

WAM ACTIVE LIMITED

(ACN 126 420 719)

PROSPECTUS



FOR THE OFFER OF

UP TO 25,000,000 FULLY PAID ORDINARY SHARES
AT AN OFFER PRICE OF \$1.00 PER SHARE

TO RAISE UP TO \$25,000,000

TOGETHER WITH AN OPTION TO ACQUIRE ORDINARY SHARES
EXERCISEABLE AT \$1.00 PER SHARE

WAM ACTIVE LIMITED
IS MANAGED BY

MAM PTY LIMITED
(AUSTRALIAN FINANCIAL SERVICES LICENCE NUMBER: 223231)

THIS OFFER IS NOT UNDERWRITTEN

SPONSORING BROKERS

*ABN AMRO
Morgans Limited
(ACN 010 669 726)*

*ETRADE Australia
Securities Limited
(ACN 078 174 973)*

Directory

Directors

Geoffrey Wilson
Matthew Kidman
Christopher Cuffe
John Abernethy

Company Secretary

Katherine Thorley

Registered Office

Level 11, 139 Macquarie Street
Sydney NSW 2000

Telephone: (02) 9247 6755
Facsimile: (02) 9247 6855

Manager

MAM Pty Ltd
Level 11, 139 Macquarie Street
Sydney NSW 2000
(Australian Financial Services
Licence Number: 223231)

Telephone: (02) 9247 6755
Facsimile: (02) 9247 6855

Sponsoring Brokers

ABN AMRO Morgans Limited
Level 29, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

Telephone: (07) 3334 4888 or
134 226

Facsimile: (07) 3831 9946

Licensed Dealer to the Offer

Wilson Asset Management
(International) Pty Ltd
Level 11, 139 Macquarie Street
Sydney NSW 2000
(Australian Financial Services
Licence Number: 247333)

Telephone: (02) 9247 6755
Facsimile: (02) 9247 6855

Share Registry

Registries Ltd
28 Margaret Street
Sydney NSW 2000

Telephone: (02) 9290 9600
Facsimile: (02) 9279 0664

ETRADE Australia Securities Ltd
Level 7
10 Bridge Street
Sydney NSW 2000

Telephone: 1300 658 355
Facsimile: (02) 9247 4599

Investigating Accountant

Moore Stephens Sydney
Corporate Finance Pty Ltd
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Sydney NSW 2000

Telephone: (02) 8236 7700
Facsimile: (02) 9233 4636

Solicitors to the Offer

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Ltd
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Sydney NSW 2000

Telephone: (02) 9262 6666
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Auditor

Moore Stephens Sydney
Level 7
20 Hunter Street
Sydney NSW 2000

Telephone: (02) 8236 7700
Facsimile: (02) 9233 4636

This Prospectus is dated 6 November 2007 and was lodged with the Australian Securities & Investments Commission (**ASIC**) and the Australian Securities Exchange Limited (**ASX**) on 6 November 2007. No responsibility for the contents of this Prospectus is taken by the ASIC and the ASX or any of their officers.

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

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Indicative Timetable

Date of Prospectus	6 November 2007
Expiry of exposure period	13 November 2007
Offer to open	13 November 2007
Offer expected to close	21 December 2007
Trading of Shares expected to commence on ASX	3 January 2008

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

The Company reserves the right to close the Offer earlier than 21 December 2007 or extend the Closing Date.

IMPORTANT NOTICES

No Shares or Options will be issued on the basis of this Prospectus later than the expiry date of this Prospectus being 13 months after the date of this Prospectus.

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

Defined terms and abbreviations included in the text of this Prospectus are set out in the Glossary in Section 12. A glossary of key investment terms used in this Prospectus is set out in Section 11.

The Company will apply to the ASX within 7 days after the date of this Prospectus, for the Shares and Options to be listed for quotation on the ASX.

Dealers to the Offer

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

The Company will forward all Application Forms which do not bear a dealer's stamp and associated Application Monies to Wilson Asset Management (International) Pty Limited (**WAMI**). WAMI will deposit and deal with the Application Monies pursuant to this Prospectus.

WAMI's function should not be considered as an endorsement of the Offer nor a recommendation of the suitability of the Offer for any investor. WAMI does not guarantee the success or performance of the Company or the returns (if any) to be received by investors. Neither WAMI nor any other dealer is responsible for or caused the issue of this Prospectus. The Company reserves the right to enter into similar arrangements to those with WAMI with other dealers.

Risks and your Investment Decision

Applicants should read this Prospectus in its entirety before deciding to apply for Shares and Options. This Prospectus does not take into account your individual investment objectives, financial situation or any of your particular needs. You should seek independent legal, financial and taxation advice before making a decision whether to invest in the Company.

An investment in any listed entity carries risks. An outline of some of the risks that apply to an investment in the Company is set out in Section 4. Applicants are urged to consider this section of the Prospectus carefully before deciding to apply for Shares and Options.

The Company will employ an absolute return focus applying an active market-driven investment process. The Company is exposed to particular risks as a result. See Section 4.2 for details.

Forward Looking Statements

This Prospectus contains forward looking statements. Forward looking statements are not based on historical facts, but are based on current expectations of future results or events. These forward looking statements are subject to risks, uncertainties and assumptions which could cause actual results or events to differ materially from the expectations described in such forward looking statements. While the Company believes that the expectations reflected in the forward looking statements in this Prospectus are reasonable, no assurance can be given that such expectations will prove to be correct. The risk factors set out in Section 4, as well as other matters as yet not known to the Company or not currently considered material by Company, may cause actual results or events to be materially different from those expressed, implied or projected in any forward looking statements. Any forward looking statement contained in this Prospectus is qualified by this cautionary statement.

Electronic Prospectus

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

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

The Shares and Options to which the Electronic Prospectus relates will only be issued on receipt of a printed copy of the electronic Application Form together with a printed copy of the Prospectus. The Application Form may be generated by software accessible by the same means as the Prospectus.

How to Apply

An application for Shares and Options under this Offer can only be made by completing and lodging the Application Form attached at the back of this Prospectus. Detailed instructions on completing the Application Form can be found on the back of the Application Form.

Applications must be for a minimum of 2,000 Shares at \$1.00 each i.e. \$2,000. A larger number of Shares may be applied for in multiples of 100 Shares.

Applications must be accompanied by payment in Australian currency of \$1.00 per Share. Cheques should be made payable to "WAM Active Limited" and crossed "Not Negotiable". No brokerage or stamp duty is payable by Applicants.

Completed Application Forms, together with Application Monies, should be forwarded to the following address:

WAM Active Limited Share Offer
c/- Registries Limited
PO Box R67
Royal Exchange, Sydney NSW 1223

When to Apply

Completed applications must be received by Registries Limited prior to 5.00 pm (EST) on the Closing Date. The Directors may close the Offer at any time after expiry of the exposure period without prior notice or extend the Offer period in accordance with the Corporations Act. **Early lodgement of your application is recommended as the Offer may be closed early.**

The Directors reserve the right to allocate any lesser number of Shares and Options than those for which Applicant has applied. Where the number of Shares and Options allotted is fewer than the number applied for, surplus Application Monies will be refunded without interest.

Enquiries

Investors with questions on how to complete the Application Form or who require additional copies of the Prospectus should contact Matthew Kidman or Geoffrey Wilson at WAM Active Limited on (02) 9247 6755 or info@wami.com.au.



6 November 2007

Dear Investor

As Chairman of the Board of Directors, I am pleased to invite you to become a shareholder in WAM Active Limited (**Company**).

The Company will be an active investor, taking advantage of a range of equity market opportunities. It is envisaged that the Portfolio will experience high turnover and individual securities may not be held for extended periods. If the Manager cannot identify a satisfactory investment, it will revert to holding cash. The Company's cash holdings may range from nil to 100%.

The equity market opportunities may include:

- Corporate transactions such as takeovers and restructurings;
- Capital raisings;
- Block trades;
- Discount to assets arbitrage;
- Franking credit arbitrage; and
- Short selling securities.

See Section 2 for a detailed discussion of how the Company may take advantage of these opportunities and Section 11 for a guide to some key investment terms used in this Prospectus.

The Company will offer investors exposure to an active trading style with the aim of achieving a sound return with a low correlation to traditional investment markets.

The management team responsible for day to day investment decisions will initially be Matthew Kidman and myself as fund managers with MAM Pty Ltd. This team has combined experience of 40 years in the financial markets and assists in the management of other listed investment companies WAM Capital Limited and Wilson Investment Fund Limited.

I believe the characteristics that will distinguish this Company will be its flexibility and the ability to perform positively under different market conditions. In addition, the Company will benefit from highly experienced independent Directors who intimately understand financial markets.

I encourage you to read this Prospectus carefully before making your investment decision, as it contains detailed information about the Company and the offer of Shares and Options to investors.

As the Company will be seeking to take advantage of short term market events, it may be exposed to market-risks to a greater degree than those of an investor adopting a long term or "value" driven investment strategy.

You should carefully consider both the general risks associated with investment in shares and those that are particular to the Company's investment strategy. Please refer to Section 4 for details.

I look forward to welcoming you as a shareholder of the Company.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Geoffrey Wilson', with a long horizontal line extending to the right.

Geoffrey Wilson
Chairman

1. Information for Investors

This is a summary only. This Prospectus should be read in full before making any decision to apply for Shares and Options.

A glossary of key terms used in this Prospectus is set out in Sections 11 and 12.

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

1.1 Objective

The Company has been established to provide investors with access to the benefits of an actively managed investment strategy focused on delivering absolute returns.

See Section 2 for details of the investment approach to be applied by the Manager on behalf of the Company.

1.2 The Offer

The Company will offer for subscription up to 25,000,000 Shares at \$1.00 per Share to raise up to \$25,000,000. For each Share issued, subscribers will receive 1 Option to subscribe for a Share at an exercise price of \$1.00 exercisable by 17 June 2009.

Applications will be processed and Shares and Options issued on a first-come-first-served basis subject to the Priority Allocation outlined in Section 1.3. Early lodgement of your application is recommended as the Offer may be closed early at the Directors discretion.

1.3 Priority Allocation

Up to 10,000,000 Shares have been set aside for the Priority Allocation to existing shareholders of WAM Capital Limited (**WAM**), Wilson Investment Fund Limited (**WIL**) and Wilson Leaders Limited (**WLS**). This Priority Allocation will be restricted to the shareholders of WAM, WIL and WLS on a "first-come-first-served" basis until 3 December 2007 if not filled beforehand. These shareholders should use the Priority Allocation Form.

Early lodgement of your application is recommended as the Offer may be closed early at the Directors discretion.

