Act in relation to the Explanatory Memorandum to accompany a notice of meeting for these purposes are as follows. The Explanatory Memorandum must set out:

- (a) the related parties to whom the proposed resolution would permit financial benefits to be given. The related parties may include:
 - (i) Neil Brine;
 - (ii) Enbee; and
 - (iii) Suregroup

- (b) the nature of the financial benefits: The financial benefits are in summary:
 - (i) the acquisition of EDH as provided for in the Sale Agreement;
 - (ii) the releases under the Release Deed as described above in Section 1.3 and which involved the Company releasing EDH, Neil Brine, Enbee, Neil Brine and or his nominee and Suregroup from claims arising out of the Business Sale Agreement in respect of its subject matter which as at the date of the Notice the Company understands total approximately \$1,383,000, and EDH, Neil Brine and or his nominee, Neil Brine, Enbee and Suregroup releasing the Company from claims arising out of the Business Sale Agreement in respect of its subject matter which as at the date of the Notice the Company understands total approximately \$1,150,000;
 - (iii) the possible issue of up to 1,666,666 Shares at a price of 15 cents per Share in cash if the Ex Gratia Payment is made;

and any advantages thereby conferred which can only be gauged by reference to, amongst other things, the consideration being provided and received at Completion or to be provided and received after Completion in each case being cash, the other rights and benefits in the Sale Agreement described above, the price of the Company's Shares from time to time and the number of Shares and other securities on issue in the Company from time to time.

- (c) in relation to each Director of the Company:
 - (i) if the Director wanted to make a recommendation to members about the proposed resolution - the recommendation and his or her reasons for it; or
 - (ii) if not why not? or
 - (iii) if the Director was not available to consider the proposed resolution - why not?

Messrs J Corr and J Shervington recommend that Shareholders vote for the Resolution because its passage is an integral part of the Sale Agreement the implementation of which will in the Directors' view see an increase in the value of the Existing Shares and also in view of the conclusions arrived at

by the Independent Expert in its Report which forms part of this Explanatory Memorandum.

Mr Neil Brine does not make a recommendation as he has a material personal interest in the outcome of the Resolution.

- (d) In relation to each such director whether the director had an interest in the outcome of the proposed resolution:

None of Messrs J Corr, J Shervington and N Brine has a personal interest in the outcome of the proposed Resolution save as referred to below.

Although it is not a direct interest or benefit, a legal firm of which Mr Shervington is a partner, will on Completion be paid professional fees (estimated at approximately \$16,000) out of the Company's cash reserves in respect of legal work carried out by an employee of that firm in connection with the preparation of this Notice of Meeting and Explanatory Memorandum.

Mr Neil Brine has a personal interest in the outcome of the proposed Resolution as he will acquire EDH from the Company under the Sale Agreement.

- (e) All other information that is reasonably required by members in order to decide whether or not it is in the Company's interest to pass the proposed Resolution and is known to the Company or any of its directors.

Other than as set out in this Explanatory Memorandum, there is no such further information considered by the Directors to be relevant.

3. DEFINITIONS

“ASIC” means the Australian Securities & Investments Commission;

“ASX” means Australian Stock Exchange Limited (ACN 008 624 691);

“ASX Business Day” means a “business day” as defined in the Listing Rules;

“Biron Group” means Biron and its Related Bodies Corporate;

“Board” means the Directors of the Company from time to time;

“Business Day” means a day that is not a Saturday, Sunday or any other day which is a public holiday or a bank holiday in the place where an act is to be performed or a payment is to be made;

“Business Sale Agreement” means the sale of business agreement dated 18 July 2005 between Suregroup, Neil Brine, EDH and the Company;

“Company” and “Biron” and “Biron Apparel” means Biron Apparel Limited ACN 009 087 469;

“Completion” means completion of the Transaction under and contemplated by the Sale Agreement in accordance with the terms thereof;

“Completion Date” means the date Completion occurs which is intended to be on or before 21 December 2005;

“Current Directors” means Messrs J Corr, J Shervington and N Brine;

“Directors” means each of the persons who act as directors of the Company;

“EDH” means EDH Pty Ltd ACN 113 520 853 a 100% wholly owned subsidiary of the Company;

“EDH Business” and **“Ed Harry”** means the mens clothing apparel business owned and operated by EDH and the assets and liabilities of that business acquired by EDH pursuant to the Ed Harry Sale Agreement;

“EDH Loan” means the loan from the Company to EDH in the amount of \$17,670,300, which loan was made in connection with the Business Sale Agreement;

“Effective Date” means 1 July 2006;

“Enbee” means Enbee Holdings Pty Ltd ACN 092 822 690;

“Enbee Loan” means the loan of \$6,000,000 made in connection with the Business Sale Agreement and secured by the Enbee Security on the terms set out in the Enbee Loan Agreement;

“Enbee Loan Agreement” means the subordinated loan agreement between Enbee and the Company dated 15 September 2005;

“Enbee Security” means the fixed and floating charge number 1212511 over, amongst others, the Company and EDH in favour of Enbee;

“Enbee Waiver Deed” means the waiver deed between, among others, Westpac, Enbee, the Company, Physico and EDH which was executed on 13 October 2006 in substantially the same form as set out in the Sale Agreement;

“Ex Gratia Payment” means the payment to be made by Neil Brine and or his nominee to the Company under the terms of the Sale Agreement of an amount of up to \$250,000 in the event that there is a deficiency in the Pre Completion Management Accounts, as outlined in Section 1.3 of this Explanatory Memorandum;

“Existing Shares” means the 35,894,170 ordinary fully paid shares in the capital of the Company issued as at the date hereof;

“Higher Offer” means an alternative offer to either recapitalise the Company such that the outcome is more favourable for Shareholders of the Company or purchase all of the shares in EDH or the EDH Business and which must:

- (a) be a legally binding offer capable of acceptance;
- (b) be unconditional except, if required, for Shareholder approval and conditions customary to like transactions;
- (c) include a purchase price greater than the purchase price under the Sale Agreement;
- (d) include full repayment (including interest and costs) of the Westpac Facility, the Enbee Loan and the Suregroup Debt; and
- (e) include the payment of any amount payable by the Company to Neil Brine as reimbursement of his proper legal, advisory and financing costs incurred in negotiating, preparing and facilitating the Sale Agreement up to an aggregate

“Independent Expert” means BDO, Chartered Accountants and Advisers;

“Independent Expert’s Report” means the report prepared by BDO Chartered Accountants and Advisers in relation to the Transaction;

“Investec” means Investec Bank (Australia) Limited ACN 071 292 594;

“Liability” includes a present, prospective or contingent liability;

“Listing Rules” means the official listing rules of ASX;

“Meeting” and **“Shareholders’ Meeting”** means the meeting of Shareholders convened by the Notice;

“Neil Brine” means Neil Brine and or his nominee(s);

