



CEC GROUP LIMITED
ABN 84 010 025 831

PROSPECTUS

for a

RIGHTS ISSUE

Offer for a renounceable Rights Issue of up to
10,953,926 New Shares
at an issue price of \$1.90 per New Share on the basis of
1 New Share for every 6 Ordinary Shares held

The Rights Issue is underwritten

This is an important document and requires your immediate attention. If you are an Eligible Shareholder you should read this document in its entirety before deciding whether to accept this Offer of New Shares in CEC Group Limited. If you are in any doubt as to what to do, you should consult your stockbroker, solicitor, accountant or other professional adviser without delay.

IMPORTANT INFORMATION

1. Prospectus

This Prospectus is dated 27 April 2007 and was lodged with the Australian Securities and Investments Commission (“ASIC”) on that date. This Prospectus expires on 27 May 2008 (being the date 13 months after the date of this Prospectus) and no New Shares (or any other securities) will be issued on the basis of this Prospectus after that expiry date. Neither ASIC nor ASX take any responsibility for the content of this Prospectus.

2. Investment decisions

This document is important and requires your immediate attention.

If you are an Eligible Shareholder, you should read this entire Prospectus carefully before deciding whether to invest in the New Shares. In particular, it is important that you consider the risk factors (see Section 5) that could affect the performance of the New Shares or the Company before deciding what course you should follow. Except as required by law, and then only to the extent the law requires, neither CEC Group Limited nor any other person warrants the future performance of the Company or any return on investment made pursuant to this Prospectus.

In determining the content of this Prospectus, regard has been had to the Company being a disclosing entity for the purposes of the Corporations Act (and being subject to regular reporting and disclosure obligations) and that certain matters may therefore be reasonably expected to be known by Eligible Shareholders. The Ordinary Shares are continuously quoted securities for the purposes of the Corporations Act.

This Prospectus does not contain the same level of disclosure as an initial public offering prospectus. Section 713 of the Corporations Act requires this Prospectus to contain all information that Eligible Shareholders and their respective professional advisers would reasonably require and expect to find in this Prospectus for the purpose of making an informed assessment of:

- the effect of the Offer on CEC Group Limited; and
- the rights and liabilities attaching to the New Shares.

If you are entitled as an Eligible Shareholder to apply for New Shares under the Rights Issue, your personalised Entitlement and Acceptance Form, which is included in, or accompanied by, this Prospectus, shows the number of New Shares which you are entitled to apply for pursuant to your Entitlement. Please read carefully the instructions on the Entitlement and Acceptance Form.

If you decide not to subscribe for all or part of your Entitlement to New Shares, you should consider whether to sell or transfer (renounce) your Rights. It is important that you subscribe for your Entitlement or sell or transfer your Rights in accordance with the instructions in Section 2 of this Prospectus and on the back of the accompanying Entitlement and Acceptance Form.

If you are an Eligible Shareholder and you subscribe for your full Entitlement then you can also apply for additional New Shares out of the Shortfall (if any). The Directors reserve the right to issue Shortfall Shares at their absolute discretion.

If you are unclear as to the course you should follow, then you should consult your stockbroker, solicitor, accountant or other professional adviser immediately.

Individual Applicants are responsible for determining their allocation of Rights and New Shares before trading in them. If you trade in Rights or New Shares before receiving confirmation of your allocation, you do so at your own risk.

3. Foreign jurisdictions

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

In particular, neither the Rights nor the New Shares have been or will be registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States or to, or for the amount or benefit of, any “US Person” as defined in Regulation S under that Act, except in a

transaction exempt from the registration requirements of the US Securities Act and applicable US State securities laws.

4 ***Defined terms***

Certain terms and abbreviations used in this Prospectus have defined meanings, which are explained in the Glossary (see Section 8).

CHAIRMAN'S LETTER TO SHAREHOLDERS

27 April 2007

Dear Shareholder

On behalf of the Directors, I invite Eligible Shareholders to participate in a renounceable Rights Issue to raise proceeds of up to \$20,812,460 million for CEC Group Limited before the deduction of costs.

All Eligible Shareholders will be offered 1 New Share for every existing 6 Ordinary Shares held, at a fixed issue price of \$1.90 per New Share. This represents a discount of 16% to the closing price of Ordinary Shares on 24 April 2007, the last full trading day prior to the formal announcement of the Rights Issue. In addition, it represents a discount of 10% to the closing price of Ordinary Shares on 17 April 2007, the last full trading day prior to the preliminary announcement of the terms of the Rights Issue including the issue price of each New Share under the Rights Issue.

If you are an Eligible Shareholder and you subscribe for your full Entitlement you can also apply for additional New Shares under the Shortfall, if any.

The Rights Issue is being underwritten by the persons who participated in the recent Placing. No underwriting fee is being paid by the Company to the Underwriters in respect of the underwriting of the Rights Issue.

The net proceeds of the Rights Issue will be applied towards the following:

- working capital, which may be used in the future to finance acquisitions of land and/or new businesses; and
- to repay remaining outstanding bridging finance of approximately \$10 million.

The Board of Directors encourages all Eligible Shareholders to subscribe for their Entitlement of New Shares in full or to renounce (sell or transfer) their Rights that they do not wish to exercise themselves.

You should read the Prospectus and the accompanying Entitlement and Acceptance Form in their entirety in conjunction with all publicly available information relating to CEC Group Limited and obtain such professional advice as you may require before deciding how to deal with your Rights.

Your attention is especially drawn to Section 5, “Risk Factors”, which should be read carefully.

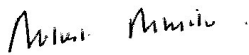
For an outline of the procedure that you should follow to subscribe for your Entitlement to New Shares under the Rights Issue, please read Section 2, “Actions required by Eligible Shareholders”.

The Closing Date for Applications and payment of Application Monies is 5:00pm (Sydney time) on Tuesday 29 May 2007.

If you have any queries in relation to the Rights Issue please call the Share Registry on (02) 8280 7454 (in Australia) or + 61 2 8280 7454 (overseas) between 8.30am and 5.30pm (Sydney time), Monday to Friday.

Finally, the Board of Directors would like to recognise and thank Shareholders for their continued support and we encourage the participation of all Eligible Shareholders in this Rights Issue.

Yours sincerely



Hon R E Borbidge AO
Chairman

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KEY DATES

Step	Description	Date
1.	Lodgment of Prospectus with ASIC	Friday 27 April 2007
2.	Notice of Rights Issue sent to Shareholders	Tuesday 1 May 2007
3.	Existing Shares quoted ex-Rights and Rights trading commences on ASX	Wednesday 2 May 2007
4.	Record Date for determining Shareholders entitled to participate in the Rights Issue (Eligible Shareholders) (7.00pm Sydney time)	Tuesday 8 May 2007
5.	Prospectus and Entitlement and Acceptance Forms sent to Eligible Shareholders	Friday 11 May 2007
6.	Rights trading on ASX ends (4.00pm Sydney time)	Tuesday 22 May 2007
7.	Closing Date for lodgment of Applications and payment of Application Monies (5.00pm Sydney time)	Tuesday 29 May 2007
8.	Last day for issue and entry of New Shares on the Company's Share Register	Tuesday 5 June 2007
9.	Dispatch of transaction confirmation statements	Tuesday 5 June 2007
10.	Trading of New Shares expected to commence on ASX	Wednesday 6 June 2007

These dates are indicative only and are subject to change. The Company reserves the right, subject to the Corporations Act, the ASX Listing Rules and any other applicable law, to vary the dates of the Offer or withdraw the Offer without prior notice. Eligible Shareholders are encouraged to submit completed Entitlement and Acceptance Forms together with Application Monies as soon as possible.

If you have any queries regarding this Offer please call the Share Registry on (02) 8280 7454 (in Australia) or + 61 2 8280 7454 (overseas) between 8.30am and 5.30pm (Sydney time), Monday to Friday.

I DETAILS OF THE OFFER

I.1 The Rights Issue

Pursuant to this Prospectus, the Company is offering for subscription up to 10,953,926 New Shares at a fixed issue price of \$1.90 per New Share by way of a renounceable Rights Issue to raise issue proceeds of up to \$20,812,460 million before the deduction of costs.

New Shares are offered to Eligible Shareholders, being persons registered in the Share Register with an address in Australia or New Zealand as the holders of Ordinary Shares on the Record Date, being 7:00pm (Sydney time) Tuesday 8 May 2007, on the basis of 1 New Share for every 6 Ordinary Shares held.

The number of New Shares to which Eligible Shareholders are entitled to under the Rights Issue (their Entitlement) is shown on the accompanying Entitlement and Acceptance Form. Fractional entitlements to New Shares are rounded down to the nearest whole number of New Shares.

Eligible Shareholders may decide to subscribe for all, part or none of their Entitlement offered under the Rights Issue.

If you are an Eligible Shareholder and you subscribe for your full Entitlement, you can also apply for additional New Shares under the Shortfall, if any. Applications for these additional New Shares will be satisfied from any Shortfall Shares. The Directors reserve the right to issue the Shortfall Shares at their absolute discretion.

Application Monies are payable by Applicants in full on applying to subscribe for New Shares.

The Company will accept Applications until 5.00pm (Sydney time) on Tuesday 29 May 2007. Subject to the Corporations Act, the ASX Listing Rules and any other applicable law, the Company reserves the right in its absolute discretion, to extend the Rights Issue Closing Date, close the Rights Issue early, accept late Applications (either generally or in particular cases) or withdraw the Rights Issue without prior notice.

Applications not received by the Company by the Closing Date, being 5:00pm (Sydney time) on Tuesday 29 May 2007, may be disregarded. Eligible Shareholders should allow sufficient time to ensure that Entitlement and Acceptance Forms reach the Share Registry by that time.

The Rights are renounceable. This provides Eligible Shareholders who do not wish to subscribe for some or all of their Entitlement to New Shares an opportunity to sell or transfer their Rights. See Sections 2.5, 2.6 and 2.8.

Before the Rights Issue, the Company had approximately 65,723,558 Ordinary Shares on issue (including Ordinary Shares issued under the Placing announced on 19 April 2007 and Ordinary Shares to be issued pursuant to the Dividend Reinvestment Plan on 27 April 2007). The maximum amount of Ordinary Shares on issue after completion of the Rights Issue will be approximately 76,677,484.

I.2 The Purpose of the Rights Issue

The Company will raise issue net proceeds under the Rights Issue of up to \$20.553 million to be applied towards the following:

- working capital, which may be used in the future to finance acquisitions of land and/or new businesses; and
- to repay remaining outstanding bridging finance of approximately \$10 million.

Refer to Section 4.2 for further details of the use of the funds generated under the Rights Issue.

I.3 Rights Trading

The Rights to subscribe for New Shares are renounceable, which enables Shareholders who do not wish to subscribe for some or all of their Entitlement to New Shares under the Rights Issue to sell or otherwise transfer their corresponding Rights. Trading of Rights on the ASX for these purposes is expected to commence on Wednesday 2 May 2007 and end at 4.00pm (Sydney time) on Tuesday 22 May 2007.

1.4 Terms of the New Shares

The New Shares will be issued fully paid. The New Shares will rank from their date of issue equally with existing Ordinary Shares on issue. The New Shares will not participate in the 6 cents per Ordinary Share interim dividend declared for the half year to 31 December 2006 which will be paid on 27 April 2007 (announced on 26 February 2007) as the record date for eligibility for this dividend is prior to the date on which the New Shares will be issued.

By subscribing for some or all of the New Shares, you agree to comply with the Constitution in respect of the New Shares issued to you.

1.5 Underwriting the Rights Issue

The Rights Issue is being underwritten by persons who participated in the recent Placing. No underwriting fee is being paid by the Company to the Underwriters pursuant to the underwriting of the Rights Issue. Please see Section 6.9 of this Prospectus for a summary of the material terms of the Underwriting.

1.6 Issue and ASX Quotation of the New Shares

An application was made to the ASX on 26 April 2007 for the New Shares to be admitted for quotation on the stock market of the ASX. The Company will confirm on 5 June 2007 to ASX all information required for the New Shares to be admitted for quotation.