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

1.4 Risk Factors

An investment in the Company is speculative and involves a number of risks. While the Directors intend to use prudent management techniques to minimise the risks to Shareholders, no assurances can be given by the Company as to the success or otherwise of its business.

Before applying for Shares and Options, investors should consider the risk factors identified in this Prospectus, particularly those identified in Section 4.

1.5 Management Fee and Performance Fee

MAM Pty Limited (**Manager**) manages the Portfolio of investments of the Company (Portfolio).

The Manager will receive a management fee of 0.0833334% of the gross value of the Portfolio monthly (equating to an annualised fee of 1% of the average gross value of the Portfolio).

Where the gross value of the Portfolio has increased over a 12 month period, the Manager will also be entitled to a performance fee of 20% of the value of the Portfolio above the High Water Mark.

The “High Water Mark” is the greater of the:

- (a) highest value of the Portfolio as at the last day of the last period for which a Performance Fee was last paid or payable; and
- (b) the gross proceeds raised from the issue of shares under this Prospectus.

No performance fee will be payable to the Manager in respect of any performance period where the Portfolio has decreased in value over that period. See Section 9.1 for details.

The Company will also indemnify the Manager against any GST payable in respect of any of the above fees.

The shares in the capital of the Manager are held by interests associated with Geoffrey Wilson and Matthew Kidman, both directors of the Company .

1.6 Dealers to the Offer

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

WAMI holds an appropriate Licence. As the licensed dealer to the Offer, WAMI will deposit and deal with the Application Monies pursuant to this Prospectus. Any Application Form received which does not bear a dealer’s stamp will be forwarded to WAMI for processing.

WAMI will not receive a fee for provision of its services as licensed dealer to the Offer. However, the Company will pay handling fees and commissions equal to 2% of the application monies provided with Application Forms bearing a dealer’s stamp (other than WAMI).

1.7 Offer not Underwritten

The Offer is not underwritten.

1.8 Minimum Subscription

The minimum subscription for the Offer is \$15,250,000, being receipt of valid Applications for not less than 15,250,000 Shares and 15,250,000 attaching Options. If this minimum subscription is not achieved and the Application Monies for these Shares is not received by

the Company by the date 4 months after the Opening Date, the Company will repay all money received from Applicants within 7 days after that date.

1.9 Applications for Shares & Options

Applications for Shares and Options must be made and will only be accepted on the Application Form issued with and attached to this Prospectus.

An Application Form must be completed in accordance with the instructions set out on the reverse side of the Application Form. Applications must be for a minimum of 2,000 Shares and 2,000 Options for a total of \$2,000. Applications may be made for additional Shares and Options in multiples of 100 Shares and 100 Options for \$100.

Applications must be accompanied by payment in Australian currency of \$1.00 for each Share and Option applied for. Cheques must be made payable to "WAM Active Limited" and crossed "Not Negotiable". Payments by cheque will be deemed to have been made when the cheque is honoured by the bank on which it is drawn. No stamp duty or brokerage is payable by Applicants. The amount payable on Application will not vary during the period of the Offer and no further amount is payable on allotment.

Completed Application Forms and accompanying cheques may be lodged with:

WAM Active Limited Share Offer
c/- Registries Limited
PO Box R67
Royal Exchange, Sydney NSW 1223

A binding contract to issue Shares and Options will only be formed at the time Shares are allotted and Options granted to Applicants.

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

1.10 ASX Listing

Application will be made to ASX within 7 days after the date of this Prospectus for the Company to be listed on the ASX and for quotation of the Shares and Options issued pursuant to this Prospectus and all other Shares on issue as at the date of such quotation. ASX quotation, if granted, will commence as soon as practicable after holding statements are dispatched.

The fact that ASX may list the Company is not to be taken as an indication of the merits of the Company or the Shares or Options.

The Directors do not intend to allot any Shares and Options unless and until ASX grants permission for the Shares and Options to be listed for quotation unconditionally or on terms acceptable to the Directors. If permission is not granted for the Shares and Options to be listed for quotation before the end of 3 months after the date of this Prospectus or such longer period permitted by the Corporations Act with the consent of ASIC, all Application Monies received pursuant to the Prospectus will be refunded in full without interest to Applicants, within the time prescribed by the Corporations Act.

1.11 Allotment

No allotment of Shares and Options will be made until the minimum subscription has been received and permission has been granted by ASX for quotation of the Shares and Options

unconditionally or on terms acceptable to the Directors. It is expected that allotment of the Shares and Options will take place by 20 December 2007.

The Company will forward all Application Forms it receives to WAMI. All Application Monies pursuant to this Offer will be held in a subscription account until allotment. This account will be established and kept by WAMI on behalf of the Applicant.

An Application constitutes an offer by the Applicant to subscribe for Shares and Options on the terms and subject to the conditions set out in this Prospectus. Where the number of Shares and Options allotted is less than the number applied for or where no allotment is made, the surplus Application Monies will be returned by cheque within 7 days of the Closing Date. Interest will not be paid on the refunded Application Monies.

1.12 CHESS

The Company will apply to ASX to participate in the securities Clearing House Electronic Subregister System known as CHESS. CHESS is operated by the ASX's Securities Clearing House (SCH) in accordance with the ASX Listing Rules and the SCH Business Rules. Under CHESS, the Company will not issue certificates to investors who elect to hold their shares on the CHESS subregister. After allotment of Shares, Shareholders will receive a CHESS statement.

The CHESS statements which are similar to bank account statements, will set out the number of Shares allotted to each Shareholder pursuant to this Prospectus. The statement will also advise holders of their holder identification number and explain for future reference the sale and purchase procedures under CHESS.

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

1.13 Overseas Shareholders

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

1.14 Privacy

When you apply to invest in the Company, you acknowledge and agree that:

- (a) you are required to provide the Company with certain personal information to:
 - (i) facilitate the assessment of an Application;
 - (ii) enable the Company to assess the needs of Applicants and provide appropriate facilities and services for Applicants; and
 - (iii) carry out appropriate administration;
- (b) the Company may be required to disclose this information to:
 - (i) third parties who carry out functions on behalf of the Company, including marketing and administration functions, on a confidential basis; and
 - (ii) third parties if that disclosure is required by law; and
- (c) related bodies corporate (as that term is defined in the Corporations Act) which carry out functions on behalf of the Company.

Under the Privacy Act 1988 (as amended), Applicants may request access to their personal information held by (or on behalf of) the Company. Applicants may request access to personal information by telephoning or writing to the Manager.

A copy of the privacy policy of the Company is available to Applicants on request.

2. WAM Active Limited

2.1 Overview of WAM Active Limited

The Company provides investors with the opportunity to invest in a company with an actively managed portfolio of investments assembled through the application of a defined investment process and using the experience of the Manager's funds management team.

The Company will predominantly invest in ASX listed securities and, where appropriate investments cannot be identified, cash. The Company will focus on absolute performance with respect to its investments. See Sections 2.4 to 2.5 for details.

The Company intends to manage its Portfolio with a focus on absolute returns. This may involve owning anywhere from 10 to 100 stocks. See Section 2.3 for an overview of the absolute return approach.

The Company will undertake active capital management which may involve buy-backs of its Shares if they are trading at a sizeable discount to its net tangible asset backing and the issue of other securities through bonus issues, rights issues and option issues, with a view to enhancing the value of the securities held by the investor. See Section 2.10 for details. The Company will also maintain a dividend reinvestment plan. See Section 10.8 for details.

2.2 Investment Objectives

The investment objectives of the Company are to:

- Derive an absolute return over the long term.
- Deliver investors an income stream in the form of fully franked dividends.
- Preserve the capital of the Company.

2.3 The Absolute Return Approach and Traditional Investment Strategies

The absolute return focus of the Company can be considered an "alternative" investment approach and may be contrasted with traditional asset management. (See Section 11 for a glossary of investment terms used in this Section 2)

"Traditional" asset classes include shares, property, fixed interest and cash. Investment outside the traditional asset classes are often referred to as forming part of the "alternative" asset class (which also includes private equity and "fund of funds"). They are referred to as "alternative" as the structure of portfolios and management techniques employed are significantly different from traditional practices.

As many traditional equity fund managers are not permitted or choose not to short sell securities, their funds' performance will be strongly influenced by the direction of the equity and bond markets. An investment in a "traditional" managed equity fund will therefore typically increase in value when the relevant equity market is performing strongly and result in a loss of capital if that market is performing poorly.

By contrast, an absolute return approach aims to deliver positive returns in a rising market as well as preserving capital in a falling market over the long term. A number of methods may be employed to achieve this objective including:

- Taking positions in a broader range of investments.

- Taking advantage of market arbitrage opportunities presented by corporate transactions from time to time.
- Short selling, which involves selling assets which are not owned but where the fund manager believes that it will be able to purchase at a lower price as the price is expected to fall.
- Obtaining leverage, which involves borrowing against assets that a fund owns and increasing exposure to a stock or financial market which the fund manager believes is rising.
- Resorting to significant cash holdings in falling markets or where appropriate investment opportunities cannot be identified.

The philosophy and principles applied by such an approach are outside that of the traditional investment principles where a fund's performance is judged relative to its movement against a particular benchmark or index such as the S&P/ASX 200 Index.

Returns of absolute return funds typically tend to have a low correlation to market indices and benchmarks that represent other asset classes such as shares, property or fixed interest. This low correlation means that movements in those variables are relatively independent of each other. Investment in absolute return-focused investment entities may therefore assist investors to diversify and reduce the overall volatility of their portfolios over the long term.

The generation of returns by an absolute return fund is reliant on the skill of the manager, whereas traditional strategies may primarily reflect the return of an underlying asset class.

The investment objectives of the Company include the objective of preserving capital. Nevertheless, the Company will be exposed to adverse market conditions and returns for the Company may still be adversely affected in declining markets.

2.4 Investment Philosophy

The investment philosophy of the Company is exemplified by the following broad principles:

- The Company will seek to provide positive returns in all market conditions. It will look to do this by taking advantage of opportunities created by corporate transactions including takeovers, demergers, preference share conversions, IPO's, placements and sell downs or other trading and arbitrage opportunities.
- The universe of potential investments for the Company will be all securities quoted on the ASX or other exchanges, bills of exchange, other negotiable investments, debentures and other permitted investments identified in Section 2.7.
- The Company's philosophy is to invest wherever opportunities are identified irrespective of whether a "micro-cap" or a "large-cap" investment is involved.
- The Company's preference is to invest in entities where the securities are being issued or sold below the current market price or the Manager's valuation or are the subject of a corporate event.
- The Company has flexibility to take significant positions in individual securities. This may reduce the diversity of the Portfolio and therefore increase the exposure to abnormal falls in the market price of any single investment.