“Net Assets” means the assets of the Company less any Liabilities of the Company and either any payment required to be made by the Company under a Physico DOCA or if a Physico DOCA does not exist, an estimate of the payment which would reasonably be required when a Physico DOCA is entered into;

“Notice” means the notice of meeting to which this Explanatory Memorandum is attached;

“Option” means an option to subscribe for and be issued a Share;

“Original Agreements” means the agreements by which the Company acquired the EDH Business and Suregroup completion under which occurred on 15 September 2005, including without limitation the Business Sale Agreement and the Enbee Loan Agreement;

“Original Notice” means the notice of meeting and explanatory memorandum dated 4 August 2005 issued by the Company in connection with the Original Agreements;

“Original Performance Shares” means 11,333,333 fixed shares in the capital of Biron issued pursuant to the Original Agreements;

“Physico” means Physico Clothing Company Pty Limited ABN 22 003 279 543 (Receiver and Manager Appointed);

“Physico Administrator” means Taylor Woodings;

“Physico DOCA” means a proposed deed of company arrangement in respect of Physico;

“Physico Receiver” means Korda Mentha;

“Physico Wind-down” means the actions of the Board since early June 2006 to reduce the operations of Physico;

“Pre Completion Management Accounts” means the management accounts for the Company prepared as at the end of the month immediately preceding the Completion Date;

“Proposed Directors” means as at the date hereof Messrs J Corr and G Argyle;

“Related Body Corporate” has the meaning given to that term in Section 9 of the Corporations Act;

“Release Deed” means the deed of release and indemnity dated 9 October 2006 between the Company, Suregroup, Neil Brine, Neil Brine and or his nominee, Enbee and EDH;

“Resolution” means the resolution set out in the Notice;

“Sale Agreement” means an agreement dated 9 October 2006 between the Company, Mr Neil Brine and or his nominee, Suregroup, Enbee and EDH and includes all variations thereto;

“72 cent Option” means an Option exercisable at 72 cents;

“Shares” means ordinary fully paid shares in the capital of the Company and **“Shareholders”** has a corresponding meaning;

“Share Issue” means the issue of up to 1,666,666 Shares to Neil Brine and or his nominee if the Ex Gratia Payment is made;

“60 cent Option” means an Option exercisable at 60 cents;

“Suregroup” means Suregroup Pty Ltd ACN 050 020 981 a company controlled by Mr Neil Brine in its capacity as trustee of the Brine Family Trust;

“Suregroup Debt” means the debt due by the Company in the amount of \$900,000 which debt relates to the compromised balance of the outstanding purchase price from the Business Sale Agreement and post sale expenses paid on behalf of EDH by Suregroup;

“Transaction” means the sale of EDH under the Sale Agreement and all associated transactions;

“Transaction Agreements” means all instruments entered into by the Company in connection with the sale of EDH prior to the date hereof and includes without limitation the Sale Agreement, the Release Deed, the Enbee Waiver Deed and the Westpac Waiver Deed;

“Westpac” means Westpac Banking Corporation ABN 33 007 457 141;

“Westpac Debt” means the amount of \$6,798,127 as at 9 October 2006 owed under the Westpac Facility;

“Westpac Facility” means the facility agreement(s) between Westpac, the Company and the Related Bodies Corporate of the Company;

“Westpac Security” means the registered fixed and floating charge number 1207827 over, amongst others, the Company and EDH in favour of Westpac; and

“Westpac Waiver Deed” means the waiver deed between among others Westpac, Enbee, the Company, Physico and EDH which was executed on 13 October 2006 in substantially the same form as set out in the Sale Agreement.

References herein to Sections are to Sections of this Explanatory Memorandum.

To the extent that any of the Transaction Agreements are summarised or paraphrased in this Explanatory Memorandum the purpose is solely to assist Shareholders in gaining a succinct summary of the terms thereof and nothing will affect the full legal terms of the Transaction Agreements.

BIRON APPAREL LIMITED
ABN 58 009 087 469

PROXY FORM

Company Secretary
 Biron Apparel Limited
 Level 34
 Exchange Plaza
 2 The Esplanade
 PERTH WA 6000

Fax Number: +8 9421 2100

I/We _____

of _____

being a shareholder/(s) of Biron Apparel Limited hereby appoint _____

of _____

or failing him/her _____

of _____

or failing him/her the Chairman as my/our proxy to vote for me/us and on my/our behalf at the General Meeting of the Company to be held at 10 am at Level 34, Exchange Plaza, 2 The Esplanade, Perth, Western Australia on 20th December 2006, and at any adjournment thereof in respect of []% of my/our shares or, failing any number being specified, **ALL** of my/our shares in the Company. If two proxies are appointed, the proportion of voting rights this proxy is authorised to exercise is []%. (An additional proxy form will be supplied by the Company on request.)

If you wish to indicate how your proxy is to vote, please tick the appropriate places below. If no indication is given on a Resolution, the proxy may abstain or vote at his or her discretion.

I/we direct my/our proxy to vote as indicated below:

Number	Resolution	For	Against	Abstain
1	Transaction involving the sale of EDH Pty Ltd to Neil Brine and or his nominee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Proxies given by a natural person must be signed by each appointing shareholder or the shareholder's attorney duly authorised in writing. Proxies given by companies must be executed in accordance with section 127 of the Corporations Act or signed by the appointor's attorney duly authorised in writing.

FINANCIAL SERVICES GUIDE
AND
INDEPENDENT EXPERT'S
REPORT
BIRON APPAREL LIMITED
10 November 2006



Consultants (WA) Pty Ltd
ABN 92 008 864 435



BDO Consultants (WA) Pty Ltd

Level 8, 256 St George's Terrace Perth WA 6000
PO Box 7426 Cloisters Square Perth WA 6850
Tel: (61-8) 9360 4200
Fax: (61-8) 9481 2524
AFS Licence Number 246328
Email: bdo@bdowa.com.au
www.bdo.com.au

Financial Services Guide

10 November 2006

BDO Consultants (WA) Pty Limited ABN 92 008 864 435 ("**BDO Consultants**" or "**we**" or "**us**" or "**ours**" as appropriate) has been engaged by Biron Apparel Limited ("**Biron**" or "**the Company**") to provide an independent expert's report on the proposal to sell the shares in EDH Pty Ltd ("**EDH**") to Neil Brine and/or nominee(s). You will be provided with a copy of our report as a retail client because you are a shareholder of EDH.

Financial Services Guide

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

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our **Australian Financial Services Licence, Licence No. 246328**;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Consultants (WA) Pty Limited is ultimately owned by the Perth partnership of BDO. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services. Our directors are partners in the Perth partnership of BDO.

The Perth partnership of BDO is a member firm of BDO in Australia, a national association of separate partnerships and entities. The financial product advice in our report is provided by BDO Consultants (WA) Pty Limited and not by the Perth partnership of BDO or its related entities.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and the Perth partnership of BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice to retail and wholesale clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues in relation to:

- ◆ derivatives limited to old law securities options contracts and warrants;
- ◆ debentures, stocks or bonds issued or proposed to be issued by a government;
- ◆ interests in managed investments schemes (excluding investor directed portfolio services);
- ◆ securities; and
- ◆ superannuation.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice

Fees, Commissions and Other Benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee for this engagement is approximately \$30,000.