Application Monies will be held in trust for Applicants until the issue of the New Shares (or return of the Application Monies to Applicants). Interest earned on the Application Monies will be for the benefit of the Company and will be retained by the Company whether or not issue of any New Shares takes place. No issue of New Shares will occur until the proceeds of the Rights Issue have been received and ASX grants permission to quote the New Shares.

If the New Shares are not admitted to quotation on the ASX before the end of 3 months after the date of this Prospectus then none of the New Shares will be issued under this Prospectus and, if any have been issued, the issue will be void. In these circumstances, the Company will return to each Applicant all Application Monies received (without interest) from that Applicant in relation to such New Shares as soon as practicable.

It is expected that quotation of the New Shares will be on a deferred settlement basis. Following the issue, the New Shares will be quoted on the ASX as Ordinary Shares, therefore being in the same class as the existing Shares on issue.

The fact that the ASX may quote the New Shares is not to be taken as an indication of the merits of the New Shares offered under this Prospectus.

1.7 CHESS

The Company participates in CHESS. ASTC, a wholly owned subsidiary of ASX, operates CHESS in accordance with the ASX Listing Rules and the ASTC Operating Rules.

Under CHESS, Applicants will not receive a certificate but will receive a statement of their holding of New Shares.

If you are broker sponsored, ASTC will send you a CHESS statement. The CHESS statement will set out the number of New Shares issued under this Prospectus, provide details of your holder identification number and the participant identification number of the sponsor.

If you are registered on the issuer sponsored sub-register, your statement will be dispatched by the Share Registry and will contain the number of New Shares issued to you under this Prospectus and your security holder reference number.

1.8 Issue of New Shares

It is expected that the issue of New Shares will take place on Tuesday 5 June 2007 and despatch of transaction confirmation statements will occur on the same day.

1.9 Market Price of Ordinary Shares

The latest recorded sale price of fully paid Ordinary Shares in the Company on the ASX on Tuesday 24 April 2007 (the last full trading day prior to the formal announcement of the Rights Issue) was \$2.26.

CEC GROUP LIMITED
ABN 84 010 025 831
“1 FOR 6” RENOUNCEABLE RIGHTS ISSUE – 27 APRIL 2007

An overview of the sale prices of Ordinary Shares on ASX during the last six months until Monday 23 April 2007 is set out below:

Time Frame	High	Date	Low	Date
One month	\$2.27	20/04/07	\$2.10	17/04/07
Three months	\$2.29	22/03/07	\$2.07	23/01/07
Six months	\$2.29	22/03/07	\$1.84	02/12/06

1.10 Interests and Intentions of Directors

The following Directors are Shareholders and at the date of this prospectus hold a direct or indirect interest in Ordinary Shares as set out in the second column of the table below. Each Director intends to subscribe in full for the Entitlements under the Rights Issue as set out in the fourth column below that attach to those Ordinary Shares set out in the second column below and shares to be issued on 27 April 2007 pursuant to the Company’s Dividend Reinvestment Plan as set out in the third column of the table below.

Name	Interest in Ordinary Shares at today’s date	Shares to be Issued Under the Dividend Reinvestment Plan	Entitlement under the Rights Issue – to be subscribed in full
Mr Roy Lavis *	20,002,886 Ordinary Shares	574,000 Ordinary Shares	3,429,481 New Shares
Mr Anthony Geoffrey Hartnell	7,777 Ordinary Shares	224 Ordinary Shares	1334 New Shares
Mr Gregory James Kern *	569,522 Ordinary Shares	15,539 Ordinary Shares	97,510 New Shares
Mr Steven John Lavis	12,693 Ordinary Shares	365 Ordinary Shares	2,176 New Shares

*The Ordinary Shares are held in whole or part in the name of Associates of the Director.

The Directors (and their spouses, children and any other Related Parties of the Company) referred to in the table above will not be subscribing for any additional New Shares under any Shortfall. They cannot do so because they are Related Parties of the Company for the purposes of the ASX Listing Rules and as such may not be issued New Shares out of any Shortfall without the prior approval of Shareholders, which approval has not been obtained.

The remaining Directors, Hon. Robert Edward Borbidge AO and Hon. Warren George Entsch hold no interest in Ordinary Shares and will therefore not participate in the Rights Issue.

1.11 Intentions of Substantial Shareholders

Mr Roy Lavis, a Director of the Company, and Mrs Alma Lavis, his wife, each have a substantial holding (as defined in the Corporations Act) in the Company. As at the date of this Prospectus, each is the registered holder on the Share Register of 10,001,443 Ordinary Shares. Both shareholders have participated in the Dividend Reinvestment Plan which will increase their individual shareholding to 10,228,443 shares. Because they generally act with a common intention in relation to the affairs of the Company (as Associates), each of Mr Roy Lavis and Mrs Alma Lavis are deemed to have an indirect interest in the Shares held by each other and as at the date of this Prospectus are deemed to hold aggregated Voting Power in the Company of 31.31%. Each of Mr Roy Lavis and Mrs Alma Lavis intend to subscribe for their respective Entitlements under the Rights Issue in full, giving them a combined total of 3,429,481 New Shares (as also set out above in Section 1.10 regarding the interests and intentions of Mr Roy Lavis as a Director).

Due to the fact that the Rights Issue is a pro rata issue to all Eligible Shareholders, if the Rights Issue is fully subscribed, the percentage Voting Power in the Company of each of Mr Roy Lavis and Mrs Alma Lavis will remain unchanged by their subscribing for their Entitlements in full.

Mr Roy Lavis and Mrs Alma Lavis will not be subscribing for any additional New Shares under any Shortfall. They cannot do so because they are Related Parties of the Company for the purposes of the ASX Listing Rules and as such may not be issued New Shares out of any Shortfall without the prior approval of Shareholders, which approval has not been obtained.

1.12 Overseas Shareholders

The New Shares are not offered to Shareholders with a registered address on the Share Register in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer.

CEC Group Limited considers it unreasonable to extend the Offer to Shareholders with registered addresses on the Share Register in jurisdictions outside of Australia and New Zealand having regard to the small number of Shareholders in each jurisdiction, the small number and value of securities that would be offered to Shareholders in each such jurisdiction and the costs of complying with the legal requirements, and the requirements of the relevant regulatory authorities, in each such jurisdiction. This Prospectus is accordingly being sent to those Shareholders (“**Excluded Shareholders**”) for information purposes only. This Prospectus does not constitute an Offer to Excluded Shareholders.

In this regard the Directors have appointed a nominee (approved by ASIC) for the Excluded Shareholders to arrange for the sale of the Rights which would have been offered to the Excluded Shareholders. The Company will transfer the Rights of the Excluded Shareholders to the nominee who will account to those Excluded Shareholders for the net proceeds of the sale of the Rights (if any). Payment of net proceeds (if any) will be made by cheque in Australian currency. The cheques will be sent to Excluded Shareholders at their risk to their addresses shown on the Share Register. Excluded Shareholders will not be paid any interest on the proceeds of the sale of their Rights.

The nominee will have the absolute and sole discretion to determine the timing and price at which the Rights may be sold and the manner of any such sale. Neither the Company nor the nominee will be liable for a failure to sell the Rights or to sell them at a particular price or at a particular time. If in the reasonable opinion of the nominee, a surplus over the expenses of sale cannot be obtained for the Rights that would have been offered to the Excluded Shareholders, then the Rights will be allowed to lapse and the corresponding New Shares will revert to the Shortfall.

1.13 Risks associated with not subscribing for your full Entitlement

If you elect not to subscribe for your full Entitlement of New Shares under this Prospectus, your Shareholding in the Company will be diluted.

1.14 Withdrawal of Rights Issue

The Company reserves the right to withdraw the Rights Issue at any time without prior notice.

If the Rights Issue is withdrawn, all Application Monies received prior to the withdrawal of the Rights Issue will be returned (without interest) in accordance with the requirements of the Corporations Act.

If the Rights Issue is withdrawn, then the Company will investigate and, if appropriate, use alternative funding arrangements to undertake the proposals set out in Sections 1.2 and 4.2 of this Prospectus.

1.15 Taxation Implications

Eligible Shareholders should be aware that there may be taxation implications associated with subscribing for New Shares pursuant to this Prospectus. These taxation implications will vary between different Eligible Shareholders. Eligible Shareholders should consult their professional tax adviser in connection with the taxation implications of the Rights Issue. Neither the Company nor any of its officers, employees, agents and advisers accept any responsibility or liability in respect of any taxation consequences connected with participation in the Rights Issue under this Prospectus.

2. ACTIONS REQUIRED BY ELIGIBLE SHAREHOLDERS

2.1 Questions

If you have any questions about the Rights Issue, please call the Share Registry on (02) 8280 7454 (in Australia) or + 61 2 8280 7454 (overseas) between 8.30am and 5.30pm (Sydney time), Monday to Friday.

2.2 What you may do – choices available

The Rights Issue is renounceable. This means that if you do not wish to subscribe for part or all of your Entitlement, you can sell (subject to market demand) or transfer the Rights to which that unwanted part of your Entitlement relates. Your Rights may have value. You should carefully consider how to deal with your Rights (rather than allow them to lapse) and then take action in accordance with the alternatives referred to below.

The number of New Shares which you are entitled to subscribe for (your Entitlement) is shown on the accompanying Entitlement and Acceptance Form. You may:

- subscribe for all of your Entitlement to New Shares (refer to Section 2.3);
- apply for additional New Shares in excess of your Entitlement under any Shortfall (refer to Section 2.4);
- sell all or some of your Rights on ASX (refer to Section 2.5);
- subscribe for part of your Entitlement and sell the balance of the Rights to which your Entitlement relates on ASX (refer to Section 2.6);
- subscribe for part of your Entitlement and allow the balance of the Rights to which your Entitlement relates to lapse (refer to Section 2.7);
- transfer all or part of the Rights to which your Entitlement relates to another person other than on ASX with or without subscribing for the balance of your Entitlement (refer to Section 2.8); or
- not subscribe for any of your Entitlement or sell or transfer any of your Rights and allow them to lapse (refer to Section 2.9).

2.3 If you wish to subscribe for all of your Entitlement

If you wish to subscribe for all of your Entitlement, complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out in that form. The Entitlement and Acceptance Form sets out the number of New Shares to which you are entitled (your Entitlement). The completed Entitlement and Acceptance Form must be accompanied by a cheque or bank draft for the appropriate Application Monies (calculated at \$1.90 per New Share) and received by the Share Registry at either of the addresses in Section 2.10 by no later than **5:00pm (Sydney time) on Tuesday 29 May 2007**.

2.4 Applications for additional New Shares

Those Eligible Shareholders (other than Related Parties) who subscribe for all of their Entitlement may, in addition, apply for additional New Shares in a Shortfall (provided that a Shortfall exists following the Rights Issue) (**Shortfall Shares**). A Shortfall arises if the actual Applications received for New Shares is less than the number of New Shares to be issued under the Rights Issue.

Applicants wishing to apply for Shortfall Shares are required to complete the Entitlement and Acceptance Form (section B) in accordance with the instructions on the Entitlement and Acceptance Form. The completed Entitlement and Acceptance Form must be accompanied by a cheque or bank draft and it must be received by the Share Registry at either of the addresses in Section 2.10 by no later than **5:00pm (Sydney time) on Tuesday 29 May 2007**.

Applicants should note that the Directors cannot and do not guarantee that any Application to participate in the Shortfall will be successful and any amount by which an Application from an Eligible Shareholder exceeds their Entitlement may be declined or scaled back at the absolute discretion of the Company.

If the number of New Shares issued to an Eligible Shareholder is fewer than the number applied for, surplus Application Monies will be returned in full (without interest).

The Directors reserve the right to issue Shortfall Shares at their absolute discretion.

Applicants for Shortfall Shares should note that an acquisition of New Shares out of the Shortfall is not the subject of an exemption to the takeovers prohibitions in the Corporations Act (section 606(1)) (whereas an acquisition of New Shares by subscribing for your Entitlement is exempt by virtue of section 611 item 10 of the Corporations Act). Applicants should obtain advice from their lawyer if they are in any doubt as to their ability to apply for and be issued New Shares from the Shortfall.

2.5 If you wish to sell all or part of your Rights on ASX

If you wish to sell all or part of your Entitlement on ASX, complete the section headed “Instructions to your Stockbroker” on the accompanying Entitlement and Acceptance Form and forward it to your stockbroker as soon as possible.

