

Registered Office

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255 George Street
SYDNEY NSW 2000



OCEAN CAPITAL LIMITED

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16 November 2012

The Manager
Australian Stock Exchange
ASX On-line
Company Announcements Platform
PO Box H224
AUSTRALIA SQUARE NSW 1215

Dear Sir

**OCEAN CAPITAL LIMITED
ABN 68 010 715 901**

In accordance with the ASX Listing Rules, attached are the Notices of General Meeting, Special Meeting, Shareholder Booklet and Proxy Forms in relation to the above company.

The documents have been send by mail to shareholders today.

The General Meeting and the Special Meeting are to be held in the Company's Registered Office in Sydney on Monday, 17 December 2012.

Yours faithfully

A handwritten signature in black ink that reads 'John Crawford.' The signature is written in a cursive, slightly slanted style.

John Crawford
Company Secretary



Ocean Capital Limited
(ACN 010 715 901)

Shareholder Booklet

A notice of General Meeting regarding the Proposal is included in Appendix 1 to this Booklet.

A notice of Special Meeting of Exiting Shareholders regarding the Proposal is included in Appendix 2 to this Booklet.

Proxy Forms for the Meetings accompany this Booklet.

The independent expert has concluded that the Proposal is fair and reasonable to Members as a whole and to Exiting Shareholders.

Your vote is important in determining whether the Proposal proceeds. This is an important document and requires your urgent attention.

If you are in any doubt as to how to deal with this Booklet, please consult your legal, financial, taxation or other professional adviser immediately.

If you have recently sold all of your Shares, please disregard all enclosed documents.

Important Notices

General

You should read this Booklet in its entirety before making a decision on how to vote on the resolutions to be considered at the Meetings.

The notice convening the General Meeting of Ocean Capital Limited (**Ocean**) is contained in Appendix 1. A proxy form for this meeting is enclosed.

The notice convening the Special Meeting of Exiting Shareholders is contained in Appendix 2. A proxy form for this meeting is enclosed.

Defined terms

Capitalised terms in this Booklet are defined either in the Glossary in Section 7 of this Booklet or where the relevant term is first used.

References to **dollars** or **\$** are references to the lawful currency of Australia.

Purpose of this Booklet

The purpose of this Booklet is to:

- provide the Notice of General Meeting and the Notice of Special Meeting of Exiting Shareholders; and
- explain the terms and effect of the Proposal to Members.

ASIC and ASX

A copy of this Booklet has been lodged with ASX and ASIC. None of ASX, ASIC or any of their officers takes any responsibility for the contents of this Booklet.

Input from other parties

BDO Corporate Finance (East Coast) Pty Ltd (**Independent Expert**) has prepared the Independent Expert's Report in relation to the Proposal set out in Appendix 3 and takes responsibility for that Appendix and for any other statement summarising the conclusion of the Independent Expert. The Independent Expert is not responsible for any other information contained within this Booklet. Members are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

The information concerning Sun-2 Pty Limited, K Capital Pty Ltd and Charles Kingston (**Continuing Shareholders**) contained in Sections 3.1 and 3.7 of the Booklet, including information as to the views and intentions of the Continuing Shareholders (**Continuing Shareholders' Information**) has been provided by the Continuing Shareholders and is the responsibility of the Continuing Shareholders.

Other than in respect of the information identified above, the information contained in the remainder of this Booklet has been prepared by Ocean and is the responsibility of Ocean (**Ocean Information**).

Ocean does not assume responsibility for the accuracy or completeness of any other part of this Booklet and assumes responsibility only to the extent required by law. The Continuing Shareholders do not assume any responsibility for the accuracy or completeness of any Ocean Information.

Voting decisions

This Booklet does not take into account the investment objectives, financial situation, tax position and requirements of any particular person.

This Booklet should not be relied on as the sole basis for any decision in relation to the Proposal. Independent financial and taxation advice should be sought before making any decision in relation to the Proposal. It is important that you read the entire Booklet before making any voting decision. In particular, it is important that Members consider the possible disadvantages of the Proposal identified in Section 3.

Members should carefully consider these factors in light of their particular investment objectives, financial situation, tax position and requirements. If Members are in any doubt on these matters, they should consult their legal, financial, taxation or other professional adviser before deciding how to vote on the Proposal.