- While the Company believes it may achieve acceptable diversification by owning securities in 20 different entities, the Manager will not be required to maintain this level of diversification. Rather the focus will be on absolute return for the Portfolio which may be achieved by investing in a significantly lower number of securities.
- Capital preservation is a key investment objective for the Company. Accordingly, the Company will revert to holding cash once an investment has matured and if other opportunities cannot be identified. This could lead to the Company holding up to 100% of the Portfolio in cash.
- The Company may seek to manage investment risk by taking short selling positions against its long positions or holding significant levels of cash. Short selling may be paired against a long position or may be employed when the Manager believes an entity is overvalued with deteriorating fundamentals.
- The Company may invest in securities quoted on a securities exchange located outside Australia if both the Manager and the Board considers that the reporting obligations and trading procedures applicable to that exchange are no less rigorous than those of the ASX.

The Directors consider that the investment philosophy outlined above is shared by the Manager.

2.5 Investment Strategies and Process

There will be no single investment strategy adopted for the Company. Rather the Manager will employ a combination of strategies to achieve the objectives of the Company.

Relevant strategies may include the following:

- Participating in initial public offerings, placements, block trades and rights issues.
- Participating in hybrid issues and convertible note issues as well as more traditional share investments.
- Focusing on merger transactions (such as takeovers, mergers, schemes of arrangements, corporate spin-offs and restructuring). By way of example, the Manager may buy securities of a target company and short sell securities of the acquiring company in an expected or announced takeover situation.
- Focusing on other corporate transactions to identify arbitrage opportunities. This may include participation in share buybacks.
- Taking advantage of arbitrage opportunities involving hybrid securities including preference shares and convertible notes.
- Buying securities in listed investment companies (LIC), where they trade at a significant discount to underlying net assets. This is known as LIC discount arbitrage.
- Relative value arbitrage (or pair trades) which combines long positions in securities with offsetting short positions to obtain returns that are independent of market movements.
- Short selling securities.
- The use of leverage where appropriate.

As the Manager will be seeking to identify trading opportunities in the market, the Manager has termed this investment process the Market Driven process. This will involve the detailed monitoring of both primary and secondary market activity with particular emphasis on new capital raisings and corporate activity.

Investments will be predominantly short term.

If an investment involves the issue or sale of securities at a discount to the current market price, no further information may be required. Other investments may require further analysis. This may involve the Manager meeting and having discussions with the potential investee's management, discussing at length the various dynamics of the business and if necessary the corporate transaction.

2.6 Leverage

Leverage in the form of debt may be used from time to time to increase exposure to investments.

Leverage through borrowings can magnify gains in the Portfolio, but will also magnify losses. With a view to managing this risk, total debt of the Company will not exceed 50% of the gross value of the Portfolio.

2.7 Permitted Investments

Under the Management Agreement, the Manager is permitted to undertake investments on behalf of the Company without Board approval. However, if the proposed investment is not in accordance with the investment strategies as outlined in this section, as amended by the Board from time to time, Board approval for the investment is required.

The Company proposes to invest in the following investments:

- (a) listed securities, being any security quoted on the ASX and other markets including, shares, units or notes which are redeemable, preference or deferred, fully or partly paid, with or without any right, title or interest thereto or therein (including a right to subscribe for or convert to any such security whether listed on the ASX or not), and any security of whatsoever nature which the Manager expects will be quoted on the ASX within an 18 month period from the date of investment;
- (b) listed securities on any global stock market where the security is also listed on the ASX;
- (c) listed securities on any global stock market where the Manager and the Board are comfortable that the reporting standards are at least equivalent to the ASX;
- (d) discount or purchase of bills of exchange, promissory notes or other negotiable instruments accepted, drawn or endorsed by any bank, or by any corporation of at least an investment grade credit rating granted by a recognised credit rating agency in Australia;
- (e) debentures, unsecured notes and bonds of a corporation of at least an investment grade credit rating granted by a recognised credit rating agency in Australia;
- (f) units or other interests in cash management trusts; and
- (g) any other financial products with which the Manager may use in the management of the Portfolio in accordance with its Australian Financial Services Licence.

Under the Management Agreement, the Manager may only undertake investments in accordance with the above criteria.

2.8 Changes to the Investment Strategy

The investment policies, guidelines, and strategy outlined in this Section 2 are expected to be implemented following admission of the Company to the official list of the ASX. Thereafter, the Company and the Manager will consult with regard to implementing any changes to these policies, strategies and guidelines. While no material changes to the investment strategy are presently contemplated, if the Manager decides to do so with the approval of the Board, the Company will notify the ASX of any such change.

2.9 Dividend Policy

The Company will pay dividends from the profit, dividend and interest income it receives from its investments to the extent permitted by law and prudent business practices. Dividends will be franked to the extent that available imputation credits permit.

2.10 Capital Structure Policy

The Board will regularly review the capital structure of the Company and, where the Board considers appropriate, undertake on-market buybacks of its Shares.

The maximum number of Shares that may be bought back in the first 12 months after admission of the Company to the official list of the ASX is 10% of the number of Shares on issue when Shares are first admitted to official quotation on ASX.

The Company may also consider other capital management alternatives such as the issue of other securities through bonus issues, rights issues and option issues with a view to enhancing the value of securities held by investors.

2.11 Reports to Shareholders

To assist Shareholders in the Company to assess the value of Shares and Options and to comply with the Listing Rules, within 14 days after the end of each month the Company will release to shareholders through the ASX a statement of the net tangible asset backing of its Shares as at the end of the preceding month. The calculation of the net tangible asset backing of Shares will be made in accordance with the Listing Rules.

The Company will provide to holders of Shares and Options on request, free of charge, a copy of statements to shareholders through the ASX of the net tangible asset backing of Shares from time to time.

3. Information on the Manager

3.1 Business of Manager

The Manager was incorporated 18 April 2002 to undertake the management of investment companies and funds. As at the date of this Prospectus, the Manager also provides portfolio management services to WIL.

The Manager has engaged Geoffrey Wilson and Matthew Kidman as fund managers. These 2 gentlemen are also engaged by WAMI which currently provides investment management services to the Wilson Asset Management Equity Fund, a wholesale investment fund (**Fund**) and WAM.

3.2 Performance History

The Company has no performance history available as it has yet to commence trading.

The investment style and criteria adopted by the Manager in managing WIL to date is different to that proposed for the Company and as such a long term performance history in providing investment management services of the type outlined for the Company, is not available.

Past performance of the Fund and WAM will not necessarily reflect either future performance of the Fund, WAM or the Company. While the investment criteria adopted by WAMI in managing the Fund and WAM to date may be similar in some respects to that proposed for the Company, there can be no certainty that any similarity in management practices will continue or that the performance of the Company will be similar to the historic performance of the Fund or WAM.

The Manager will manage the Portfolio of the Company as outlined in Section 2 of this Prospectus.

3.3 Background of the Manager

The employees of the Manager primarily responsible for making investment decisions are Geoffrey Wilson and Matthew Kidman.

Geoffrey Wilson BSc, GMQ, F Fin, FICD

Geoffrey Wilson was responsible for the establishment of WAMI in November 1997, following 7 years at Prudential-Bache Securities (Australia) Limited. At Prudential-Bache, he was the Executive Director, Global Institutional Broking Australian Equities, responsible for managing the institutional broking operations encompassing offices in Sydney, Melbourne, London, Paris and New York. His main focus was on the development of Prudential-Bache's institutional and corporate client base, both domestically and offshore. Corporate relationships formed an integral part of this position and he provided corporate advice on equity related transactions to a large number of Australian public companies.

Geoff has worked in the investment industry for the last 27 years. He initially worked as a fund manager with Scottish Amicable. At the time, Scottish Amicable was one of the top performing fund managers in Australia, investing extensively in medium sized industrial companies. Geoff's responsibility included the structuring of the company's Portfolio, which encompassed extensive analysis of listed companies, company visits, discussions with senior management and, after extensive research, the purchase and sale of shares.

Geoff also worked as a senior industrial analyst for Potter Partners from 1982 to 1985. During that period he undertook and published research on various sectors, including media, building materials, alcohol and tobacco, food and household goods, casinos, technology and a major report on the New Zealand equity market.

During 1985 and 1986, Geoff worked in London as an institutional broker for Potter Partners before moving to New York with McIntosh Hamson Hoare Govett from 1986 to 1988. During that period, he contributed to the Australian Broking Desk, being ranked No. 1 by the American Institutional Clients.

Geoff is currently Chairman of WAM Capital Limited (appointed March 1999), Wilson Investment Fund Limited (appointed June 2003) and Chairman of the Australian Stockbrokers Foundation Limited. He is a Director of Wilson Leaders Limited (appointed October 2003), Clime Capital Limited (appointed November 2003), Cadence Capital Limited (appointed February 2005), Vietnam Fund Limited (appointed October 2007) and the Sporting Chance Cancer Foundation. He is also a director of the Manager as well as investment management companies WAMI and Boutique Asset Management Pty Ltd. Geoff was a former Director of Mariner Bridge Investments Limited (formerly known as Mariner Wealth Management Limited) from September 1999 to October 2006.

Matthew Kidman BEc, LLB, Grad Dip Applied Finance & Investment (SIA)

Between 1994 and 1998 Matthew Kidman was a finance reporter at the Sydney Morning Herald with the primary role of reporting on industrial companies. In 1997 he was appointed Investment Editor of the paper. In this role Matthew was responsible for all share market coverage. In his 4 years at the paper, he reported on and gained an in depth knowledge on a range of sectors including media, telecommunications, retail, manufacturing, banking and building materials.

Matthew was employed as a portfolio manager by WAMI in May 1998. He is a Director of the Manager as well as the investment management company Boutique Asset Management Pty Ltd and has been instrumental in establishing the Manager's valuation methodology of rating companies. This involves a company ranking process using the key elements of earnings growth, valuation, management and industry position.

Matthew is a Director of WAM Capital Limited (appointed March 1999), Wilson Investment Fund Limited (appointed May 2002) and Wilson Leaders Limited (appointed October 2003). Matthew was a former Director of Mariner Bridge Investments Limited (formerly known as Mariner Wealth Management Limited) from June 1999 to November 2005.

4. Risk Factors

4.1 General Risk Factors

The value of securities listed on securities exchanges can change considerably over time and the value of your investment can increase and decrease with the value of the Portfolio. The fluctuation in value is known as volatility and the level of volatility depends on the type of investment. Generally, in order of risk of asset classes, shares are the riskiest, then fixed interest, then cash. As with most investments, performance is not guaranteed. These risks may result in loss of income and principal invested.