Trading of Rights will commence on ASX on Wednesday 2 May 2007. Sale of your Rights on ASX is only able to be completed on or before **4:00pm (Sydney time) on Tuesday 22 May 2007** when Rights trading ends.

In dealing with the completed Entitlement and Acceptance Form, your stockbroker will act on your behalf. The Company accepts no responsibility for any failure by your stockbroker to carry out your instructions.

Persons buying Rights on ASX will need to pay the Application Monies to take them up and should follow the directions of their stockbroker.

2.6 If you wish to subscribe for part of your Entitlement and sell the balance of your Rights on ASX

If you wish to subscribe for part of your Entitlement and sell the balance of the Rights to which your Entitlement relates on ASX, complete the accompanying Entitlement and Acceptance Form, including the section headed “Instructions to your Stockbroker”, in accordance with the instructions set out on that form and forward to your stockbroker, together with your cheque or bank draft for the appropriate Application Monies for the New Shares for which you wish to subscribe (calculated at \$1.90 per New Share) as soon as possible.

Your stockbroker will need to ensure that the completed Entitlement and Acceptance Form reaches the Share Registry by **5:00pm (Sydney time) on Tuesday 29 May 2007**.

Trading of Rights will commence on ASX on Wednesday 2 May 2007. Sale of your Rights on ASX is only able to be completed on or before **4:00pm (Sydney time) on Tuesday 22 May 2007** when Rights’ trading ends.

In dealing with the completed Entitlement and Acceptance Form, your stockbroker will act on your behalf. The Company accepts no responsibility for any failure by your stockbroker to carry out your instructions.

Persons buying Rights on ASX will need to pay the Application Monies to take them up and should follow the directions of their stockbroker.

2.7 If you wish to subscribe for part of your Entitlement and allow the balance of your Rights to lapse

If you wish to subscribe for part of your Entitlement and allow the balance of the Rights to which your Entitlement relates to lapse, complete the accompanying Entitlement and Acceptance Form in respect of the number of New Shares you wish to subscribe for in accordance with the instructions set out on the Entitlement and Acceptance Form. The completed Entitlement and Acceptance Form must be accompanied by a cheque or bank draft for the appropriate Application Monies (calculated at \$1.90 per New Share you wish to subscribe for), and received by the Share Registry at either of the addresses in Section 2.10 by no later than **5:00pm (Sydney time) on Tuesday 29 May 2007**.

2.8 If you wish to transfer all or part of your Rights to another person other than on ASX

If you are an Eligible Shareholder, hold Ordinary Shares registered on the issuer sponsored sub-register and wish to transfer all or part of the Rights to which your Entitlement relates to another person other than on ASX, send a completed standard renunciation form (obtainable from your stockbroker or the Share Registry) signed by both you (as seller) and the buyer, together with your Entitlement and Acceptance Form completed by the buyer and the buyer’s cheque or bank draft for the appropriate Application Monies (calculated at \$1.90 per New Share they wish to subscribe for), to reach the Share

Registry at either of the addresses in Section 2.10 by no later than **5:00pm (Sydney time) on Tuesday 29 May 2007**.

If you are an Eligible Shareholder, hold Ordinary Shares registered on CHESS and wish to transfer all or part of the Rights to which your Entitlement relates to another person other than on ASX, you should contact your sponsoring participant.

Persons accepting a transfer of Rights and thereby subscribing for New Shares as referred to above will need to pay the Application Monies to take them up.

2.9 Entitlements not subscribed for and Rights not sold or transferred

If you are an Eligible Shareholder and do not wish to subscribe for all or part of your Entitlement, you are not obliged to do anything. You should, however, consider renouncing (selling or transferring) your Rights rather than allowing them to lapse. Entitlements to New Shares not subscribed for and Rights not sold or transferred will lapse and you will receive no benefit. The New Shares may instead be taken up by those Eligible Shareholders that apply for any Shortfall or by the Underwriters.

It is therefore important that, if you wish to receive a benefit, you take action either to subscribe for your Entitlement or sell or transfer your Rights in accordance with the instructions above and on the back of the accompanying Entitlement and Acceptance Form.

The number of Ordinary Shares you hold as at the Record Date and the rights attached to those Ordinary Shares will remain unchanged if you choose not to subscribe for any of your Entitlement, but your percentage holding of Ordinary Shares will be reduced (that is, your Shareholding in the Company will be diluted).

2.10 Payment

Entitlement and Acceptance Forms must be accompanied by a cheque or bank draft, in Australian dollars, for the Application Monies. Cheques and bank drafts must be made payable to or in favour of “**CEC Group Limited – Application Account**” and cheques must be crossed “**Not Negotiable**”. Cash will not be accepted and receipts will not be issued.

Payment for the New Shares by cheque or bank draft must be made in full at the price of \$1.90 per New Share. The cheque or bank draft will be presented on or around the day of receipt of the Entitlement and Acceptance Form. Accordingly, if a cheque is not honoured upon its first presentation, the Directors reserve the right to reject the relevant Entitlement and Acceptance Form.

The completed Entitlement and Acceptance Form accompanied by a cheque or bank draft for the appropriate Application Monies calculated at \$1.90 per New Share being subscribed for must be received by the Share Registry at either of the following addresses by no later than **5:00pm (Sydney time) on Tuesday 29 May 2007**:

Delivery addresses:

Link Market Services Limited
Share Registry Office
Level 12
680 George Street
Sydney NSW 2000

Mailing address:

Link Market Services Limited
Share Registry Office
GPO Box 1500
Sydney South NSW 1234

A reply paid envelope is enclosed for your convenience. If mailed in Australia, no postage stamp is required.

If the amount of your cheque(s) or bank draft(s) for Application Monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is insufficient to pay for the number of New Shares you have applied for in your Entitlement and Acceptance Form, you may be taken to have applied for such lower number of New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares in your Entitlement and Acceptance Form) or your Application may be rejected at the absolute discretion of the Company.

The Entitlement and Acceptance Form is required to be completed in accordance with the instructions on the Entitlement and Acceptance Form.

3. INFORMATION ON CEC GROUP LIMITED

3.1 Brief Overview

The Company, originally known as Cairns Earthmoving Contractors, was established in 1977 to deliver construction and development projects throughout North Queensland using its own heavy machinery. Today, the Company is an integrated development, construction and waste management company and its subsidiaries, associates and joint ventures, employ over 400 people and had consolidated annual revenue of in excess of \$100 million for the financial year ended 30 June 2006.

The CEC Group’s operations focus on three core business streams:

- Property development and resale – including the identification and acquisition of property, the gaining of all necessary approvals, the development of the property as residential, commercial or industrial land and the sale of the property in individual lots or as larger development parcels;
- Construction – including the supply of building and construction materials, civil engineering and building construction, bitumen spraying, residential construction, and heavy vehicle and equipment maintenance; and
- Waste management at the Bedminster plant in Cairns and the recently acquired Bedminster plant in Port Stephens. Both facilities are operated through the CEC-SITA Environments Solutions Pty Ltd joint venture company.

3.2 Continuous Disclosure Requirements

The Company is a disclosing entity under the Corporations Act and is therefore subject to regular reporting and disclosure obligations.

These obligations include compliance with the requirements of the ASX Listing Rules and the Corporations Act concerning notification of information to the ASX. Those rules require the Company to notify the ASX immediately 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 the Ordinary Shares of the Company. There are certain limited exceptions to this rule.

The Company is required to lodge with ASIC before the Corporations Act prescribed deadline after each full and half financial year period, its financial report for that financial period.

3.3 Inspection and Copies of Publicly Lodged Documents

The Company will provide free of charge to any Shareholder who asks for it during the application period for the Prospectus, a copy of:

- (a) the last annual financial report for the financial year ended 30 June 2006 lodged with ASIC on 29 September 2006 and the last financial report for the half-year ended 31 December 2006 lodged with ASIC on 26 February 2007; and
- (b) the documents listed below (being all of the continuous disclosure notices given by the Company to the ASX since the lodgement of the annual financial report for the financial year ended 30 June 2006 and before the date of this Prospectus).

Date of Lodgement with ASX	Headline
26/04/04	Rights Issue Announcement
24/04/04	Section 708A Notice
24/04/04	Appendix 3B
19/04/2007	Placement and Rights Issue
18/04/2007	Trading halt
13/03/2007	Change of Director’s Interest Notice
20/02/2007	Industrial Land Acquisition in Townsville

Date of Lodgement with ASX	Headline
05/02/2007	Change of Director’s Interest Notice
21/12/2006	Announces Acquisition by SITA CEC Joint Venture
05/12/2006	Change of Directors Interest Notice x 4
30/11/2006	Appendix 3B
27/11/2006	Results of Meeting
24/11/2006	Update to NPAT
21/11/2006	Change of Director’s Interest Notice
30/10/2006	Share Purchase Plan
25/10/2006	Change of Director’s interest notice
25/10/2006	Change in substantial holding x2
24/10/2006	Change of Director’s Interest notice
24/10/2006	Notice of AGM FY2006
24/10/2006	Annual Report
23/10/2006	Change of Director’s interest notice
18/10/2006	Sale of 50% of CEC Resource Recovery to SITA Australia
17/10/2006	Change of Director’s Interest Notice
16/10/2006	Change of Director’s Interest Notice
16/10/2006	Notice of Initial substantial holder
16/10/2006	Change in substantial holding x 4
16/10/2006	Notice of Initial Substantial Holder
13/10/2006	Notice of Initial Substantial Holder
10/10/2006	Change of Director’s Interest Notice x 2
10/10/2006	Appendix 3B

Shareholders may obtain such copies by writing to the Company or by visiting the office of the Company at 401 Spence Street, Cairns, QLD 4870.

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

Copies of documents lodged with the ASX in relation to the Company may be accessed online on the ASX announcements platform at www.asx.com.au (ASX Code: CEG) or on the Company’s website at www.cecgroup.com.au/cecgroup-asx-releases.htm.

3.4 Update on Current Operations

(a) SITA-CEC Environmental Solutions Pty Ltd (“SITA-CEC”)

In October 2006 the Company entered into a joint venture with SITA Australia Pty Ltd. The Company sold 50% of its interest in the joint venture vehicle CEC Resource Recovery Pty Limited. CEC Resource Recovery Pty Limited was subsequently renamed SITA-CEC. SITA-CEC has since acquired the Port Stephens Waste Management Group and its associated buffer land for \$21m.

The CEC Group also purchased the rights to use and to sub-licence the Bedminster technology in Australia, New Zealand, Singapore, Malaysia, Indonesia, Sri Lanka and Thailand.

SITA-CEC is actively pursuing waste management opportunities in North Queensland, Australia and the Company intends to pursue general waste management opportunities in the rest of the Australasian region.

(b) Residential Building Activities

The CEC Group will continue to invest in and develop the RapidBuild product, subject to the Board's consideration of the result of an independent business review of RapidBuild. The Board has resolved to proceed with this independent review. The RapidBuild product is a pre-fabricated building system for domestic housing that is intended to reduce inefficiencies and delays associated with traditional house building techniques. The objective is to enable large numbers of homes to be built in shorter periods of time.

CEC Group plans to build speculative homes on a portion of the company estates through its residential building operation MacHomes using both a combination of the RapidBuild product and conventional building techniques.

(c) Private Placement

The Company exchanged contracts for a private placement of 8,391,408 ordinary shares at \$2.00 per share to institutional investors and sophisticated investors on 18 April 2007. The Company completed the Placing on 24 April 2007 and has received net proceeds from the Placing amounting to \$16,088,372. ABN Amro Morgans Limited and Bridges Financial Services Pty Ltd are each entitled to fees of \$315,656.50 plus GST for assisting the Company in relation to the Placing. Further details of the Placing are set out in the announcement made to the ASX by the Company on 19 April 2007.

(d) Share Purchase Plan

The Board of Directors intends to offer Shareholders a further opportunity to acquire Ordinary Shares in the Company before the end of the half year to 31 December 2007, pursuant to a share purchase plan conducted in accordance with the requirements of ASIC Class Order 02/831 and the ASX Listing Rules. In brief summary, the share purchase plan offer would allow eligible Shareholders to subscribe for up to \$5,000 of additional Ordinary Shares at a price discounted to the market price without incurring brokerage or other transaction costs.