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

Remuneration or other benefits received by our employees

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

We have received a fee from Biron for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

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

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Consultants (WA) Pty Limited, PO Box 7426 Cloisters Square, Perth WA 6850.

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

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Industry Complaints Service Limited ("**FICS**"). FICS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FICS will be able to advise you as to whether or not they can be of assistance in this matter. Our FICS Membership Number is F-3820.

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

Financial Industry Complaints Services Limited
PO Box 579
Collins Street West
Melbourne VIC 8007
Toll free: 1300 780 808
Facsimile: (03) 9621 2291
Email: fics@fics.asn.au

Contact details

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

BIRON APPAREL LIMITED
INDEPENDENT EXPERT'S REPORT
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BDO Consultants (WA) Pty Ltd

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AFS Licence Number 246328
Email: bdo@bdowa.com.au
www.bdo.com.au

10 November 2006

The Directors
Biron Apparel Limited
32 Ralph Street
ALEXANDRIA NSW 2015

Dear Sirs

INDEPENDENT EXPERT'S REPORT – BIRON APPAREL LIMITED

1. INTRODUCTION

BDO Consultants (WA) Pty Limited ("**BDO**") has been engaged by Biron Apparel Limited ("**Biron**" or "**the Company**") to prepare an Independent Expert's Report ("**our Report**") to express an opinion as to whether or not the sale of the shares in EDH Pty Ltd ("**EDH**") to Neil Brine and/or nominee(s) ("**the Proposal**") is fair and reasonable to non-associated shareholders ("**Shareholders**") of Biron.

Our Report is to be included in the Information Memorandum for Biron to be sent to all Shareholders to assist them in deciding whether to accept or reject the Proposal.

2. SUMMARY AND OPINION

- 2.1** We have considered the terms of the Proposal as outlined in the body of this report and have concluded that the Proposal is fair and reasonable to Shareholders.
- 2.2** In Section 10 we determined that the Proposal consideration compares to the value of EDH, as detailed hereunder.

	Section	Low \$'m	High \$'m
Value of EDH	9.3	11.2	12.8
Value of consideration	10	12.6	12.9

The above pricing indicates that the Proposal is fair for Shareholders.

2.3 Reasonableness

We have considered the analysis in Section 14 of this report, in terms of both

- Advantages and disadvantages of the Proposal; or
- alternatives, including the position of Shareholders if the Proposal does not proceed.

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

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
14.1.1	Avoiding potential receivership	14.2.1	Potential for dilution of existing shareholders
14.1.2	Disposal of loss making subsidiary	14.2.2	Change of company strategy
14.1.3	Injection of cash		

3. PROFILE OF BIRON APPAREL LIMITED

Biron was originally incorporated as Biron Capital Limited and had been a provider of finance, predominantly for commercial real estate projects. On 8 September 2005 the shareholders of Biron Capital Limited approved a change in company name to Biron Apparel Limited. At the same time shareholders approved the purchase of the Ed Harry menswear business and Physico Clothing Company Pty Ltd ("**Physico**").

Biron purchased Ed Harry for the following consideration:

- \$9 million in cash on completion of the transaction; plus
- \$6 million of subordinated vendor finance; plus
- 3.3 million shares in Biron;

At the same time as the EDH acquisition Biron purchased Physico for 6 million shares in Biron.

Ed Harry is a specialty retailer of men's apparel. It currently has over 180 stores across Australia. Ed Harry retails men's fashion apparel with an underlying value for money proposition across four lifestyle categories and a range of price points with a double generation target market of males aged 25 years and 45 years. Further information on Ed Harry and the retail clothing industry is set out in Section 6 of this report.

Physico is a clothing company specialising in the sourcing and supply of ladies apparel and sleepwear to the major department and specialty chains in Australia and New Zealand. Following a difficult trading period, Physico has been placed into administration. Biron has proposed a Deed of Company Arrangement whereby Biron is released of all claims against it by Physico in exchange for the payment of \$150,000. Creditors of Physico will need to approve the Deed of Company Arrangement before it can be implemented.

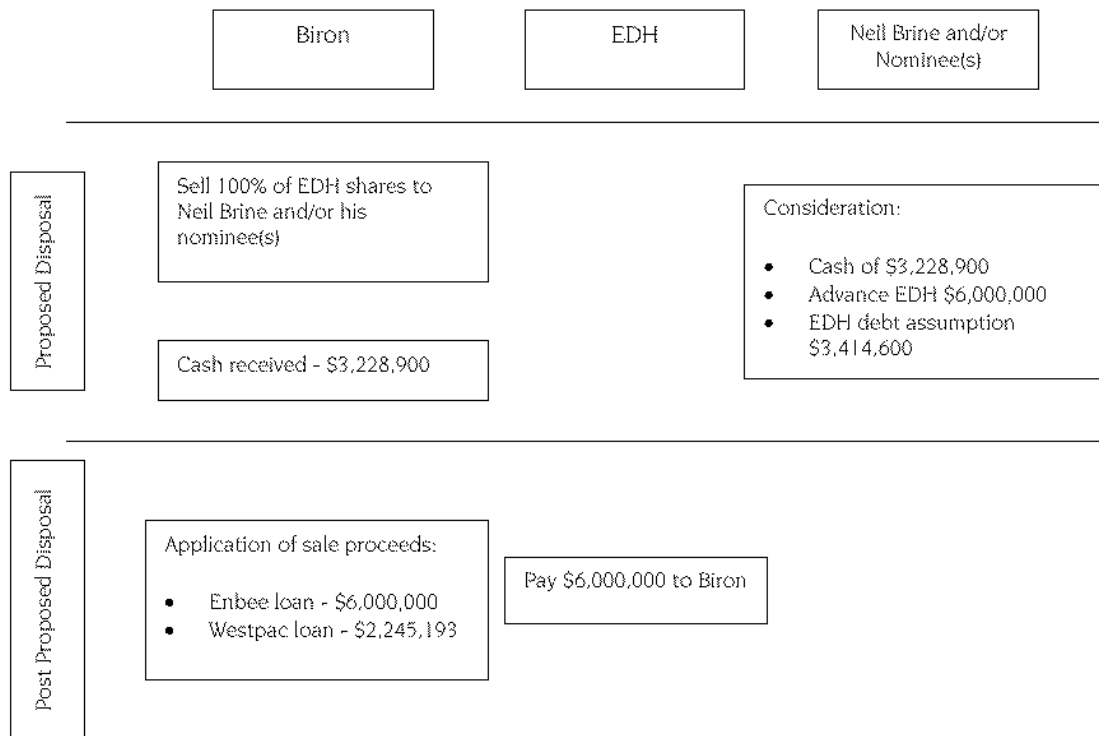
4. OUTLINE OF PROPOSAL

Prior to the Proposal, Biron agreed to write off \$11,975,700 in debt receivable from EDH as at 30 June 2006 in consideration for shares in EDH. This will occur prior to the date of the general meeting and is not a pre-requisite of the Proposal.

