



# Prospectus

For a Pro-rata non-renounceable Rights Issue to shareholders of one New Share for every two Shares held at the Record Date at an issue price of A\$0.50 per New Share to raise approximately A\$6.4 million

Underwritten by

**Tricom Equities Limited**



*The last date for acceptance and payment in full is 5.00pm (Adelaide Time) on 10 May 2006 (unless extended).*

*This is an important document and requires your immediate attention. It should be read in its entirety before deciding whether to participate. If you are in doubt about how to deal with your Rights, please consult your stockbroker or other professional adviser without delay.*

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## SUMMARY OF IMPORTANT DATES

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Lodgement of Prospectus with ASIC	7 April 2006
Announcement of the Rights Issue	7 April 2006
Letter to shareholders	11 April 2006
Shares quoted ex Rights	12 April 2006
Record Date to determine entitlements to Rights	20 April 2006
Prospectus dispatched with Entitlement and Acceptance Form	26 April 2006
Closing Date for acceptance and payment in full	10 May 2006
Trading commences for New Shares on ASX	11 May 2006
Allotment of New Shares	18 May 2006
Sending of shareholding statements	23 May 2006

These dates are subject to change and are indicative only. Tandou in conjunction with the Underwriter, reserves the right to change the indicative timetable including, subject to the Act and the Listing Rules, to extend the latest date for acceptance of Entitlement and Acceptance Forms.

## **IMPORTANT NOTES**

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### **Lodgement with ASIC and ASX**

This Prospectus is dated 7 April 2006 and a copy of this Prospectus was lodged with ASIC and ASX on that date. ASIC and ASX take no responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

No New Shares will be allotted or issued on the basis of this Prospectus later than 7 May 2007. This Prospectus or the New Shares have not been and will not be, registered in any jurisdiction other than Australia.

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

### **Understanding this Prospectus**

This is an important document and requires your immediate attention. It should be read in its entirety before deciding whether to participate and, in particular, you should consider the risk factors that could affect the performance of the New Shares or Tandou, some of which are outlined in section 8. If you do not understand the contents of this document or you are in doubt about how to deal with your Rights, please consult your stockbroker or other professional adviser without delay.

### **Disclaimer**

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation that is not contained in this Prospectus may not be relied on as having been authorised by Tandou or any person in connection with the Offer. Except as required by law, and only to the extent so required, neither Tandou, nor any other person warrants or guarantees the future performance of Tandou or any return on any investment made pursuant to this Prospectus.

### **Defined terms**

Definitions of certain terms used in this Prospectus appear in the Glossary in section 13.

## DIRECTORS' LETTER

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Dear Shareholder,

During his address to shareholders at our annual general meeting last May, the Chairman reported on the difficult trading conditions facing your Company. Since that date, available water and wine industry conditions have continued to deteriorate. In particular:

- The Darling River system continues an unprecedented period of low flows, following 30 years of reliable supplies between 1972 and 2002 of 100% Lower Darling allocations, with only two occasions when inter-valley transfers were not available. The past three years of unbroken drought (in catchments relevant for our supplies) has had a major adverse impact on the size of our cotton plantings. By way of example, cotton plantings during the past three seasons (2003 - 2005) have averaged only 857 hectares whereas the average level of plantings during the previous three years (2000 - 2002) was approximately six times higher at 5,688 hectares.
- During the past year bulk wine prices have substantially reduced as an over supply washes through the market. Hindsight clearly shows that our diversification into the wine industry could not have been undertaken at a more difficult time.
- Our wine recovery process was delayed one vintage in commercialisation, due to problems with filtration. Modifications made to the wine recovery plant following the 2005 vintage and subsequent production results indicate that this investment provides a unique, wine industry business advantage going forward.

During the above period the Board and Management of your Company have focused on developing and implementing strategies which are designed to minimise the long term impact of the present unfavourable market conditions. These strategies have included:

- In July 2005 the Company raised further equity capital by undertaking a private placement at A\$1.50 per share to raise A\$4.998 million.
- In February 2006 the Company finalised the sale of its Millewa Vineyard at Lake Cullulleraine at a price of A\$10 million. The Company will record a gain on sale of approximately A\$0.9 million on this transaction. The proceeds from this sale have been applied to a reduction in bank debt.
- The Company has maintained its cotton farming operations in a condition to plant full capacity as soon as water becomes available, with a focus on maximising yield and minimising costs on current planting areas.
- The Company is continuing to investigate opportunities to establish commercial arrangements with synergistic parties who may wish to invest in the further commercialisation and development of the Company's horticultural and winery assets.
- The Company has focused on retaining its experienced personnel and has recruited a new Chief Executive Officer/Managing Director.

- The retiring Managing Director, Mr Robert Smith, has been retained on a part time advisory basis under the terms of a consultancy agreement, for a further period of five years. Mr Smith will also remain on the Board as a non-executive Director, in the short term, until a suitable replacement can be found.

Throughout this time the Company's Bankers have been supportive and recently extended the Company's banking facilities on the terms detailed in Section 11 of this Prospectus. As part of these arrangements Tandou is required to undertake a capital raising of not less than A\$6 million and use the proceeds to repay bank debt. This Prospectus contains full details of the Offer, which in summary entitles shareholders to 1 New Share for every 2 Shares held. The price of each new share is A\$0.50 and the closing date for acceptances is 10 May 2006. The Offer has been fully underwritten by Tricom Equities Limited, full details of which are set out in section 7.

Despite the current difficult trading environment, the Board has continued to make decisions that it believes will be in the best interests of shareholders over the medium to long term. Tandou has a portfolio of high quality assets (including substantial water licences) and Directors are confident that a return to historical levels of average trading and weather conditions will see a significant improvement in the company's financial performance.

The Company continues to be well prepared to plant a large cotton area should water allocations become available. This obviously remains dependent upon sufficient rainfall in the relevant catchment areas to generate substantial inflows for the Menindee Lakes storages. Should seasonal factors continue to be unfavourable, further debt reduction and/or asset restructuring measures could be required to maintain financing obligations.

We strongly encourage you to read this Prospectus carefully before deciding whether to take up your Rights and in particular refer you to section 8, which outlines some of the risks involved in an investment of this nature.

Your Directors unanimously commend this offer to Shareholders and we look forward to your continued support.

Yours sincerely



Guy Kingwill  
**Chief Executive Officer/Managing Director**

## 1. DETAILS OF THE ISSUE

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### 1.1 The Issue

Tandou is making a non-renounceable rights issue of New Shares on a one for two basis to holders of Shares who are registered as at the close of business on the Record Date.

As the Issue is non-renounceable, you cannot sell or otherwise dispose of your rights to subscribe for New Shares. If you do not subscribe for New Shares, the value (if any) of the rights will be lost to you and, although you will continue to own Shares, your shareholding in Tandou will be diluted.

The Issue is being offered to shareholders at a price of A\$0.50 per New Share. Fractional entitlements to New Shares will be rounded up to the next whole number.

The total number of New Shares to be allotted pursuant to the Issue will be approximately 12.8 million. New Shares will be issued fully paid and will rank equally to Shares currently on issue.

The gross proceeds (before costs) of the Issue will be approximately A\$6.4 million.

The Issue is fully underwritten by the Underwriter on terms summarized in this Prospectus.

The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form.