The amount which may be raised from such a share purchase plan offer would depend on how many eligible Shareholders there were at the time of the offer and the level of support for the share purchase plan offer provided by those eligible Shareholders. By way of an estimate only, if the share purchase plan were made as at the date of this Prospectus and eligible Shareholders were entitled under its terms to subscribe for \$5,000 of additional Ordinary Shares each and it was fully supported by all eligible Shareholders, then the Company would raise approximately \$8.78 million from the offer.

The Board of Directors retain an absolute discretion to decide not to proceed with the share purchase plan. The terms of any offer will be released to the market if and when those terms are approved by the Board of Directors.

3.5 Update on disputes and contingent liabilities

The Company is currently involved in the following disputes:

(a) Edmonton Park

The Company holds 40% of the non-voting shares and 51% of the voting shares in the incorporated joint venture company, Edmonton Projects Pty Ltd (**Edmonton Projects**). Edmonton Projects was formed to purchase, sub-divide and develop a parcel of land (**Land**) as a residential housing development to be called "Edmonton Park". Edmonton Projects purchased the Land, financing the acquisition with borrowings secured by a mortgage of the Land (**Mortgage**) and personal guarantees (**Guarantees**) which were provided by individuals (**Guarantors**) related to the respective joint venture partners. The Company settled outstanding amounts of \$3.92 million with the mortgagee under the Mortgage (**Settlement**) and took an assignment of the mortgagee's rights under the Mortgage and Guarantees as security.

In the Supreme Court of Queensland, the Company's joint venture partners together with the Guarantors related to those joint venture partners (together, **the Litigants**) are challenging the Company's rights as mortgagee under the Mortgage and the Guarantees, and asserting certain

equitable interests in the Mortgage and the Land. The Litigants are also claiming damages against the Company for alleged lost profits and consultancy fees under the joint venture agreement and for liability under the Guarantees, totalling \$12 million (excluding legal costs). A caveat has been lodged against the Land by one Guarantor to protect his alleged equitable interests. The Company is defending the claims and seeking to have the caveat lifted so that the Company may exercise rights under the Mortgage.

The Company is also claiming in the Supreme Court of Queensland that the Guarantors pay to the Company what the Company alleges the Guarantors owe under the Guarantees, being the sum of \$3.92 million, plus interest and legal costs. The Guarantors are disputing liability.

(b) Mareeba Landfill

On 6 October 2006 Thiess Services Pty Ltd and FGF Developments No 1 Pty Ltd commenced proceedings in the Planning and Environment Court in Cairns against the Mareeba Shire Council, the Company and the Department of the Environmental Protection Agency alleging that additional cells are being constructed by the Company at the Mareeba Landfill on behalf of the Mareeba Shire Council to increase the landfill capacity in contravention of the Integrated Planning Act 1997 (**IPA**) and the Environmental Protection Act 1994 (**EPA**). The applicants seek orders stopping construction and use of the additional cells until compliant development permits are obtained under the IPA and EPA. The Company is defending the claims.

(c) O’Learys Creek

The Company is plaintiff in three related actions in the Supreme Court of Queensland against the Cairns City Council (**CCC**) and CCC’s engineering consultant, which relate to external storm water drainage works carried out by the Company in the O’Leary Creek catchment area in the early 1990s. The Company alleges that the Company incurred costs in reliance on an alleged agreement and representations made concerning contributions by CCC to the costs of constructing the drainage. The value of the Company’s claims is approximately \$1.3 million (plus interest and legal costs).

CEC Group is also involved in a small number of planning disputes with local councils. These disputes typically involve applications to have land zoned or rezoned.

4.0 EFFECT OF THE RIGHTS ISSUE ON CEC GROUP LIMITED

4.1 Effects of the Rights Issue on the Capital Structure of the Company

At the date of this Prospectus, the Company has 64,994,129 Ordinary Shares on issue. Under the Company's dividend reinvestment plan a further 729,429 shares will be issued on 27 April 2007. These shares will be eligible to participate in the Rights Issue. A maximum of 10,953,926 new shares will be issued under the Rights Issue.

The effect of the Rights Issue and the proposed issue on 27 April 2007 pursuant to the Company's dividend reinvestment plan on the Company will be that the issued capital of the Company will increase from 64,994,129 Ordinary Shares to up to 76,677,484 Ordinary Shares. Earnings per Share will be calculated on the expanded capital base.

A table of the Company's capital structure is set out below assuming that 729,429 Ordinary Shares are issued pursuant to the Company's dividend reinvestment plan on 27 April 2007 and the maximum amount of Ordinary Shares are issued pursuant to the Rights Issue:

Company's Securities	Shares #
Listed Ordinary Shares (including Ordinary Shares issued under the Placing)	64,994,129
Shares issued pursuant to Dividend Reinvestment Plan	729,429
Total issued capital at Rights Issue Record Date	65,723,558
Ordinary Shares issued under Rights Issue	10,953,926
Post Rights Issue issued capital	76,677,484

4.2 Use of Funds

It is anticipated that the Rights Issue will raise up to \$20,812 million before the deduction of costs. The costs associated with the Rights Issue are expected to be approximately \$0.259 million. Accordingly the net proceeds are estimated to be approximately \$20,553 million.

The table below summarises the intended use of funds from the Rights Issue:

Use of Funds	Note	\$'000
Working capital, which may be used in the future to finance acquisitions of land and/or new businesses		10,653
To repay outstanding bridging finance	i	9,900
Costs associated with issue of New Shares	ii	259
		\$20,812

- i The Company has a corporate debt facility with the Commonwealth Bank of Australia, which is capable of being repaid and redrawn (subject to the limit of the facility) at the discretion of the Company. These funds will be applied against the existing balance of funds owing in relation to the Port Stephens acquisition and a working capital bridge.
- ii The costs associated with the issue of New Shares relate to professional and other fees incurred directly in connection with the preparation of this Prospectus and the issue of New Shares.

4.3 Pro forma consolidated balance sheet

Set out below is the unaudited pro forma consolidated balance sheet of the Company as at 31 December 2006, which illustrates the effect of the Offer and significant transactions completed by CEC Group between 1 January 2007 and the date of this Prospectus on the unaudited consolidated balance sheet of the Company as at 31 December 2006. The pro forma consolidated balance sheet has been prepared in accordance with Australian Standards and the Corporations Act. The accounting policies of

the Company are set out in the financial report for the half-year ended 31 December 2006 incorporated by reference into this Prospectus (see Section 4.4).

As the Rights Issue is underwritten and there are no underwriting fees, the consolidated balance sheet has been presented to show the financial effect of all of the New Shares under the Rights Issue being issued.

The pro forma consolidated balance sheet is provided as an illustration of the effect of the Offer and significant transactions completed by CEC Group between 1 January 2007 and the date of this Prospectus as if these transactions had occurred as at 31 December 2006. For further information on the risk factors affecting CEC Group refer to Section 5.

CEC GROUP LIMITED
ABN 84 010 025 831
“I FOR 6” RENOUNCEABLE RIGHTS ISSUE – 27 APRIL 2007

	31 December 2006 (Reviewed) \$'000's	Share Placement \$'000's	Dividen ds \$'000's	Purchase of Land - Townsville \$'000's	Purchase of Land - Cairns \$'000's	Sale of Land by Joint Venture Entity \$'000's	Loan to SITA/CEC Environment al Solutions Pty Ltd \$'000's	Bedminster Resources Pty Ltd \$'000's	Rights Issue \$'000's	31 December 2006 (Proforma) \$'000's
Assets										
Cash and cash equivalents	5,537	6,588	(1,872)	(1,728)	(452)	-	-	-	8,654	16,728
Trade and other receivables	26,498	-	-	600	526	-	-	(100)	-	27,524
Inventories	21,142	-	-	-	-	-	-	-	-	21,142
Total current assets	53,177	6,588	(1,872)	(1,127)	73	-	-	(100)	8,654	65,394
Inventories	34,492	-	-	16,732	5,507	-	-	-	-	56,731
Investments accounted for using the equity method	13,553	-	-	-	-	851	5,577	-	-	19,981
Investment property	12,907	-	-	-	-	-	-	-	-	12,907
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	25,689	-	-	-	-	-	-	-	-	25,689
Intangible assets	2,704	-	-	-	-	-	-	2,757	-	5,461
Total non-current assets	89,344	-	-	16,732	5,507	851	5,577	2,757	-	120,769
Total assets	142,521	6,588	(1,872)	15,605	5,581	851	5,577	2,657	8,654	186,162

CEC GROUP LIMITED
ABN 84 010 025 831
“1 FOR 6” RENOUNCEABLE RIGHTS ISSUE – 27 APRIL 2007

	31 December 2006 (Reviewed) \$'000's	Share Placement \$'000's	Dividen ds \$'000's	Purchase of Land - Townsville \$'000's	Purchase of Land - Cairns \$'000's	Sale of Land by Joint Venture Entity \$'000's	Loan to SITA/CEC Environment al Solutions Pty Ltd \$'000's	Bedminster Resources Pty Ltd \$'000's	Rights Issue \$'000's	31 December 2006 (Proforma) \$'000's
Liabilities										
Bank overdraft	665	-	-	-	-	-	-	-	-	665
Trade and other payables	28,391	-	-	-	-	(892)	-	730	-	28,228
Loans and borrowings	14,518	-	-	-	-	-	5,577	-	-	20,095
Employee benefits	2,308	-	-	-	-	-	-	-	-	2,308
Income tax payable	3,392	-	-	-	-	-	-	-	-	3,392
Provisions	460	-	-	-	-	-	-	-	-	460
Total current liabilities	49,734	-	-	-	-	(892)	5,577	730	-	55,148
Trade and other payables	1,828	-	-	-	-	-	-	-	-	1,828
Loans and borrowings	43,331	(9,500)	-	15,605	5,581	-	-	1,927	(11,900)	45,043
Deferred tax liabilities	59	-	-	-	-	268	-	-	-	327
Employee benefits	168	-	-	-	-	-	-	-	-	168
Total non-current liabilities	45,387	-	-	15,605	5,581	-	-	1,927	(11,900)	47,366
Total liabilities	95,120	-	-	15,605	5,581	(892)	5,577	2,657	(11,900)	102,514
Net assets	47,401	16,088	(1,872)	-	-	1,476	-	-	20,554	83,648
Equity										
Issued capital	19,789	16,088	1,525	-	-	-	-	-	20,554	57,956
Retained earnings	27,612	-	(3,396)	-	-	1,476	-	-	-	25,692
Total equity attributable to equity holders of the parent	47,401	16,088	(1,872)	-	-	1,476	-	-	20,554	83,648
Minority interest	-	-	-	-	-	-	-	-	-	-
Total equity	47,401	16,088	(1,872)	-	-	1,476	-	-	20,554	83,648

ASSUMPTIONS FOR THE UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

I Transactions completed between 1 January 2007 and the date of this Prospectus

- 1.1 The Company exchanged contracts on a private placement of 8,391,408 ordinary shares at \$2.00 per share to institutional investors and sophisticated investors on 18 April 2007. The Company completed the Placing on 24 April 2007 and has received net proceeds from the Placing amounting to \$16,088,372. ABN Amro Morgans Limited and Bridges Financial Services Pty Limited are each entitled to fee of \$315,656.50 plus GST for assisting the Company in relation to the Placing. Further details of the Placing are set out in the announcement made to the ASX on 19 April 2007.
- 1.2 The Company declared a dividend of \$3.396 million (6 cents per Share) which will be settled on 27 April 2007. \$1.872 million will be settled in cash with the balance settled via the issue of 729,429 additional Ordinary Shares under the terms of the Company's dividend reinvestment plan.
- 1.3 The acquisition of a parcel of land in Townsville for \$16.731 million funded via drawdown on debt facilities, with the balance of costs funded from operating cash flows.
- 1.4 The acquisition of a parcel of industrial land in Cairns for \$5.507 million funded via drawdown on debt facilities, with the balance of costs funded from operating cash flows.
- 1.5 The sale of a parcel of land by CEC/BGI Pty Ltd which is 50% owned by CEC. The total of the equity accounted share of net profit after tax and the deferred profit on the original sale to CEC/BGI Pty Ltd that has now been realised is \$1.476 million.
- 1.6 The acquisition of the assets associated with the Port Stephens Waste Management Facility was completed by SITA-CEC Environmental Solutions Pty Ltd, which is 50% owned by CEC. Each joint venture partner (CEC Group Limited and SembSITA Australia Pty Ltd) has borrowed \$5.577 million and on lent this amount to SITA-CEC Environmental Solutions Pty Ltd to fund the acquisition of the Port Stephens Waste Management Facility and related assets.
- 1.7 The acquisition of the shares in Bedminster Resources Pty Ltd for \$2.027 million funded via drawdown on debt facilities, with the balance of costs funded from operating cash flows. The principal asset of Bedminster Resources Pty Ltd is a licence for the Bedminster waste management technology in Australia, New Zealand and a number of South East Asian countries.