Under the Proposal Biron has agreed to sell the shares received from the write off of the EDH debt plus any other EDH shares held by Biron to Neil Brine and/or his nominee(s) for the consideration of \$3,228,900 cash and assignment of the responsibility for approximately \$9,414,600 in net debt otherwise the ultimate responsibility of Biron.

According to the Share Purchase Agreement, the monies received by Biron from the sale of EDH are to be applied to repaying the working capital portion of the Westpac Banking Facility of approximately \$4.6 million as at 6 October 2006. If there is any remaining cash it will be applied to paying any stamp duty that EDH may be liable to pay as a result of the original purchase of the Ed Harry business as previously agreed. Any cash remaining after being applied to the payments noted above can be allocated at the discretion of the directors as noted in the Explanatory Memorandum.

The following diagram sets out the processes involved in the Proposal:



The cash received for the sale of EDH will be subject to the following adjustments:

- If the management accounts for Biron immediately prior to the completion date for the Share Purchase Agreement show negative unconsolidated net assets not exceeding \$250,000 then Neil Brine and/or his nominee(s) will purchase 1,666,667 Biron shares at a price of 15 cents.
- If the management accounts for Biron immediately prior to the completion date for the Share Purchase Agreement show positive unconsolidated net assets not exceeding \$250,000 then Neil Brine and/or his nominee(s) will purchase shares to a value required to reflect a net asset position not exceeding \$250,000.

4.1 Capital Structure

4.1.1 The capital structure of Biron as at 29 September 2006 was as follows:

Ordinary Shares	29 September 2006
Total Ordinary Shares on Issue	35,894,170
Top Twenty Shareholders – Ordinary Shares	28,370,829
Top Twenty Shareholders - % of Ordinary Shares on Issue	79%

Source: Computershare

4.1.2 The spread of Biron shareholders as at 29 September 2006 was as follows:

Range of Shares Held	No. of Shareholders
1-1,000	455
1,001-5,000	329
5,001-10,000	57
10,001-100,000	93
100,001 – and over	36
TOTAL	970

Source: Computershare

4.1.3 The number of shares held by the most significant shareholders at 29 September 2006 is detailed below:

Shareholder	Ordinary Shares	% Shares Held
Nortrust Nominees Limited	3,611,112	10.1
National Nominees Limited	3,585,000	10.0
Suregroup Pty Ltd	3,333,333	9.3
Invertex Pty Ltd	3,109,989	8.7
Investec Australia Direct Investments Pty Ltd	2,000,000	5.6
Leantale Pty Ltd	1,995,000	4.8

Source: Computershare "Top Holders Daily" Report

5. REPORT REQUIREMENTS

5.1 ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it or any of its subsidiaries disposes of a substantial asset, when the value of the asset constitutes more than 5% of the equity interest of that entity at the date of the last audited accounts.

Listing Rule 10.1 applies where the purchaser of the relevant asset is a related party of the listed entity.

Neil Brine is a director of Biron and, hence, a related party to Biron and EDH.

5.2 Listing Rule 10.10.2 requires the Notice of Meeting for shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to

whether the transaction is fair and reasonable to the shareholders whose votes are not to be disregarded in respect of the transaction ("non-associated shareholders").

Accordingly, an independent expert's report is required. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to non-associated shareholders of Biron.

6. BASIS OF EVALUATION

6.1 Regulation Guidelines

In determining whether the Proposal is fair and reasonable, we have had regard to the views expressed by the ASIC in their Policy Statements 74 and 75 and Practice Notes 42 and 43. These Policy Statements suggest that an opinion as to whether transactions are fair and reasonable should entail consideration of all the circumstances of the Proposal.

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

6.2 Adopted Basis of Evaluation

Having regard to both Policy Statements above, BDO has completed this comparison in two parts:

- A comparison between the value of EDH and the value of the consideration to be received (fairness – see Section 12 "Is the Proposal Fair?"); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness – see Section 14 "Is the Proposal Reasonable?").

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

7. VALUATION METHODOLOGIES

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

7.1.1 Capitalisation of future maintainable earnings ("FME")

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ("**EBIT**") or earnings before interest, tax, depreciation and amortisation ("**EBITDA**").

The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

7.1.2 Discounted future cash flows ("DCF")

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

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

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

7.1.3 Net tangible asset value on a going concern basis ("NTA")

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity's assets are liquid or for asset holding companies.

7.1.4 Net Realisable Value ("NRV")

NRV is usually appropriate when an asset or business is to be sold or wound up. The NRV should provide a realistic indication of the value that could be obtained in the event of an orderly realisation of assets.

7.1.5 Quoted Market Price Basis

Another alternative valuation approach that can be used in conjunction with (or as a replacement for) any of the above methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a "deep" market in that security.

7.2 Valuation of EDH Pty Ltd

We consider the most appropriate method of valuing EDH to be the future maintainable earnings ("FME") method. EDH operated at a profit for the year ended 30 June 2005 but then experienced a loss for the year ended 30 June 2006, however, forecasts indicate future profits.

8. BACKGROUND OF ED HARRY AND THE INDUSTRY

8.1 Ed Harry

Ed Harry was established in 1986 with its first store being opened in Adelaide. In 1990 Suregroup Pty Ltd, a related entity to Neil Brine, acquired a stake in Ed Harry, before taking full control in 1993. In 2005 Suregroup Pty Ltd sold Ed Harry to Biron.

At the time of the sale to Biron, Ed Harry had more than 170 stores operating in all mainland States and Territories in Australia with a strong presence in regional areas. The stores stock a broad range of casual apparel including suits, shirts, tops, pants, jeans, shorts, t-shirts, underwear and other accessories. The clothing range is designed to appeal to men aged between 20 years and 55 years with a target market of males aged 25 years and 45 years.

Since the acquisition of Ed Harry by Biron, the directors of Biron have continued to implement and update a Windows based management system covering all aspects of Ed Harry's supply chain, the sales process, payroll and financial control. Information is available to personnel across Australia via an on line 24 hour a day, 7 day a week virtual private networking system. The availability of this system has provided personnel with the ability to better analyse and act on stock movement/trends in particular regions.

The key strengths of Ed Harry have been set out below:

- Reputation of the Ed Harry brand name;
- Ed Harry has four distinctive lifestyle categories, classic daywear, fashion daywear, classic dresswear and fashion dresswear. This enables the company to promote its brands and products clearly within each of the categories;
- National representation of the company including stores in:
 - Small catchment areas allowing Ed Harry to secure sole coverage of menswear in these regions; and
 - Prime locations within major regional or rural shopping centres, shopping strips and malls;
- Experienced staff;
- Efficient supply chain, characterized by:
 - Majority of its products sourced from 6 key suppliers with whom the company has strategic alliances with; and
 - Approximately 90% of stock delivered directly to each store; and
- A demonstrated record of financial performance and growth.

