

CLIME CAPITAL LIMITED

ACN 106 282 777

An Investment Company



Prospectus

Converting Preference Share Issue

**1 for 4 non-renounceable entitlement offer of
approximately 9,249,890 Preference Shares
at an issue price of \$2.40 per Preference Share**

This document is important and should be read in its entirety. This document was lodged with the Australian Securities & Investments Commission under Section 718 of the Corporations Act 2001 (*Cth*). If you do not understand it, you should contact your stockbroker, solicitor, accountant or financial or other professional adviser without delay.

DIRECTORY

Directors

Roger Montgomery
Geoffrey Wilson
Tony Hockey
Julian Gosse

Company Secretary

Cameron Fellows

Registered Office

Suite 1, Level 1
7 Macquarie Place
Sydney NSW 2000

Telephone: (02) 9252 8522
Facsimile: (02) 9252 8422

Licensed Dealer to the Offer

Clime Asset Management Pty Limited
Suite 1, Level 1, 7 Macquarie Place
Sydney NSW 2000
(Australian Financial Services Licence
Number: 221146)

Telephone: (02) 9252 8522
Facsimile: (02) 9252 8422

Auditor

DTT NSW
Grosvenor Place
225 George Street
Sydney NSW 2000

Telephone: (02) 9322 7000
Facsimile: (02) 9322 7001

Manager

Clime Asset Management Pty Limited
Suite 1, Level 1, 7 Macquarie Place
Sydney NSW 2000
(Australian Financial Services Licence
Number: 221146)

Telephone: (02) 9252 8522
Facsimile: (02) 9252 8422

Share Registry

Registries Limited
Level 2, 28 Margaret Street
Sydney NSW 2000

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

Solicitors to the Offer

Watson Mangioni Lawyers Pty Limited
Level 13
50 Carrington Street
Sydney NSW 2000

This Prospectus is dated 16 March 2007 and was lodged with the Australian Securities & Investments Commission (**ASIC**) and the Australian Stock Exchange Limited (**ASX**) on 16 March 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 requires your immediate attention. It should be read in its entirety together with the IPO Prospectus. You may wish to consult your professional adviser about its contents.

Indicative Timetable

Announcement of Issue	16 March 2007
Prospectus lodged with ASIC and ASX	16 March 2007
Ordinary Shares begin trading ex Entitlements	22 March 2007
Anticipated expiry of exposure period	22 March 2007
Record date to determine Entitlements under the Issue	28 March 2007
Prospectus and Entitlement Application forms sent out to Shareholders	3 April 2007
Closing date for lodgement of Entitlement Applications	19 April 2007
Closing date for Shortfall Applications	27 April 2007
Last date for entry of Preference Shares on the register and despatch of new holding statements in respect of Entitlement Applications	30 April 2007
Preference Shares quoted on a deferred settlement basis	30 April 2007
Last date for entry of Preference Shares on the register and despatch of new holding statements in respect of Shortfall Applications	4 May 2007
Normal trading in Preference Shares commences on ASX	7 May 2007

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 Shortfall part of the Offer at any time regardless of the number of Preference Shares subscribed for under the Offer.

No application for Preference Shares under this Prospectus will be accepted (and no Preference Shares will be issued under this Prospectus) until the exposure period of 7 days after the lodgement of this Prospectus has ended. ASIC may extend that period to not more than 14 days by notice in writing to the Company.

Important Notices

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

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 6.

The Company will apply to ASX for the Preference Shares to be listed for quotation on ASX as described in Section 1.6.

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 Preference Shares by the Company under the Prospectus and the Company will only issue Preference Shares in accordance with such offers if they are accepted.

The Company will forward all Application forms and Application monies to Clime Asset Management Pty Limited (**Manager**). Any Application form received that does not bear a dealer's stamp will be forwarded to the Manager.

The Manager's function should not be considered as an endorsement of the Offer nor a recommendation of the suitability of the Offer for any investor. The Manager does not guarantee the success or performance of the Company or the returns (if any) to be received by investors. Neither the Manager 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 the Manager with other dealers.

Electronic Prospectus

An electronic version of this Prospectus can be downloaded from the website of the Manager at http://www.clime.com.au/investment_lic.htm. 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 applicable paper Application form(s) free of charge if the person asks during the application period.

The Preference Shares to which the Electronic Prospectus relates will only be issued or transferred on receipt of a printed copy of an electronic Application form together with a printed copy of the Prospectus. The Application form(s) may be generated by software accessible by the same means as the Prospectus.

How to Apply

An application for Preference Shares under this Offer can only be made by completing and lodging either an Entitlement Application or a Shortfall Application. Detailed instructions on completing the Entitlement Application form or Shortfall Application form can be found on the back of the respective Application Forms.

Preference Shares issued in respect of Applications received by the Company will be issued at \$2.40 per Preference Share.

The number of Preference Shares to which you are entitled is shown on the accompanying Entitlement Application form. You may:

- Accept your Entitlement in full or part;
- Subscribe for all of your Entitlement and more than your Entitlement on a Shortfall Application form; or
- Allow the whole of your Entitlement to lapse.

If You Wish to Take Up All or Part of Your Entitlement

Complete the accompanying Entitlement Application form in accordance with the instructions set out in the form.

Applications must be accompanied by payment in Australian currency. Cheques should be made payable to "Clime Capital Limited - Share Account" 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:

Clime Capital Limited Share Offer
C/- Registries Limited
P.O. Box R67
Royal Exchange
Sydney NSW 1223

If You Wish to Take Up More than Your Entitlement

If you are not a Shareholder of Clime and wish to apply for Preference Shares, or are an existing Shareholder of Clime that wishes to take up more than your Entitlement to the Preference Shares, you may make an application on the 'Shortfall Application form' that accompanies this Prospectus.

Applications for Preference Shares under the 'Shortfall Application form' must be for a minimum of \$6,000 of Preference Shares. A larger allocation of Preference Shares may be applied for in multiples of \$1,200.

The Directors reserve the right to reject an application or allocate any lesser number of Preference Shares than the number applied for by an Applicant. Where the number of Preference Shares allotted is fewer than the number of Preference Shares applied for, surplus Application Monies will be refunded without interest.

Entitlements Not Taken Up

If you decide not to accept your Entitlements, you do not need to take any action. This Offer is not underwritten. The Directors reserve the right to place the shortfall of any Preference

Shares not taken up by the Shareholders with parties selected by them. These Preference Shares will be placed within 7 days of the Closing Date for Shortfall Applications on the same terms as are being offered to Shareholders pursuant to this Prospectus as allowed by Exception 3 in ASX Listing Rule 7.2.

Preference Shares not taken up by Shareholders will not be placed to the Directors or any associates of Directors (as defined in the ASX Listing Rules).

The Company, at the sole discretion of the Directors, may elect to pay a fee for such placements.

IF YOU DECIDE NOT TO TAKE UP ALL OR ANY PART OF YOUR ENTITLEMENT, IT WILL LAPSE AND YOU WILL NOT RECEIVE ANY BENEFIT.

When to Apply

The Directors may close the Shortfall component of the Offer at any time without prior notice or extend the Shortfall component of the Offer period in accordance with the Corporations Act. **Early lodgement of your application is recommended as the Offer may be closed early.**

Enquiries

Investors with questions on how to complete the Application Form or who require additional copies of the Prospectus should contact Matt Perreau (Manager Client Relations) or Roger Montgomery (Managing Director) at Clime Asset Management Pty Limited on (02) 8917 2112 or info@clime.com.au.

Dear Shareholder and Value Investor,

Your company Clime is issuing a new class of shares – Preference Shares.

These Preference Shares will yield a 7.5% fully franked dividend per annum. The dividends will be paid quarterly. Clime Preference Shares are expected to be listed on the ASX and offer shareholders the opportunity to receive a steady income – equivalent to 10.7% pre tax for most investors - for ten years at which time each Preference Share will convert to an Ordinary Share. Preference Share holders will therefore participate in capital gains should the Ordinary Shares trade above \$2.40 in the next 10 years.

With individual company share prices retreating, a growing number of opportunities to buy wonderful businesses at below intrinsic value are presenting themselves. The capital raised from the issue of the Preference Shares will be utilised to take advantage of these opportunities without forcing Clime to sell the wonderful businesses we already own.

I imagine you will have a number of questions related to this Preference Share issue and I will attempt to anticipate and answer most of them here.

The Preference Shares offer several benefits. Preference shareholders will receive a non-cumulative preferred entitlement to dividends. Those dividends will be fully franked. They will be paid quarterly and should insufficient franking credits be available the dividends will be increased to the pre tax equivalent.

Ordinary shareholders will continue to receive dividends once the obligation to preference shareholders has been met. This means, ordinary shareholders will rank after preference shareholders for dividends. However, ordinary shareholders will benefit immediately as the capital raised will increase Net Tangible Assets (NTA) per share, fully diluted assuming no decline in the market value of the current portfolio. As an ordinary shareholder, you will immediately benefit from the additional capital raised, the subsequent performance as the additional capital is invested and the income it produces.

Following the successful completion of the capital raising, the funds will allow Clime to buy more shares in wonderful companies, while maintaining our present holdings in equally attractive businesses.