Within 60 days after completion (5 March 2007) the vendor must prepare and deliver a Completion Balance Sheet and Completion Statement that has been prepared in accordance with Accounting Policies and Principles. If the completion balance sheet varies from the balance sheet supplied at the time of completion then an adjustment amount may be payable by / refundable to CEC Group Limited. Such an adjustment amount may impact the calculation of the business combination.
- 1.8 In the ordinary course of business, the Company draws down on corporate debt facilities in order to partially or wholly fund the acquisition and development of land, which is considered to form part of the inventory of the business. Such draw downs have not been adjusted in the pro forma balance sheet. As at 31 March 2007 the unaudited consolidated balance sheet of the Company includes total interest bearing liabilities of \$85.985 million.

2 The effect of the Offer

- 2.1 It is assumed that the Offer will be fully taken up by Eligible Shareholders and/or the Underwriters. The pro forma consolidated balance sheet therefore illustrates the effect of the issue of 10,953,926 new shares at \$1.90, representing additional contributed equity of \$20.812 million.
- 2.2 The costs of the offer have been estimated at \$0.259 million including GST. These equity issue costs have been debited against contributed equity.

- 2.3 In presenting the pro forma balance sheet set out above the proceeds are included within cash assets and non-current liabilities. More detail regarding the intended use of funds is set out in Section 4.2.

4.4 Incorporation by Reference

The following financial reports for CEC Group are incorporated into this Prospectus by reference:

- the annual financial report for the financial year ended 30 June 2006, including the audit report from KPMG dated 29 September 2006 (lodged with ASIC on 29 September 2006); and
- the financial report for the half-year ended 31 December 2006, including the review report from KPMG dated 23 February 2007 (lodged with ASIC on 26 February 2006).

The Company will provide copies of the above financial reports, or any part of them, free of charge to any person who makes a request during the application period for this Prospectus. Shareholders may obtain such copies by writing to the Company or by visiting the office of the Company at 401 Spence Street, Cairns, QLD 4870.

The financial reports listed above may also be obtained online from the Company's website at www.cecgroup.com.au/cecgroup-reports.htm or from the ASX announcements platform at www.asx.com.au (ASX Code: CEG).

5. RISK FACTORS

This Section identifies certain risk areas that are believed to be major risk factors, both specific to the CEC Group and of a general nature, associated with an investment in the Company. Applicants should consider both the risks involved in investing in securities generally and the specific risks associated with the New Shares offered pursuant to this Prospectus. The price at which the Ordinary Shares trade on ASX may be affected by factors specific to the CEC Group and by external factors over which the Directors and the Company have no control. These risk factors may affect the financial position, financial performance, cash flows, ability to pay dividends and future growth prospects of the Company. The risks identified by the Directors are not exhaustive and should not be relied upon as such.

Individually, or in combination, these general and specific risks may affect the future operating performance of the Company and the value of an investment in the Company. There is no guarantee that the Company will achieve its stated objectives. Each of the risks described below may, if they eventuate, have a material adverse impact on the Company's operating performance and profits.

Applicants need to specifically consider the factors contained within this Section in order to appreciate some of the risks associated with an investment in the Company. Applicants should also seek advice from their stockbroker, solicitor, accountant or other professional adviser before deciding whether to invest in New Shares.

5.1 General Risks

5.1.1 Share market risk

There are risks associated with any investment in securities listed on a stock exchange. Share market conditions and fluctuations in both Australian and overseas markets may negatively affect the value of the Company's listed Ordinary Shares from time to time. Factors that may influence the investment climate in shares, which may not relate to actual performance of the Company, include but are not limited to general economic conditions and outlook, industry conditions, movements in commodity prices, exchange rate movements, interest rates, inflation, inflationary expectations, employment and immigration levels, population growth, political developments, changes in government, taxation or other regulatory or policy changes, investor perceptions and sentiment, movements in local and international stock markets and world events. Actual performance of the Company will also affect the value of the Ordinary Shares.

An Applicant should be aware that there are risks associated with any investment in shares and that the price of shares can go down as well as up. The price at which the New Shares, once issued, trade on ASX may be higher or lower than their price under the Offer (\$1.90 per New Share).

There can be no guarantee that an active market in the Ordinary Shares will remain or that the price of the Ordinary Shares will increase. There may be relatively few, or many, potential buyers or sellers of the Ordinary Shares on ASX at any time. This may increase the volatility of

the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares.

5.1.2 General economic factors

North Queensland, Queensland, Australian and world economic conditions may negatively affect the Company's operating and financial performance. Any slow down in general economic and business conditions or factors including the level of production in the relevant economy, inflation, currency fluctuation, interest rates, employment and immigration levels, population growth, supply and demand, changes to legislation, political decisions and changes to government and industrial disputes may have a negative impact on the Company's revenue, costs, operations and earnings and the market price of the Ordinary Shares. In addition, increases in the price of key inputs for the Company's business (such as fuel costs) may have a negative impact on the Company's financial performance.

5.2 Risks Specific to the Company

5.2.1 Market risk

The Company's business is heavily aligned to the property and construction markets and related industries, and specifically the Cairns, Townsville and North Queensland property and construction markets. A downturn or other changes to the property or construction markets may affect the Company's revenue, costs or the value of the assets which in turn may affect the performance of the Company and the value of the Company's Ordinary Shares.

Other market factors that may influence the value of the Company's revenue, costs, asset values and share price include the demand for property from investors, operating expenses, timing of receipt of sale proceeds, and timing of supply of competing, existing or new property developments or constructions.

5.2.2 Supply risk

A major part of the CEC Group's business is the development of land in Cairns, Townsville and other regional areas in North Queensland. The amount of land available for development is fixed. The prospect of the Company being unable to source suitable land to develop may affect the Company's revenue, or the value of the assets of the Company which in turn may affect the value of the Company's Ordinary Shares.

5.2.3 Local economic conditions

There are a number of factors which may impact on the local economic conditions of North Queensland more severely than other areas. The smaller population in the region may be a diminishing factor affecting the growth of industries in which the CEC Group operates.

The construction industry has experienced solid growth in recent years, which could result in pressure in the labour market and building material prices. The North Queensland region is strongly dependent on overseas earnings and is vulnerable to any currency fluctuations. There is also a risk of undue increases in the differential between Australian and overseas interest rates, potentially resulting in a rapid rise in the Australian dollar, which may impact on the North Queensland economy. Further, the North Queensland economy is heavily exposed to the tourism, minerals and primary production (including agriculture, fishing and grazing) industries. Adverse changes to these industries may affect the performance and growth prospects of the Company and the value of the Company's Shares.

5.2.4 Reliance on relationships and alliances

Companies involved in the construction industry are often reliant on a small number of key contracts, which form the basis of forecast financial figures. The Company's ability to replace individual key contracts upon either completion or discontinuation can affect the profit forecasts and is considered an area of potential risk.

The Company is a party to a number of joint ventures. In many cases the joint venture partners are individuals or unlisted companies. CEC Group does not have operational control of all of its joint venture operations. Joint venture partners may encounter economic and commercial difficulties similar to those faced by the Company, making them unable to meet their obligations or commit further resources under a joint venture agreement. This may have an effect on the

performance and growth of the joint venture and, in turn, the prospects of the Company and the value of the Company's Ordinary Shares.

5.2.5 Integrated CEC Group Business

There are a number of relationships between members of the CEC Group because of its integrated business model as a constructions and development company. Delays or problems with one business can therefore have added impact throughout the CEC Group. For example, the property development business is dependent on the completion of works by CEC Constructions Pty Ltd in order to be able to settle on the sale of lots and development parcels. Equally, CEC Constructions Pty Ltd is one of the largest customers of Pioneer North Queensland, the quarry joint venture between the Company and Hanson Construction Materials Pty Ltd.

5.2.6 Residential Building

CEC Group will continue to invest in the development of the RapidBuild product and in developing its position in the residential building market (MacHomes Pty Ltd), subject to the Board's consideration of the result of an independent business review of RapidBuild. The Board has resolved to proceed with this independent review. These businesses may require additional capital to fund development and may require additional working capital to support their operations. A need for additional funds may have an impact on the performance of the CEC Group and the value of the Company's Ordinary Shares.

5.2.7 Government and related authorities

Governments and their representatives can change policy and laws from time to time. Such changes may affect some or all of the operations of the Company. Also local, state and federal government spending in the Cairns, Townsville and North Queensland regions may impact on the operations of the Company. A substantial decrease in government spending may affect the performance and growth of the Company and the value of the Company's Ordinary Shares.

In addition, the timely settlement of the sale of lots and development parcels of land from the Company's property development projects is dependent on the grant of various approvals by the local councils in each area and other government departments. Delays in being granted these approvals can result in delays to the settlement of sales of the lots and the development parcels which can impact on cash flow.

5.2.8 Personnel/Key personnel risk

While every effort is made to retain key employees and contractors and to recruit new personnel as the need arises, competition for skilled personnel due to, in particular, the mining boom in Queensland may make it more expensive to retain and recruit skilled personnel, which results in the Company either needing to incur extra time and expense in training unskilled personnel or increasing the remuneration of skilled personnel. This may adversely affect the Company's earnings and growth prospects.

In addition, the loss of a number of key personnel may adversely affect the Company's earnings or growth prospects. In particular, the loss of the Managing Director/CEO of the Company may adversely affect the Company's earnings and growth prospects.

5.2.9 Financing risk

The Company utilises borrowings in its operations and is therefore exposed to risk relating to availability of credit facilities, increases in interest rates and the terms of such credit facilities.

5.2.10 Profitability

The Company relies on its management to successfully manage the Company's operations and the opportunities for expansion and development of the Company's business. However, future operating results are also dependent on various other factors outside the Company's control. There is no guarantee that the historical performance of the Company is indicative of the Company's future financial performance.

5.2.11 Environmental risk

The Company's operations are subject to state and federal environmental legislation. While the Company monitors environmental issues and has environmental management procedures in

place, there is no assurance that the Company's operations will not be affected by an environmental incident or subject to environmental liabilities.

5.2.12 Force majeure risks

Acts of terrorism and other events of force majeure may affect projects of, or properties owned by the CEC Group, or other aspects of the business of the CEC Group, and insurance may not fully cover these risks.

5.2.13 Trade marks

There is a Norwegian company which has registered the trademark “CEC” in Australia in classes, including Class 37 (building construction, repair, installation services), which is one of the classes in which the Company operates. The Company has been able to register the trademarks “CEC” and CEC Group” in Australia in Classes 19, 36, 37 and 44. There is no agreement with the Norwegian company concerning the use of these trademarks.

5.2.14 Industrial action

Although the Company has a good track record with respect to industrial disputes and has a dispute resolution policy, the Company cannot guarantee that it will not suffer any form of industrial action in the future, given the highly unionised nature of the construction industry which is one industry in which the Company operates.

5.2.15 Workplace health & safety

Despite the Company having workplace health and safety procedures in place, there is always the risk of workplace accidents or injuries. A serious accident could have a significant financial impact on the Company.

5.2.16 Liability risk

The civil construction and development works undertaken by the Company carry with them the risk of liability for losses associated with these activities including but not limited to design faults, negligent and/or defective works. The Company also provides a wide range of products to the construction industry which also exposes it to certain potential liabilities associated with the supply and quality of those products. These liabilities may extend to both contracting parties and third parties and may involve indirect and consequential losses. The Company has attempted to minimise its exposure to these risks by obtaining appropriate insurance cover, and by limiting its liability in contractual arrangements with other parties. However there is a risk that certain liabilities may not be adequately covered by the insurance arrangements or excluded under contracts entered into with other parties.