You may apply for a lesser number of New Shares but you may not apply for a greater number of New Shares. There is no minimum subscription.

The closing date and latest time for acceptance and payment is **5.00 pm (Adelaide time) on 10 May 2006**.

Tandou reserves the right to withdraw the Rights Issue and this Prospectus at any time, in which case any monies sent pursuant to this Prospectus will be refunded (without interest) and the Rights will cease to have any value.

### 1.2 Purpose of the Issue

Following the impact of:

- a three year record low period of water availability;
- slower than expected branded wine sales; and
- low grape and wine prices,

Tandou needs to raise additional equity capital to reduce its level of debt. This equity raising is being undertaken as part of undertakings given to the Company's Principal Bankers in extending the Company's banking facilities (as further described in Section 11). The Purpose of this Prospectus therefore is to raise at least A\$6.0 million net of expenses.

### **1.3 Payment**

Acceptances for New Shares must be accompanied by payment of A\$0.50 for each New Share.

Payment will only be accepted in Australian dollars and can be made by way of cheque or bank draft drawn on an Australian bank, or by using the BPay facility (details of which are set out on the Entitlement and Acceptance Form).

Cheques or bank drafts must be made payable to "Tandou Limited - Rights Issue" and crossed "Not Negotiable". Please do not send cash. Receipts for payment will not be provided.

### **1.4 Listing on the ASX**

Rights pertaining to the Issue will not be quoted separately on the ASX.

Application will be made by Tandou for the New Shares to be granted quotation on the official list of ASX within seven days of the date of this Prospectus. Subject to approval being granted, quotation of the New Shares is expected to commence within seven days after their date of issue. Tandou expects the New Shares to commence trading on 11 May 2006.

### **1.5 Allotment**

No allotment of New Shares will be made until the proceeds of the Issue have been received and permission is granted for quotation of the New Shares by ASX.

Pending allotment and issue of the New Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by Tandou in trust in a separate bank account opened and maintained for that purpose. Any interest earned on the application monies will be for the benefit of Tandou and will be retained by it irrespective of whether an allotment of New Shares takes place.

### **1.6 Rights attaching to New Shares**

If you take up your Rights, your New Shares will be Shares in Tandou.

Full details of the rights attaching to Shares are set out in Tandou's Constitution and regulated by the Act, the Listing Rules, The ASTC Settlement Rules and the general law. A copy of Tandou's Constitution may be inspected at Tandou's registered office.

A summary of the rights and liabilities attaching to Shares follows:

#### **(a) Dividend entitlement**

After their allotment, New Shares will participate in all dividends declared and rank equally with existing Shares.

(b) **Voting rights**

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

(c) **Dividends**

Dividends are declared by the Directors at their discretion and, subject to any special rights (at present there are none), are payable on all Shares in proportion to the amount of capital for the time being paid up or credited as paid up on those Shares.

(d) **Transfer of Shares**

Generally, Shares are freely transferable. Where the Listing Rules or the law require Tandou to do so, the Directors must decline to register a transfer.

Subject to the Tandou's Constitution, the Act, the Listing Rules and the ASTC Settlement Rules, a shareholder may transfer all or any of the shareholders Shares by either a written transfer in the usual manner or in any form that the Directors may prescribe, duly stamped (where applicable) and delivered to Tandou, a proper securities clearance house transfer or by any other electronic system recognised by the Listing Rules.

(e) **Allotment of Shares**

The allotment or issue of any shares in Tandou is under the control of the Directors who may, subject to the Act and the Listing Rules, allot or otherwise dispose of them on such conditions as they see fit including on the basis of a preferred, deferred or with other special rights, obligations or restrictions.

(f) **Variation of rights**

The rights attached to any class of shares in Tandou may be varied in accordance with the Act.

(g) **Rights on winding up**

In the event of a winding up of Tandou:

- any surplus will be divided among the shareholders in the proportion that the amount paid up on the Shares bears to the total amount paid up on all Shares on issue;
- surplus assets in kind may, with the sanction of a special resolution, be divided among shareholders in such proportion as the liquidator may determine.

(h) **General Meetings**

Notice of every general meeting must be given in the manner authorised by the Tandou Constitution and in accordance with the Act and Listing Rules, to every shareholder of Tandou. Each shareholder is entitled to attend and vote at a general meeting and to receive all notices, accounts and other documents required to be furnished to shareholders under Tandou's Constitution, the Act or the Listing Rules.

**1.7 Overseas shareholders**

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. Shareholders holding Shares on behalf of persons who are resident outside Australia or New Zealand are responsible for ensuring that taking up any Rights under the Offer does not breach any regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will constitute a representation to Tandou that there has been no breach of such regulations. Shareholders who are nominees are therefore advised to seek independent advice as to how they should proceed.

**1.8 Privacy statement**

By completing and returning an Entitlement and Acceptance Form, you are providing Tandou with personal information. Tandou collects, holds and uses certain personal information to assess your application for New Shares, service your needs as a shareholder and provide facilities and services that include facilitation of dividend payments, shareholder communication and carrying out appropriate administration.

The personal information provided by you may be used from time to time and disclosed to third parties. These may include government departments, regulatory bodies, print service providers and the Share Registry. If you do not provide the information requested in the Entitlement and Acceptance Form, Tandou may not be able to process or accept your application for New Shares.

Under the Privacy Act 1998 (Cth), you may request access to your personal information held by or on behalf of Tandou. You can request access to such personal information or obtain further information about Tandou's management practices by contacting Tandou's company secretary. If the personal information held by Tandou or the Share Registry is out of date or incorrect, please contact Tandou or the Share Registry immediately so that your records can be corrected.

## **2. ACTION REQUIRED BY SHAREHOLDERS**

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### **2.1 What you may do**

You may:

- take up your entitlement to New Shares;
- take up part of your entitlement to New Shares and allow the balance to lapse; or
- not take up your entitlement to New Shares and allow it to lapse.

The Rights Issue is a pro rata offer to Tandou shareholders. Shareholders who take up their full Rights will not have their percentage shareholding in Tandou diluted by the Rights Issue. A shareholders' percentage shareholding in Tandou will be diluted if they do not take up all of their Rights.

You may not apply for more than the Rights shown on your Entitlement and Acceptance Form. Any moneys received for more than your total Rights will be refunded at the same time the transaction confirmation statements on the allotment of the New Shares are mailed to shareholders, which is expected to be on or around 23 May 2006.

### **2.2 If you wish to take up your entitlement**

Complete the personalised Entitlement and Acceptance Form which accompanies this Prospectus, as instructed on the form. This form details your Rights to New Shares. Entitlements have been based upon Shares held in Tandou as at the Record Date. Please ensure that you send your completed form together with your cheque or bank draft for the amount shown on the form to reach the Share Registry **by no later than 5.00 pm (Adelaide time) on 10 May 2006**, or such later date as the Directors advise. A reply paid envelope is provided for your use.

### **2.3 If you wish to take up part of your entitlement and allow the balance to lapse**

Complete the Entitlement and Acceptance Form for the number of New Shares you wish to take up, as instructed on the form. Please ensure that you send your completed form together with your cheque or bank draft for the amount due for the New Shares you intend to take up to reach the Share Registry by no later than the time specified in section 2.2 above.

### **2.4 Entitlements not taken up**

Rights not taken up will lapse and are to be taken up by the Underwriter. You will receive no benefit for allowing your Rights to pass to the Underwriter. If you do not take up your Rights, your percentage shareholding in Tandou will be diluted.