The key weaknesses of Ed Harry have been set out below:

- Reliance on third party brands;
- The seasonal nature of Ed Harry's sales which typically peak in December as a result of Christmas spending; and
- The similarity in designs of Ed Harry's branded products to the designs of other designers and retailers.

Ed Harry now has over 180 stores Australia wide, however, following recent difficult trading conditions, a number of these stores have been identified for closure.

While Ed Harry made a loss in the previous financial year, the company has been profitable for a number of years prior to this. A brief summary of the financial performance of Ed Harry is set out below:

Year ended 30 June	Actual	Actual	Actual	Actual	Actual
	2002	2003	2004	2005	Unaudited 2006
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from ordinary activities	56,288	62,629	74,759	76,672	61,530
EBITDA	1,122	1,064	4,291	4,894	(10,921)
Less: depreciation and amortisation	(546)	(730)	(500)	(1,046)	(1,105)
EBIT	576	334	3,791	3,848	(12,026)
Revenue growth	n/a	11.3%	19.4%	2.6%	(19.7)%
EBITDA margin	2.0%	1.7%	5.7%	6.4%	n/a
EBIT margin	1.0%	0.5%	5.1%	5.0%	n/a

The table above shows that Ed Harry has operated with increasing profitability in the three years ended 30 June 2005 but experienced a significant loss for the year ended 30 June 2006. The loss is the result of a number of factors, including:

- Costs of incorporating the Ed Harry business into Biron;
- Newly established stores struggled to operate profitably; and
- Ed Harry was forced to sell out of season stock at a discount which had a knock on effect as discussed in section 9.1.9;

The factors set out above are not expected to hinder Ed Harry in the future and, therefore, an EBIT of \$2.0 million has been forecast for the year ending 30 June 2007. However, the actual EBIT for the three months ended 30 September 2006 was approximately \$1.1 million behind the forecast figures.

8.2 Clothing Retailing in Australia

Competition within the retail menswear industry is considered high and increasing. Price competition is a major differentiation strategy and is particularly evident when considering the profit margins of retail menswear stores such as Ed Harry.

In 2003-04 men's clothing accounted for approximately 24.1 percent of retail clothing product share. Men's clothing is considered highly discretionary and during periods of economic uncertainty men will quickly readjust their spending habits. This usually means postponing purchases.

The clothing retail industry is not highly concentrated. The four largest participants account for approximately 17.8% of industry revenue. It is expected that industry concentration will remain low because the level of competition makes it hard for major participants to cover a significant market share without incurring substantial costs. However, there have been a number of recent consolidations between minor participants as they attempt to increase their economies of scale.

Consumer activity is expected to decrease in coming periods meaning a decline in activity within the clothing retailing industry, particularly retail menswear. Sales typically move in line with changes in the level of real household disposable income. Currently, household disposable income is being eroded by increasing interest rates and petrol prices.

The percentage of growth in real household disposable income is set out below:

Year	Percentage
2000-01	1.6
2001-02	0.1
2002-03	3.6
2003-04	2.3
2004-05	2.7
2005-06	1.7

Source: IBISWorld Clothing Retailing in Australia

The table above demonstrates a decline in the real household disposable income during the year ended 30 June 2006.

IBISWorld estimates that the clothing retail industry will experience growth for the year ending 30 June 2008, with menswear outperforming the industry. However, higher interest rates are expected to adversely affect the clothing retail industry for the year ending 30 June 2009, where menswear will underperform the industry due to the nature of the menswear market.

It is thought that the historic positive performance of the retail clothing industry can be partly attributable to the recent property boom, allowing consumers to borrow against increased equity to purchase consumable items. The recent decline and leveling of property prices means consumers are slowly adjusting their spending habits and this can partly explain a decrease in recent consumption growth.

9. VALUATION OF EDH PTY LTD

9.1 Future Maintainable Earnings of EDH Pty Ltd

In order to calculate the future maintainable earnings of EDH we have analysed the historic earnings of EDH for each of the two years ended 30 June 2006 and the forecast earnings for the year ending 30 June 2007. A summary of the Income Statements for each of these years is set out below:

	Ref	Audited Year ended 30 June 2005 \$'000	Unaudited Year ended 30 June 2006 \$'000	Forecast Year ending 30 June 2007 \$'000
Revenue from operating activities		76,672	61,530	78,437
Profit before tax		4,022	(12,272)	1,085
Normalisation adjustments				
Impairment loss	9.1.1	-	10,625	-
Acquisition costs	9.1.2	-	85	-
Gross margin adjustment	9.1.3	-	911	-
Sales discount	9.1.4	-	-	(2,859)
Other income		(64)	-	(722)
Depreciation	9.1.5	(136)	105	356
Hire purchase	9.1.6	(232)	(312)	-
Interest	9.1.7	-	158	855
Wages	9.1.8	-	-	2,396
Other expenses		219	(505)	236
Normalised profit before tax		3,821	(1,193)	1,347

9.1.1 Impairment loss

The impairment loss included in the Income Statement for the year ended 30 June 2006 relates to a reduction in the value of the intellectual property, namely trademarks on clothing items, of Ed Harry. The impairment loss has come about due to the recent poor trading. We have adjusted for impairment loss because this is not a consistent cost to EDH that occurs on an annual basis.

9.1.2 Acquisition costs

We have adjusted for acquisition costs included in the Income Statement for the year ended 30 June 2006 because the acquisition costs do not relate to the normal operations of EDH and are not expected to occur again in the future.

9.1.3 Gross margin adjustment

The gross margin for the year ended 30 June 2006 was lower than normal due to the affects of discounting out of season stock. This is described in more detail in section 9.1.10 below.

9.1.4 Sales discount

The forecast for the year ending 30 June 2007 does not include discounts on sales. We have included a sales discount based on the average sales discount over the previous two financial years.

9.1.5 Depreciation

The forecast for the year ending 30 June 2007 includes a depreciation charge in excess of previous years although no significant asset purchases have been forecast. We have averaged the depreciation charge over the previous two financial years and adjusted each year accordingly.

9.1.6 Hire purchase

Hire purchase expense for each of the years has been normalised to reflect a consistent amount for each year based on the forecast for the year ending 30 June 2007.

9.1.7 Interest

Interest for the year ended 30 June 2006 and the year ending 30 June 2007 has been influenced by Biron's acquisition of Ed Harry and subsequent related transactions between Westpac and related parties. We have adjusted the interest paid for each of the two years ending 30 June 2007 to reflect the interest paid during the year ended 30 June 2006, the final year before Biron's acquisition of Ed Harry.

9.1.8 Wages

Wages for the year ending 30 June 2007 have been adjusted to reflect similar wages for each of the two years ended 30 June 2006.