5.2.17 Weather Delays

The Cairns region has a distinct wet season typified by several months of monsoonal rainfall, tropical storms and impact from tropical cyclones. Construction tender conditions normally require the contractor to accept the risk of adverse wet weather or other similar adverse climate impacts.

Cairns can receive approximately twice as much rainfall as Townsville. Areas within 200 km south of Cairns can receive twice as much rainfall as Cairns. Construction activities are affected in different ways by adverse rainfall, depending on factors such as:

- the type of construction
- the timing of the work
- ground conditions, and
- site topography.

CEC as the contractor has the option to consider and factor in such risk at the time of tendering for the work. However, in a competitive tendering environment this risk may not be able to be passed on. Tender conditions usually allow for claims for time extensions for periods of inclement weather and consequential effects, however, the cost of the additional time is borne by the contractor, not the principal. The contractor also usually has to meet the cost of remediation or rework which is required after adverse weather.

When there are high penalties for delays in completing works, and time extensions for inclement weather are not applicable under the construction contract, the Company aims to adopt the following approach:

- additional risks assessed at tender stage, preferably negotiated to an acceptable level or capped;
- construction program carefully managed by applying appropriate resources; and
- all other non-weather related delays are minimised to counteract any potential exposure to liquidated damages.

Adverse weather conditions also impact on the CEC Group’s property sales business (because of delays in construction) and to the building supplies businesses (because of decreased demand for their products during extended wet periods).

Adverse weather conditions may have an effect on the performance of the CEC Group and the value of the Company’s Ordinary Shares.

5.2.18 Competition

The Company could face substantial competition from competitors entering the construction and development market in Cairns or Townsville if another construction or development company is established and becomes successful. It may have a material adverse affect on the financial position and operations of the Company.

The Company’s strategy to expand operations into other growth centres throughout Queensland will result in the Company competing with other construction and development companies which may have greater financial and other resources than the Company. These competitors may use pricing or other strategies to prevent the Company achieving its growth objectives. This may have a material adverse impact on the financial position, cash flows, growth prospects, ability to pay dividends and Ordinary Share price.

5.2.19 Legal Proceedings

Relevant litigation and contingent liabilities are disclosed in Section 3.5. An unfavourable outcome associated with any of these matters may adversely affect the future assets, liabilities and profitability of CEC Group. Even if successful there remains a potential significant cost exposure.

CEC Group cannot guarantee that it will not become involved in litigation in the future. Except as set out in this Prospectus (and the documents incorporated by reference in this Prospectus), there is no other known or threatened material litigation.

5.2.20 Additional Capital Requirements

There is no assurance that any additional funding that may be required by CEC Group in the future will be available, or upon acceptable terms to CEC Group. If in any way this funding is not available, CEC Group may be required to significantly curtail its expenditure, and any major changes to these would materially and adversely affect CEC Group’s business.

5.2.21 Dividends

CEC Group has capital requirements for development, occupational health & safety, regulatory matters, manufacture, and the ability of CEC Group to pay any dividend in the future is dependent on many factors, including these activities and their financial requirements. Additionally, there will be factors that affect the ability of CEC Group to pay any dividends and the timing of those dividends that will be outside the control of CEC Group. It is difficult to forecast with any degree of certainty the likely financial results of CEC Group in future financial years. The Directors are therefore unable to give any assurance regarding the payment of dividends in the future.

5.2.22 Bedminster Licence

The ongoing use of the Bedminster technology in plants operated by the Company, its joint venture entities and its sub-licensees and the ability to sub-licence the Bedminster technology is dependent on the licence (**Head Licence**) to Bedminster Resources Pty Ltd subsisting.

If the licence determines or the head licensor ceases for any reason to continue conferring rights under the Head Licence to Bedminster Resources Pty Ltd, the Company, its joint venture entities and its sub-licensees may be required to cease using the Bedminster technology. This may necessitate the incurrence of significant costs in upgrading plants operated by the Company's joint venture entities with new technology and income streams from sub-licence fees may be lost.

The above summary of risk factors is not exhaustive and Applicants should examine the contents of this Prospectus and conduct their own research, consult their stockbroker, solicitor accountant or other professional adviser before deciding whether to apply for New Shares under this Prospectus.

6.0 OTHER MATERIAL INFORMATION

6.1 Company tax status and financial year

CEC Group is taxed in Australia as a public company. The financial year of CEC Group ends on 30 June.

6.2 Section 713 - Complying Prospectus

This Prospectus contains information required under the special prospectus content rules for an offer (in the present circumstances, the Offer of New Shares) to acquire continuously quoted securities of the Company pursuant to section 713 of the Corporations Act. This section of the Corporations Act enables disclosing entities to issue a special prospectus in relation to an offer of securities (in the present circumstances, the New Shares) where those securities have been continually quoted by the ASX at all times in the 12 months before the date of the Prospectus (and the disclosing entity has not been subject to certain exemptions, modifications or declarations specified under the Corporations Act at any time during that 12 months).

Apart from formal matters, a “section 713” prospectus is required to contain all information which Eligible Shareholders and their professional advisors would reasonably require and expect to find to make an informed assessment of the effect of the Offer on the Company and the rights and liabilities attaching to the New Shares. Subject to that requirement, other general information does not need to be included by a disclosing entity as the periodic reporting and continuous disclosure requirements applicable to disclosing entities mean that all this information should have previously been released to the market.

6.3 Prior Excluded Information

Other than such information which is set out elsewhere in this Prospectus, there is no additional information that has been excluded from the continuous disclosure notices given by the Company to the ASX in accordance with the ASX Listing Rules which is otherwise required to be disclosed in this Prospectus pursuant to section 713(5) of the Corporations Act.

6.4 Rights and liabilities attaching to the New Shares

The New Shares will rank equally and carry the same rights as all other existing Ordinary Shares. The New Shares will not participate in the 6 cent per Ordinary Share interim dividend declared for the half year to 31 December 2006 which will be paid on 27 April 2007 (announced on 26 February 2007) as the record date for eligibility for this dividend is prior to the date on which the New Shares will be issued. A summary of the terms and conditions of Ordinary Shares is set out in Section 6.5.

6.5 Rights and liabilities attaching to Ordinary Shares

The Constitution of the Company sets out the rights conferred and the restrictions imposed on Ordinary Shares. Certain provisions of the Constitution are summarised below. The summary is qualified by the full terms of the Company's Constitution and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. To obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, Eligible Shareholders should seek legal advice.

The Constitution may be inspected by Shareholders during normal business hours at the registered office of the Company. A copy of the Constitution is available from the Company on request free of charge.

6.5.1 Directors

Unless changed by the Company in a general meeting, the minimum number of Directors is three and the maximum is ten. The existing Directors may appoint a new Director as an addition to the Board of Directors. Any such Director must retire at the next following Annual General Meeting of the Company (at which meeting he or she may be eligible for election as Director). The Company in general meeting may appoint a new Director as an addition to the Board of Directors. No Director other than the Managing Director may hold office for longer than three years without submitting himself or herself for re-election.

For a person to be eligible for election as a Director by the Company in general meeting, a nomination for the office of Director and the written consent of the proposed Director must be accepted by the Company at its registered office, where the meeting has been requested by the shareholders, 30 business days prior to the meeting or otherwise, 35 days prior to the meeting.

Questions arising at a meeting of Directors will be decided by a majority of votes. In the event that at a meeting of Directors, there are equal votes cast for and against any motion, the chairman of the meeting will have the casting vote.

6.5.2 Remuneration of Directors

The fees payable to non-executive Directors must not exceed the aggregate fixed sum determined by shareholders in a general meeting (currently resolved to be a maximum of \$400,000 per annum) and must not be by way of commission on, or percentage of, profits or operating revenue. The Constitution also makes provision for the Company to pay for other expenses in attending and returning from meetings and retirement allowances to be paid to Directors.

6.5.3 Officers indemnities and insurances

The Constitution provides that to the extent permitted by law, the Company indemnifies every person who is or has been a Director or Secretary of the Company against a liability incurred by that person in his or her capacity as a Director or Secretary. The Corporations Act prohibits a company from indemnifying a director for liability which is owed to that company, or is owed to someone else other than the company but which arose out of conduct which was not in good faith or liability for pecuniary penalties under certain provisions of the Corporations Act. A similar indemnity is provided in respect of legal proceedings. The Company may also pay the premiums on directors' and officers' liability insurance and legal costs where allowed by the Act.

6.5.4 Meetings of Shareholders

Directors may call a meeting of shareholders whenever they think fit. Shareholders may call a meeting as provided by the Corporations Act. The Constitution contains provisions prescribing the content requirements of notices of meetings of shareholders and all shareholders are entitled to a notice of meeting. Consistent with the Corporations Act provisions, a meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of shareholders is two eligible voters.

6.5.5 Voting rights

Resolutions of shareholders will be decided on a show of hands unless a poll is demanded. On a show of hands, each eligible voter present has one vote. On a poll each eligible shareholder has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share. A poll may be demanded by at least five shareholders entitled to vote on the resolution or shareholders with at least 5% of the votes that may be cast on the resolution.

6.5.6 Dividends

The Directors may at their discretion fix the amount, the time for payment and the method of payment of a dividend. Subject to any special rights attaching to shares (such as preference shares), dividends will be paid proportionately. The Company is not required to pay any interest or dividends.

6.5.7 Transfer of Shares

The Company may participate in any clearing and settlement facility provided under the Corporations Act, the ASX Listing Rules and the ASTC Operating Rules. The Company must not charge any fee for registering a transfer of Shares, except as permitted by the Corporations Act, the ASX Listing Rules and the ASTC Rules. The Directors may refuse to register a transfer of Shares in the circumstances permitted by the Corporations Act, the ASX Listing Rules and the ASTC Operating Rules or in circumstances as required under the Corporations Act, the ASX Listing Rules and the ASTC Operating Rules or any law about stamp duty.

6.5.8 Disposal of less than a marketable parcel

The Company has a right to divest shareholders of Ordinary Shares comprising less than a marketable parcel where the shareholder holds less than a marketable parcel or the unmarketable parcel is created by the transfer of a parcel of securities that was less than a marketable parcel. The proceeds of sale of the securities (less the cost of the sale) must be sent to the holder after the sale. This is to allow the Company to discourage transfers of less than marketable parcels of its Shares. In addition, at any time that a new shareholder who acquires less than a marketable parcel of securities receives a notice of divestment from the Company, the Directors may determine that the new shareholder will not be entitled to vote or to receive dividends in respect of some or all of the Shares the subject of that divestment notice. At present the Board of Directors has no intention of invoking this procedure, but may do so in the future.

6.5.9 Execution of documents

The Constitution provides for execution of documents by the Company with or without the use of the Company's seal.

6.5.10 Winding up

Subject to any rights or restrictions attached to a class of shares, on a winding up of the Company, any surplus assets must be divided among the shareholders in the proportions which the amount paid (including amounts credited) on the Shares of a shareholder is of the total amounts paid and payable (including amounts credited) on the Shares of all shareholders.

6.5.11 Issues of further Shares

Subject to any rights or restrictions on issue of Shares imposed by the Constitution of the Company, the Corporations Act, the ASX Listing Rules and the ASTC Operating Rules, the Directors may issue further Shares on such terms, conditions and restrictions as the Directors see fit.

6.5.12 Variation of class rights

Class rights attaching to a particular class of Shares may be varied or cancelled by a special resolution of the Company and either the consent in writing of holders of 75% of the Ordinary Shares in that class or a special resolution of the holders of Shares in that class.

6.5.13 Proportional Takeover Provisions

The Constitution contains provisions for shareholder approval of any proportional takeover bid. The provision will lapse three years after adoption of the Constitution unless it is renewed in accordance with the Corporations Act.