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

The Company should not be seen as a predictable, low risk investment. The Company's investments will be concentrated in ASX listed securities and the Company therefore is considered to have a higher risk profile than cash assets.

The Company, Manager and Licensed Dealer to the Offer do not guarantee the return of capital, any rate of return in terms of income or capital or investment performance of the Company.

It is not possible to identify every risk associated with investing in the Company, however, the following provides a list of significant risks associated with the Company. There may be other risks associated with the Company.

(a) *Market risk*

Investment returns are influenced by market factors. These factors include change in the economic (eg changes in interest rates), legislative and political environment, as well as changes in investor sentiment. In addition, exogenous shocks, natural disasters and acts of terrorism can (and sometimes do) add to equity market volatility as well as impact directly on individual entities. As a result, no guarantee can be given in respect of the future earnings of the Company or the earnings and capital appreciation of the Company's investments.

Any variation in commodity prices could materially effect the operating results of the Company.

(b) *Industry risk*

There are a number of industry risk factors that may effect the future operation or performance of the Company. These factors are outside the control of the Company. Such factors include increased regulatory and compliance costs and variations in legislation and government policies generally.

(c) *Equity risk*

There is a risk that Shares will fall in value over short or extended periods of time. Historically, shares have outperformed other traditional assets classes over the long term. Share markets tend to move in cycles, and individual share prices may fluctuate and under perform other asset classes over extended periods of times. Investors in the Company are exposed to this risk both through their holding in Shares and then through the investment in ASX listed securities in which the Company will invest.

(d) Interest rates

Any variation in short and long term interest rates could materially effect the operating results of the Company.

(e) Financial market volatility

A fall in global equity markets, global bond markets or lack of change in the value of the Australian dollar against other major currencies may discourage investors from moving money into or out of equity markets. This may have a negative effect on the price at which Shares trade.

(f) Performance of other asset classes

Good performance (or anticipated performance) with other assets classes can encourage individuals to divert money away from equity markets. This may have a negative impact on the price at which Shares trade on ASX.

(g) Liquidity risk

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

(h) Performance fee incentive

It could be argued that a performance fee may create an incentive for the Manager to make investments on behalf of the Company that are riskier and more speculative than would be the case in the absence of a fee based on the performance of the Company, which adds to the risk and volatility of markets.

(i) Operational costs

Operational costs for the Company as a proportion of total assets will be affected by the level of total assets of the Company and by the level of acceptance of this Offer. Operational costs will represent a greater proportion of total assets and will reduce the operating results of the Company and accordingly the ability to make dividend payments if the Company only achieves the minimum subscription under this Offer than if it secures a greater level of acceptance.

(j) Size and portfolio

The size of the Portfolio may affect the risk profile of the Portfolio. The Company may not be able to diversify its investments and so manage its risks as efficiently if it achieves the minimum subscription under this Offer than if it secures a greater level of acceptance. However, the risk of loss of investments included in the Portfolio will not necessarily be reduced if the level of acceptance under this Offer exceeds the minimum subscription. Effective risk management depends on a range of factors including diversification of investments and other factors.

(k) Reliance on the Manager

The success and profitability of the Company in part will depend upon the ability of the Manager to invest in securities which have the ability to generate a return for the Company.

As it employs a market driven investment process, the generation of returns by the Company is more reliant on the skill of the Manager than for traditional funds managers, as traditional strategies may primarily reflect the return of an underlying asset class.

The Company is exposed to the risk that the Manager may cease to manage the Portfolio. The ability of the Manager to continue to manage the Portfolio in accordance with this Prospectus and the Corporations Act is dependent on the maintenance of the Manager's Australian Financial Service Licence (**AFSL**) and its continued solvency. Maintenance of the AFSL depends, among other things, on the Manager continuing to comply with the ASIC imposed licence conditions and the Corporations Act.

The Manager has the ability to transfer the management agreement to another manager as it sees fit, which may change the personnel responsible for managing the Portfolio of the Company.

The loss of key personnel within the Manager could have a negative effect on the Company.

(l) No operating or performance history of the Company

The Company has no financial, operating or performance history.

The information in this Prospectus about the investment objectives of the Company are not forecasts, projections or the result of any simulation of future performance. There is a risk that the Company's investment objectives will not be achieved.

(m) Taxation risk

Tax laws (including Australian tax laws) are in a continual state of change and reform which may affect the Company and Shareholders.

Tax liabilities are the responsibility of each individual Shareholder. The Company is not responsible either for taxation or penalties incurred by Shareholders. Shareholders should consult their own taxation advisers to ascertain the tax implications of their investment.

(n) Regulatory risk

The Company is exposed to the risk of changes to applicable laws or their interpretation which have a negative effect on the Company, its investments or returns to Shareholders and the risk of non-compliance with reporting or other legal obligations.

(o) Credit or counterparty risk

The strategies of the Company rely on the successful performance of contracts with external counterparties, including securities brokers and issuers of securities to which the Company may have investment exposure. There is a risk that these counterparties may not meet their responsibilities, including as a result of the insolvency, financial distress or liquidation of the counterparty.

4.2 Risks Associated with the Company's Investment Approach

As the Company will employ an absolute return style of investment, it is also exposed to risks particular to this type of investment. These risks include the following:

(a) Leverage risk

Leverage through borrowings, also known as gearing, can magnify portfolio gains, but will also magnify losses. This may impact the Company's risk, liquidity and value. See Section 2.6 for details.

(b) Short selling risk

The Company may use short selling as a strategy to try to improve returns and to manage risk. The short sale of a security can involve much greater risk than buying a security, as losses on the securities purchased are restricted at most to the amount invested, whereas losses on a short position can be much greater than the initial value of the security. Additionally, there can be no guarantee that the securities necessary to cover a short position will be available for purchase.

Short selling will also incur interest and other costs on the securities borrowed by the Company for sale. For a short sale to be profitable the return from the strategy must exceed these costs and, where losses are incurred on the strategy, these costs will increase the losses.

(c) Limited diversification

The Portfolio may be less diversified than other listed investment companies. While the investment objectives of the Company include preservation of capital, the Manager's mandate does not require the Manager to maintain any particular level of diversification of investments. The Company has flexibility to take significant positions in individual investments. This may reduce the diversity of the Portfolio and therefore increase the exposure to abnormal falls in the market price of any single investment.

This list is not exhaustive and potential investors should read this Prospectus in full and, if they require further information on material risks, seek professional advice.

4.3 Investor Considerations

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

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

Investors are strongly advised to regard any investment in the Company as a long term proposition and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur.

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

5. Financial Information

5.1 Pro Forma Balance Sheets

The pro forma Balance Sheets set out below have been prepared to illustrate the financial position of the Company following completion of the Issue. These pro forma Balance Sheets are intended to be illustrative only and will not reflect the actual position and balances as at the date of this Prospectus or at the conclusion of the Issue.

	Note	Minimum Subscription \$15.25m	Subscription \$20m	Maximum Subscription \$25m
ASSETS				
Cash	4.3	\$15,125,694	\$19,760,156	\$24,644,418
LIABILITIES				
		—	—	—
NET ASSETS				
		\$15,125,694	\$19,760,156	\$24,644,418
EQUITY				
		\$15,125,694	\$19,760,156	\$24,644,418
NTA per Share		99.2 cents	98.8 cents	98.6 cents

5.2 Assumptions

These pro forma Balance Sheets, and the tables in Sections 5.3 and 5.4 have been prepared on the basis of the following assumptions:

- Application of the proposed accounting policies and notes to the accounts set out in Section 5.5.
- In the pro forma Balance Sheet entitled “Minimum Subscription \$15.25m”, the reference is to subscription of 15,250,000 Shares by Applicants under this Prospectus.
- In the pro forma Balance Sheet entitled “Subscription \$20m”, the reference is to subscription of 20,000,000 Shares by Applicants under this Prospectus.
- In the pro forma Balance Sheet entitled “Maximum Subscription \$25m”, the reference is to subscription of 25,000,000 Shares by Applicants under this Prospectus.
- Initial expenses relating to the Issue includes a handling fee and commission of up to 2% plus GST (if applicable) of the funds raised that may be paid to an Applicant’s dealer. For the purpose of the above pro forma Balance Sheets, it has been assumed that handling fees of 2% plus GST (if applicable) will be paid on 0%, 25% and 40% of Applications in respect of the 15.25 million, 20 million and 25 million Shares issued respectively.
- Expenses of the offer have been paid and recognised in Equity.

5.3 Cash

A reconciliation of the pro forma Balance Sheets for cash is as follows:

	Minimum Subscription \$15.25m \$	Subscription \$20m \$	Maximum Subscription \$25m \$
Initial Subscriber Shares – at \$1.00 each	1	1	1
Proceeds of Prospectus Offer – at \$1.00 each	15,250,000	20,000,000	25,000,000
Expenses of Offer	(124,307)	(239,845)	(355,583)
Estimated Net Cash Position	15,125,694	19,760,156	24,644,418

5.4 Expenses of the Offer

The expenses of the Offer are estimated below, according to the amount of funds raised on the Issue:

	Minimum Subscription \$15.25m \$	Subscription \$20m \$	Maximum Subscription \$25m \$
Handling fees on subscriptions (refer 5.2(e))	-	(110,000)	(220,000)
ASX Listing Fees/ASIC Fees	(38,207)	(41,995)	(45,983)
Legal and Accounting	(65,000)	(65,000)	(65,000)
Other Costs	(21,100)	(22,850)	(24,600)
Total Estimated Expenses	(124,307)	(239,845)	(355,583)

MAM will pay the above expenses on behalf of the Company. The Company will then reimburse MAM for these expenses from the proceeds of the Offer.

The Company has agreed to pay a 2% commission plus GST (if applicable) on Applications received bearing a dealer's stamp. However, no commission will be paid on Applications bearing WAMI's stamp.

5.5 Proposed Accounting Policies and Notes to Accounts

A summary of significant accounting policies which have been adopted in the preparation of the pro forma Statements of Financial Positions set out in Section 5.1 and which will be adopted and applied in preparation of the financial statements of the Company for the year ended 30 June 2008 and subsequent years is set out as follows:

(a) *Basis of preparation of accounts*

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Statements are prepared from the records of the Company on an accruals basis. They are based on historical costs and do not take into account changing money values or, except where specifically stated, current valuation of non-current assets.

(b) *Investments*

(i) *Classification*

Investments consist of shares in publicly listed and unlisted companies and investments in fixed interest securities.

It is considered that the information needs of shareholders in a company of this type are better met by stating investments at fair value rather than historical cost and by presenting the Balance Sheet on a liquidity basis.

The Company may short sell securities in anticipation of a decline in the market value of that security, or it may short sell securities for various arbitrage transactions. Short sales or borrowed stock are classified as a financial liability and are revalued to fair value through the Income Statement.