### **2.5 Binding Acceptance**

A completed and lodged Entitlement and Acceptance Form, together with payment for the number of New Shares accepted or applied for, constitutes a binding application on the terms and conditions set out in this Prospectus and cannot be withdrawn. Where an Entitlement and Acceptance Form is not correctly completed, Tandou may in its absolute discretion reject it or deem it valid.

### 3. DESCRIPTION OF TANDOU

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#### 3.1 Overview

##### Businesses

Tandou was listed on the ASX in 1987 and has since developed a diverse range of agricultural enterprises and associated value adding processes.

Tandou operates at four strategic locations with its administrative office situated at the Mildura Airport in Victoria. An overview of the operations at the four locations is provided below:

- *Tandou Farm*

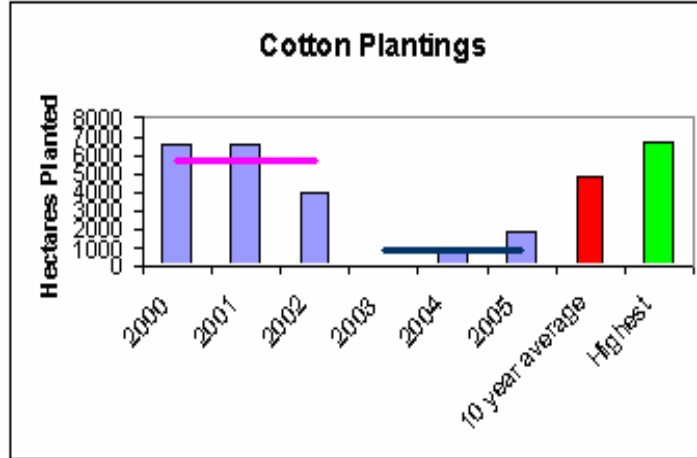
Located 50 kilometres south west of Menindee, New South Wales, Tandou Farm comprises approximately 79,000 hectares of which 13,200 hectares is developed to furrow irrigation. A further 800 hectares has been developed to permanent water efficient, sub-surface drip irrigation. The remaining 55,000 hectares, which was previously used as pastoral land, is now being managed as a conservation area with stocking only on an opportunity basis. This process is aimed at improving the total ecosystem as part of an overall environmental management system covering the whole property.

The principal crops are upland and Pima cotton, with on-site ginning facilities for both types of cotton. Tandou Farm, on average accounts for approximately 60% of the Company's gross revenue. Durum wheat and malting barley are grown in rotation with cotton to aid the sustainability of production, enjoying an unbroken history of contracted supply to major end-users in Adelaide.

In recent years the amount of cotton plantings has been substantially and adversely impacted by a lack of water availability. This lack of water has occurred as a result of the Darling River system continuing an unprecedented period of low flows. These flows were insufficient to raise the Menindee Lakes storage to a level where Tandou could access inter-valley transfers.

In particular, cotton plantings during the past three seasons (2003 - 2005) have averaged only 857 hectares whereas the average level of planting during the previous three years (2000 - 2002) was approximately six times higher at 5,688 hectares. The Company's 10 year average is 4,850 hectares and its highest ever level is 6,599 in 2001.

The table below shows details of Tandou’s historical levels of cotton planting and highlights the substantial reduction in plantings in recent years due to a lack of water availability:



Summary of Cotton Plantings								
Planting Year	2000	2001	2002	2003	2004	2005	10yr avg	Highest
Hectares Planted	6,500	6,596	3,968	0	720	1,850	4,100	6,596
	3 year avg: 5,688			3 year avg: 857				

- *Menindee Orchard & Vineyard*

Located near the township of Menindee in western New South Wales, Tandou’s orchard and vineyard totals approximately 6,000 hectares, of which 1,000 hectares has, to date, been proven suitable for high value horticulture. The balance of 5,000 hectares is currently used as part of the Company’s conservation management program. This program aims to preserve the native vegetation as part of an environmental management system for the whole property.

Following long term trials of permanent plantings, 151 hectares is now developed to commercial plantings of wine grapes, apples, apricots, nectarines and more recently navel oranges. Sufficient water is available to develop the remaining 849 hectares that has been identified as suitable for high value horticulture.

- *Monash Winery*

Tandou Wines Pty Limited was established in December 2001 following the purchase of an existing winery. Located at Monash in the Riverland area of South Australia it is situated in an area where grapes can be economically acquired from the Riverland, Sunraysia, Barossa and Clare Valleys.

Since acquiring the winery, Tandou has substantially upgraded the production facilities and has expanded its storage capacity.

Tandou Wines is now ranked in the top 15 wineries in Australia in terms of processing capacity. The winery has a 21,000 tonne crush capacity with 26 million litres storage availability. The winery is situated on 21 hectares of land and has room for expansion with approved off-site disposal of effluent via irrigated crops.

Approximately 15% of the wineries grape intake each year is supplied from vineyards owned by Tandou, with the remainder being supplied by approximately 60 growers. The bulk wine market continues to be our main sales. However, the Company is continuing to establish its own '*Broken Earth*' brand of bottled wine with export sales having been made to the United Kingdom, United States, Ireland and Germany.

The Wine Recovery Plant is also located on the site of Tandou's winery at Monash. As recently announced, the plant is designed to commercially exploit a patented process. That process involves the removal of the remaining juice from white grapes, and wine from fermented red grapes, which is located in the grape skins after pressing (referred to as 'grape marc').

The benefits of the above process are:

- (a) On both a capital cost and variable cost basis the wine recovery plant is approximately 30% more efficient in the production of wine than a new warm climate vineyard.
- (b) The process enables the recovery of wine from grape marc sourced from premium vineyards for wine varieties that may be in greater demand.
- (c) The removal of the remaining wine from the grape skins has the added advantage of significantly reducing a wineries effluent load on the environment making the remaining skins suitable for stock feed.

The project commenced with a small scale trial in April 2003. In August 2004, Tandou entered into arrangements to commercialise and exploit the process, beginning with the 2004 vintage.

At approximately the same time Tandou was awarded a \$1.3 million Food Innovation Grant to evaluate both the sensory and chemical analysis of the recovered wine and the operating variables that affect quality.

While early results confirmed that wine extracted from grape marc was suitable for blending, operational problems experienced with the plant prevented commercial production levels.

Modifications have continued to be trialled over the past 18 months. The most recent results from this plant have been encouraging and are outlined in a continuous disclosure release to the ASX dated 31 March 2006 (available from the Tandou website).

Tandou holds the necessary intellectual property rights for the process and a license to operate the counter current extractor for its own plant at Monash. Tandou also has the rights to sell additional production plants and to sub-licence other users.

Tandou aims to exploit the potential opportunities arising from the Wine Recovery Plant and the associated process. Post-vintage opportunities will also continue to be researched and trialled, with the Company recently being awarded a \$540,000 Food Industry Grant to exploit the extraction of bio-actives from Durum wheat bran in the off-vintage season.

- *Millewa Vineyard*

This vineyard was recently sold, with Tandou continuing to manage the property under a commercial management agreement.

### Strategy and Future Outlook

The Directors strategic and future outlook for Tandou is as follows:

- *Strategic Direction*

Over the past eight years the Company has been following a strategy of developing Tandou's resources to both diversify income sources and reduce reliance on the main cotton enterprise.