I believe the Preference Shares which have a term of ten years, will appeal to long term investors, for whom a 10.7% pre tax yield will be attractive. Of course there are risks – including the impact on earnings and dividends on Ordinary Shares and Preference Shares from a decline in the market value of the portfolio - so I strongly urge you to read this Prospectus and to seek advice to determine whether Clime's Preference Shares are a suitable investment for you.

Thank you for your ongoing support of Clime and its investment philosophy. I look forward to seeing you at this year's Annual Investor Lecture.

Kind regards



Roger Montgomery

1. What is being offered?

1.1 Offer

The Offer is a non-renounceable 1 for 4 offer of Preference Shares at \$2.40 per Preference Share. The Offer is made to all Shareholders registered at 5.00 pm EST on the record date 28 March 2007 (**Record Date**). The total number of Preference Shares which may be issued under the Offer is approximately 9,249,890. Fractional Entitlements to Preference Shares will be rounded up.

This means that for every 4 Ordinary Shares that you hold in the Company at 5.00 pm EST on the Record Date you will be entitled to apply for 1 Preference Share.

This Offer is not underwritten. However, the Directors reserve the right to allocate any Preference Shares not taken up by Shareholders (**Shortfall**) to Shareholders who apply for additional Preference Shares or to other persons who apply for Preference Shares. The Directors will allocate the Shortfall among applicants as they determine and the Directors may determine not to allocate the full amount of any Shortfall.

Accompanying this Prospectus is an Entitlement Application form detailing the number of Preference Shares that you have an Entitlement to.

This Prospectus also includes an offer of Preference Shares the subject of any Shortfall.

1.2 Preference Share terms

The key terms of the Preference Shares are:

Issue Price	\$2.40
Dividend yield	7.5% per annum on the Issue Price
Fully franked	Where franking is available (otherwise grossed up)
Converting	1 Ordinary Share for each Preference Share held at the Conversion Date
Convertible	At the Option of the holder at any time before the Conversion Date
Conversion Date	The 10 th anniversary of the Allotment Date
Dividends payable	Quarterly in arrears
Non-cumulative	Yes
Non-redeemable	Yes
Non-voting	Other than in the limited circumstances set out in Section 2.14
Listed on the ASX	Yes

A summary of the terms of the Converting Preference Shares is set out in Section 2 and the full terms are included in Appendix A.

1.3 Proceeds of the Offer

Funds raised under this Prospectus will be used by the Company for further investment consistent with the Company's investment objectives and methodology and to pay the costs of the Offer.

1.4 Capital Structure

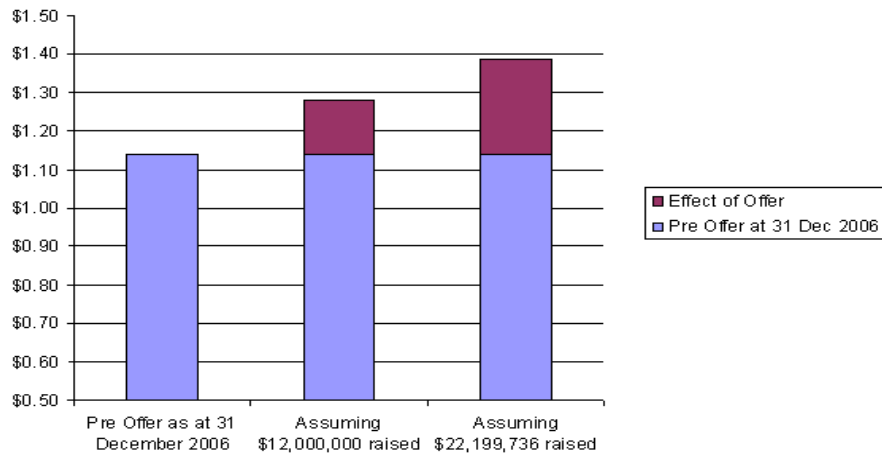
The capital structure of the Company following the issue of the Preference Shares will be:

Capital	Assuming \$12,000,000 is raised	Assuming \$22,199,736 is raised
Number of Shares currently on issue	36,999,557	36,999,557
Number of Options currently on issue	0	0
Number of Preference Shares issued under this Prospectus	5,000,000	9,249,890
Fully diluted capital	41,999,557	46,249,447
Net Tangible Assets per share ¹	<u>\$1.28</u>	<u>\$1.39</u>

The last price that the Ordinary Shares traded at on the day before lodgement of this Prospectus was \$1.16.

Note 1: The Net Tangible Asset amounts shown are based on the Net Tangible Assets per share as at 31 December 2006 adjusted for the interim dividend declared post 31 December 2006 and the effect on the Net Tangible Assets per share by the issue of the Preference Shares on a fully diluted basis.

Net Tangible Assets



The table shows diagrammatically the effect of the Issue on the Net Tangible Assets per share. The reported Net Tangible Assets per share (pre-offer equivalent) as at 28 February 2007 has increased to \$1.19.

See Section 3.4 for more details.

1.5 Pro forma Balance Sheet

The pro forma balance sheet represents the balance sheet of the Company as at 31 December 2006 adjusted to show the potential effect of completion of the Offer. It is intended to be

illustrative only and it neither reflects the actual position of the Company as at the date of the Prospectus nor at the conclusion of the Offer.

The pro forma balance sheet is set out in Section 3.3 of this Prospectus.

1.6 ASX Listing

Application will be made to ASX within 7 days after the date of this Prospectus for quotation of the Preference Shares to be issued under this Prospectus.

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

The Directors do not intend to allot any Preference Shares unless and until ASX grants permission for the Preference Shares to be listed for quotation unconditionally or on terms acceptable to the Directors. If permission is not granted for the Preference Shares 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 without interest to Applicants in full within the time prescribed by the Corporations Act.

1.7 CHESS

The Company participates in the Clearing House Electronic Subregister System known as CHESS. CHESS is operated by the ASX Settlement and Transfer Corporation Pty Limited (**ATSC**) in accordance with the ASX Listing Rules and the ATSC Settlement Rules. Under CHESS, the Company will not be issuing certificates to investors who elect to hold their Preference Shares on the CHESS subregister. After allotment of the Preference Shares, Holders will receive a CHESS statement.

The CHESS statements which are similar to bank account statements, will set out the number of Preference Shares issued to each Holder under 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 holding in the Company during a particular month.

1.8 Licensed Dealers

The Company does not hold an Australian Financial Services Licence. Accordingly, the Company will only issue Preference Shares pursuant to this Prospectus under arrangements with Australian Financial Services Licence holders pursuant to Section 911A(2)(b) of the Corporations Act.

1.9 Shortfall

The Directors reserve the right to place with parties selected by them any Preference Shares not taken up by the Shareholders. These Preference Shares will be placed under this Prospectus within 7 days of the Closing Date for Shortfall Applications on the same terms as are being offered to Shareholders pursuant to this Prospectus as allowed by Exception 3 in ASX Listing Rule 7.2.

Preference Shares not taken up by Shareholders will not be placed to the Directors or any associates of Directors (as defined in the ASX Listing Rules).

For this purpose, the Prospectus also includes an offer of Preference Shares the subject of any Shortfall.

The Directors may at their sole discretion elect to pay a fee for such placements.

The Company will pay a 1% (plus GST) handling fee in respect of any Shortfall placed by a licensed broker or adviser.

1.10 Oversubscription

The Company will not accept Applications for Preference Shares so that the number of Preference Shares issued exceeds the aggregate number of all Shareholders' Entitlements.

However, existing Shareholders may apply for further Preference Shares over their Entitlement by completing in addition to their Entitlement Application form a Shortfall Application form. The Directors may accept, refuse or scale back Applications for the Shortfall in their sole discretion.

1.11 Risk Factors

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

Investors should consider the risk factors identified in this Prospectus, particularly those identified in Section 4, before applying for Preference Shares.

1.12 Action by Shareholders (Offer Lapses)

The Entitlement to Preference Shares which is offered to existing Shareholders under this Prospectus is non-renounceable. Shareholders may accept all of their Entitlement, or accept part of their Entitlement, or subscribe for all of their Entitlement and more than their Entitlement under the Shortfall or allow any balance not accepted to lapse. Shareholders are not entitled to renounce (sell) any of their Entitlement.

Important: If you do nothing you will lose your Entitlement and receive nothing for your rights. Entitlements to Preference Shares not accepted will lapse.

If you are in any doubt as to what you should do, you should contact your accountant, stockbroker, solicitor or other professional adviser.

1.13 What happens if the Offer is not fully subscribed?

The Directors have reserved their rights to place the Shortfall or any part of it if the Offer is not fully subscribed with third parties and Ordinary Shareholders who subscribe for Preference Shares in addition to their Entitlement. Any such placement would be made pursuant to Listing Rule 7.2 (exemption 3) and Section 611 (exemption 10) of the Corporations Act. No Preference Shares issued pursuant to any such placement will be placed with any Director or any associate of any Director. The Company may, at the discretion of the directors, pay a fee for any such placement.

1.14 Overseas Shareholders

The Preference Shares are not offered in any jurisdiction in which, or to any person to whom it would be unlawful to make such an offer.

The Offer is not being extended, and does not qualify for distribution or sale, and the Preference Shares will not be issued to an Applicant with a registered address outside Australia, other than an Applicant with a registered address in New Zealand and any other jurisdiction in which it is lawful to make offers of Preference Shares in accordance with this Prospectus. Applicants resident in New Zealand should consult their professional advisers as to whether any governmental or other consents are required or other formalities need to be observed to enable them to subscribe for Preference Shares under this Prospectus.