(ii) *Valuation*

All investments are classified as "held-for-trading" investments and are recognised at fair value, being the market value including the potential tax charges that may arise from the future sale of the investments.

(iii) *Unrealised Gains and Losses*

Unrealised gains and losses are included in operating profit for the year and are transferred to an asset revaluation reserve, net of the potential tax charges that may arise from the future sale of the investments.

(iv) *Investment income*

Dividend income is recognised in the Income Statement on the day on which the relevant investment is first quoted on an "ex-dividend" basis. Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Realised gains and losses are included in operating profit in the year of sale, and are transferred from the asset revaluation reserve.

5.6 Proceeds of the Issue

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

6. Directors

6.1 Chairman - Geoffrey Wilson

For details of Geoffrey Wilson's experience and qualifications, refer to Section 3.3.

Geoffrey Wilson will be available on a full time basis to manage the affairs of the Company and the Manager in managing the Portfolio, subject to his duties as director of WAM and WIL and his duties as an employee and director of WAMI managing the Portfolio of the Fund and WAM and any other entity the Manager subsequently agrees to manage. In addition, Geoffrey Wilson's availability will be limited by his commitments as a non-executive director of the other companies listed in Section 3.3.

6.2 Matthew Kidman

For details of Matthew Kidman's experience and qualifications, refer to Section 3.3.

Matthew Kidman will be available on a full time basis to manage the affairs of the Company and the Manager in managing the Portfolio, subject to his duties as director of WAM and WIL and his duties as an employee of WAMI managing the Portfolio of the Fund and WAM and any other entity the Manager subsequently agrees to manage. In addition, Matthew Kidman's availability will be limited by his commitments as a non-executive director of the other companies listed in Section 3.3.

6.3 Christopher Cuffe

Chris Cuffe entered the funds management industry in 1985 following a five year period with chartered accountants, Peat Marwick Mitchell & Co, now KPMG.

In 1988 he joined First State Fund Managers, now known as Colonial First State, and in 1990 assumed the position of CEO. Chris left Colonial First State in early 2003 at which point it managed nearly \$70 billion of investment funds.

Chris joined what is now known as Challenger Financial Services Group Limited in early 2003 in the capacity as Chief Executive Officer. Chris stepped down from the Group CEO role in August 2004 to become Chief Executive of Challenger's Wealth Management business, a position he held until the end of June 2006.

In September 2006 Chris joined Social Ventures Australia, an Australian-based not-for-profit organisation that provides funding, mentoring and organisational tools to other innovative not-for-profit organisations to help increase their efficiency and effectiveness to achieve sustainable social change.

Chris holds a Bachelor of Commerce in Accounting, Finance and Systems from the University of NSW as well as a Diploma from the Securities Institute of Australia. He is a Fellow of the Institute of Chartered Accountants in Australia, a Fellow of the Institute of Company Directors and an Associate of the Financial Services Institute of Australasia. Chris served as a director of the Investment and Financial Services Association (IFSA) and its predecessor for more than a decade, retiring from this position in early 2003. In April 2007 Chris became a director of UniSuper Limited.

Chris is a non executive Director of the Company and his involvement with the Company will be limited to attending board meetings of the Company, expected to be held at least quarterly, and to providing strategic advice and assistance to the Board from time to time. The Board anticipates that the average time to be made available by Chris Cuffe to the affairs of the Company each month will not exceed 5 hours.

6.4 John Abernethy

John Abernethy is Managing Director of Clime Investment Management Limited (formerly known as Loftus Capital Partners Limited). John Abernethy has over twenty years experience in funds management and corporate advisory. He spent ten years at NRMA Investments as Head of Equities managing portfolios of approximately \$2 billion. His career at NRMA culminated with the NRMA being awarded the accolade of Fund Manager of the year in 1992 by Money Management Magazine. In 1994 he joined Poynton Corporate Limited as an Executive Director before forming Clime in 1996.

John is a Director of Wilson Investment Fund Limited (appointed May 2002), Wilson Leaders Limited (appointed November 2003) and Jasco Holdings Limited. John Abernethy was a former Director of Schaffer Corporation Limited from October 1998 to October 2003 and HomeLeisure Limited from February 2001 to May 2007.

John is a non executive Director of the Company and his involvement with the Company will be limited to attending board meetings of the Company, expected to be held at least quarterly, and to providing strategic advice and assistance to the Board from time to time. The Board anticipates that the average time to be made available by John Abernethy to the affairs of the Company each month will not exceed 5 hours.

6.5 Corporate Governance Policies

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

The main corporate governance policies are summarised below.

Independent Directors

The Company has 2 independent Directors.

The independent Directors will have no direct involvement in the management of the Portfolio.

Appointment and Retirement of Non-Executive Directors

It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of non-executive Directors on a case-by-case basis and in conformity with the requirements of the Listing Rules and the Corporations Act.

Directors' Access to Independent Professional Advice

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

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

Remuneration

The initial maximum total remuneration of the Directors has been set at \$80,000 to be divided among the Directors as they see fit. The remuneration for Directors will be reviewed by the Board on a periodic basis as the Company develops its business and, subject to the Listing Rules, may be increased.

7. Financial Services Guide

6 November 2007

Moore Stephens Sydney Corporate Finance Pty Ltd (“**Moore Stephens**”) is an authorised representative of Moore Stephens Sydney Pty Limited (“**Licence Holder**”) in relation to Australian Financial Services Licence No. 236886 (“**AFSL**”).

Moore Stephens provides the following financial services to wholesale and retail clients as an authorised representative of the Licence Holder:

- Financial product advice in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, deposit and payment products, life products, retirement savings accounts and superannuation (collectively “**Authorised Financial Products**”); and
- Applying for, varying or disposing of a financial product on behalf of another person in respect of Authorised Financial Products.

The Corporations Act 2001 requires Moore Stephens to provide this Financial Services Guide (“**FSG**”) in connection with its provision of an Investigating Accountant’s Report (“**Report**”) which is included in a document (“**Prospectus**”) provided by WAM Active Limited (the “**Entity**”).

The financial product advice provided in our Report is known as “general advice” because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our report is appropriate for you, having regard to your own personal objectives, financial situation or needs. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

Moore Stephens’ client is the Entity to which it provides the Report. Moore Stephens receives its remuneration from the Entity. Our fee for the Report is based on a time cost or fixed fee basis. This fee has been agreed in writing with the party who engaged us. Neither Moore Stephens nor its directors and employees, nor any related bodies corporate (including the Licence Holder) or associates and their directors receive any commissions or other benefits, except for the fees for services rendered to the party who engaged us.

Moore Stephens is required to be independent of the Entity. The following information in relation to the independence of Moore Stephens is stated in our Report.

Neither Moore Stephens Sydney Corporate Finance Pty Ltd nor Moore Stephens Sydney Pty Limited have any interest in the outcome of this share issue and the listing of WAM Active Limited, other than a fee in connection with the preparation of our Investigating Accountant’s Report and participation in due diligence procedures for which professional fees in the order of \$15,000 will be received. No pecuniary or other benefit, direct or

MOORE STEPHENS

indirect, has been received by Moore Stephens Sydney Corporate Finance Pty Ltd, Moore Stephens Sydney Pty Limited, their directors or employees, or related bodies corporate (jointly "Related Parties") for or in connection with the preparation of this Report.

Other than as disclosed above, Mr Whiddett and the Related Parties have, at the date of our Report, no interest in or financial relationship with WAM Active Limited.

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

Both Moore Stephens and the Licence Holder may be contacted as follows:

- By phone: (02) 8236 7700
- By fax: (02) 9233 4636
- By mail: GPO Box 473
SYDNEY NSW 2001

If you have a complaint about Moore Stephens' Report or this FSG you should take the following steps:

1. Contact the Enquiries and Complaints Officer of the Licence Holder on (02) 8236 7700 or put your complaint in writing and send it to the Licence Holder at Level 7, 20 Hunter Street, Sydney NSW 2000. We will try and resolve your complaint quickly and fairly.
2. If you still do not get a satisfactory outcome, you have the right to complain to the Financial Industry Complaints Service at PO Box 579 Collins St West, Melbourne, Victoria 8007. Telephone (03) 8623 2000. We are a member of this scheme.
3. The Australian Securities & Investments Commission (ASIC) also has a freecall Infoline on 1300 300 630 which you may use to make a complaint and obtain information about your rights.

The Licence Holder, as holder of the AFSL, gives authority to Moore Stephens to distribute this FSG.

8. Investigating Accountant's Report

6 November 2007

The Directors
WAM Active Limited
Level 11
139 Macquarie Street
Sydney NSW 2000

Dear Sirs

INVESTIGATING ACCOUNTANT'S REPORT

1. Purpose

- 1.1 This report has been prepared for inclusion in a prospectus to be dated on or about 6 November 2007 relating to the issue by WAM Active Limited ACN: 126 420 719 (the "Company") of up to 25,000,000 fully paid ordinary shares at \$1.00 each and 25,000,000 options to acquire ordinary shares exercisable at \$1.00 per ordinary share. The minimum subscription is 15,250,000 shares and 15,250,000 options. The issue has not been underwritten.
- 1.2 Expressions defined in the Prospectus have the same meaning in this report.
- 1.3 This report considers the pro forma Balance Sheets at completion of the proposed capital raising immediately after the initial application date and the future operation of the Company.

2. Background

- 2.1 The Company was incorporated in Australia as a public company on 6 July 2007 with 1 ordinary share at \$1.00 and has not traded or issued shares since incorporation. The share is held by Geoffrey Wilson.
- 2.2 Moore Stephens Sydney consented to its appointment as auditors of the Company on 6 July 2007.
- 2.3 The first balance date of the Company will be 30 June 2008.
- 2.4 The Company intends to invest the proceeds of the Prospectus offering predominately in securities quoted on the ASX, bills of exchange, other negotiable investments, debentures and other investments, as set out in Section 2.7 of the Prospectus.

Moore Stephens Sydney Corporate Finance Pty Limited ABN 77 122 561 184
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GPO Box 473, Sydney NSW 2001
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Authorised Representative of Moore Stephens Sydney Pty Ltd, AFS Licence No. 236 886.

Moore Stephens Sydney Corporate Finance Pty Limited ABN 77 122 561 184, an affiliate of Moore Stephens Sydney Pty Limited ABN 34 098 199 118.

Moore Stephens Sydney Pty Limited is an independent member of Moore Stephens International Limited - members in principal cities throughout the world.