6.6 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director or proposed Director has now, or has had, in the two year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of CEC Group Limited;
- property acquired or proposed to be acquired by CEC Group Limited in connection with its formation or promotion or the Offer; or
- the Offer,

and, other than as set out below or elsewhere in this Prospectus, no amounts or benefits of any kind (whether in cash or Ordinary Shares or otherwise) have been paid or given or agreed to be paid or given to any Director or to any proposed Director:

- to induce him or her to become, or to qualify as, a Director of CEC Group Limited; or
- otherwise for services rendered by him or her in connection with the formation or promotion of CEC Group Limited or the Offer.

Atanaskovic Hartnell, a firm of solicitors of which Mr Anthony Hartnell is a partner, has acted as legal adviser to the Company in relation to the Rights Issue and is entitled to receive approximately \$[140,000] (excluding GST and disbursements) for this service. Atanaskovic Hartnell has also acted as legal adviser in relation to the recent Placing and is entitled to receive approximately \$65,000 (excluding GST and disbursements) for this service.

Kern Consulting Group Pty Ltd, a company of which Mr Gregory James Kern is a director, produced a capital management report for the company and received fees amounting to \$82,858.25, plus GST.

6.7 Interests of named persons

Other than as set out below or elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any promoter of CEC Group Limited, has now, or has had, in the two year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of CEC Group Limited;
- property acquired or proposed to be acquired by CEC Group Limited in connection with its formation or promotion or the Offer; or
- the Offer,

and, other than as set out elsewhere in this Prospectus, no amounts or benefits of any kind (whether in cash or Ordinary Shares or otherwise) have been paid or given or agreed to be paid or given to any person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, for services rendered by that person in connection with the formation or promotion of CEC Group Limited or the Offer.

Link Market Services Limited is acting as the Registry in relation to the Rights Issue and is entitled to fees amounting to approximately \$26,300.

6.8 General consents

Each of the parties referred to in this Section has not authorised or caused the issue of the Prospectus and accordingly to the maximum extent permitted by law, disclaims all liability for any part of the Prospectus.

(a) Link Market Services Limited

Link Market Services Limited has given, and not withdrawn as at the date of this Prospectus, its consent to being named in this Prospectus as the Share Registry of the Company in the form and context in which that statement is included in the Prospectus.

(b) KPMG

KPMG has given, and not withdrawn as at the date of this Prospectus, its consent to:

- (i) being named in this Prospectus as Auditor to the Company and its controlled entities;
- (ii) the inclusion in the Prospectus of its audit report to the annual financial report of the Company and its controlled entities for the financial year ended 30 June 2006; and
- (iii) the inclusion in the Prospectus of its review report for the financial report of the Company and its controlled entities for the half-year ended 31 December 2006,

in the form and context in which each of those statements is included in the Prospectus.

(c) Atanaskovic Hartnell

Atanaskovic Hartnell has given, and not withdrawn as at the date of this Prospectus, its consent to being named in this Prospectus as having acted as legal adviser to the Company in relation to the Rights Issue in the form and context in which that statement is included in the Prospectus.

(d) Mrs Alma Lavis

Mrs Alma Lavis has given, and not withdrawn as at the date of this Prospectus, her consent to the inclusion in the Prospectus of the statements that:

- (i) she is an Associate of Mr Roy Lavis;
 - (ii) she intends to subscribe for her full Entitlement under the Rights Issue; and
 - (iii) she will not be subscribing for any additional New Shares under any Shortfall,
- in the form and context in which each of those statements are included in the Prospectus.

(e) ABN Amro Morgans Limited

ABN Amro Morgans Limited has given, and not withdrawn as at the date of this Prospectus, its consent to being named in this Prospectus in relation to the Placing in the form and context in which that statement is included in the Prospectus.

(f) Bridges Financial Services Pty Limited

Bridges Financial Services Pty Limited has given, and not withdrawn as at the date of this Prospectus, its consent to being named in this Prospectus in relation to the Placing and Rights Issue in the form and context in which that statement is included in the Prospectus.

(g) Kern Consulting Group Pty Limited

Kern Consulting Group Pty Limited has given, and not withdrawn as at the date of this Prospectus, its consent to being named in this Prospectus in Section 6.7 in the form and context in which that statement is included in the Prospectus.

6.9 Underwriting

Under the Rights Issue, up to 10,953,926 will be issued to Eligible Shareholders. Pursuant to the terms of the Placing Letters, the Underwriters have agreed to underwrite the Rights Issue as to 10,832,355 shares, which leaves 121,571 shares not being underwritten, being the shares issued on 27 April 2007 pursuant to the Company's dividend reinvestment plan. However, the effect of Roy and Alma Lavis irrevocably undertaking to subscribe for 3,429,481 shares under the Rights Issue means that the Underwriters will be underwriting the total of any shortfall under the Rights Issue.

Pursuant to the Placing Letters, the Underwriters have agreed to underwrite such proportion of any Rights Issue shortfall (up to a maximum shortfall of 10,832,355 shares). The relevant proportion is the same as the proportion of the total Placing Shares for which each Underwriter (together with any person that they nominate to be issued shares under the Placing) is subscribing in the Company, on the terms of the Placing Letters.

A summary of the principal terms of the underwriting obligations of the Underwriters is set out below:

- (a) The Company will not be paying the Underwriters any fee in relation to the Underwriting.
- (b) The Underwriters have given warranties, representations and acknowledgements that are usual in agreements of this nature, including, but not limited to, comfort to the Company that each Placee is a sophisticated investor for the purposes of section 708(8) of the Corporations Act or a professional investor for the purposes of section 708(11) of the Corporations Act.
- (c) The Underwriters may by notice in writing to the Company immediately be released of their underwriting obligations upon the occurrence of any one or more of the following events:
 - (i) **Lodgement:** the lodgement of the Prospectus with ASIC and ASX has not occurred on or prior to 15 May 2007;
 - (ii) **ASIC Stop Order:** ASIC gives notice of its intention to hold a hearing in relation to the Prospectus under section 739(2) of the Corporations Act or makes an order under sections 739(1), 739(3) or 739(4) of the Corporations Act;

- (iii) **changes of law:** any law, bill or other measure is introduced or announced by the Government of Australia, the Government of any Australian State or Territory, or any responsible Minister of any such Government, which has or is likely to have a Material Adverse Effect on the prospects of the Offer being fully subscribed prior to the Closing Date;
- (iv) **commencement of hostilities:** other than the conflicts in Iraq and Afghanistan, hostilities are commenced (whether war is declared or not) involving all or any of the Commonwealth of Australia, the United Kingdom, the United States of America, the Republic of Indonesia, the Commonwealth of Independent States (or any successor union, then the Republic of Russia), and former members of the USSR, the Peoples Republic of China or Japan or hostilities are renewed in the Persian Gulf between sovereign nations, other than hostilities between members of the Commonwealth of Independent States;
- (v) **breach:** the Company commits or permits any breach or default of any provisions of the Letter and, if capable of being remedied, fails to remedy the break or default within 5 Business Days of the Underwriters serving written notice on the Company requiring the breach or default to be remedied and that breach or default has, or is likely to have, a Material Adverse Effect;
- (vi) **misstatement in the Prospectus:** with regard to the Rights Issue Prospectus the Company is in breach of section 728 of the Corporations Act;
- (vii) **insolvency event:** an Insolvency Event occurs with respect of the Company;
- (viii) **movement in the All Ordinaries Index:** at any time after the date of the Letter and before the Closing Date, the All Ordinaries Index of ASX falls to a level that is 10% or more below the level attained at the close of trading on the Business Day immediately preceding the date of the Letter;
- (ix) **ASIC hearing:** any application is made by ASIC for any order under section 1324A or section 1324B of the Corporations Act in relation to the Prospectus;
- (x) **ASIC Prosecution:** ASIC gives written notice of an intention to prosecute the Company, any director or employee of the Company, or any Subsidiary of the Company or any of its Related Bodies Corporate, unless ASIC withdraws that intention in writing on or before the Closing Date;
- (xi) **Court Order:** an order is made in connection with the Prospectus including under section 1324 and 1325 of the Corporations Act;
- (xii) **timely lodgement of supplementary prospectus:** the Company is in breach of section 719 of the Corporations Act;
- (xiii) **compliance with section 713 of the Corporations Act:** the Prospectus does not comply with section 713 of the Corporations Act;
- (xiv) **action by Authority:** the performance of the Underwriters' obligations under the letter, or the completion of the Rights Issue by the Company is prevented or retrained by order of or notice by an Authority;
- (xv) **withdrawal of consent:** any person who has previously consented to the inclusion of his, her or its name in the Prospectus (other than the Underwriters) withdraws that consent;
- (xvi) **Prescribed Occurrence:** a Prescribed Occurrence occurs in relation to the Company, or any Subsidiary of the Company, other than in relation to the following:
 - (a) the issue of any shares in the Company pursuant to the Placement, Rights Issue and Dividend Reinvestment Plan;
 - (b) the disposal by the Company or any of its Subsidiaries of a company or business that does not have a material effect on the business of the Company and its Subsidiaries taken as a whole or that is in the ordinary course; and

- (c) any agreement between the Company and/or its Subsidiaries and the Commonwealth Bank of Australia and/or any syndicate of banks organised by the Commonwealth Bank of Australia.
- (d) The occurrence of any of the events listed in Section 6.9(c) above does not entitle the Underwriters to be relieved from their underwriting obligations unless such event has or is likely to have a Material Adverse Effect or could give rise to a material liability on the Underwriters' part under the Compliance Rules.
- (e) The following definitions apply to section 6.9 (c) and (d) of this prospectus:

ASIC means the Australian Securities & Investments Commission.

ASX means the Australian Stock Exchange Limited ACN 008 624 691.

Authority means any government, governmental, semi-governmental, administrative or judicial entity, body, politic or statutory corporation whether federal or state, municipal or otherwise and whether located in Australia or overseas and for the avoidance of doubt includes ASIC, ASX and the Takeovers Panel.

Business Day means:

- (a) for the purpose of sending or receiving a notice, a day which is not a Saturday, Sunday, a bank holiday or a public holiday in the city where the notice is received; and
- (b) for all other purposes, a day which is not a Saturday, Sunday, a bank holiday or a public holiday in Sydney.

Closing Date means the date specified as the closing date of the Rights Issue in the Prospectus.

Compliance Rules means any and all relevant or applicable provisions of:

- (a) Corporations Act;
- (b) Corporations Regulations;
- (c) the Listing Rules;
- (d) the constitution of the Company; and
- (e) any practice note, policy statement, class order, declaration, guideline, policy or procedure pursuant to the provisions of which either ASIC or ASX is authorised or entitled to regulate, implement or enforce, either directly or indirectly, the provisions of any of the foregoing statutes, regulations, rules, deeds or agreements or any conduct or proposed conduct of any person pursuant to any of the abovementioned statutes, regulations, rules, deeds or agreements.

Corporations Act means the Corporations Act 2001 (Cth).

Corporations Regulations means those regulations issued and to be applied in conjunction with the relevant provisions of the Corporations Act.

Insolvency Event means the happening of any of the following events:

- (a) an application is made to a court for an order or an order is made that a body corporate be wound up;
- (b) an application is made to a court for an order appointing a liquidator, provisional liquidator, administrator, controller, managing controller, receiver, receiver and manager or similar officer in respect of a body corporate or one of them is appointed, whether or not under an order;
- (c) a receiver, receiver and manager, controller, managing controller or administrator is appointed to the property of a body corporate or any part or parts of it;
- (d) except to reconstruct or amalgamate while solvent on terms approved by the Underwriters, a body corporate enters into, or resolves to enter into, a scheme of arrangement, deed of company arrangement or composition with, or compromise or assignment for the benefit of all or any class of its creditors or members or it proposes a reorganisation, moratorium or other administration involving any of them;

- (e) a body corporate resolves to wind itself up or otherwise dissolve itself or gives notice of intention to do so, except to reconstruct or amalgamate while solvent and on terms approved by the Underwriters;
- (f) a body corporate is or states that it is unable to pay its debts as and when they fall due;
- (g) a body corporate fails (in accordance with the terms of section 459F of the Corporations Act) to comply with any statutory demand served pursuant to section 459E of the Corporations Act;
- (h) a body corporate is or makes a statement from which it may be reasonably deduced by the Underwriters that the body corporate is, the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act;
- (i) a body corporate takes any step to obtain protection or is granted protection from its creditors, under any applicable legislation;
- (j) execution or other process issued or a judgment, decree or order of a court in favour of a creditor of a body corporate is returned wholly or partly unsatisfied;
- (k) any steps are taken by ASIC to dissolve a body corporate or a body corporate is dissolved;
- (l) a person becomes an insolvent under administration as defined in section 9 of the Corporations Act or action is taken which could result in that event;
- (m) a body corporate becomes insolvent as defined in section 95A or Regulation 7.5.02(1) of the Corporations Regulations; and
- (n) anything analogous or having a substantially similar effect to any of the events specified above happens under the law of any applicable jurisdiction.