1.15 IPO Prospectus

The Directors consider that, information set out in the IPO Prospectus may be relevant to investors, including:

- (a) information on the Company set out in Section 2 of the IPO Prospectus;
- (b) information on the Manager set out in Section 3 of the IPO Prospectus; and
- (c) the summaries of the material contracts set out in Section 9 of the IPO Prospectus.

Under Section 712(3) of the Corporations Act, the contents of the IPO Prospectus and the Annual Report are taken to be included in this Prospectus.

The Company will give to each investor who requests, prior to the Closing Date, a copy of the IPO Prospectus free of charge. Please contact the Company on (02) 8917 2112 if you would like a copy of the IPO Prospectus. The IPO Prospectus can also be downloaded at www.clime.com.au/investment_lic.htm.

1.16 Anti – Money Laundering

The Company may delay, block or refuse to make a payment if it believes on reasonable grounds that making a payment may breach any law of Australia or any other country. The Company will incur no liability if it does so.

Information which is reasonably required to comply with any laws of Australia or of any other country must be provided and may be disclosed where required by those laws. From 12 December 2007, investors may be required to meet customer identification requirements under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006.

2. Why are we issuing Preference Shares?

2.1 Benefits of the Preference Shares

The Preference Shares offer several benefits to their Holders:

- 7.5% dividend yield
- Fully franked. Pre tax equivalent yield 10.7% for most investors
- Preferred entitlement to dividends
- Dividend paid quarterly
- Dividend topped up to pre tax equivalent if insufficient franking credits are available

2.2 What are the Preference Shares?

The Preference Shares are non-cumulative converting preference shares. The issue price for the Preference Shares is \$2.40 per Preference Share.

2.3 What are the dividend rights for the Preference Shares?

The Preference Shares carry a right to be paid a dividend equal to 7.5% of the issue price annually, subject to the availability of profits and the Directors determining to pay that dividend. Dividends will be paid on the Preference Shares in priority to the Ordinary Shares.

The first dividend is payable for the period from the date of issue to 30 June 2007. Thereafter, dividends are payable quarterly until the Preference Shares are converted into Ordinary Shares.

Dividend payments will be made within 30 days of the end of the relevant dividend period.

2.4 How will the Dividend be calculated?

The dividend payable on the Preference Shares each quarter is calculated based on the annual dividend rate of 7.5%.

Therefore each quarterly dividend will be calculated as follows:

$$\frac{7.5\% \times \$2.40}{4} \quad \text{or} \quad 4.5 \text{ cents per quarter.}$$

The first dividend payable for the period ending 30 June 2007 will be pro rated for the 2 month period from the Allotment Date.

2.5 Will dividends always be paid?

Unlike interest on debt securities, dividends may only be paid if:

- (a) the Directors in their discretion determine to pay a dividend;

- (b) the Corporations Act and any other law does not prevent the payment; and
- (c) there are sufficient profits, either current or retained, to pay the dividend.

The Preference Shares are non-cumulative preference shares. This means that if Clime fails to pay a dividend it is not obliged to make up that shortfall by way of a higher dividend at a later time. However, the Directors may, at their sole discretion, pay shortfall dividends if they consider it appropriate and there are sufficient profits to do so.

2.6 Will the dividends be franked?

Subject to there being sufficient franking credits available, all dividends must be fully franked. If a dividend is not fully franked, the dividend payment may be grossed up to put the Holders, that are resident in Australia for taxation purposes, in an equivalent position they would have been in had the dividend been fully franked.

2.7 What happens if the corporate tax rate changes?

The gross-up of unfranked dividends will be determined by reference to the then current corporate tax rate. Accordingly, the dividends will continue to be fully franked or grossed-up if there is a change in the corporate tax rate.

2.8 What is an Exchange?

In certain limited circumstances, Clime may buyback or cancel the Preference Shares. This is known as an Exchange. This right may only be exercised when Clime determines that there has been:

- (a) a change in tax law, interpretation or ruling that may have a material adverse effect on the ability of Clime to attach franking credits to dividends payable on the Preference Shares or may materially increase the costs and expenses incurred by Clime in relation to the Preference Shares; or
- (b) a change in accounting standards or principles affecting the accounting for Preference Shares (including their classification as equity or debt in Clime's financial statements) and Clime determines that an Exchange would remedy or prevent an event of default or other contravention of a material financing arrangement affecting Clime.

In addition, the Holder or Clime may require an Exchange to occur where under a takeover bid the bidder's offer has become unconditional and the bidder has acquired a relevant interest in more than 50% of the Ordinary Shares of Clime.

Exchange can only occur after all relevant approvals (which may include Clime Shareholder approval) have been obtained.

On Exchange each Preference Share will be bought back or cancelled for \$2.40 each. Holders are also entitled to receive any dividend that the Directors have previously resolved to pay but have not yet paid at the time of buyback or cancellation.

2.9 Are the Preference Shares redeemable?

The Preference Shares are non-redeemable. They may however be cancelled or bought back

on an Exchange.

2.10 When are the Preference Shares convertible?

Each Preference Share automatically converts into an Ordinary Share on the Conversion Date, being the date 10 years after the Allotment Date.

In addition Holders may elect at any time prior to the Conversion Date to convert their Preference Shares into the same number of Ordinary Shares.

The number of Ordinary Shares into which Preference Shares will be converted will be adjusted if there is a pro rata issue to holders of Ordinary Shares or a bonus issue to holders of Ordinary Shares or Ordinary Shares are reconstructed, consolidated, divided or reclassified.

2.11 Can I request repayment of my investment?

The Preference Shares are non-redeemable.

2.12 In a winding up, what will I receive?

In the event of a winding up of Clime, holders of Preference Shares will be entitled to a return of capital of up to the amount of the issue price for the Preference Shares and any dividends that have been declared by the Directors to be payable but are unpaid.

In the event of a shortfall of funds on a winding up such that there are not sufficient funds to pay this amount to all holders of the Preference Shares, holders will not receive a full return of capital but will receive a pro-rata return with other holders of the Preference Shares.

Holders will rank after all creditors of Clime for these payments. However, holders of Preference Shares will rank ahead of holders of Clime Ordinary Shares for a return of capital on a winding up to the extent of the paid up capital on the Preference Shares plus any accrued but unpaid dividends.

Preference Shares do not confer any further right to participate in a distribution of Clime's surplus assets on a winding up. However, if the Preference Shares are converted into Ordinary Shares the Ordinary Shares will participate in a distribution of Clime's assets on a winding up.

2.13 How can I sell my Preference Shares?

Clime will seek quotation of the Preference Shares on the ASX. The Issue of the Preference Shares will not proceed unless the Company has sought and obtained the permission of the ASX to quotation of the Preference Shares.

2.14 Do the Preference Shares have voting rights?

A Holder of a Preference Share is entitled to vote in each of the following circumstances and in no others:

- (a) during a period which a dividend (or part of a dividend) in respect of the Preference Share is in arrears;
- (b) on a proposal to reduce the share capital of the Company;

- (c) on a resolution to approve the terms of a share buy-back agreement;
- (d) on a proposal that affects rights attached to the Preference Shares;
- (e) on a proposal to wind up the Company;
- (f) on a proposal for the disposal of the whole of the Company's property, business and undertaking; and
- (g) during the winding up of the Company.

2.15 Is brokerage or stamp duty payable?

You do not have to pay any stamp duty or brokerage on the issue of Preference Shares to you.

2.16 Where can I see the full terms of issue?

The full terms of issue of the Preference Shares are set out in Appendix A.

3. What is the effect of the Offer on Us?

3.1 Use of funds

Expand Clime's portfolio

The funds raised by this Offer will be used to acquire interests in businesses consistent with Clime's investment objectives and methodology as set out in Sections 2 of its IPO Prospectus. A copy of Clime's IPO Prospectus can be downloaded from www.clime.com.au/investment_lic.htm or if you call us we will send a copy to you free of charge.

The proceeds from the Offer will also be applied to pay the costs of the Offer.

Costs of the Offer

The Company estimates the total costs of the Offer will be approximately:

- assuming \$12,000,000 is raised under the Offer - **\$140,000**
- assuming \$22,199,736 is raised under the Offer - **\$200,000**

Details of these costs payable to advisers and the providers of professional services named in this Prospectus are set out in Section 5.14.

3.2 Consequences if Offer does not proceed

If for any reason the issue of Preference Shares under this Prospectus does not proceed, the investment objectives and methodology of Clime will be unaffected but Clime will not have the additional funds to add to its investment portfolio.

3.3 Pro forma Balance Sheet

A pro forma Balance Sheet for Clime is provided below showing the net effect of the issue, as if that event had occurred on 31 December 2006. Two scenarios have been presented – Scenario 1 assumes \$12,000,000 is raised under the Offer, and Scenario 2 assumes \$22,199,736 is raised under the Offer, being the maximum amount that can be raised under the Offer. The pro forma balance sheet is based on Clime's auditor reviewed financial statements for the half-year ended 31 December 2006.

The pro forma balance sheet has been prepared in accordance with the recognition and measurement principles of the Australian equivalents to International Financial Reporting Standards (**AIFRS**).

The pro forma balance sheet is 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 Offer.