9.1.9 Future maintainable earnings

EDH has experienced recent poor trading that was partly the result of the acquisition in 2005. During the acquisition process a large amount of stock was held by suppliers and was to be taken up by EDH. The acquisition process took longer than expected so that at the date of the transaction the stock held by the suppliers was out of season. EDH was forced to accept the majority of this stock and then discount it through its stores.

The sale of out of season stock through the Ed Harry stores had an adverse knock on effect on the in-season stock because shelf space for new stock was limited and the availability of discounted items reduced demand for in season items. There was also a general downturn in the clothing retail market during the year. Throughout the year ended 30 June 2006 EDH suffered poor sales margins as a result.

As a result, we have used a higher weighting on the net income for the year ended 30 June 2005 because this was the last year before the acquisition.

We have placed minimal weighting on the net income for the year ended 30 June 2006 because this was the year mostly affected by the acquisition. We have also placed a minimal weighting on the year ending 30 June 2007 because there was still a slight carry over effect on the performance of EDH for the first three months of the forecast period and sales are not expected to improve until later in the year.

As a result of our weighting of the normalised net income of EDH we have estimated a future maintainable net profit before tax of \$2.8 million to \$3.2 million.

We have reviewed the comparable companies included in section 9.2 and have found that the average income tax rate applied to profits is approximately 30%. In order to compare a similar net income figure to the capitalisation multiple used in calculating the FME value we have applied an income tax rate of 30% to the profits of EDH. Accordingly we have adopted a future maintainable net profit after tax of \$2.0 million to \$2.2 million

9.2 Capitalisation Multiple

In order to arrive at an earnings multiple for EDH we have analysed the PE multiples for a number of publicly listed companies operating in the same industry to EDH. It is not possible to find a company with exactly the same characteristics as EDH, therefore, the PE multiples discussed below are used as a guide only.

The following table shows the PE multiples for a number of clothing retail companies listed on the ASX. A description of the companies listed below is attached as Appendix 2.

Company	Market Cap \$m	PE Multiple
Just Group Limited	826	14.2
Colorado Group	402	12.3
Miller's Retail	421	14.7
Country Road Limited	128	39.7
Noni b Limited	137	16.1
Average		19.4
Median		26.0

The companies included above show a range of PE multiples of between 12.3 and 39.7. The average PE multiple is 19.4 and the median PE multiple is 26.0. However, included in these PE multiples is the Country Road Limited PE multiple of 39.7, which is distorting the average and median calculations. Country Road Limited has historically had a significantly higher PE multiple than the other companies listed. In addition, the shares of Country Road Limited are closely held with the largest shareholder holding approximately 88% of total shares on issue. Therefore, we have recalculated the average and median PE multiples excluding Country Road Limited from our calculation. This results in an average PE multiple of 14.3 and a median PE multiple of 14.2.

We consider that a PE multiple of between 14.0 and 14.5 is a reasonable range for a PE multiple for an ASX listed clothing retailer. There are a number of factors that differentiate EDH from the companies in the table above. They are:

- The companies above include the retailing of female clothing, which EDH does not sell;
- EDH retails through Ed Harry only, whereas the companies above retail through a number of different stores; and
- Ed Harry will not be listed on the ASX.

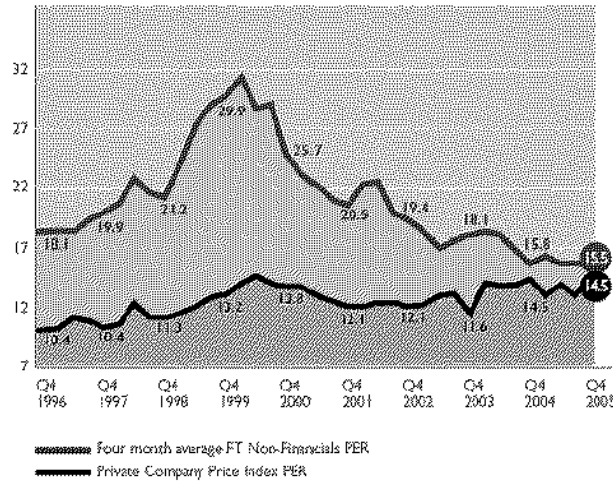
The differences between Ed Harry and the companies listed above should result in a reduction of the PE multiple for the following reasons:

- Retailing of female clothing is more resilient to changes in the economy and of higher volume than male clothing, therefore, the PE multiple of a male only retail company should be lower than a company incorporating female clothing where earnings are not as consistent;
- Retailing through a number of different branded stores allows a company to target different markets and supplement earnings when one market is underperforming. This means that the PE multiple of a company with only one store brand should be lower because it is subject to a greater risk of market movements; and
- The PE multiple of a non-listed company is typically lower than that of a listed company due to reduced flexibility and liquidity of ownership.

9.2.1 Capitalisation Multiple

Private companies are valued at a discount to comparable listed companies. The private company discount is observable from actual transactions. The BDO Stoy Hayward Private Company Price Index ("**PCPI**") is a UK based research index which tracks the relationship between the current four month rolling average FTSE Non-Financials price earnings ratio and the price earnings ratios being paid on the sale of private companies. The PCPI tracks the discount between how public and private companies are being valued. This discount enables valuers to use valuation techniques which are only relevant to public companies and apply them to private companies in the same sector.

The PCPI is generally recognised as the most authoritative source on private company values by practitioners in the UK market, including the Inland Revenue and leading accounting firms.



The current discount rate is 6% but the long term trend range of the PCPI is approximately 40%. The transactions included in this analysis generally involve the acquisition of 100% of the unlisted company. Therefore the PCPI inherently includes a control premium. A control premium is the premium an acquirer pays in order to obtain the benefits that arise from having control of a company.

We have chosen a private company discount rate, which incorporates a premium for control, of 30%. This reflects the current trend of private company earnings multiples being closer to public company earnings multiples.

There is limited data available on the PE multiples of single store menswear retail companies. The majority of income derived from the comparable companies comes from multiple store women's wear retail. IBISWorld estimate that female retail makes up almost 50% of the retail clothing industry while male retail makes up less than 25%. In addition to this, the comparable companies possess a much larger market share of the retail clothing industry than EDH. In order to reflect the lower predictability of the male retail clothing industry and EDH's lack of diversity, we consider an additional 30% discount on the PE multiples derived in section 9.2 to be reasonable.

As a result, we consider a reasonable PE multiple for EDH to be between 5.6 and 5.8.

9.3 Value of EDH

The value of EDH can be calculated by multiplying the normalised net income of EDH by its PE multiple. The table below summarises the FME value of EDH:

Valuation	EDH Value	
	Low	High
Normalised net income (section 9.1) (\$'000)	2,000	2,200
PE multiple (section 9.2)	5.6	5.8
FME value of EDH (\$'000)	11,200	12,760

The table above demonstrates an FME value of EDH to be between \$11.2 million and \$12.76 million. Having reviewed the balance sheet of EDH as at 30 June 2006 we have concluded that there are no surplus assets or liabilities in EDH. A surplus asset or liability is an item that could be removed from EDH without affecting its operations.