As part of this strategy significant areas of horticultural developments have been planted and are now reaching commercial maturity. Tandou's modern, high capacity packing shed and coolroom has supported the development of branded fruit sales, under the Company's own Desert Fresh® label.

Additionally, while the Company has experienced a period where wine grape prices have declined to unprofitable levels, the sale of the Millewa Vineyard incorporated both an ongoing management agreement and the retention of access to required grape varieties for Tandou Wines.

This overall strategy is expected to lessen the variation in profitability that is experienced year to year from a commodity-based enterprise.

- *Current Focus*

The key strategic focus of the Company in the current environment of drought and over-supply of wine is best summarised as:

- (a) maintaining cotton farming operations in a condition to plant full capacity as soon as more water becomes available, with a focus on maximising yield and minimising costs;
- (b) optimising yields from stone fruit and chardonnay production at Menindee;
- (c) managing Tandou Wines to achieve a cash positive position by continuing to focus on the bulk wine business as the Company's own branded products develop;
- (d) proving up and marketing the commercial potential of the Monash wine recovery plant;
- (e) managing Tandou's seasonal income streams to enable it to support its short and medium term debt commitments; and
- (f) continuing to investigate opportunities to establish commercial arrangements to further commercialise and develop the Company's horticultural and winery assets.

The successful implementation of the above strategies will also allow the Company to generate sufficient resources to meet the repayment of the Working Capital Facility due on 31 December 2006, from its budgeted cash flow.

- *Future outlook*

Directors believe your Company has a portfolio of high quality assets. However, in recent times the Company has been caught in the "perfect storm", with extended periods of drought conditions, declining grape and wine prices, and delays in commissioning of the wine recovery plant. As a consequence of these events, the current financial performance of the company does not reflect its potential if there were a return to "average" trading and weather conditions.

Of particular relevance is access to water. In this regard your company is well placed to capitalise on any break in the current drought conditions as it owns 31,158 ML of water rights. Details of these entitlements are listed below:

- 404 ML Lower Darling (High Security)
- 18,691 ML Lower Darling (General Security)
- 9,735 ML Murrumbidgee (General Security)
- 2,328 ML Lower Murray NSW (General Security)

The Company also has access to supplementary water of up to 250,000 ML when Menindee Lakes "fill and spill", along with access of up to 80,000 ML through

inter-valley temporary transfers. These inter-valley transfers are dependent upon Menindee Lake's storage levels.

In summary, Directors are confident that if there is a break from the current drought conditions and water availability reverts towards its long term average, there will be a substantial improvement in the level of the Company's financial performance.

### 3.2 Historical financial performance and shareholder returns

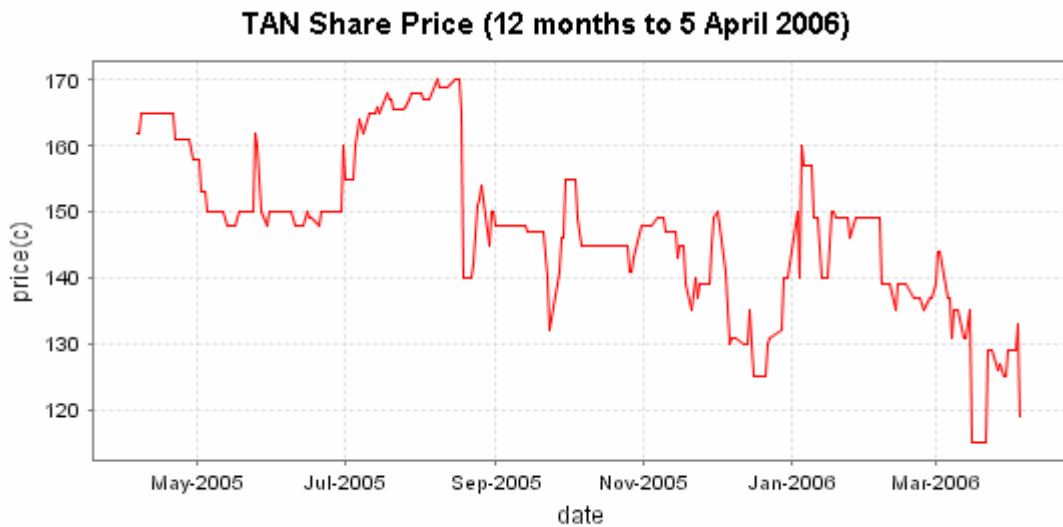
A summary of key financial information for Tandou for the years 2001 to 2005 is set out below:

Year Ended 30 June	Value	Jun-01	Jun-02	Dec-02*	Dec-03	Dec-04	Dec-05
Sales	\$000's	37,722	44,868	23,718	39,942	24,806	23,455
EBITDA	\$000's	11,002	11,373	5,490	9,967	1,186	(15,183)
Income tax expense/(benefit)	\$000's	1,322	1,508	661	739	(2,439)	(3,080)
Interest expense	\$000's	3,643	3,451	1,852	3,311	3,560	4,750
Depreciation/ Amortisation	\$000's	3,706	3,493	2,040	3,975	4,063	4,033
Net Profit/Loss	\$000's	2,331	2,921	937	1,942	(3,998)	(21,003)
Shareholders' Equity	\$000's	39,807	43,373	44,318	45,635	41,692	23,717
Property, Plant, Equipment and Water Licences - Book Value	\$000's	53,929	57,822	58,070	60,540	61,804	60,054
Property, Plant, Equipment and Water Licences - Valuation	\$000's	67,033	67,033	71,000	75,000	76,000	75,044
Additional Capital Raised	\$000's	90	2,086	80	40	55	5,000
Shares on Issue - fully paid	No.'s	20,025,248	20,060,773	22,070,773	22,120,773	22,185,091	25,547,354
- partly paid	No.'s	104,318	329,318	319,318	269,318	205,000	175,000
Net Asset Backing - Book	\$0.00	1.94	1.92	1.98	2.02	1.79	0.93
Net Asset Backing - Val'n	\$0.00	2.93	2.71	2.57	2.67	2.43	1.52
Earnings /Share	cents	11.7	14.1	4.2	8.8	(18.0)	(88.0)
Dividends per Share	cents	0	6	0	3	0	0
Return on Shareholders Funds	%	5.86	6.73	2.11	4.26	(9.59)	(88.56)

- six month financial period as a result of transition to 31 December year end date
- Dec-04 figures have not been adjusted for A-IFRS
- valuation figures based on valuations carried out in January 2006 by Brooke Taylor, Peter Spackman & Barnden Partners Valuers

### 3.3 Market Prices of Shares

The lowest and highest market sale prices of Shares on the ASX during the three months immediately before the date of this Prospectus, and the respective dates of those sales, were A\$1.15 on 22 March 2006 and A\$1.57 on 6 January 2006. The last sale price for Shares on the ASX before the date of this Prospectus was A\$1.25 on 6 April 2006.