Liability limited
by a scheme
approved under
Professional
Standards
Legislation



2.5 MAM Pty Limited ACN 100 276 542 has been appointed the Investment Manager as set out in Section 9.1 of the Prospectus. The Manager will receive a management and performance fee as set out in Section 1.5 of the Prospectus.

3. Scope of Our Report

3.1 This report deals with the prospective financial information included in the Prospectus at Section 5.

3.2 The pro forma Balance Sheets have been prepared to illustrate the financial position of the Company on completion of the issue and have been prepared on the basis of the assumptions, notes and accounting policies as set out in Sections 5.1 to 5.5 of the Prospectus.

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

4. Responsibilities

4.1 The directors of the Company are responsible for the preparation and presentation of the pro forma Balance Sheet including the assumptions, notes and accounting policies on which they are based. We disclaim any responsibility for any reliance on this report or the financial information to which it relates for any purpose other than that for which it was prepared. This Report should be read in conjunction with the full Prospectus.

5. Review of Financial Information

5.1 We have conducted an independent review of the pro forma financial information included in Section 5 of the Prospectus in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the pro forma financial information is not presented fairly in accordance with the methodology, assumptions and material accounting policies adopted and summarised at Section 5 of the Prospectus.

5.2 Our review has been conducted in accordance with Australian Auditing Standards AUS902 "Review of Financial Reports". We have made such enquires and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, which were limited primarily to:

- a. Review of relevant working papers detailing the adjustments and the assumptions on which they were made and other documentation, as appropriate;
- b. A review of adjustments made to the pro forma Balances Sheets and related notes;
- c. Consideration of the consistency in application of the recognition and measurement principles prescribed in Australian Accounting Standards (including Australian Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001; and
- d. An enquiry of WAM Active Limited Directors, management and others.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

6. Statement on Financial Information

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

- a. the pro forma financial information has not been properly prepared so as to present fairly, the pro forma financial position of the Company;
- b. the methodology, assumptions and material accounting policies adopted and summarised at Section 5 of the Prospectus do not form a reasonable basis for the pro forma information; and
- c. the assumptions, notes, accounting policies and estimated expenses of the offer made by directors, do not provide a reasonable basis for the preparation of the pro forma Balance Sheet.

7. Working Capital

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

8. Legal Proceedings

8.1 To the best of Moore Stephens' knowledge and belief, there are no material legal proceedings outstanding or currently being undertaken not otherwise disclosed in this report which would cause the information included in the report to be misleading.

9. Subsequent Events

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

10. Sources of Information

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

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

11. Declarations

Moore Stephens Sydney Corporate Finance Pty Limited has prepared this Report for inclusion in the Prospectus. We have not acted in any other capacity to the Prospectus, and have not been involved in the preparation of any part thereof. The associated partnership, Moore Stephens Sydney is the appointed auditor of the Company.

Moore Stephens Sydney Corporate Finance Pty Limited does not have any interest in the outcome of this issue and the listing of WAM Active Limited other than a fee in connection with the preparation of this Report and participation in due diligence procedures for which normal professional fees in the order of \$15,000 will be received. No pecuniary or other benefit, direct or indirect, has been received by Moore Stephens Sydney Corporate Finance Pty Limited for or in connection with the making of this Report.

This Report has been prepared on behalf of Moore Stephens Sydney Corporate Finance Pty Limited by Scott Melville Whiddett, who is a Director of Moore Stephens Sydney Corporate Finance Pty Limited, Moore Stephens Sydney Pty Limited and a partner of Moore Stephens Sydney, Chartered Accountants. Mr Whiddett is an associate of the Institute of Chartered Accountants and a Registered Company Auditor. Mr Whiddett has over 16 years of experience including audit of public companies, detection of fraud, valuations, economic loss calculations, due diligence and the preparation of Independent Expert's Reports.

Other than as disclosed above, Mr Whiddett, the other Directors and the staff involved with the preparation of this Report have, at the date of this Report, no interest or financial relationship with WAM Active Limited.

Yours faithfully

Moore Stephens Sydney Corporate Finance Pty Limited



Scott Whiddett
Director

9. Material Contracts

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

This report only contains a summary of the material contracts and their substantive terms.

9.1 Management Agreement

Parties

The Company and the Manager.

Appointment

The Company has appointed the Manager to manage the Portfolio of the Company and will manage and supervise all investments for the term.

Powers of Manager

Subject to the Corporations Act, the Listing Rules and any written guidelines issued by the Company from time to time, the Manager will from time to time on behalf of the Company invest money constituted in or available to the Portfolio in making, holding realising and disposing of investments.

The Manager has absolute and unfettered discretion to manage the Portfolio and to do all things considered necessary or desirable in relation to the Portfolio, including, without limitation:

- (a) investigation of, negotiation for, acquisition of, or disposal of every investment;
- (b) to sell, realise or deal with all or any of the investments or to vary, convert, exchange or add other investments in lieu of those investments;
- (c) if any investments are redeemed or the capital paid on it is wholly or partly repaid by the entity by which that investment was created or issued, to convert that investment into some other investment or accept repayment of the capital paid or advanced on the investment and any other monies payable in connection with that redemption or repayment and to invest any of those monies in other investments;
- (d) retain or sell any shares, debentures or other property received by the Company by way of bonus, or in lieu of, or in satisfaction of, a dividend in respect of any investments or from the amalgamation or reconstruction of any company; and
- (e) to sell all or some of the rights to subscribe for new securities in an investment, to use all or part of the proceeds of sale of such rights for the subscription for securities or to subscribe for securities pursuant to those rights.

Monthly Valuations

The Manager must arrange for calculation of the value of the Portfolio at least monthly and provide such calculations to the Company as soon as practicable after such calculations are made. All costs incurred by the Manager in arranging this calculation are to be paid by the Company.

Management Fee

In return for the performance of its duties as Manager of the Company, the Manager is entitled to be paid a monthly management fee equal to 0.0833334% of the gross value of the Portfolio calculated on the last business day of each month (comparable to a fee of 1% pa of the average gross value of the Portfolio).

Performance Fee

In return for the performance of its duties as Manager of the Company, the Manager is entitled to be paid by the Company a performance fee calculated as a percentage of the increase in the gross value of the Portfolio for each performance period.

The Company will pay a Performance Fee in respect of each Performance Period of 20% of the increase in the gross value of the Portfolio above the High Water Mark.

Once a Performance Fee has been paid, no further Performance Fee can be accrued or paid unless the Portfolio's value increases above its previous high.

If the gross value of the Portfolio falls below a previous high no further Performance Fees can be accrued or paid until the loss has been fully recovered.

The High Water Mark is the greater of the:

- (a) highest gross value of the Portfolio as at the last day of the last Performance Period for which a Performance Fee was last paid or payable; and
- (b) the gross proceeds raised from the issue of Shares under this Prospectus.

Performance Period is:

- (a) the period from the date of the Agreement to 30 June 2008;
- (b) the period from the first day after the preceding Performance Period to 30 June of the succeeding year;
- (c) if 30 June is not a business day, the last business day of the Performance Period will be used to calculate the High Water Mark and any Performance Fee that may be due; and
- (d) if the Term expires on a day other than 30 June, the last Performance Period is the period from the first day after the preceding Performance Period and the date the Agreement is terminated.

In calculation of the Performance Fee for a Performance Period, changes in the gross value of the Portfolio as a result of the issue of securities by the Company, capital reductions by the Company, share buy-backs by the Company, payment of tax by the Company and dividend distributions by the Company will be disregarded or adjusted for that Performance Period in a manner determined by the Auditor of the Company at the conclusion of that Performance Period.

The Auditor has the power to determine the correct calculation of the Performance Fee.

The Company must indemnify the Manager against any GST payable in respect of any Management Fee or Performance Fee due to the Manager.

Expenses

The Company is liable for and must pay out of the Portfolio or reimburse the Manager the following fees, costs and expenses when properly incurred in connection with the investment and management of the Portfolio or the acquisition, disposal or maintenance of any investment:

- (a) fees payable to any licensed market, the ASIC or other regulatory body;
- (b) all costs, stamp duties, financial institutions duties, bank account debits tax and legal fees and other duties, taxes, fees, disbursements and expenses, commissions and brokerage incurred by the Company or the Manager in connection with:
 - (i) the acquisition and negotiation of any investment or proposed investment;
 - (ii) any sale or proposed sale, transfer, exchange, replacement or other dealing or proposed dealing with or disposal or proposed disposal of any investment;
 - (iii) the receipt of income or other entitlements from the Portfolio; or
 - (iv) the engagement of a custodian to hold any investment on behalf of the Company; and
- (c) outgoings in relation to the Portfolio such as rates, levies, duties, taxes and insurance premiums.

Notwithstanding the above, the Manager is solely responsible for payment of the fees of any investment manager engaged by the Manager to assist it in undertaking its duties under the Management Agreement.

Term and Termination

The term of the Management Agreement is 5 years or, if ASX permits, 10 years (with automatic 10 year extensions) unless terminated earlier in accordance with the Agreement.

The Management Agreement gives the Company certain termination rights including if the Manager becomes insolvent or breaches its obligations under the Management Agreement in a material respect and such breach cannot be rectified or is not remedied within 30 days after receiving notice of that breach. The Company may also terminate the Management Agreement following the initial term on 3 months' notice if Shareholders pass an ordinary resolution directing the Company to terminate the Manager's appointment. If the Company terminates the Management Agreement in accordance with any of these rights, it must pay to the Manager a fee equal to the aggregate management and performance fees paid to the Manager in the 12 month period up to the date of termination.

The Manager is entitled to terminate the Management Agreement on 6 months' notice at any time after 5 years from the date the Company is listed on the ASX.

Removal of Manager

The Company may remove the Manager by not less than 3 month's notice on the occurrence of any one of the following events:

- (a) the Manager persistently fails to ensure that Investments made on behalf of the Company are consistent with the Investment Strategy applicable at the time the Investment is made;

- (b) the Manager is in default or breach of its obligations under the Management Agreement in a material respect, such default or breach is rectifiable and is not rectified within 30 days after the Company has notified the Manager in writing to rectify the default or breach; or
- (c) the Manager's AFSL is suspended for a period of no less than 1 month or cancelled at any time in accordance with Subdivision C, Division 4 of Part 7.6 of the Corporations Act.

If the Manager is so removed the Manager may appoint a replacement manager provided such appointment takes place within the 3 month notice period referred to above whereupon the Manager must assign all its rights, title and interest in and to the Management Agreement to the replacement manager provided the replacement manager holds a valid and current AFSL, undertakes to the Company to comply with all the obligations imposed on the Manager under this Agreement and if appointed as a result of a breach by the Manager, rectifies the breach or default within the 30 day notice period.