10. VALUATION OF CONSIDERATION

Biron will receive \$3,228,900 cash for the sale of the shares in EDH. In addition to this, Enbee Holdings Pty Ltd ("**Enbee**") will advance \$6 million to EDH which will be used to pay the loan from Biron, which in turn, will be used to pay Biron's loan from Enbee. Further, Neil Brine and/or his nominee(s) will assume approximately \$3.4 million EDH debt that would otherwise have been ultimately payable by Biron.

The cash received for the sale of EDH must be used to repay the working capital portion of the Westpac Banking Facility which has a current balance of approximately \$4.6 million. Following this, if EDH is required to pay any stamp duty as a result of the previous purchase of the Ed Harry business by EDH, then the remaining cash will be applied to this stamp duty. Any cash remaining after the repayments above can be allocated at the directors' discretion.

In addition to the initial consideration set out above, Neil Brine and/or his nominee(s) will purchase Biron shares up to a value of \$250,000 depending on the net asset position of Biron at the completion date. The purchase of shares will be decided on the following basis:

- If the management accounts for Biron immediately prior to the completion date for the Sale Agreement show negative unconsolidated net assets not exceeding \$250,000 then Neil Brine and/or his nominee(s) will purchase 1,666,667 Biron shares at a price of 15 cents.
- If the management accounts for Biron immediately prior to the completion date for the Sale Agreement show positive unconsolidated net assets not exceeding \$250,000 then Neil Brine and/or his nominee(s) will purchase shares to a value required to reflect a net asset position not exceeding \$250,000.

Given the current trading position of Biron and EDH, if Neil Brine and/or his nominee(s) did not purchase EDH then it is likely that Biron would be liable for all the debts of EDH and could possibly be placed in receivership. Therefore, we consider the value of the consideration to be provided to Biron includes the cash to

be received plus any debt to be assumed. The total value of cash to be received and debt to be assumed is between \$12.6 million and \$12.9 million as demonstrated below:

	Consideration	
	Low \$	High \$
Cash	3,228,900	3,228,900
EDH loan to Biron	6,000,000	6,000,000
Other debt assumption	3,414,600	3,414,600
Potential ex-gratia payment	-	250,000
Total	12,643,500	12,893,500

11. BIRON PRO-FORMA BALANCE SHEET

We have set out below the pro-forma balance sheet of Biron following the sale of the shares in EDH and the application of monies received under the Proposal. Further, we have assumed that the Physico Deed of Company Arrangement is approved by the creditors of Physico. The balance sheet is based on management accounts and has not been audited.

Pro Forma	As at 30 June 2006 \$
Current Assets	
Cash on hand	1,418,609
Receivables	120,023
Prepayments	637,115
Total Current Assets	2,175,747
Non-Current Assets	
Fixed assets	1,327
Acquisition costs	4,843
Borrowing costs	13,626
Total Non-Current Assets	19,796
Total Assets	2,195,543
Current Liabilities	
PCC	150,000
Annual provision	35,573
Trade creditors	905,434
Other creditors	236,696
Total Current Liabilities	1,327,703
Total Liabilities	1,327,703
Net Assets	867,840

The pro forma balance sheet as at 30 June 2006 indicates a cash position of \$1,418,609 and a net asset position for Biron of \$867,840 following the Proposal. The pro-forma balance sheet does not include an adjustment for any stamp duty that Biron may be liable for.

12. IS THE PROPOSAL FAIR?

In section 9.3 we assessed the value of EDH to be in the range of \$11.2 million to \$12.76 million. In section 10 we assessed the value of consideration for EDH to be between \$12.6 million and \$12.9 million. The table below demonstrates the values of the transaction:

	Section	Low \$'m	High \$'m
Value of EDH	9.3	11.2	12.8
Value of consideration	10	12.6	12.9

The value of EDH is less than the value of the consideration. As such in our opinion the Proposal is fair to Shareholders.

13. OTHER CONSIDERATIONS

13.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the non-associated shareholders of EDH a premium over the value ascribed to that resulting from the Proposal. According to the Share Purchase Agreement, if Biron recommends a higher offer then Biron will be liable to pay Neil Brine and/or nominee(s) proper legal, advisory and financing costs incurred in negotiating, preparing and facilitating the Share Purchase Agreement up to an aggregate maximum amount of \$500,000 (GST inclusive).

13.2 Implications of the Proposal not being approved

If the proposal is not approved it is highly likely that Biron will be placed into administration.

14. IS THE PROPOSAL REASONABLE?

We have considered the position of Shareholders if the Proposal is approved and have taken into account the following advantages and disadvantages in this assessment. We have assessed that in all cases the advantages and disadvantages of rejecting the Proposal are the inverse of accepting the Proposal. Thus for simplicity of evaluation of the Proposal we have set out the significant factors only in the context of accepting the Proposal.

In accordance with our basis of evaluation (Section 5.2) we have investigated other significant factors to which Biron shareholders might give consideration prior to approving the Proposal. The matters we have considered are outlined below.

14.1 Advantages

14.1.1 Avoid potential receivership

According to the Waiver Deed between Biron, Physico, EDH, Enbee Holdings Pty Ltd, Suregroup Pty Ltd, Neil Desmond Brine and/or nominee(s) and Westpac Banking Corporation, where Westpac Banking Corporation has

agreed to waive certain conditions under their facility agreement, if Shareholders' do not vote in favour of the Proposal Westpac will provide consent for Enbee Holdings Pty Ltd to appoint receivers to Biron.

This means that the Shareholders of Biron will be left with a potentially worthless investment.

14.1.2 Disposal of loss making subsidiary

Since the acquisition of EDH, the company has not operated profitably. This means that Biron has had to support the operations of EDH through cash reserves and additional funding. It is estimated that significant additional funding will be required to fund the future operations of EDH.

The disposal of EDH will reduce the need for further potential funding and will allow EDH to concentrate on targeting new potentially profitable operations.

14.1.3 Injection of cash

Biron will receive up to \$3,478,900 for the sale of EDH. These funds will be applied to the repayment of the working capital portion of the Westpac Banking Facility, which has a current balance of approximately \$4.6 million. Following this, if EDH is required to pay any stamp duty as a result of the original purchase of the Ed Harry business by EDH then the remaining cash will be applied to this stamp duty. Any cash remaining after the repayment of the Westpac Banking Facility and stamp duty can be allocated at the directors' discretion.

The cash remaining as a result of the sale will provide Biron with the funds to seek alternative opportunities.

14.2 Disadvantages

14.2.1 Potential for dilution of existing shareholders' interest

The interests of existing non-associated shareholders in the shares of Biron may be diluted if the Proposal is approved and Neil Brine and/or his nominee(s) is required to apply for up to 1,666,667 Biron shares at an issue price of 15 cents per share. This would reduce the existing shareholders' interest in Biron to approximately 96%.