Pro Forma Balance Sheet

			SCENARIO 1	SCENARIO 2
	Notes	Auditor reviewed Balance Sheet as at 31 December 2006 \$	Assuming \$12,000,000 is raised from the issue \$	Assuming \$22,199,736 is raised from the issue \$
ASSETS				
Cash and cash equivalents	1	6,807,453	18,807,453	29,007,189
Trade and other receivables		571,052	571,052	571,052
Bills receivable		2,089,058	2,089,058	2,089,058
Investment portfolio		38,106,015	38,106,015	38,106,015
Deferred tax assets		63,429	63,429	63,429
TOTAL ASSETS		47,637,007	59,637,007	69,836,743
LIABILITIES				
Trade and other payables	2	1,126,864	1,266,864	1,326,864
Current tax liabilities		577,094	577,094	577,094
Deferred tax liabilities		2,916,046	2,916,046	2,916,046
TOTAL LIABILITIES		4,620,004	4,760,004	4,820,004
NET ASSETS		43,017,003	54,877,003	65,016,739
EQUITY				
Issued capital	3	33,699,202	45,559,202	55,698,938
Retained profits		9,317,801	9,317,801	9,317,801
TOTAL EQUITY		43,017,003	54,877,003	65,016,739

Notes - Explanation of Adjustments

1. Cash and cash equivalents

The adjustment to cash and cash equivalents represents the gross proceeds from the issue of the Preference Shares:

Scenario 1 - Increase of \$12,000,000

Scenario 2 - Increase of \$22,199,736

2. Trade and other payables

The adjustment to trade and other payables represents an accrual for the estimated costs of the issue, consisting of professional fees, handling fees payable to advisers in respect of any Preference Shares issued under the Shortfall, ASX listing fees, printing and postage.

Scenario 1 - Increase of \$140,000

Scenario 2 - Increase of \$200,000

The increase in costs in Scenario 2 reflects the estimated additional handling fees payable to advisers in respect of Preference Shares issued under the Shortfall. In both Scenarios it has been assumed that 50% of the Preference Shares will be issued under the Entitlement part of the Offer, and 50% of the Preference Shares will be issued under the Shortfall (thereby attracting a 1% placement fee to the advisers placing the Preference Shares).

3. Issued capital

The adjustment to issued capital represents the proceeds from the issue of the Preference Shares, net of the accrual for costs relating to the issue.

Scenario 1 - Increase of \$11,860,000

Scenario 2 - Increase of \$21,999,736

3.4 Fully Diluted Net Tangible Asset Backing Per Share

The Fully Diluted Net Tangible Asset Backing Per Share in the Company as at 31 December 2006 and the Fully Diluted Net Tangible Asset Backing Per Share adjusted for the Issue are as follows:

		SCENARIO 1	SCENARIO 2
	Before Issue	Assuming	Assuming
Fully Diluted Net Tangible Asset Backing Per Share	31 December 2006	\$12,000,000 is raised from the issue	\$22,199,736 is raised from the issue
Pre-Tax	\$1.22	\$1.35	\$1.45
Post-Tax	\$1.14	\$1.28	\$1.39

Notes to Fully Diluted Net Tangible Asset Backing Per Share

- Fully Diluted Net Tangible Asset Backings Per Share represent the total pre-tax and post-tax net assets at 31 December 2006 respectively, divided by the total of the number of Ordinary Shares on issue and, where applicable, the number of Preference Shares on issue.
- Fully Diluted Net Tangible Asset Backings Per Share have been adjusted by deducting the 2.5 cent per share interim dividend declared and announced on 19 February 2007. Consequently, they are quoted on an ex interim dividend basis.
- Fully Diluted Net Tangible Asset Backings Per Share on a post-tax basis allow for the estimated tax payable on unrealised investment portfolio gains that would arise if the entire investment portfolio were sold at 31 December 2006. The Company is a long-term investor, however, and does not intend to dispose of its entire investment portfolio.

4. Risk Factors

4.1 General Risk Factors

The following matters, as well as others described elsewhere in this Prospectus, should be carefully considered in evaluating the Company and its prospects:

- (a) the success and profitability of the Company in part will depend upon the ability of the Manager to invest in well-managed companies which have the ability to increase in value over time;
- (b) the future earnings of the Company and the value of the investments of the Company may be affected by the general economic climate, commodity prices, currency movements, changing government policy and other factors beyond the control of the Company. 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;
- (c) variations in legislation and government policies generally could materially affect operating results of the Company;
- (d) any variation in the taxation laws of Australia could materially affect the operating results of the Company;
- (e) any variation in short and long-term interest rates could materially affect the operating results of the Company;
- (f) any variation in commodity prices could materially affect the operating results of the Company;
- (g) the price of investments that the Company has purchased can fall as well as rise;
- (h) the past performance of funds managed by the persons associated with the Manager is not necessarily a guide to future performance of the Company;
- (i) the Portfolio is less diversified than other listed investment companies;
- (j) the price at which Preference Shares are traded on ASX may be below the net asset backing of those Preference Shares. The constitution of the Company does not entitle Shareholders to require the Board to implement a share buy-back or any other capital reconstruction or to take any other remedial action;
- (k) 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.
- (l) 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 (**AFS**) licence and its continued solvency. Maintenance of the AFS licence depends, among other things, on the Manager continuing to comply with the ASIC imposed licence conditions and the Corporations Act;
- (m) 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; and

- (n) 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.

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.

4.2 Investor Considerations

Before deciding to subscribe for Preference Shares, Applicants should consider whether Preference Shares are a suitable investment. There are general risks associated with any investment in the stock market. The value of Preference 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 Preference Shares, the receipt of dividends (both franked and unfranked) from the Company, participation in any on market share buy-back and on the disposal of Preference Shares. Applicants should carefully consider these tax implications and obtain advice from an accountant or other professional tax adviser in relation to the application of tax legislation.

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

4.3 Risk Factors specific to Preference Shares

In addition to the risk factors referred to above, Clime considers that the following risk factors apply particularly to investors in Preference Shares.

No rights of redemption

Unlike many Preference Shares, the Preference Shares may not be redeemed at all.

Different Rights

The Preference Shares have rights which differ substantially from those of Ordinary Shares. Investors should therefore consider whether the Preference Shares are a suitable investment in the light of their investment objectives, financial circumstances and the risk factors set out in this Prospectus.

General risks of investing

There are general risks associated with listed securities such as the Preference Shares. Market prices for the Preference Shares could be affected by changes in interest rates, general equity and debt market conditions, changes in credit spreads or movements in the price of Ordinary Shares of Clime.

Liquidity

The market for Preference Shares may be less liquid than the market for the Ordinary Shares. A lack of liquidity may adversely affect the value investors receive from Preference Shares sold on ASX.

Taxation Considerations

Legislation governing the sale and conversion of Preference Shares is complex. Each individual taxpayer's position is different. Investors should take their own professional advice concerning their taxation position in relation to an investment in Preference Shares.

5. Additional Information

5.1 Incorporation and Listing

Clime was incorporated on 11 September 2003 was listed on ASX on 3 February 2004.

5.2 Rights Attaching to Ordinary Shares

Immediately after conversion, Preference Shares will become fully paid Ordinary Shares. There will be no liability on the part of Shareholders for any calls and the Ordinary Shares will rank pari passu with Ordinary Shares currently on issue.

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

Each Ordinary Share confers on its holder:

- (a) The right to vote at a general meeting of Ordinary Shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per Ordinary Shareholder) and on a poll (one vote per Ordinary Share on which there is no money due and payable) subject to the rights and restrictions on voting which may attach to or be imposed on Ordinary Shares (at present there are none);
- (b) The right to receive dividends, according to the amount paid up on the Ordinary Share; and
- (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 to distribute surplus assets of the Company (with the consent of members by special resolution).

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

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

5.3 Preference Shares

Please see Section 2 for a summary of the terms of the Preference Shares and Appendix A for the detailed terms.

5.4 Interests of Directors

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

Director	Ordinary Shares	Entitlements
Roger Montgomery	317,066*	79,267
Geoffrey Wilson	361,931	90,483
Tony Hockey	56,475	14,119
Julian Gosse	0	0

* Roger Montgomery holds 2 Ordinary Shares in his own name and has an interest in the Ordinary Shares held by his Associates, Kerry Montgomery (102,504 Ordinary Shares), the KRJL Super Fund (113,522 Ordinary Shares) and Montgor 2 Pty Limited (101,038 Ordinary Shares).

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.

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.

The Directors may apply for some or all of their respective Entitlements under the Prospectus. As at the date of this Prospectus none of the Directors have determined the extent, if any, of the Entitlements that they intend on applying for.