The effect of this assignment is the novation of the Management Agreement for the benefit of the replacement manager and the Company is deemed to have consented to that assignment. The Company may terminate the Management Agreement if a replacement manager has not been appointed within the 3 month notice period referred to above.

If the replacement manager, having been so appointed is itself removed in the circumstances outlined above, it has no right to in turn appoint a replacement manager and the Company terminate the Management Agreement at the expiry of the 3 month notice period referred to above.

Company Indemnity

The Company must indemnify the Manager against any losses or liabilities reasonably incurred by the Manager arising out of, or in connection with, and any costs, charges and expenses (including legal expenses on a solicitor/own client basis) incurred in connection with the Manager or any of its officers, employees or agents acting under the Management Agreement or on account of any bona fide investment decision made by the Manager or its officers or agents except insofar as any loss, liability, cost, charge or expense is caused by the negligence, default, fraud or dishonesty of the Manager or its officers or employees. This obligation continues after the termination of the Management Agreement.

Manager Indemnity

The Manager must indemnify the Company against any losses or liabilities reasonably incurred by the Company arising out of, or in connection with, and any costs, charges and expenses incurred in connection with, any negligence, default, fraud or dishonesty of the Manager or its officers or supervised agents. This obligation continues after the termination of the Management Agreement.

Assignment

The Manager may assign all right, title and interest in the Management Agreement to a third party with the prior written consent of the Company which may not be unreasonably withheld or delayed. Consent must not be withheld if:

- (a) the replacement manager holds all authorisations necessary to perform its obligations under the Management Agreement; and

- (b) the replacement manager utilises the investment strategy as set out in Sections 2 or engages one of Geoffrey Wilson or Matthew Kidman in a management capacity; and
- (c) the manager is not in default of its obligations under the Management Agreement.

9.2 Director Protection Deeds

The Company has agreed to provide access to board papers and minutes to current and former Directors of the Company while they are Directors and for a period of 7 years from when they cease to be Directors.

The Company has agreed to indemnify, to the extent permitted by the Corporations Act, each Director in respect of certain liabilities, which the Director may incur as a result of, or by reason of (whether solely or in part), being or acting as a Director of the Company. The Company has also agreed to maintain in favour of each Director a directors' and officers' policy of insurance for the period that he or she is a Director and for a period of 7 years after the officer ceases to be a Director.

10. Additional Information

10.1 Incorporation

The Company was incorporated on 6 July 2007.

10.2 Balance Date and Company Tax Status

The accounts for the Company will be made up to 30 June annually.

The Company will be taxed as a public company.

10.3 Licensed Dealers

The Company does not hold an Australian Financial Services Licence or a dealers licence. Accordingly, the Company will only issue Shares and Options pursuant to this Prospectus under an arrangement with dealers pursuant to Section 911A(2)(b) of the Corporations Act.

10.4 Share Trading and Return Risks

Before deciding to invest in Shares, each potential investor should consider whether shares are a suitable investment. There are general risks associated with any investment in the stock market. The value of the Shares can go down or up due to circumstances affecting the stock market generally or a company in particular and are due to factors beyond the control of the Company. Similarly, the level of dividends paid in respect of the Shares can go down as well as up. Shares should generally not be considered a short term investment.

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

10.5 Rights Attaching to the Shares

Immediately after issue and allotment, the Shares will be fully paid Shares. There will be no liability on the part of shareholders for any calls and the Shares will rank pari passu with Shares currently on issue.

Detailed provisions relating to the rights attaching to the Shares are set out in the Company's constitution and the Corporations Act. A copy of the constitution can be inspected during office hours at the registered office of the Company.

The detailed provisions relating to the rights attaching to Shares under the constitution and the Corporations Act are summarised below:

Each Share will confer on its holder:

- (a) The right to vote at a general meeting of shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per shareholder) and on a poll (one vote per Share) subject to the rights and restrictions on voting which may attach to or be imposed on Shares (at present there are none);
- (b) The right to receive dividends;
- (c) The right to receive, in kind, the whole or any part of the Company's property in a winding up, subject to the rights of a liquidator of the Company (with consent of members by special resolution).

Subject to the Corporations Act and the Listing Rules, Shares are fully transferable.

The rights attaching to Shares may be varied with the approval of shareholders in a general meeting by special resolution.

10.6 Rights Attaching to the Options

The terms and conditions of the Options are as follows:

Register

The Company will maintain a register of holders of Options in accordance with Section 168(1)(b) of the Corporations Act.

Transfer/Transmission

An Option may be transferred or transmitted in any manner approved by the ASX.

Exercise

An Option may be exercised by delivery to the Company of a duly completed Notice of Exercise of Options, signed by the registered holder of the Option, together with payment to the Company of \$1.00 per Option being exercised and the relevant option certificate.

An Option may be exercised on any business day from the date of grant to 17 June 2009, (inclusive) but not thereafter.

A Notice of Exercise of Options is only effective when the Company has received the full amount of the exercise price in cash or cleared funds.

Dividend Entitlement

Options do not carry any dividend entitlement until they are exercised. Shares issued on exercise of Options rank equally with other issued Shares of the Company 7 Business Days after their date of issue and are entitled to dividends paid on and from this date.

Participating rights

For determining entitlements to the issue, an Option holder may only participate in new issues of securities to holders of Shares in the Company if the Option has been exercised and Shares allotted in respect of the Option before the record date. The Company must give at least 6 Business Days' notice to Option holders of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules of the ASX.

If between the date of issue and the date of exercise of an Option the Company makes 1 or more rights issues (being a pro rata issue of Shares in the capital of the Company that is not a bonus issue), the exercise price of Options on issue will be reduced in respect of each rights issue according to the following formula:

$$NE = OE - \frac{E[P-(S + D)]}{(N + 1)}$$

where:

NE is the new exercise price of the Option;

OE is the old exercise price of the Option;

E is the number of underlying Shares into which one Option is exercisable;

P is the average closing sale price per Share (weighted by reference to volume) during the 5 trading days ending on the day before the ex rights date or ex entitlements date (excluding special crossings and overnight sales);

S is the subscription price for a Share under the rights issue;

D is the dividend due but not yet paid on each Share at the relevant time; and

N is the number of Shares that must be held to entitle holders to receive a new Share in the rights issue.

If there is a bonus issue to the holders of Shares in the capital of the Company, the number of Shares over which the Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.

Reconstructions and Alteration of Capital

Any adjustment to the number of outstanding Options and the exercise price under a re-organisation of the Company's share capital must be made in accordance with the Listing Rules.

ASX Listing

The Company must make application for quotation of Shares issued on exercise of the Options on the ASX in accordance with the Listing Rules. Shares so issued will rank equally with other issued Shares of the Company.

10.7 ASX Waiver

The Company has applied to the ASX for a ruling that the ASX would be likely to grant the Company a waiver of Listing Rule 15.16 to the extent necessary to permit the Manager to act as the investment manager of the Company in accordance with the terms of the Management Agreement for an initial term of 10 years. As at the date of this Prospectus, the ASX has yet to make a determination on the application. The Company has no reason to believe that the ruling, and therefore the waiver, will not be granted. If the waiver is not granted, the initial term of the agreement will be 5 years.

10.8 Dividend Re-Investment Plan

Eligible Members

Shareholders who may participate in the dividend reinvestment plan (**Plan**) comprise Shareholders:

- (a) whose address, as it appears in the register of members of the Company, is situated in Australia; or
- (b) whose address, as it appears in the register of members of the Company, is situated outside Australia and who have produced to the Company such evidence as the Company may require to satisfy the Company that any necessary approvals of any

government or governmental authority in relation to participation in the Plan have been obtained and that such participation is not contrary to any applicable laws of Australia or any other relevant jurisdiction.

Application

Eligible Members may elect to participate in the Plan in respect of all or part of their Shares in the Company which will comprise that member's Plan Shares. The Directors may in their absolute discretion accept or refuse any application to participate.

Subscription Price

Shares allotted to participants will be allotted at the weighted average market price of Shares sold on the ASX on the books closing date for the relevant dividend and the 3 trading days preceding that date.

Investment of Dividends

In respect of each cash dividend from time to time due and payable to a participant in respect of the member's Plan Shares, the Directors will on behalf of and in the name of the participant subscribe for Shares being the maximum number of Shares which could be acquired by subscription by the application of that participant's entitlement to dividends in respect of the Plan Shares to the subscription for Shares at the subscription price.

Ranking of Shares

All Shares allotted and issued under the Plan will rank equally in all respects with existing Shares.

ASX Listing

The Company will make application promptly after each allotment of Shares for quotation of such Shares on the official list of the ASX.

Variation or Termination of Participation

A participant may apply to increase or decrease the number of Plan Shares which the Company may in its absolute discretion approve or refuse. A participant may at any time terminate participation in the Plan by notice in writing to the Company.

10.9 Matters Relevant to the Directors

The number of Shares held by or on behalf of each Director and their Associates, at the date of the Prospectus are as follows:

Director	Ordinary Shares
Geoffrey Wilson	1
Matthew Kidman	—
Christopher Cuffe	—
John Abernethy	—

No Director or an Associate of a Director holds any interest in any Option or other security in the Company.

Apart from those listed above, none of the Directors have an interest in the securities of the Company.

Under the Company's constitution, each Director (other than a Managing Director or an Executive Director) may be paid out remuneration for ordinary services performed as a Director.

Geoffrey Wilson, his nominees or associates will subscribe for a minimum of 1,000,000 Shares and Options in the context of the Offer.

Under the ASX Listing Rules the maximum fees payable to directors may not be increased without prior approval from the Company at a general meeting. Directors will seek approval from time to time as deemed appropriate.

10.10 Remuneration of Directors

The Directors will be entitled to receive the following benefits:

- (a) the maximum total remuneration of the Directors of the Company has been set at A\$80,000 per annum to be divided amongst them in such proportions as they agree. Geoffrey Wilson and Matthew Kidman will initially receive \$10,000pa each. Christopher Cuffe and John Abernethy will initially receive \$30,000pa each.
- (b) Geoffrey Wilson and Matthew Kidman are engaged by the Manager and are directors of the Manager. Entities associated with Geoffrey Wilson and Matthew Kidman hold 80% and 20% respectively of the issued shares of the Manager. The Manager will receive a management fee and performance fee for managing the Portfolio. Details of the Management Agreement and all fees payable to the Manager are set out in Section 9.1;
- (c) Entities associated with Geoffrey Wilson hold all of the issued shares of WAMI. WAMI will receive fees in performing its services as dealer to the Issue. All such fees will be paid in turn to third party dealers. See section 5.4 for details.