### 3.4 Prior capital raisings

Since listing on the ASX, Tandou has raised the following additional equity:

- Institutional Placement - Dec 1988 2,200,000 at A\$1.30 per share to raise \$2,860,000
- Rights Issue (Options) - Jan 1989 3,111,248 at A\$1.20 per share to raise \$3,733,498
- Private Placement - May 1989 1,200,000 at A\$1.60 per share to raise \$1,920,000
- Private Placement - Dec 1992 1,600,000 at A\$1.00 per share to raise \$1,600,000
- Institutional Placement - Mar 1996 1,770,000 at A\$1.15 per share to raise \$2,035,500
- Rights Issue - Mar 2002 2,005,525 at A\$1.00 per share to raise \$2,005,525
- Private Placement - Jul 2005 3,332,263 at A\$1.50 per share to raise \$4,998,395

#### 4. DISCLOSING ENTITY INFORMATION

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Tandou is a disclosing entity for the purposes of the Act. As such, it is subject to regular reporting and disclosure obligations. These obligations require Tandou to:

- lodge with ASIC both annual and half-year financial reports accompanied by a directors' report and an audit or review report; and
- immediately notify ASX of any information about itself 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 Tandou's shares, subject to certain limited exceptions.

This document contains information required under the reduced prospectus content rules for offers of continuously quoted securities in section 713 of the Act. This section enables disclosing entities, such as Tandou, to issue a prospectus in relation to securities which are in a class of continuously quoted securities at all times in the 12 months prior to the issue of the prospectus.

Apart from formal matters, this Prospectus needs only to contain information concerning the terms and conditions of the Offer and the information necessary to make an informed assessment of:

- the effect of the Rights Issue on Tandou;
- the rights and liabilities attaching to the New Shares;
- and any other information previously withheld from ASX (for example, where under an applicable exemption in the ASX Listing Rules) ,

which investors and their professional advisers would reasonably require to make an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of Tandou.

This Prospectus does not repeat all of the information which Tandou has previously disclosed to the ASX. Shareholders should have regard to such information in relation to Tandou before making a decision whether or not to invest in the New Shares. Copies of the information disclosed to the ASX in the 12 months prior to the lodgement of this Prospectus with ASIC (including the documents listed below) are available from Tandou's website at [www.tandou.com.au](http://www.tandou.com.au).

On request, Tandou will provide a copy of any of the following documents free of charge to any shareholder:

- the annual financial statements for the year ended 31 December 2004 and the half yearly report for the 6 months ended 30 June 2005;
- the annual financial statements for the year ended 31 December 2005; and
- any other continuous disclosure notices given by Tandou in the period after the lodgement of the annual financial statements for the year ended 31 December 2005 and before lodgement of this Prospectus with the ASIC.

All requests for documents should be forwarded to the company secretary of Tandou at its registered office (see section 14).

## 5. INTERESTS OF DIRECTORS

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### 5.1 Directors interests in Shares

The Shares of Tandou in which directors have a relevant interest are:

<b>Directors</b>	<b>Number of Shares</b>
R.F.E Warburton	50,000
I.M. Taylor	1,601,709
R.W. Smith	1,361,226
J.R. Kennedy	17,621
G S Kingwill	-

The Board of Directors unanimously support the Offer and, to the extent that personal circumstances allow, intend to take up their respective Rights.

The trading conditions that Tandou has experienced over the past 3 years (as outlined in section 3) has also effected others in Tandou's industry including the private interests of some members of the Board of Directors. As such Mr Robert Smith intends to exercise his Rights relating to 303,400 shares directly held, while Mr Ian Taylor is unlikely to be able to exercise a majority of his Rights under the Offer. Mr Richard Warburton and Mr Jim Kennedy intend taking up their Rights in full.

### 5.2 Directors interests in formation or promotion

Other than as set out in this Prospectus, no director holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- (a) The formation or promotion of Tandou;
- (b) The Offer; or
- (c) Any property acquired or proposed to be acquired by Tandou in connection with the formation or promotion of Tandou or the Offer.

Other than as set out in this Prospectus, at the time of lodgement of this Prospectus with ASIC, no one has paid or agreed to pay any amount, and no one has given or agreed to give a benefit, to any Director of Tandou:

- To induce that person to become, or qualify as, a Director of Tandou; or
- For services provided by that person in connection with the formation or promotion of Tandou or the Offer.

## 6. CAPITAL STRUCTURE OF TANDOU AND EFFECT OF ISSUE

### 6.1 Capital Structure

The issued capital that existed as at 31 December 2005, adjusted for the exercise of options (if any) since that date and including the effect of the issue of New Shares is set out below:

Number	Issued Capital	A\$
25,557,354	Issued capital immediately before the announcement of this Offer	27,614,563
<u>12,778,677</u>	New Shares expected to be issued (net of Issue costs)	<u>6,239,338</u>
38,336,031*	Issued capital at the completion of this Offer	33,853,901

\*assumes there has been no conversion of loan notes by the Principal Bankers

### 6.2 Pro forma Balance Sheet

A consolidated pro forma balance sheet of Tandou is provided below showing the effect of the application of the proceeds from the Issue.

	Consolidated balance sheet as at 31 December 2005	Application of Estimated net proceeds of the issue	Pro forma consolidated balance sheet as at 31 December 2005
	A\$'000	A\$'000	A\$'000
<b>CURRENT ASSETS</b>	<u>29,767</u>		<u>29,767</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	55,816		55,816
Other non current assets	<u>7,934</u>		<u>7,934</u>
<b>Total non-current assets</b>	<u>63,750</u>		<u>63,750</u>
<b>TOTAL ASSETS</b>	<u>93,517</u>		<u>93,517</u>
<b>CURRENT LIABILITIES</b>			
Borrowings	40,200		40,200
Other current liabilities	<u>6,055</u>		<u>6,055</u>
<b>Total current liabilities</b>	46,255		46,255
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	23,429	(6,239)	17,190
Other non current liabilities	<u>116</u>		<u>116</u>
<b>Total non-current liabilities</b>	<u>23,545</u>		<u>17,306</u>
<b>TOTAL LIABILITIES</b>	<u>69,800</u>		<u>63,561</u>
<b>NET ASSETS</b>	<u>23,717</u>		<u>29,956</u>
<b>SHAREHOLDERS EQUITY</b>			
Share capital	29,278	6,239	35,517
Reserves and retained profits	<u>(5,561)</u>		<u>(5,561)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>23,717</u>		<u>29,956</u>

Notes:

1. The Net Proceeds amount is based on a fully underwritten Issue and is after deducting the estimated costs of the Issue.
2. The funds raised by the Issue will be used to repay borrowings.

## 7. UNDERWRITING AGREEMENT

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Tandou has entered into an Underwriting Agreement with Tricom Equities Limited under which Tricom Equities Limited will fully underwrite the Rights Issue in accordance with the terms and conditions of the Underwriting Agreement dated 4 April 2006.

Tricom Equities Limited is a company incorporated under the laws of Australia and is a licensed securities dealer under Australian Financial Services Licence number 238148.

The following summary describes the events entitling the Underwriter to terminate the Underwriting Agreement.

The precise wording of the events can be ascertained on inspection of the Underwriting Agreement. The Underwriting Agreement is available for inspection during business hours whilst the Issue is open at the registered office of Tandou and the Share Registry, without charge.