5.5 Remuneration of Directors

The Directors will be entitled to receive the following benefits:

- (a) the maximum total remuneration of the non-executive Directors of the Company has been set at \$50,000 per annum. Tony Hockey and Julian Gosse will each be paid \$20,000 per annum (inclusive of statutory superannuation) and Geoffrey Wilson will be paid \$10,000 per annum (inclusive of statutory superannuation);
- (b) Roger Montgomery receives remuneration of \$60,000 per annum from the Company under an employment agreement between the Company and Roger Montgomery dated on or about 14 October 2004. The Company has retained Roger Montgomery as its Chief Operating Officer, reporting directly to the Board. The employment agreement continues until terminated by 3 months' notice by either party. Under the agreement Roger Montgomery is required to provide services to the Company, including, undertaking marketing and promotion and liaising with the ASX and external advisers;
- (c) Roger Montgomery is the managing director 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 9.4 of the IPO Prospectus; and
- (d) Boutique Asset Management Pty Limited (BAM), an entity associated with Geoffrey Wilson has taken an assignment of 25% of the right to receive all management fees payable to the Manager under the Management Agreement. Details of the terms of this assignment are set out in Section 9.4 of the IPO Prospectus. Since the date of the IPO Prospectus, being on 30 June 2005, the Company and BAM agreed to an amendment to the assignment of the fees payable to BAM so that BAM now only receives an assignment of 25% of the management fee payable to the Manager under the Management Agreement and does not receive a percentage of the performance fee payable to the Manager under the Management Agreement unless

the net value of the portfolio of the Company falls below \$43.9 million. As at 31 December 2006 the net value of the portfolio of the Company was approximately \$43 million.

5.6 No Other Interests

Except as set out in this Prospectus (including in Sections 5.4 and 5.5), 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.

5.7 Minimum Subscription

An ASX requirement to quoting the Preference Shares is that there is a minimum of 100,000 Preference Shares on issue and a minimum of 50 Holders. Accordingly, unless both of these conditions are satisfied the Issue will not proceed.

5.8 No Underwriting

The Offer is not underwritten.

5.9 Documents Available for Inspection

The Company is a disclosing entity for the purposes of Section 111AC(1) of the Corporations Act and as such, is subject to regular reporting and disclosure obligations. Broadly, these obligations require the Company to:

- (a) prepare and lodge with ASIC both yearly and half yearly financial statements accompanied by a Director's statement and report and an audit or review report;
- (b) within 14 days after the end of each month, tell ASX the net tangible asset backing of its shares as at the end of that month; and
- (c) immediately notify ASX of any information concerning the Company of which it is, or becomes aware and which a reasonable person would expect to have a material effect on the price or value of shares, subject to certain limited exceptions related mainly to confidential information.

Copies of documents lodged at ASIC in relation to the Company may be obtained from or inspected at an office of ASIC. Copies of documents lodged with ASX in relation to the Company may be obtained from or, inspected at, an office of ASX.

5.10 Other Documents

The Company will provide a copy of any of the following documents free of charge to any person who requests a copy in relation to this Prospectus:

- (a) a copy of the IPO Prospectus;

- (b) the financial statements of the Company for the year ended 30 June 2006 being the last full year financial statements for a financial year lodged with ASIC before the date of this Prospectus;
- (c) the half yearly financial statements of the Company for the 6 months ended 31 December 2006 being the last financial statements lodged with ASIC before the date of this Prospectus; and
- (d) any other document or financial statement lodged by the Company with ASIC or ASX under the continuous disclosure reporting requirements in the period after release of the financial statements for the year ended 30 June 2006 to the date of lodgement of this Prospectus with ASIC being:

Date	Announcement
15/03/2007	Monthly Net Tangible Asset Backing for February 2007
20/02/2007	Change of Director's Interest Notice
19/02/2007	Change in substantial holding from CIW
19/02/2007	Half Yearly Report & Half Year Accounts
12/02/2007	Monthly Net Tangible Asset Backing for January 2007
15/01/2007	Monthly Net Tangible Asset Backing
15/12/2006	Monthly Net Tangible Asset Backing
12/12/2006	Appendix 3B
12/12/2006	DRP Share Price
07/12/2006	Change in substantial holding
29/11/2006	Chairman's AGM Address to Shareholders
29/11/2006	Results of AGM
14/11/2006	Change in substantial holding
13/11/2006	Monthly Net Tangible Asset Backing
03/11/2006	Change in substantial holding
31/10/2006	Correction to Proxy Form
30/10/2006	Change in substantial holding
27/10/2006	Notice of Annual General Meeting
16/10/2006	Monthly Net Tangible Asset Backing
10/10/2006	Becoming a substantial holder from LCP
10/10/2006	Appendix 3B - DRP
10/10/2006	DRP Share Price
05/10/2006	Change in substantial holding
02/10/2006	Change in substantial holding
27/09/2006	Response to ASX Share Price Query
25/09/2006	Change in substantial holding

Date	Announcement
22/09/2006	Annual Report
14/09/2006	Monthly Net Tangible Asset Backing
06/09/2006	Gross Assets Rise by 5.8% since 31 July
24/08/2006	Change in substantial holding
15/08/2006	Monthly Net Tangible Asset Backing
11/08/2006	Amendment to Final Dividend Payment Date
10/08/2006	Preliminary Final Report
09/08/2006	ASIC Media Release - Tweed Takeover Bid
09/08/2006	Tweed Abandons Takeover
09/08/2006	Trading Halt
09/08/2006	Off-market bid-Australian Share Purchasing Corporation Pty Ltd
04/08/2006	Boards Initial Response to Tweed Takeover Bid
02/08/2006	Change of Director's Interest Notice
01/08/2006	Portfolio Update/Takeover Bid
01/08/2006	Bidder's Statement
01/08/2006	Trading Halt
11/07/2006	Monthly Net Tangible Asset Backing - June 2006

5.11 Litigation

Clime is not involved in any material legal or arbitration proceedings which have had or may have a significant effect on the financial position on the Company. Other than as detailed, as far as the Directors are aware, no such proceedings are threatened against the Company

5.12 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.

DTT NSW 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 being named in the Prospectus as auditor of the Company in the form and context in which it so named and the inclusion of references to the auditor reviewed accounts of the Company in the form and context in which they appear in this Prospectus.

Clime Asset Management 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 being named in the Prospectus as Manager of the Company in the form and context in which it so named.

Registries 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 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.

None of Watson Mangioni Lawyers Pty Limited, DTT NSW, Registries Limited or Clime Asset Management Pty Limited:

- has authorised or caused the issue of the Prospectus;
- has made, or purported to have made, any statement in this Prospectus, except this Section 5.12; and
- assumes responsibility for any part of this Prospectus except for statements in this Section 5.12.

Each of these entities to the maximum extent permitted by the law, disclaim any responsibility or liability for any part of this Prospectus other than a statement included in this Section.

5.13 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 \$45,000 (including disbursements) to *Watson Mangioni Lawyers Pty Limited*.

Brokers and Advisers The relevant broker or adviser who obtains a Shortfall Application will receive a 1% handling fee plus GST (if applicable) in respect of the amount subscribed under each relevant Shortfall Application.

5.14 Expenses of the Offer

All expenses connected with the Offer have been, and are being, borne by the Company. The estimated capital raising costs, net of GST, are as follows:

	5,000,000 Preference Shares issued at \$2.40 each	9,249,890 Preference Shares issued at \$2.40 each
Handling fees on subscriptions	\$60,000	\$120,000
ASX and ASIC Fees	\$20,000	\$20,000
Other costs	\$60,000	\$60,000
Total estimated expenses of the Offer	\$140,000	\$200,000

The Company has agreed to pay a 1% handling fee plus GST (if applicable) of Application monies received through an Applicant's broker or adviser on Shortfall Applications placed by them.

The Manager will not receive any handling fees on Shortfall Applications and will not charge any fee or costs in relation to acting as the licensed dealer to the Offer.

Except as set out above, or elsewhere in this Prospectus, no sums have been paid or agreed to be paid to any professional adviser or other person in cash, Preference Shares, Ordinary Shares, or otherwise by any person in connection with the Offer.

Certain parties and employees of firms providing services connected with the Offer may subscribe for Preference Shares in the context of the Offer.

6. Glossary

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

Allotment Date	30 April 2007 or such other date that the Preference Shares are allotted.
Applicant	a person who submits an Application.
Application	an application for Preference Shares under this Prospectus.
Associate	has the meaning given by Division 2 of the Corporations Act.
ASIC	Australian Securities & Investments Commission.
ASX	ASX Limited (ACN 008 624 691).
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 19 April 2007 in respect of the Entitlement Applications and 27 April 2007 in respect of the Shortfall Applications or such other dates as may be notified by the Company.
Company or Clime	Clime Capital Limited (ACN 106 282 777).
Conversion Date	30 April 2017.
Corporations Act	Corporations Act 2001 (<i>Cth</i>).
Directors or Board	the board of directors of the Company.
Entitlement	the entitlement of 1 Preference Share for every 4 Ordinary Shares held by an eligible Shareholder at the Record Date.
Entitlement Application	an application form entitled 'Entitlement and Application Form' in the form accompanying this Prospectus
Holder	a holder of one or more Preference Shares.
IPO	means the Company's initial public offering of Ordinary Shares and options.
IPO Prospectus	means the Prospectus dated 12 November 2003 with respect to the Company's IPO.
Issue	the issue of Preference Shares in accordance with this Prospectus.
Listing Rules	the listing rules of ASX.
Management Agreement	the management agreement between the Company and the Manager dated 12 November 2003.
Manager	Clime Asset Management Pty Limited (ACN 098 420 770) (Australian Financial Services Licence Number 221146).