14.2.2 Change of company direction

Following the sale of the shares in EDH, Biron will pursue an alternative investment strategy. This investment strategy may involve different risk characteristics or portfolio values to those currently met by Biron. These changes in portfolio value and risk characteristics may no longer meet the requirements of shareholders.

15. CONCLUSION

We have considered the terms of the Proposal as outlined in the body of this report and have concluded that the Proposal is fair and reasonable to the non-associated shareholders.

16. SOURCES OF INFORMATION

- This report has been based on the following information:
- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Ed Harry Menswear Information Memorandum dated October 2004;
- Biron Capital Limited Prospectus dated 4 August 2005;
- EDH management accounts for the three months ended 30 September 2006;
- Proforma balance sheet for EDH as at 30 June 2006;
- Biron Capital Limited Annual Report for the year ended 30 June 2005;
- Unaudited financial statements for EDH for the year ended 30 June 2006;
- Management accounts for Biron for the year ended 30 June 2006;
- Share Purchase Agreement between Biron, Neil Brine and/or nominee(s), Suregroup Pty Ltd, Enbee Holdings Pty Ltd and EDH;
- Deed of Release and Indemnity between Biron, Neil Brine and/or nominee(s), Suregroup Pty Ltd, Enbee Holdings Pty Ltd and EDH;
- Waiver Deeds between Biron, Physico Clothing Company Pty Limited, Neil Brine and/or nominee(s), Suregroup Pty Ltd, Enbee Holdings Pty Ltd, EDH and Westpac Banking Corporation;
- IBISWorld Industry Report, Clothing Retailing in Australia G5221, dated 14 September 2006 and supplied by IBISWorld Pty Ltd;
- Information in the public domain; and
- Discussions with Directors and Management of Biron.

17. INDEPENDENCE

BDO Consultants (WA) Pty Limited is entitled to receive a fee of \$30,000 (excluding GST and reimbursement of out of pocket expenses). Except for this fee, BDO Consultants (WA) Pty Limited has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Consultants (WA) Pty Limited has been indemnified by Biron in respect of any claim arising from BDO Consultants (WA) Pty Limited's reliance on information provided by Biron, including the non provision of material information, in relation to the preparation of this report.

BDO Consultants (WA) Pty Limited is wholly owned by BDO, a member of BDO International. Prior to accepting this engagement BDO Consultants (WA) Pty Limited considered its independence with respect to Biron and any of their respective associates with reference to ASIC Practice Note 42 "Independence of Expert's Reports". In BDO Consultants (WA) Pty Limited's opinion it is independence of Biron and their respective associates.

Neither the two signatories to this report nor BDO Consultants (WA) Pty Limited, have had within the past two years any professional relationship with Biron, or their associates, other than in connection with the preparation of this report.

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

18. QUALIFICATIONS

BDO Consultants (WA) Pty Limited has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Consultants (WA) Pty Limited holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes, Matt Giles and Peter Gray of BDO Consultants (WA) Pty Limited. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia.

19. DISCLAIMERS AND CONSENTS

This report has been prepared at the request of Biron for inclusion in the Notice of Meeting which will be sent to all Biron Shareholders. Biron engaged BDO Consultants (WA) Pty Limited to prepare an independent expert's report to consider the sale of EDH to Neil Brine and/or nominee(s).

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

BDO Consultants (WA) Pty Limited takes no responsibility for the contents of the Notice of Meeting other than this report.

BDO Consultants (WA) Pty Limited has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit of Biron. However, we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld.

The forecasts provided to BDO Consultants (WA) Pty Limited by Biron are based upon assumptions about events and circumstances that have not yet occurred. Accordingly, BDO Consultants (WA) Pty Limited cannot provide any assurance that the forecasts will be representative of results that will actual be achieved. BDO Consultants (WA) Pty Limited disclaims any possible liability in respect of these forecasts.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Proposal, tailored to their own

particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Biron, or any other party.

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

The terms of this engagement are such that BDO Consultants (WA) Pty Limited has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CONSULTANTS (WA) PTY LIMITED

Sherif Andrawes
Director

Matt Giles
Director

Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
BDO	BDO Consultants (WA) Pty Limited
Biron or the Company	Biron Apparel Limited
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EDH	EDH Pty Ltd
Enbee	Enbee Holdings Pty Ltd
FMD	Future Maintainable Dividends
FME	Future Maintainable Earnings
NRV	Net Realisable Value
NTA	Net Tangible Assets
PCPI	Private Company Price Index
PE	Price to Earnings
Physico	Physico Clothing Company Pty Ltd
The Proposal	The proposal to sell 100% of the shares in EDH to Neil Brine and/or his nominee(s)
Our Report	This Independent Expert's Report prepared by BDO
ROC	Return of Capital
VWAP	Variable Weighted Average Price
Shareholders	Shareholders of Biron not associated with Neil Brine and/or nominee(s)

Appendix 2 – Comparable Companies

Just Group Limited

Just Group Limited is a specialty apparel retailer operating over 700 stores in Australia and New Zealand. The portfolio of brands includes Just Jeans, Jay Jays, Portmans, Jacqui E, Peter Alexander & Dotti.

Just Group Limited have a focus on women's apparel which has a more valuable target market than menswear. The company has a strong history of increasing its earnings per share.

Colorado Group

Colorado Group is a specialty footwear and clothing retailer with 342 retail outlets throughout Australia trading through the divisions of Mathers for Shoes, Williams the Shoeman and Colorado Adventurewear. Palmer Corp (acquired in March 2001) operates 23 stores throughout Australia and has a wholesaling and licensing business under the JAG brand. Diana Ferrari (acquired in January 2002) wholesales the Diana Ferrari and DF Supersoft brands and also operates two retail stores in Melbourne.

Colorado Group had a net profit of approximately \$35 million last financial year and has a diversified product range targeted at a number of different markets.

Miller's Retail Limited

Miller's Retail Limited divested its unsuccessful discount variety business in 2005 and now operates female apparel stores across Australia. Miller's Retail Limited's strategy is to focus on the value end of the market. The group now operates 714 stores across its four brands and plans to expand to 730 in the financial year ended 2007.

The company has gone through a recent restructuring in terms of type of store and target market. Significant growth is expected as a result of the change in focus.

Country Road Limited

Country Road Limited is a wholesaler and retailer of apparel and homewares in Australia and New Zealand. The brand is sold primarily through Country Road retail stores, major department and specialty stores.

Country Road Limited made a modest profit of approximately \$3 million for the last financial year. The ownership structure of Country Road Limited is different to a typical listed company in that its major shareholder holds approximately 88% of the shares on issue.

Noni B Limited

Noni B Limited is a specialist retailer of women's apparel and accessories founded by CEO Alan Kindl in 1997. The company operates 178 Noni B and Liz Jordan stores nationally, with plans to expand to 220 stores over the next two years.

While the size of Noni B Limited is similar to EDH, the company focuses on the larger women's apparel market. Noni B Limited has experienced substantial growth over the last three years.