The Underwriting Agreement contains the following principal provisions:

- the Issue has been fully underwritten by the Underwriter;
- the Underwriter will be paid a fee of 1.5% of the value of the New Shares for underwriting the Issue;
- The Underwriter may terminate or cancel the Underwriting Agreement by written notice to Tandou, without cost or liability to the Underwriter, prior to the date on which the Underwriter must deliver an application form/s and monies for any shortfall, if any of the events specified in the Underwriting Agreement occur and that event, in the opinion of the Underwriter reached in good faith acting reasonably, has or could have a materially adverse effect on the success of the Issue. In summarised form, these events include:
  - (a) a new circumstance has arisen since the Prospectus was lodged that would have been required by the Act to be included in the Prospectus if it had arisen before the Prospectus was lodged unless a supplementary prospectus addressing the deficiency is lodged within a reasonable time by Tandou with ASIC;
  - (b) any material statement in the Prospectus is found to be or becomes misleading or deceptive or there is found to be a material omission from the Prospectus of material required by the Act unless a supplementary prospectus addressing the misleading or deceptive statement or material omission is lodged within a reasonable time by Tandou with ASIC;
  - (c) any material adverse change occurs in the financial position of Tandou from that disclosed in this Offer or in announcements made to shareholders prior to the date of the Offer;
  - (d) Tandou becomes involved in, or threatened with, any claim, litigation, prosecution or arbitration exceeding A\$250,000.00 in any court, tribunal or otherwise that is not connected to an existing or threatened claim

known to the Underwriter or disclosed by Tandou prior to the execution of the Underwriting Agreement;

- (e) any event that may result in the variation, termination, cancellation or suspension (other than a temporary suspension) of a significant or material contract required for the operation of Tandou's business;
- (f) any person who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent except for the Underwriter;
- (g) the All Ordinaries Index of the ASX falls by an amount that is 15% or more of the level at the close of trading on the date of the Underwriting Agreement and remains at or below that level for not less than 5 consecutive Business Days;
- (h) The approval of the ASX to the quotation of the New Shares is refused, not granted or after approval, is withdrawn, qualified or withheld;
- (i) The Offer is withdrawn by the Company voluntarily or at the direction of the ASIC;
- (j) Tandou fails to furnish a certificate required by the Underwriting Agreement immediately after the Closing Date, signed by two Directors that except as disclosed to the Underwriter none of the events specified in the Underwriting Agreement has occurred and, that Tandou has complied with all its obligations under the Underwriting Agreement, the Act and the ASX Listing Rules.

## 8. RISK FACTORS

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### 8.1 General

Before deciding to take up your Rights, you should consider whether the New Shares are a suitable investment for you.

There are general risks associated with owning shares in publicly listed companies. The price of shares can go down as well as up because of various factors including factors outside the control of Tandou.

The following highlights some of the risks that potential investors should consider prior to subscribing for New Shares. However, the following is not, and does not purport to be, a comprehensive statement of all relevant risks which may in the future materially affect the financial performance of Tandou and the value of the Shares offered under this Prospectus. Therefore the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, return of capital or the market value of those Shares. Potential investors should seek their own professional advice in relation to the risks and must make their own assessment.

#### (a) Agricultural Risk

Crop yields are affected by weather variables and Tandou attempts to manage or minimise the affect of this risk by employing professional people with specific expertise and knowledge. These people are also provided with sufficient resources and support to manage properties and crops in a timely and efficient manner. However, poor or reduced crop yields may adversely impact Tandou and/or its profitability.

Although Tandou has substantial water rights, which are a tradable commodity, they do not mean Tandou has unrestricted access to water. Water rights give Tandou access to water only when water storage levels permit. It is therefore a risk that climate conditions and its effect on water availability can have a significant impact on Tandou's productivity, as seen over the past three years. Tandou attempts to minimise this risk by not planting crops for which it does not have a full growing season of water.

#### (b) Uncertainty of Future Profitability and Speculative nature of Investment

Tandou is currently undertaking debt reduction and/or asset restructuring in line with its capital requirements. Whilst Directors are confident that these strategies are in the best interests of Shareholders, Tandou's ability to operate profitably in the future will depend on many varied factors including its ability to manage costs and to execute its future strategies for the Winery, favourable weather conditions and water allocations for its agricultural enterprises, and economic conditions in the markets Tandou operates in. Accordingly, the extent of future profits, if any, the time required to achieve a sustained profitability and the levels of such profitability are uncertain and cannot be reliably predicted.

Investors should view an investment in Tandou as speculative. Investors should have regard to their own investment objectives and financial circumstances, and

should consider seeking professional advice before deciding whether to take up their Rights under the Offer.

**(c) Exchange Rates**

With all Pima cotton and US branded wine sales sold in US dollars, Tandou's policy is to take forward exchange contracts that endeavour to lock in a profit for the projected production. However, movements in exchange rates may adversely impact Tandou and/or its profitability.

**(d) Stockmarket volatility**

A number of factors affect the performance of stockmarket investments, which can also affect the price at which Tandou shares trade on the ASX. Among other things, the Australian stockmarket may be affected by movements on international stockmarkets, local interest rates and exchange rates, domestic and international economic conditions as well as government taxation and other policy changes. The price of Shares may fall as well as rise.

**(e) Competition**

The wine industry is rapidly expanding production, and competitors and serious business challenges can emerge quickly. Aggressive marketing by the existing or emerging competitors could reduce the profitability of Tandou, slow the growth of Tandou's customer base and potentially harm Tandou products in the marketplace.

**(f) Key Personnel**

The key personnel engaged by Tandou for all of its enterprises have a high degree of expertise and Tandou is reliant upon their continued service to maintain high performance in crop production and processing, system administration, product development and management. The loss of key executives or staff or the inability to recruit and retain appropriate staff to manage anticipated future growth and maintain customer support could adversely affect Tandou.

**(g) Risk Management**

Tandou has a proactive approach to risk management and has adopted policies to manage controllable risks. However, there are other risks that Tandou cannot control which are not specific to Tandou which may impact on Tandou, including:

- economic policies (foreign and domestic);
- government water policies;
- interest rate changes;
- taxation policies;
- inflation rate changes;

- business confidence; and
- the state of the Australian economy and global economies.

**(h) Going concern and additional capital**

In Tandou's Appendix 4E Preliminary Final Report for the year ended 31 December 2005, Tandou's Auditors raised a number of uncertainties relating to the ability of Tandou to continue as a going concern.

The future capital requirements of Tandou will depend on many factors. Tandou believes the recently extended banking facilities, the achievement of its forecast financial performance and the net proceeds of the Rights Issue should be adequate to achieve Tandou's objectives as a going concern.

Should Tandou require additional funding there can be no assurance that additional financing will be available on acceptable terms, or at all. Any additional equity raising may dilute the interests of shareholders and any debt financing, if available, may involve financial covenants which limit Tandou's operations and/or its ability to distribute future profits.

Any inability to obtain additional finance, if required, would have a material adverse effect on Tandou's businesses, its financial condition and performance and its ability as a going concern.

**(i) Repayment of Debt**

As outlined in section 11, Tandou currently has a number of debt facilities, one of which is a A\$6 million Bridging Facility which falls due on 19 May 2006. This secured debt is to be repaid in full from the proceeds of the Rights Issue. If Tandou does not complete the Rights Issue by 19 May 2006, there is a risk that Tandou's bankers will enforce their security over this facility or exercise their rights under the Convertible Notes.

**(j) Price Risk**

Prices for goods are generally affected by global markets. Entering into forward contracts, which attempt to ensure a large portion of projected production will be sold at profitable prices, reduces the affect of price fluctuations. However, poor or reduced prices may adversely impact Tandou and/or its profitability.