Except as set out in this Prospectus (including in Section 10.9 and this Section 10.10), there are no interests that exist at the date of this Prospectus and there were no interests that existed within 2 years before the date of this Prospectus that are or were, interests of a Director or a proposed Director in the promotion of the Company or in any property proposed to be acquired by the Company in connection with its formation or promotion. Further, except as set out in this Prospectus, there have been no amounts paid or agreed to be paid to a Director in cash or securities or otherwise by any persons either to induce him to become or qualify him as a Director or otherwise for services rendered by him in connection with the promotion or formation of the Company.

10.11 Legal Proceedings

The Company is not and has not been, during the 12 months preceding the date of this Prospectus, involved in any legal or arbitration proceedings which have had a significant effect on the financial position on the Company. As far as the Directors are aware, no such proceedings are threatened against the Company.

10.12 Consents and Responsibility Statements

Watson Mangioni Lawyers Pty Limited has given and before lodgement of the paper Prospectus with ASIC and the issue of the Electronic Prospectus has not withdrawn its

written consent to be named as solicitors to the Offer in the form and context in which it is so named.

Watson Mangioni Lawyers Pty Limited has only been involved in the preparation of that part of the Prospectus where they are named as solicitors to the Offer. *Watson Mangioni Lawyers Pty Limited* specifically disclaims liability to any person in the event of any omission from, or any false or misleading statement included elsewhere in this Prospectus. While *Watson Mangioni Lawyers Pty Limited* has provided advice to the Directors in relation to the issue of the Prospectus and the conduct of due diligence enquiries by the Company and the Directors, *Watson Mangioni Lawyers Pty Limited* has not authorised or caused the issue of the Prospectus and takes no responsibility for its contents.

Moore Stephens Sydney has given and before lodgement of the paper Prospectus with the ASIC and the issue of the Electronic Prospectus has not withdrawn its written consent to being named in the Prospectus as auditor of the Company in the form and context in which it so named.

Moore Stephens Sydney has not been involved in the preparation of any part of this Prospectus and specifically disclaims liability to any person in the event of omission from, or a false or misleading statement included in the Prospectus. *Moore Stephens Sydney* has not authorised or caused the issue of this Prospectus and takes no responsibility for its contents.

Moore Stephens Sydney Corporate Finance Pty Limited has given and before lodgement of the paper Prospectus with the ASIC and the issue of the Electronic Prospectus has not withdrawn its written consent to being named in the Prospectus as investigating accountant for the Company in the form and context in which it so named.

Moore Stephens Sydney Corporate Finance Pty Limited has not been involved in the preparation of any part of this Prospectus and specifically disclaims liability to any person in the event of omission from, or a false or misleading statement included in the Prospectus except for its investigating accountant's report. *Moore Stephens Sydney Corporate Finance Pty Limited* has not authorised or caused the issue of this Prospectus and takes no responsibility for its contents.

MAM Pty Limited has given and before lodgement of the paper Prospectus with the ASIC and the issue of the Electronic Prospectus has not withdrawn its written consent to being named in the Prospectus as Manager of the Company in the form and context in which it so named.

MAM Pty Limited has not been involved in the preparation of any part of this Prospectus and specifically disclaims liability to any person in the event of omission from, or a false or misleading statement included in the Prospectus. *MAM Pty Limited* has not authorised or caused the issue of this Prospectus and takes no responsibility for its contents.

WAMI has given and before lodgement of the paper Prospectus with the ASIC and the issue of the Electronic Prospectus has not withdrawn its written consent to being named in the Prospectus as Licensed Dealer to the Offer in the form and context in which it so named.

WAMI has not been involved in the preparation of any part of this Prospectus and specifically disclaims liability to any person in the event of omission from, or a false or misleading statement included in the Prospectus. *WAMI* has not authorised or caused the issue of this Prospectus and takes no responsibility for its contents.

Registries Limited has given and before lodgement of the paper Prospectus with the ASIC and the issue of the Electronic Prospectus has not withdrawn its written consent to being

named in the prospectus as share registrar for the Company in the form and context in which it so named.

Registries Limited has not been involved in the preparation of any part of this Prospectus and specifically disclaims liability to any person in the event of omission from, or a false or misleading statement included in the Prospectus. *Registries Limited* has not authorised or caused the issue of this Prospectus and takes no responsibility for its contents.

ABN AMRO Morgans Limited has given and before lodgement of the paper Prospectus with the ASIC and the issue of the Electronic Prospectus has not withdrawn its written consent to being named in the Prospectus as sponsoring broker to the Offer in the form and context in which it so named.

ABN AMRO Morgans Limited has not been involved in the preparation of any part of this Prospectus and specifically disclaims liability to any person in the event of omission from, or a false or misleading statement included in the Prospectus. *ABN AMRO Morgans Limited* has not authorised or caused the issue of this Prospectus and takes no responsibility for its contents.

ETRADE Australia Securities Limited has given and before lodgement of the paper Prospectus with the ASIC and the issue of the Electronic Prospectus has not withdrawn its written consent to being named in the Prospectus as sponsoring broker to the Offer in the form and context in which it so named.

ETRADE Australia Securities Limited has not been involved in the preparation of any part of this Prospectus and specifically disclaims liability to any person in the event of omission from, or a false or misleading statement included in the Prospectus. *ETRADE Australia Securities Limited* has not authorised or caused the issue of this Prospectus and takes no responsibility for its contents.

10.13 Interest of Experts

Other than as set out below, no expert nor any firm in which such expert is a partner or employee has any interest in the promotion of or any property proposed to be acquired by the Company.

Watson Mangioni Lawyers Pty Limited has acted as solicitors to the Offer and have performed work in relation to negotiating certain of the material contracts, preparing the due diligence program and performing due diligence enquiries on legal matters. In respect of this Prospectus, the Company estimates that it will pay amounts totalling approximately \$50,000 (excluding GST and disbursements) to *Watson Mangioni Lawyers Pty Limited*.

Moore Stephens Sydney Corporate Finance Pty Limited has prepared the investigating accountant's report included in this Prospectus and have also performed work in relation to the due diligence enquiries on financial matters. In respect of this work, the Company estimates that it will pay up to \$15,000 (excluding GST and disbursements) to *Moore Stephens Sydney Corporate Finance Pty Limited*. The associated partnership *Moore Stephens Sydney* is also the appointed auditor of the Company.

Sponsoring Brokers will receive a 2% commission plus GST (if applicable) in respect of applications. Refer Section 5.4 for further details.

Certain partners and employees of the above firms may subscribe for Shares and Options in the context of the Offer.

11. Glossary of Investment Terms

The following glossary provides some guidance on investment terms used in this Prospectus

Arbitrage	Taking advantage of different prices of related securities. For example, buying a security at a low price and short selling the related security at a higher price to capture the pricing difference.
Cash	Cash investment that carries a relatively high degree of capital security which can be realised within a relatively short term. Examples include bank deposits, treasury notes with a term of less than one year and interests in cash management trusts.
Equity security	A security that carries an equity or ownership interest in an issuer. The principal examples are shares in companies and interests in managed investment schemes (ie regulated trusts).
Fixed interest security	A debt security under which the issuer is effectively a borrower and is required to pay interest on the loan for the life of the security. Examples include bonds, debentures and unsecured notes.
Hedging	Taking an offsetting position to reduce the risk of adverse price movements in an asset.
Hybrid security	A security that has some features of both debt and equity securities. Examples include convertible notes and preference shares.
Leverage	Borrowing to increase exposure to an asset. This can be achieved through the use of options, futures, margin and other financial instruments.
Long position	A position that profits from an increase in the value of the security held. A traditional investor adopts long positions by buying securities.
Long/Short Strategy	A strategy that seeks to profit from buying undervalued stocks (taking long positions) and short sell overvalued stocks (taking short positions) relative to current market prices. Market views are expressed by varying net exposure (i.e long exposure minus short exposure).
Option	An agreement which gives the buyer the right, but not the obligation, to buy or sell a security at a set price and within a stated period of time.
Short position	A position that profits from a decrease in the value of the security. This is achieved by short selling.
Short selling	Selling a security you do not own. Generally, the investor will borrow the security to sell in the market then purchase the security at a subsequent date to "close

out" the transaction.

12. Glossary

Terms and abbreviations used in this Prospectus have the following meaning:

Applicant	a person who submits an Application.
Application	an application for Shares and Options pursuant to this Prospectus.
Application Form	an application form in the form attached to this Prospectus.
Application Monies	the Application Price multiplied by the number of Shares applied for.
Application Price	\$1.00 for each Share applied for.
Associate	has the meaning given by Division 2 of the Corporations Act.
ASIC	Australian Securities & Investments Commission.
ASX	Australian Securities Exchange Limited.
Business Day	a day, other than a Saturday or Sunday, on which banks are open for general banking business in Sydney.
Closing Date	the date by which valid acceptances must be received by the Share Registrar being 21 December 2007 or such other date as may be notified by the Company.
Company	WAM Active Limited (ACN 126 420 719).
Directors or Board	the board of directors of the Company.
Group	the Company and its subsidiaries.
Issue	the issue of Shares and Options in accordance with this Prospectus.
Listing Rules	the listing rules of ASX.
Management Agreement	the management agreement between the Company and the Manager dated 6 November 2007.
Manager	MAM Pty Limited (ACN 100 276 542) (Australian Financial Services Licence Number 223231).
Offer	the offer of up to 25,000,000 Shares and up to 25,000,000 Options pursuant to and in accordance with this Prospectus.
Opening Date	the date of issue of this Prospectus, expected to be 13 November 2007.
Option	an option to acquire a Share at an exercise price of \$1.00 per Share by 17 June 2009 on the terms set out in

Section 10.6.

Portfolio	the portfolio of investments of the Company from time to time.
Priority Allocation	the allocation of up to 10,000,000 Shares to the shareholders of WAM Capital Limited (WAM), Wilson Investment Fund Limited (WIL) and Wilson Leaders Limited (WLS) who apply by the Priority Allocation Date.
Priority Allocation Date	the date by which applications and subscription monies for Shares must be received from shareholders who wish to qualify for a Priority Allocation of Shares on a "first-come-first-served" basis up until 3 December 2007.
Prospectus	this prospectus dated 6 November 2007 as modified or varied by any supplementary prospectus made by the Company and lodged with the ASIC from time to time.
securities	has the same meaning as in section 92 of the Corporations Act.
Share	a fully paid ordinary share in the capital of the Company.
Share Registrar	Registries Limited of 28 Margaret Street, Sydney NSW 2000.
WAMI	Wilson Asset Management (International) Pty Limited (ACN 081 047 118) (Australian Financial Services Licence Number: 247333).

This Prospectus has been approved by unanimous resolution of the Directors of WAM Active Limited.

Dated: 6 November 2007



Geoffrey Wilson
Chairman