Net Tangible Assets	means the net tangible asset value of the Company after provision for tax on realised and unrealised gains, dividends, operating costs, interest and fees.
Offer	the offer of approximately 9,249,890 Preference Shares under and in accordance with this Prospectus.
Ordinary Share	a fully paid ordinary share in the capital of the Company.
Portfolio	the portfolio of investments held by the Company from time to time.
Preference Share	a fully paid preference share in the capital of the company issued under this Prospectus.
Prospectus	this prospectus dated 16 March 2007 as modified or varied by any supplementary prospectus made by the Company and lodged with the ASIC from time to time.
Record Date	5:00 AEST on 28 March 2007 being the date to determine Entitlements to Preference Shares offered under this Prospectus.
Securities	has the same meaning as in Section 92 of the Corporations Act.
Shareholder	a holder of one or more Securities of Clime.
Share Registrar	Registries Limited (ACN 003 209 836) of Level 2, 28 Margaret Street, Sydney NSW 2000.
Shortfall	those Preference Shares under the Offer not applied for by Shareholders under their respective Entitlements.
Shortfall Application	an application form entitled 'Shortfall Application Form' in the form attached to this Prospectus

This Prospectus has been approved by unanimous resolution of the Directors of Clime Capital Limited.

Dated: 16 March 2007



Roger Montgomery
Chairman

Appendix A

Rights attaching to Preference Shares

1. Terms of Issue

1.1 Issue Price

The issue price of each Preference Share is \$2.40 (**Issue Price**).

2. Dividends

2.1 Calculation of Dividends

- (a) Subject to the Corporations Act, the Tax Act and these Terms, the Holder on the relevant Record Date is entitled to receive on each relevant Dividend Payment Date a dividend (**Dividend**) in respect of each Dividend Period for each Preference Share (**Dividend Entitlement**) calculated at a rate of 7.5% per annum of the Issue Price.
- (b) The Dividend Entitlement for a Dividend Period will be calculated on an equal quarterly basis, other than for the initial Dividend Period and the final Dividend Period.

2.2 Dividend Period

- (a) The initial Dividend Period is the period from the date of issue of the Preference Shares to 30 June 2007.
- (b) Thereafter, subject to Clause 2.2(c), each Dividend Period is the period of 3 months until the next to occur of 30 September, 31 December, 31 March and 30 June.
- (c) The final Dividend Period is the period from the last day of the previous Dividend Period until the first to occur of the Conversion Date and the date the Preference Shares are bought back or cancelled under Clause 4.8.

2.3 Payment of Dividends

The payment of Dividends is subject to:

- (a) the Directors, at their discretion, determining the Dividend to be payable;
- (b) the Corporations Act and any other law not prohibiting the Company from paying the Dividend; and
- (c) the Company having profits, either current or retained, available for the payment of the Dividend.

2.4 Reinvestment of Dividends in DRP

Dividends payable on the Preference Shares are **not** eligible to participate in the Company's DRP. All payments of Dividends will be in cash.

2.5 Non Cumulative Dividends

- (a) Dividends are non cumulative.

- (b) If and to the extent that all or any part of a Dividend is not paid because of the provisions of Clause 2.3, the Company has no liability to pay that Dividend and notwithstanding the Director's discretion to pay a Shortfall Dividend under Clause 2.11, the Holder has no claim in respect of that non-payment.

2.6 Rounding of Dividends

All calculations of Dividends will be rounded down to 2 decimal places. For the purposes of calculating a Holder's aggregate Dividend Entitlement, any fraction of a cent will be disregarded.

2.7 Dividend Payment Dates

Subject to this Clause 2, Dividends will be payable in arrears within 30 days of the end of the relevant Dividend Period.

2.8 Franked Dividend

- (a) Subject to having sufficient franking credits, each Dividend must be a fully Franked Dividend.
- (b) If a Dividend, for any reason, cannot be a fully Franked Dividend, the Company may pay to the Holder of the Preference Share an amount equal to the sum of the Dividend and the Gross Up on the unfranked portion of the Dividend.

2.9 Record Dates

A Dividend is only payable to Holders on the Record Date for that Dividend.

2.10 Deductions

The Company may deduct from any Dividend payable to a Holder the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of that amount. If any such deduction has been made and the amount of the deduction accounted for by the Company to the relevant revenue authority and the balance of the amount payable has been paid to the Holder concerned, then the full amount payable to such Holder shall be deemed to have been duly paid and satisfied by the Company.

2.11 Undertakings

The Company must apply its profits in each financial year towards payment of Dividends before any other distribution of profit.

3. Conversion

3.1 Conversion on Conversion Date a Trigger Event

The Preference Shares automatically convert into Ordinary Shares on the Conversion Date.

3.2 Conversion at the election of Holder

- (a) A Holder may request the Company to convert all of the Holder's Preference Shares by giving a Conversion Notice to the company at any time while the Preference Shares are on issue.

- (b) Once a Holder has given a Conversion Notice under Clause 3.2(a), that Holder must not deal with, transfer, dispose of or otherwise encumber any of the Holder's Preference Shares.
- (c) If a Holder gives a Conversion Notice under Clause 3.2(a), the Company must convert the Preference Shares into Ordinary Shares on the Conversion Date in accordance with Clause 3.4.
- (d) If a Holder gives a Conversion Notice in accordance with Clause 3.2(a), the Conversion Date will be the last Business Day of the month following the month in which the Conversion Notice is received by the Company.

3.3 Notices

- (a) A Conversion Notice given by a Holder under Clause 3.2 is irrevocable.
- (b) A Conversion Notice is taken to be given by a Holder for the purposes of these Terms when it is mailed in a prepaid envelope to an address or sent to a fax number or electronic address, if permitted by the Constitution, actually received by the Company. This Clause 3.3(b) does not limit the means by which the Holder may give Conversion Notices to the Company.

3.4 Conversion

- (a) From Conversion:
 - (i) all other rights or restrictions conferred upon the Preference Share under these Terms will cease to have effect (except where the Conversion occurred after the relevant Record Date for a declared but unpaid Dividend, in which case the right to payment will subsist); and
 - (ii) each converted Preference Share will rank equally with all other fully paid Ordinary Shares then on issue and the Company will procure that a statement is issued that the Holder of those shares holds a share so ranking.

The conversion of the rights of a Preference Share under this Clause 3.4 and any allotment of Ordinary Shares under Clause 3.5 is, for the purposes of these Terms, together termed **Conversion** (and **Convert** has a corresponding meaning).

- (b) Conversion does not constitute cancellation or redemption of a Preference Share nor an issue, allotment or creation of a new share.

3.5 Adjustments

- (a) The number of Ordinary Shares into which Preference Shares will be Converted will be adjusted in the following circumstances:
 - (i) if there is a pro rata issue (except a bonus issue) to the holders of the Ordinary Shares then the number of Ordinary Shares into which each Preference Share will be converted into will be adjusted as follows:

$$\text{NCR} = \text{PCR} \times \left(1 + \frac{\text{VWAP} - \text{DP}}{2.40} \right)$$

Where:

NCR (New Converting Ratio) means the new ratio as to the number of Ordinary Shares into which each Preference Share will be converted

PCR (Previous Converting Ratio) means the ratio of the number of Ordinary Shares into which each Preference Share converted immediately prior to the pro rata issue. (This will be 1 unless a pro rata issue, bonus issue or reconstruction, consolidation, division or reclassified has previously adjusted this ratio under this Clause 3).

VWAP means the volume weighted average price of the Company's Ordinary Shares for the 20 trading days immediately before the announcement of the pro-rata issue

DP means the fully diluted ex-price, calculated as follows:

$$DP = \frac{(OS \times VWAP) + (IS \times IP)}{OS + IS}$$

Where:

OS means the total number of Ordinary Shares on issue immediately before the announcement of the pro rata issue

IS means the total number of Ordinary Shares to be issued under the pro rata issue

IP means the issue price of each Ordinary Share under the pro rata issue or in the case of a non cash issue price the cash price equivalent value determined by the Directors

- (b) If there is a bonus issue to the holders of the Ordinary Shares, the number of Ordinary Shares into which the Preference Shares are convertible will be increased by the number of Ordinary Shares which the Holder of the Preference Shares would have received if the Preference Shares had been converted before the record date of the bonus issue.
- (c) If at any time the Ordinary Shares are reconstructed, consolidated, divided or reclassified (other than by way of a bonus issue) into a lesser or greater number of securities, the Preference Shares must, in accordance with the ASX Listing Rules (as they apply to the Company), be reconstructed, consolidated, divided or reclassified by the Directors on the same basis and the number of Ordinary Shares into which each Preference Share converts shall be adjusted by the Directors as appropriate.
- (d) Unless otherwise approved by Special Resolution of Ordinary Shareholders and Holders of Preference Shares, no adjustment to the number of Ordinary Shares into which Preference Shares will be Converted will be made as a result of Clime undertaking:
 - (i) an off-market buy-back of Ordinary Shares; or
 - (ii) a distribution by way of dividend or special dividend to Ordinary Shareholders.

3.6 No Reduction of Capital

The Company may not undertake a return of capital (other than by way of cancellation of capital no longer represented by assets of Clime) without the prior consent of Holders by way of Special Resolution.