## **9. CONSENTS AND INTERESTS OF PERSONS NAMED IN THE PROSPECTUS**

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### **9.1 Consents**

The following persons or companies have consented to be named in this Prospectus in the capacity nominated and have not withdrawn their consent before the issue of this Prospectus:

- Hardings Lawyers as legal advisers;
- KPMG as auditor;
- Rabo Australia Limited & Australia and New Zealand Bank Group Limited as bankers;
- Computershare Investor Services Pty Ltd as share registry;
- Tricom Equities Limited as underwriter.

### **9.2 Costs and Expenses of Issue**

Hardings Lawyers has acted as legal adviser to Tandou in relation to this Offer. It has not made any statement included in this Prospectus or on which a statement in this Prospectus is based. It does not make nor purport to make any statement in this Prospectus. It will be paid approximately A\$45,000.00 plus disbursements (exclusive of GST) for its due diligence and verification services and performing due diligence required on legal matters. Hardings has been paid A\$43,000.00 for other legal services in the 24 months preceding lodgement of this Prospectus.

Rabo Australia Limited consents to being named in this Prospectus as one of the Principal Bankers to Tandou. Rabo Australia Limited has had no involvement in the preparation of this Prospectus other than in relation to this paragraph and the appearance of its name in section 14. Rabo Australia Limited has not otherwise authorised or caused the issue of the whole or part of this Prospectus and has not made nor purports to have made, any statement in this Prospectus. Rabo Australia Limited expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus other than set out above.

Australia and New Zealand Bank Group Limited consents to being named in this Prospectus as one of the Principal Bankers to Tandou. Australia and New Zealand Bank Group Limited has had no involvement in the preparation of this Prospectus other than in relation to this paragraph and the appearance of its name in section 14. Australia and New Zealand Bank Group Limited has not otherwise authorised or caused the issue of the whole or part of this Prospectus and has not made nor purports to have made, any statement in this Prospectus. Australia and New Zealand Bank Group Limited expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus other than set out above.

KPMG consents to being named in this Prospectus as auditor of Tandou. KPMG has had no involvement in the preparation of this Prospectus other than in relation to this paragraph and the appearance of its name in section 14. KPMG has not otherwise authorised or caused the issue of the whole or part of this Prospectus and has not made

nor purports to have made, any statement in this Prospectus. KPMG expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus other than set out above.

Computershare Investor Services Pty Ltd has had no involvement in the preparation of any part of this Prospectus other than recording of its name as the share registry to Tandou. Computershare Investor Services Pty Ltd has not authorised or caused the issue of and expressly disclaims and takes no responsibility for any part of this Prospectus, has made no statement included in this Prospectus or on which a statement in this Prospectus is based. Computershare Investor Services Pty Ltd has performed work in its capacity as the share registry to Tandou in connection to providing data for the distribution of this Prospectus.

Tricom Equities Limited as underwriter has not made any statement included in this Prospectus or on which a statement in this Prospectus is based. It neither makes nor purports to make any statement in this Prospectus except to the extent of the consent above for reference to its name. Tricom Equities Limited will be paid a fee of 1.5% of the value of the New Shares for underwriting the Rights Issue. Tricom Equities Limited, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus, other than a reference to its name.

The estimated total expense of the Rights Issue is approximately A\$150,000.00.

### **9.3 Interests of Experts and Advisors**

Other than as set out in this Prospectus, no person named in this Prospectus as performing a function in professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus, a promoter of Tandou or broker to the Offer:

- Holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with the ASIC, an interest in:
  - (a) the formation or promotion of Tandou;
  - (b) the Offer; or
  - (c) any property acquired or proposed by Tandou in connection with the formation or promotion of Tandou or the Offer.
- Has paid or agreed to pay any amount, and no one has given or agreed to give a benefit for services provided by that person in connection with the formation or promotion of Tandou or the Offer.

## 10. TAXATION

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The potential tax effects relating to the Rights Issue on the holder of Shares or New Shares will vary between shareholders. The Directors therefore do not believe it is appropriate to give shareholders advice regarding the tax consequences of subscribing for New Shares. Shareholders should satisfy themselves of possible tax consequences by consulting their own professional tax advisers.

## 11. OTHER MATERIAL INFORMATION

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### 11.1 Banking Facilities and Convertible Loan Notes

As previously announced, Tandou completed re-negotiation of its existing banking facilities and entered new facilities on 9 January 2006. Detailed below is a summary of those facilities and the material conditions upon which the facilities have been granted by the Principal Bankers.

#### *Banking Facilities*

Tandou's banking facilities total A\$60.5 million consisting of the following:

- A Seasonal Facility of A\$14.5 million which expires 28 February 2007. These funds are used to cover Tandou Farms working capital peak requirements through a calendar year. The funds are fully committed for the 2006 calendar year;
- An Overdraft Facility of A\$0.5 million which expires 28 February 2007. This facility is used to run the day to day cash operations of Tandou Farms;
- A Tandou Wines Seasonal Facility of A\$13.8 million which expires 30 September 2006. These funds have been used to cover Tandou Wines working capital requirements and are fully drawn;
- A Tandou Wines OD Facility of A\$0.2 million which expires 30 September 2006. This overdraft facility is used to run the day to day cash operations of Tandou Wines;
- A Tranche A Term Debt Facility of A\$20.5 million which expires 28 February 2007 (Tandou has used the proceeds of the Millewa Vineyard sale, to extinguish a Tranche B Term Debt facility of A\$9 million which was due for repayment on 30 September 2006. The balance of proceeds from the Millewa sale, approximately A\$1 million, were applied to the Tandou Wines Seasonal Facility).
- A new Bridging Facility of A\$6 million which expires 19 May 2006. This facility is intended to be repaid from the proceeds of the Rights Issue. The repayment date of this facility was recently extended by the Principal Bankers from 30 April 2006;

- A new Working Capital Facility of A\$5 million which expires 31 December 2006. This facility was recently approved by the Principal Bankers to cover working capital requirements.

The documentation for the above facilities contains the usual representations and warranties, reporting obligations, undertakings and events of default found in facilities of this type. In addition, the facilities include undertakings by Tandou to:

- complete the sale of the Millewa Vineyard and apply the net proceeds of sale to debt reduction by February 2006 (which has been completed);
- undertake a capital raising of not less than A\$6 million on or before 19 May 2006 and applying the proceeds of the capital raising to repayment of the Bridging Facility;
- Pay an increase in interest margins by 0.50% on the Existing Debt Facilities;
- issue to the Principal Bankers, subject to shareholder approval, Convertible Notes equal to the amount of each drawing by Tandou under the New Debt Facilities (refer below for more information relating to the issue of Convertible Notes);
- engage external advisers or consultants (approved by the Principal Bankers) to assist in formulating debt reduction and asset restructure strategies;
- ensure that, prior to payment of any dividend or distribution of profits, Tandou must repay all or part (as applicable) of the Tranche A Term Debt Facility by paying to the Principal Bankers 50% of Tandou's "Free Cash" within 75 days of each financial year end. "Free Cash" is defined to be the amount of surplus cash for that season calculated by Tandou using the unaudited accounts for that financial year end, and agreed to by the Principal Bankers in their sole and absolute discretion.