Listing Rules means the official listing rules of ASX as amended, modified or replaced from time to time.

Material Adverse Effect means a material diminution in the value of the assets or material increase in the value of the liabilities of the Company which, in the reasonable opinion an underwriter acting in good faith after consultation with the directors of the Company, will have a material adverse effect on the success of the exercise of the Offer.

Prescribed Occurrence means an event referred to in section 652C(1) and (2) of the Corporations Act, in reference however to the Company, or any Subsidiary of the Company, rather than a “target”.

Prospectus means the prospectus in respect of the Rights Issue including any supplementary or replacement prospectus that may be lodged pursuant to the Corporations Act or any part or parts of any of the foregoing.

Related Body Corporate has the same meaning as is ascribed to that term in section 50 of the Corporations Act.

Subsidiary means a body corporate that is or would be taken to be any of a subsidiary, an associate or a related body corporate of the Company by virtue of the Corporations Act.

6.10 Governing law

The Prospectus and the contracts which arise on acceptance of Entitlement and Acceptance Forms are governed by the law applicable in Queensland and the Commonwealth of Australia, and each Applicant submits to the non-exclusive jurisdiction of the courts of Queensland.

6.11 Privacy

By filling out the Entitlement and Acceptance Form to apply for New Shares you are providing personal information to the Company.

The *Privacy Act 1988* (Cth) regulates the way the Company collects, uses, disposes, keeps secure and gives people access to their personal information.

The Company is committed to respecting the privacy of your personal information.

The Company collects, holds and uses that personal information in order to process your Application and to administer your Shareholding in the Company, including:

- the Company setting up and maintaining a register of shareholders in accordance with the Corporations Act;
- the Company paying dividends to you should the Company at a later date declare a dividend;
- the Company communicating with you, such as sending you annual reports, notices of meetings and any other documents which the Company wishes to send to you as a Shareholder;
- the Company carrying out general administration including monitoring, auditing, evaluating, modelling data, dealing with complaints and answering queries; and
- the Company complying with its legal and regulatory obligations.

If you do not provide the information requested in the Entitlement and Acceptance Form then the Company may not be able to process or accept your Application for New Shares.

Your personal information may be provided to the Company's agents or service providers on the basis that they deal with such information in accordance with the Company's privacy policies and the *Privacy Act 1988* (Cth).

The types of agents and services providers that may be provided with your personal information and the circumstances in which your personal information may be disclosed are:

- the Share Registry for ongoing administration of the Share Register;
- printers and mail houses for the purposes of preparation and distribution of documents to you and for handling mail;
- professional service providers such as lawyers, accountants, auditors and other professional advisers for the purpose of administering, and advising on, the New Shares and for any associated actions; and
- other companies where the Company believes it is more efficient to outsource services or functions to those companies.

Your personal information may be provided to certain third parties. The types of third parties that may be provided with your personal information, and the circumstances in which your personal information may be disclosed, are:

- your financial adviser or broker (other than your tax file number information) in connection with services provided to you by your adviser or broker;
- government, regulatory authorities or other people when permitted or required by law, such as ASIC or people inspecting the Share Register in accordance with the Corporations Act;
- ASX; and
- in certain circumstances and with safeguards to respect your privacy, potential or actual purchasers of an interest in the Company or the Company's business or any part thereof.

You have the right to gain access to your personal information held by, or on behalf of, the Company, subject to certain exemptions under the law. You may be required to pay a reasonable charge in order to access your personal information. You can request access to your personal information by telephoning or writing to the Company Secretary as follows:

CEC Group Limited
Company Secretary
401 Spence Street
Cairns QLD 4870
Tel: (07) 4035 3500

7. DIRECTORS' STATEMENT

The Company is a disclosing entity under the Corporations Act and it is subject to regular reporting and disclosure obligations. This Prospectus is therefore prepared on the basis that certain matters may be reasonably expected to be known to Eligible Shareholders and their professional advisors (for further details, see Sections 3.2 and 3.3).

Mr Roy Lavis has given, and not withdrawn as at the date of this Prospectus, his consent to the inclusion in the Prospectus of the statements that:

- (i) he is an Associate of Mrs Alma Lavis;
- (ii) he intends to subscribe in full for the Entitlements under the Rights Issue attaching to the Ordinary Shares in which he holds a direct or indirect interest; and
- (iii) he will not be subscribing for any additional New Shares under any Shortfall,

in the form and context in which each of those statements is included in the Prospectus.

Each of Mr Gregory James Kern, Mr Anthony Hartnell and Mr Steven John Lavis have given, and not withdrawn as at the date of this Prospectus, their consent to the inclusion in the Prospectus of the statements that:

- (i) they intend to subscribe in full for the Entitlements under the Rights Issue attaching to the Ordinary Shares in which they hold a direct or indirect interest; and
- (ii) they will not be subscribing for any additional New Shares under any Shortfall,

in the form and context in which each of those statements is included in the Prospectus.

Each Director of CEC Group Limited has consented to the lodgment of this Prospectus with ASIC in accordance with section 720 of the Corporations Act.

Signed by Mr Roy Lavis, Director of CEC Group Limited on the date of this Prospectus:

Mr Roy Lavis



8. GLOSSARY

In this Prospectus the following words have these meanings unless the context otherwise requires:

Word	Meaning
Application	An application for New Shares under this Prospectus.
Applicant	A person who submits an Entitlement and Acceptance Form together with the relevant Application Monies.
Application Monies	Monies received from persons applying for New Shares pursuant to the terms of the Rights Issue.
Associate	Has the meaning given in the Corporations Act.
ASIC	The Australian Securities & Investments Commission.
ASTC	ASX Settlement and Transfer Corporation Pty Limited.
ASTC Operating Rules	The ASTC Settlement Rules, being the operating rules of ASTC in its capacity as a CS facility licensee, except to the extent of any relief given by ASTC in their application to the Company.
ASX	Australian Stock Exchange Limited (ACN 008 624 691).
ASX Listing Rules	The official Listing Rules of the ASX.
Board of Directors or Directors	The directors of the Company.
CEC Group, CEC or the Company	The Company and, where the context requires, any of its controlled entities.
CHESS	The Clearing House Electronic Subregister System.
Closing Date	5.00pm (Sydney time) on Tuesday 29 May 2007.
Company	CEC Group Limited ABN 84 010 025 831.
Constitution	The constitution of the Company.
Corporations Act	The <i>Corporations Act 2001</i> (Cth).
Dollar or \$	Australian dollars.
Eligible Shareholder	A shareholder entitled to participate in the Rights Issue, being a person registered on the Share Register with an address in Australia or New Zealand as the holder of Ordinary Shares on the Record Date.
Entitlement	The number of New Shares for which an Eligible Shareholder is entitled to subscribe under the Rights Issue as set out on their personalised Entitlement and Acceptance Form.
Entitlement and Acceptance Form	The personalised entitlement application form in respect of the Rights Issue which is included in, or accompanied by, this Prospectus.
Excluded Shareholders	Has the meaning set out in Section 1.12 of this Prospectus.
KPMG	KPMG of Cairns Corporate Tower, 15 Lake Street, Cairns QLD 4870.
MacHomes	MacHomes Pty Ltd (ACN 107 544 347).
MTM	Machinery & Truck Maintenance Pty Ltd (ACN 108 175 373).
New Share	A new Ordinary Share in the Company to be issued by the Company pursuant to this Prospectus.
Offer	The offer of New Shares pursuant to the Rights Issue as described in this

CEC GROUP LIMITED
ABN 84 010 025 831
“1 FOR 6” RENOUNCEABLE RIGHTS ISSUE – 27 APRIL 2007

Word	Meaning
	Prospectus.
Ordinary Share	An ordinary Share in the capital of the Company.
Pinnacle Quarry	Pinnacle Quarry Pty Ltd (ACN 110 063 066).
Placees	Persons issued shares in the Company pursuant to the Placing
Placing	The private placement of 8,391,408 Ordinary Shares at a price of \$2.00 per share which was announced to ASX on 19 April 2007.
Placing Letters	Letters from the Company to the Underwriters dated 18 April 2007 containing an offer to subscribe for Placing Shares pursuant to the Placing which if accepted included an obligation to be responsible for underwriting a proportion of any shortfall pursuant to Rights Issue.
Placing Shares	Shares in the Company issued pursuant to the Placing.
Prospectus	This prospectus.
Rapid Build	Rapid Build Pty Ltd (ACN 112 826 445).
Record Date	The date for determining those Shareholders entitled to participate in the Rights Issue (Eligible Shareholders), being 7.00 pm Sydney time on Tuesday 8 May 2007.
Related Party	Has the meaning given in the Corporations Act and “ Related Parties ” shall be construed accordingly.
Rights Issue	The underwritten renounceable rights offer to Eligible Shareholders to subscribe for up to 10,953,926 new shares at a fixed issue price of \$1.90 per New Share on the basis of 1 New Share for every 6 Ordinary Shares, including, where the context requires, the offer to subscribe for Shortfall Shares as described in this Prospectus.
Right	An Eligible Shareholder’s right to subscribe for 1 New Share for every 6 Ordinary Shares held on the Record Date and “ Rights ” has a corresponding meaning.
Section	A section of this Prospectus.
Share	A share in the capital of the Company.
Share Register	The Company’s share register held by the Share Registry.
Share Registry	Link Market Services Limited.
Shareholder	A holder of Ordinary Share.
Shortfall	Any shortfall in the number of New Shares to be issued under the Offer due to Entitlements not being subscribed for in full and being allowed to lapse, resulting in Shortfall Shares.
Shortfall Shares	Those New Shares the subject of the Rights Issue not subscribed for by Eligible Shareholders pursuant to their Entitlement or by persons to whom an Eligible Shareholder’s Rights have, in whole or part, been sold or transferred. The Directors reserve the right to issue any Shortfall Shares at their absolute discretion.
Underwriters	Persons who by signing the acceptance form attached to the Placing Letters agreed to be responsible for a proportion of the shortfall (if any) under the Rights Issue.
Voting Power	Has the meaning given in the Corporations Act.

9. INTERPRETATION

The following rules of interpretation apply to this Prospectus unless the context otherwise requires:

- (a) the singular includes the plural and vice versa;
- (b) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (c) words and expressions importing a natural person include partnerships, joint ventures, associations, bodies corporate, unincorporated bodies and other entities; and
- (d) headings are for ease of reference only and do not affect the meaning of this Prospectus.

CEC GROUP LIMITED
CORPORATE DIRECTORY

Registered Office

CEC Group Limited
401 Spence Street
Cairns QLD 4870

Website: www.cecgroup.com.au

Company Secretary

Mr Kevin Lubbe

ASX Code

CEG

Auditor

KPMG
Cairns Corporate Tower
15 Lake Street
Cairns QLD 4870

Board of Directors

Hon Robert Borbidge AO	Independent, Non Executive Director, Chairman
Mr Roy Lavis	Non Independent, Executive Director / CEO
Mr Anthony Hartnell AM	Independent, Non Executive Director
Mr Warren Entsch	Independent, Non Executive Director
Mr Greg Kern	Non Independent, Non Executive Director
Mr Steven Lavis	Non Independent, Non Executive Director

Share Registry

Mailing Address:

Link Market Services Limited
Share Registry Office
GPO Box 1500
Sydney South NSW 1234

Delivery Address:

Link Market Services Limited
Share Registry Office
Level 12
680 George Street
Sydney NSW 2000

Telephone:

(02) 8280 7454 (in Australia)
+ 61 2 8280 7454 (overseas)
between 8.30am and 5.30pm (Sydney time),
Monday to Friday