3.7 Discretion in adjustment of conversion mechanism

Where:

- (a) under any of the adjustment provisions set out in Clauses 3, the number of additional Ordinary Shares to be issued on Conversion of the Preference Shares is not, in the reasonable opinion of the Directors, appropriate in any particular circumstances (including for the reason that more than one adjustment provision applies to a particular occurrence); or
- (b) the Company makes a distribution other than by way of dividend in the ordinary course of business or makes a pro rata offer to holders of Ordinary Shares to subscribe for, or purchase, securities in any company other than the Company in a way which does not, in the reasonable opinion of the Directors, result in an appropriate adjustment to the number of Ordinary Shares that each Preference Share converts into;
- (c) any other event occurs in relation to the Company that may have a diluting or concentrative effect on the value of the Ordinary Shares,

and the Directors determine that any such occurrence would, in the reasonable opinion of the Directors, affect the relative values of the Preference Shares and the Ordinary Shares, the Directors may:

- (d) make such alterations to the number of Ordinary Shares that each Preference Share converts into as the Directors reasonably consider appropriate or necessary to maintain that relativity; or
- (e) extend an entitlement to the Holders to participate in such distribution or pro rata offer based upon the number of Ordinary Shares to which those holders would have been entitled if their Preference Shares had been converted on a date nominated by the Directors.

4. General Rights

4.1 Ranking

- (a) Preference Shares rank equally amongst themselves in all respects.
- (b) Preference Shares are subordinated to all creditors of the Company in respect of:
 - (i) return of capital (subject to these Terms, not exceeding the Issue Price for each Preference Share); and
 - (ii) payment of any Dividends determined by the Directors to be paid and which are due but unpaid.

4.2 Priority of Dividends

- (a) If:

- (i) a Dividend for each Preference Share held in respect of a Dividend Period; or
- (ii) a Dividend entitlement on any other shares in the Company which rank equally with the Preference Shares as to dividends;

has been determined by the Directors to be paid but has not been paid, or is not able to be paid in full, any Dividends and any dividends payable on those other shares must be paid pro rata.

- (b) Unless and until Conversion occurs, the Preference Shares rank in priority to Ordinary Shares for the payment of dividends.

4.3 Return of Capital on a Winding Up

Unless and until Conversion, if there is a return of capital on a winding up of the Company, Holders will be entitled to receive out of the assets of the Company available for distribution, in respect of each Preference Share held, a cash payment equal to the sum of:

- (a) the amount of any Dividend Entitlement (calculated on a daily basis assuming a 365 day year) throughout the period from and including the last day of the preceding Dividend Period to the date of commencement of the winding up together with the amount of any previous Dividend which has been determined by the Directors to be paid and is due but unpaid; and
- (b) the Issue Price,

before any return of capital is made to holders of Ordinary Shares or any other class of shares ranking behind the Preference Shares.

4.4 Shortfall on a Winding Up

If, upon a winding up of the Company, there are insufficient funds to pay in full the amounts referred to in Clause 4.3 and the amounts payable in respect of any other shares in the Company ranking as to such distribution equally with the Preference Shares on a winding up of the Company, Holders and the holders of any such other shares will share in any distribution of assets of the Company in proportion to the amounts to which they are entitled respectively.

4.5 Participation in Surplus Assets and Profits

The Preference Shares do not confer on Holders any further right to participate in the surplus assets of the Company on a winding up or in the property or profits of the Company beyond the rights set out in these Terms.

4.6 Restrictions on Other Issues

- (a) The issue by the Company of any other preference shares which rank in priority to the Preference Shares in respect of dividends or return of capital on a winding up constitutes an alteration of the rights attached to the Preference Shares. Accordingly, unless and until all the Preference Shares have been Converted, the Company must not, without approval of a Special Resolution passed at a separate meeting of Holders, issue, or permit the conversion of any existing shares ranking in priority to the Preference Shares as to dividends or return of capital on winding up.
- (b) The Directors are at all times authorised to issue further Preference Shares or other securities ranking equally or behind any existing Preference Shares as to dividends

or return of capital on winding up without approval of a Special Resolution passed at a separate meeting of Holders. Such an issue does not constitute a variation or cancellation of the rights attached to the then existing Preference Shares.

4.7 Non Redeemable

The Preference Shares are non redeemable. However, this does not prejudice the Company's rights or power to Exchange Preference Shares pursuant to Clause 4.8, the Corporations Act or pursuant to law.

4.8 Exchange and Exchange Events

- (a) The Company must notify Holders of the occurrence of an Exchange Event by making an announcement on the ASX which specifies the Exchange Event as soon as practicable after becoming aware of the applicable event.
- (b) If an Exchange Event occurs, the Company may deliver a notice (**Exchange Notice**) to all Holders requiring the buyback or cancellation of their Preference Shares at any time after the Exchange Event occurs but no later than 20 Business Days after the first publication of a notice relating to that Exchange Event under Clause 4.8(a).
- (c) If the Exchange Event is a Takeover Event, the Holder may deliver an Exchange Notice to the Company requiring the buyback or cancellation of their Preference Shares at any time after the Exchange Event occurs but no later than 20 Business Days after the first publication of a notice relating to that Exchange Event under Clause 4.8(a).
- (d) Subject to Clause 4.8(g), an Exchange Notice is irrevocable. An Exchange Notice is taken to be given by or to the Company when it is mailed in a prepaid envelope to an address or sent to a fax number or electronic address, if permitted by the Constitution, irrespective on when it is actually received. This Clause 4.8(d) does not limit the means by which the Company may give Exchange Notices to the Holder.
- (e) If the Company gives an Exchange Notice it must use all reasonable endeavours, subject to receipt of all necessary Approvals being obtained, to buyback or cancel the Preference Shares for the Repurchase Amount. The buyback or cancellation does not release the Company from its obligations to pay any Dividend determined by the Directors of the Company prior to delivering the relevant Exchange Notice to be payable with respect to a Dividend Period ending on or before the date of buyback or cancellation.
- (f) The buyback or cancellation under this Clause 4.8 will take effect on the later of:
 - (i) the date 5 Business Days after receipt of all necessary Approvals to give effect to the buyback or cancellation (if any); and
 - (ii) the date 15 Business Days after delivery of the Exchange Notice.
- (g) If all necessary Approvals are not obtained within 60 days of delivery of an Exchange Notice, the Exchange Notice is taken to be withdrawn and the buyback or cancellation will not proceed with respect to that Exchange Event.
- (h) Subject to Clause 4.8(i), the **Repurchase Amount** is \$2.40.
- (i) The Repurchase Amount must be adjusted in the following circumstances:
 - (i) if the Company undertakes a consolidation or subdivision of Preference

Shares, the Repurchase Amount will be reduced or increased in the same proportion to which Preference Shares are so consolidated or subdivided;

- (ii) if the Company undertakes a return of capital on Preference Shares, the Repurchase Amount will be reduced by the amount of the return of capital; and
 - (iii) if the Company undertakes a pro rata cancellation of Preference Shares, the Repurchase Amount will not change.
- (j) The Company and each Holder must do all things required to give effect to a buyback or cancellation of Preference Shares under this Clause 4.8.

5. Voting Rights

5.1 Notice and Attendance

A Holder of a Preference Share is entitled to vote at a general meeting of the Company in each of the following circumstances and in no others:

- (a) during a period during which a dividend (or part of a dividend) in respect of the Preference Share is in arrears;
- (b) on a proposal to reduce the share capital of the Company;
- (c) on a resolution to approve the terms of a share buy-back agreement;
- (d) on a proposal that affects rights attached to the Preference Shares;
- (e) on a proposal to wind up the Company;
- (f) on a proposal for the disposal of the whole of the Company's property, business and undertaking; and
- (g) during the winding up of the Company.

5.2 Votes

At a general meeting of the Company, Holders are entitled:

- (a) on a show of hands, to exercise one vote when entitled to vote in respect of the matter listed in Clause 5.1; and
- (b) if a poll is conducted on a resolution on which a Holder is entitled to vote under Clause 5.1, the Holder has 1 vote for each Preference Share held.

6. Listing and Quotation

The Preference Shares will be listed on the ASX.

7. Amendment to Terms

7.1 Amendment

Subject to complying with all applicable laws, the Company may amend or add to these Terms:

- (a) without the authority, assent or approval of Holders, if such amendment or addition is, in the opinion of the Company:
 - (i) of a formal, minor or technical nature;
 - (ii) made to correct a manifest error; or
 - (iii) not likely (taken as whole or in conjunction with all other modifications if any to be made contemporaneously with that modification) to be materially prejudicial to the interests of the Holders.
- (b) otherwise, with the approval of a Special Resolution passed at a separate meeting of Holders,

and such amendment or addition will be taken to bind all Holders from the date of the amendment or addition, or from an effective date specified in connection with the amendment or addition.

7.2 Procedures

The provisions of the Company's constitution relating to general meetings apply so far as they are capable of application, and with any necessary modifications, to every meeting of Holders.

8. Interpretation and Definitions

8.1 Interpretation

- (a) Unless the context otherwise requires, if there is any inconsistency between the provisions of these Terms and the Constitution, then, to the maximum extent permitted by law, the provisions of these Terms will prevail.
- (b) Unless otherwise specified, the Directors may exercise all powers of the Company under these Terms as are not by the Corporations Act or by the Constitution required to be exercised by the Company in a general meeting.
- (c) Except to the extent otherwise specified in these Terms, notices may be given by the Company to a Holder in the manner described by the Constitution for the giving of notices to members of the Company and the relevant provisions of the Constitution apply with all necessary modification to notices to Holders.
- (d) Unless otherwise specified, a reference to a Clause is a reference to a Clause of these Terms.
- (e) If a calculation is required under these Terms, unless the contrary intention is expressed, the calculation will be rounded down to 2 decimal places.
- (f) If an event under these Terms must occur, or anything must be done under these Terms, on or by a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day.
- (g) Definitions and interpretations under the Constitution will also apply to these Terms, subject to Clause 8.1(a).