Events of default under these facilities include:

- failure to pay an amount due under any facility;
- material adverse change in the business, assets or financial condition of Tandou including a 10% or more negative variation in the actual monthly cash flow as against budgeted figures;
- Tandou fails to raise sufficient funds to repay the Bridging Facility of A\$ 6 million by 19 May 2006.

#### *Convertible Notes*

As previously announced, Convertible Notes have been issued to the Principal Bankers on the following conditions:

- The Convertible Notes are issued immediately following each advance made to Tandou under the relevant New Debt Facility;

- Conversion of the Convertible Notes is at the sole discretion of the relevant Principal Banker;
- A Principal Banker is not entitled to convert Convertible Notes into Shares until after the ability of the Principal Bankers to convert the Convertible Notes has been approved under ASX Listing Rule 7.1 by Tandou in general meeting (subject to any waiver granted to Tandou by ASX);
- The conversion price per Convertible Note will be the lower of A\$0.80 and the average of the market price (as defined in the ASX Listing Rules) for Shares for each of the five ASX trading days prior to but not including the date of conversion;
- Conversion of notes issued under the Bridging Facility cannot occur before 19 May 2006 or after 31 May 2006;
- Conversion of notes issued under the Working Capital Facility cannot occur before 31 December 2006 or after 31 January 2007;
- Convertible Notes are redeemable by Tandou on repayment of the whole or any part of each New Debt Facility before their respective repayment dates;
- If exercised by either Principal Banker, the Convertible Notes will convert into Shares which rank equally with all other Shares on issue.
- Upon Tandou drawing all funds down under the New Debt Facilities, Tandou would have issued Convertible Notes entitling holders to convert those notes into a maximum of 8,800,000 Shares. The actual amount able to be converted will depend on whether Tandou has redeemed any of the notes by a repayment of all or some of the New Debt Facilities.

In its Notice of Annual General Meeting dated 27 March 2006, Tandou has proposed resolutions with respect to the Convertible Notes for approval by Shareholders at the annual general meeting of the Company which is due to be held on 28 April 2006. In the interim, Tandou has obtained confirmation from the ASX that the issue of the Convertible Notes will not be counted as an issue of equity securities or an agreement to issue equity securities for the purposes of Listing Rule 7.1, on condition that the notes could not be converted into ordinary shares without shareholder approval.

As at the date of this Prospectus, Tandou has issued 80 Convertible Notes to the Principal Bankers. Further Convertible Notes will be issued to the Principal Bankers as Tandou draws down funds under the new Working Capital Facility. On completion of this Rights Issue, and repayment of the Bridging Facility, 60 of these Convertible Notes will automatically be redeemed and cancelled.

## **11.2 Chess**

Tandou will not be issuing share certificates. All trading on the ASX in Shares is, and in New Shares will be, settled through Chess. ASTC operates Chess in accordance with the Listing Rules and ASTC Settlement Rules.

A Chess statement or issuer-sponsored statement will be sent to shareholders at the end of any calendar month during which the balance of their shareholding changes.

### 11.3 Litigation

Tandou is not involved in any legal or arbitration proceedings that may have a significant effect on the company's financial position nor is the Company aware of any such proceedings which are pending or threatened against the Company or its subsidiaries.

## 12. AUTHORISATION

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This Prospectus is signed on behalf of Tandou, pursuant to a resolution of the Directors of Tandou dated 7 April 2006.

The lodgement of this Prospectus with ASIC was consented to by every director of Tandou.



Guy Kingwill  
**Chief Executive Officer/Managing Director**

7 April 2006

## 13. GLOSSARY

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<b>Act</b>	The Corporations Act 2001 (Cth)
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASTC Settlement Rules</b>	The Settlement Rules for the ASX Settlement & Transfer Corporation Pty Ltd ABN 49 008 504 532
<b>ASX</b>	Australian Stock Exchange Limited ABN 98 008 624 691
<b>Auditor</b>	KPMG
<b>Chess</b>	has the meaning given to it in the ASTC Settlement Rules
<b>Closing Date</b>	5.00 pm (Adelaide Time) on 10 May 2006, or such later date as the Directors, subject to compliance with the Listing Rules, may determine
<b>Convertible Notes</b>	means the convertible loan notes issued, or to be issued, by Tandou to its Principal Bankers pursuant to the New Debt Facilities, the terms of which are summarised in section 11 of this Prospectus
<b>Directors</b>	The directors of Tandou
<b>Entitlement and Acceptance Form</b>	The entitlement and acceptance form enclosed with this Prospectus
<b>Existing Debt Facilities</b>	means the Tranche A Term Debt Facility, the Seasonal Facility, the Overdraft Facility, the Tandou Wines OD Facility and the Tandou Wines Seasonal Facility referred to in section 11 of this Prospectus
<b>Expiry Date</b>	7 May 2007, being 13 months after the date of this Prospectus
<b>Issue</b>	Issue of New Shares under this Prospectus
<b>Listing Rules</b>	The Listing Rules of ASX
<b>New Debt Facilities</b>	means the Working Capital Facility and the Bridging Facility entered into by Tandou with the Principal Bankers on 9 January 2006, as varied by agreement dated 31 March 2006
<b>New Shares</b>	Shares to be issued pursuant to this Prospectus
<b>Offer</b>	Offer of New Shares under this Prospectus
<b>Prospectus</b>	This Prospectus dated 7 April 2006

<b>Principal Bankers</b>	Rabo Australia Limited & Australia and New Zealand Bank Group Limited
<b>Record Date</b>	5.00pm (Adelaide time) on 20 April 2006
<b>Rights</b>	The right to subscribe for New Shares under this Prospectus
<b>Rights Issue</b>	The offer and issue of New Shares pursuant to this Prospectus, as summarised in section 1
<b>Share Registry</b>	Computershare Investor Services Pty Limited
<b>Shares</b>	Fully paid ordinary shares in the capital of Tandou
<b>Tandou or Company</b>	Tandou Limited ABN 81 001 014 562
<b>Underwriter</b>	Tricom Equities Limited ABN 92 067 161 755
<b>Underwriting Agreement</b>	The agreement dated 4 April 2006 between Tandou and the Underwriter
<b>Winery</b>	The Tandou winery located at Monash, South Australia

## 14. CORPORATE DIRECTORY

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### Directors

Richard F.E. Warburton  
Robert W. Smith  
Ian M. Taylor  
James R. Kennedy  
Guy S. Kingwill

### Company Secretary

Bernie F. Woollard

### Registered Office

31 Alan Mathews Drive  
Mildura, Vic, 3500

### Share Registry

Computershare Investor Services Pty  
Limited  
Level 5, 115 Grenfell St,  
Adelaide, SA 5000

### Underwriter

Tricom Equities Limited  
Level 9, 10 Bridge Street  
Sydney NSW 2000

### Principal Bankers

Rabo Australia Limited  
Level 7, 115 Pitt St,  
Sydney, NSW 2000

Australia and New Zealand Bank  
Group Limited  
Level 1, 20 Martin Place,  
Sydney, NSW 2000

### Lawyers

Hardings Lawyers  
1 York Street  
Sydney, NSW 2000

### Auditor

KPMG  
161 Collins St  
Melbourne, Vic, 3000

### Stock Exchange

Australian Stock Exchange Limited  
Level 19 King William Street  
Adelaide SA 5000  
ASX Code: TAN