- (h) The terms “takeover bid”, “relevant interest” and “scheme of arrangement” when used in these Terms have the meaning given in the Corporations Act.
- (i) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.

8.2 Definitions

In these Terms the following terms have the meaning set out below:

Allotment Date	30 April 2007 or such other date as the Preference Shares are allotted.
Approval	approval, consent or waiver from a third party but does not include approval from Holders.
ASX	ASX Limited ACN 008 624 691.
ASX Listing Rules	the listing rules of the ASX.
Business Day	a day other than a Saturday, Sunday or public holiday on which banks are open for normal banking business in Sydney.
Company	Clime Capital Limited ACN 106 282 777.
Constitution	the constitution of the Company.
Conversion	conversion of Preference Shares into the number of Ordinary Shares determined in accordance with Clauses 35.
Conversion Date	Means, the earlier of: (a) the date determined under Clause 3.2(d) and (b) the date 10 years after the Allotment Date.
Conversion Notice	a notice issued by a Holder in accordance with Clause 3.2(a). A sample Conversion Notice accompanies these Terms.
Corporations Act	the Corporations Act 2001 (Commonwealth).
Director	a director of the Company.
Dividend	has the meaning given in Clause 2.1(a).
Dividend Entitlement	has the meaning given in Clause 2.1(a).
Dividend Payment Date	each date on which a Dividend is payable in accordance with Clause 2.7, whether or not a Dividend is paid on that date.

Dividend Period	has the meaning given in Clause 2.2.
Dividend Rate	7.5% per annum of the Issue Price.
DRP	a dividend reinvestment plan.
Exchange	The Company buying back or cancelling each Preference Share upon the occurrence of an Exchange Event in accordance with Clause 4.8.
Exchange Event	the occurrence of a Tax Event, a Regulatory Event or a Takeover Event.
Exchange Notice	a notice given by the Company under Clause 4.8(b)
Franked Dividend	has the same meaning as in Section 160APA of the Tax Act.
Franking Provisions	the provisions of Part 3-6 of the Tax Act (or any provisions that revise or replace that Part).
Gross Up	in respect of a sum, the amount which is determined by multiplying that sum by $(T/1-T)$ where T is the applicable company tax rate in Australia at the time of calculation.
Holder	a person whose name is for the time being entered in the Register as the holder of a Preference Share.
Issue Price	\$2.40.
Record Date	for payment of: (i) a Dividend; the date which is 11 Business Days before the Dividend Payment Date for that Dividend; and (ii) a Shortfall Dividend; the date prior to its payment that is determined by the Company.
Register	the register of Preference Shares.
Regulatory Event	the Directors resolving on reasonable grounds (having received an opinion from a reputable legal counsel or other accounting adviser) that: (i) Exchange would prevent or remedy an event of default or other contravention under a material financing arrangement affecting the Company; and (ii) a change has occurred under accounting standards (as defined in the Corporations Act) or Australian generally accepted accounting principles (including the way in which Australian companies apply or implement those principles) affecting the accounting for Preference Shares, including

	whether the Preference Shares are classified as debt or equity in the financial statements of the Company.
Repurchase Amount	Has the meaning given in Clause 4.8
Preference Share	a converting non-cumulative preference share in the capital of the Company issued in accordance with these Terms.
Ordinary Share	an ordinary fully paid share in the Company.
Ordinary Shareholder	a holder of an Ordinary Share.
Special Resolution	has the meaning given in the Corporations Act.
Takeover Event	A takeover bid (as defined in the Corporations Act) is made to acquire all or some of the Ordinary Shares and the offer is, or becomes, unconditional and the bidder has at any time during the offer period, a relevant interest in more than 50% of the Ordinary Shares on issue.
Tax Act	the Income Tax Assessment Act 1936 (Cth) and the Income Tax Assessment Act 1997 (Cth) as amended.
Tax Event	the Directors resolving on reasonable grounds (having received an opinion from a reputable legal counsel or other tax adviser) that a change in any taxation law, interpretation or ruling issued by any relevant governmental body has occurred (or has been announced) and that change may have a material adverse effect on the ability of Preference Shares to attach franking credits under the Franking Provisions to Dividends or may materially increase the payments, costs and expenses (including additional Dividend payments) incurred by the Company in relation to the Preference Shares.
Terms	these terms and conditions of issue of the Preference Shares.

Sample Conversion Notice

Clime Capital Limited ACN 106 282 777
[address]

Conversion Notice

I/We, being holder(s) of **[insert number of Preference Shares]** issued by Clime Capital Limited (**Clime**), hereby give notice, pursuant to and in accordance with paragraph 3.2 of the Terms of Issue of the Preference Shares (**Terms of Issue**), of my/our wish to convert all of my/our Preference Shares.

I/We represent, both at the time of giving this notice and separately at the time my/our Preference Shares are converted pursuant to this notice, both for the benefit of the Issuer:

- (a) I/we am/are the legal and beneficial owner of the Preference Shares; and
- (b) The Preference Shares, the subject of the notice, are free and clear of any interest or power reserved in or over any interest, in any Preference Shares including, without limitation, under a bill of sale, mortgage, charge, lien, pledge, opinion, trust or power, by way of security for the payment of debt or any other monetary obligation or the performance of any other obligation and whether existing or agreed to be granted or created.

Words and expressions defined in and for the purposes of the Issue Terms have the same meanings where used in this notice.

[Name of signature of Holder(s)]

[Date]

A corporation must execute by signing by two Directors or a Director and secretary or if a corporation has only one officer, by that person as sole director and secretary. In this case of joint holders, all holders must sign. Where the notice is signed under a power of attorney, a certified copy of that power of attorney must be attached to the notice and the attorney warrants that he or she has received no notice of revocation of the power by death of the grantor or otherwise.

PIN CHEQUE(S) HERE



Broker Reference – Stamp Only

Broker Code and Advisor Code input boxes

Shortfall Application form

Fill out this form if you would like to apply for Converting Preference Shares in Clime Capital Limited

- Please read the Prospectus dated 16 March 2007.
- Follow the instructions to complete this Shortfall Application form (see reverse).
- Print clearly in capital letters using black or blue pen.

A Number of Converting Preference Shares you are applying for

x \$2.40 per Converting Preference Share =

B Total amount payable

Minimum of 2,500 (\$6,000.00) Converting Preference Shares to be applied for, and thereafter in multiples of 500 (\$1,200.00) Converting Preference Shares.

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

Applicant 1

Name of Applicant 2 or < Account Name >

Name of Applicant 3 or < Account Name >

D Write your postal address here

Number / Street

Suburb/Town

State

Postcode

E CHESS participant – Holder Identification Number (HIN)

Important please note if the name & address details above in sections C & D do not match exactly with your registration details held at CHESS, any securities issued as a result of your application will be held on the Issuer Sponsored sub-register.

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

Applicant #1 Applicant #2

Applicant #3

G Cheque payment details

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

Name of drawer of cheque	Cheque No.	BSB No.	Account No.	Cheque Amount A\$
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

H Contact telephone number (daytime/work/mobile)

I Email address

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

GUIDE TO THE APPLICATION FORM

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

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

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

Instructions

- A. If applying for Converting Preference Shares insert the **number** of Converting Preference Shares for which you wish to subscribe at Item **A** (not less than **2,500 (\$6,000.00)** and then in multiples of **500 (\$1,200.00)**).
- B. Multiply Item A by \$2.40 AUD to calculate the total for the Converting Preference Shares and enter the **\$amount** at Item **B**.
- C. Write your **full name**. Initials are not acceptable for first names.
- D. Enter your **postal address** for all correspondence. All communications to you from Clime Capital Limited will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN.
NB: your registration details provided must match your CHESS account exactly.
- F. Enter your Australian **tax file number** ("TFN") or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN /ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Shortfall Application form.
- G. Complete **cheque details** as requested. Make your cheque payable to "Clime Capital Limited – Share Account" in Australian currency, cross it and mark it "**Not Negotiable**". Cheques must be made in Australian currency, and cheques must be drawn on an Australian Bank.
- H. Enter your **contact details** so we may contact you regarding your Shortfall Application form or Application monies.
- I. Enter your **email address** so we may contact you regarding your Shortfall Application form or Application monies or other correspondence.

CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities can hold the Converting Preference Shares. The Shortfall Application form must be in the name of a natural person(s), companies or other legal entities acceptable to Clime Capital Limited. At least one full given name and surname is required for each natural person.

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

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

Lodgement

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

Mailing address:

Clime Capital Limited Share Offer
C/- Registries Limited
PO Box R67
Royal Exchange
SYDNEY NSW 1223

Hand delivery address:

Clime Capital Limited Share Offer
C/- Registries Limited
Level 2
28 Margaret St
SYDNEY NSW 2000

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

**If you have any questions as to how to complete the Shortfall Application form, please contact Registries Limited on:
Tel: 02 9290 9600**

Privacy Statement:

Registries Limited advises that Chapter 2C of the Corporations Act 2001 (Cth) requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your share holding and if some or all of the information is not collected then it might not be possible to administer your share holding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on the Shortfall Application form.

Our privacy policy is available on our website (http://www.registriesltd.com.au/help/share_privacy.html).