Important dates and times

Date and time for determining eligibility to vote

General Meeting and Special Meeting of Exiting Shareholders	7:00 pm on 14 December 2012
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Last date and time for lodgement of Proxy Forms

General Meeting	11:00 am on 15 December 2012
Special Meeting of Exiting Shareholders	11:45 am on 15 December 2012

General dates and times

General Meeting	11:00 am on 17 December 2012
Special Meeting of Exiting Shareholders	11:45 am on 17 December 2012
Suspension of trading of Shares*	17 January 2013
Record Date for determining entitlements*	23 January 2013
Payment / despatch of return of capital*	24 January 2013
Delisting of Ocean*	24 January 2013

The Meetings will be held at the offices of VJRyan & Co, Level 5 255 George Street, Sydney.

Dates marked with an asterisk (*) are indicative only and may be sooner or later than these indicative dates.

Any change to these indicative dates will be announced to the ASX.

You should consult your legal, financial, taxation or other professional adviser concerning the impact your decision may have on your own circumstances.

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Independent Director's letter

13 November 2012

Dear Shareholder

Proposed Capital Reduction

As disclosed in recent ASX announcements, the Board has undertaken a review of the current operations and future activities of Ocean and the viability of its continued listing on the ASX.

Market conditions in the Queensland tourism industry continue to be difficult and the prolonged downturn has had an effect on the operating results of Ocean. At this time, it appears that this is unlikely to change in the near future. Further, Ocean continues to have a very small market value for a company listed on the ASX and on-market Share trading activity minimal.

In light of these market conditions, after due consideration of all of the options available to Ocean, the Board has determined that it is in the best interests of Ocean to proceed to put the Proposal to Members for approval.

The Proposal involves a selective capital reduction pursuant to which all of the Shares in Ocean not held by the Continuing Shareholders will be cancelled. Ocean will pay each Exiting Shareholder a capital payment of 20 cents for each cancelled Share. Following implementation of the Capital Reduction, Ocean will seek to be removed from the Official List of the ASX (subject to approval by the ASX to the removal of Ocean from the Official List of the ASX).

The capital payment of \$0.20 represents a premium of 43% to \$0.14, being the last price at which Shares traded on ASX prior to the date of this Booklet and prior to the date of the announcement of the Proposal on 28 September 2012. It is the same price at which the Continuing Shareholders acquired off-market from the retiring director a parcel of Shares representing 2.6% of the issued capital of Ocean on 14 September 2012. Trading in Ocean Shares was suspended from 1 October 2012 as a result of the delay in issuing Ocean's audited consolidated financial statements. These were issued on 5 November 2012.

Given the current market capitalisation of Ocean (and that the Continuing Shareholders together hold approximately 78% of the issued Share capital of Ocean), the Board has determined that the Capital Reduction is the most cost and time effective method of privatising Ocean and providing an exit mechanism for Exiting Shareholders wishing to realise their investment in Ocean.

As the Independent Director, I have engaged the Independent Expert to consider the Proposal and the Independent Expert has concluded that the Proposal is fair and reasonable to Members as a whole and to Exiting Shareholders. The Independent Expert's Report is included at Appendix 3 and I recommend you read that report in full.

As foreshadowed in various ASX announcements, the Board has determined that given the minimal amount of on-market share trading, the financial and operating performance of Ocean and its scale of operations do not justify the costs associated with maintaining the listing of Ocean on ASX. Accordingly, the Board has included a resolution to be considered by Members at the General Meeting to approve the removal of Ocean from the Official List of the ASX.

I urge you to consider this Booklet carefully and, if you are in any doubt as to the action you should take, please contact your professional adviser.

Yours sincerely

Nicola Constantinidis
Independent Director
Ocean Capital Limited

7 reasons why you should vote in favour of the Proposal

1

The capital payment of \$0.20 per Share represents a premium of 43% to \$0.14, being the last price at which Shares traded on ASX prior to the date of this Booklet and prior to the date of the announcement of the Proposal on 28 September 2012. It is the same price at which the Continuing Shareholders acquired off-market from the retiring director a parcel of Shares representing 2.6% of the issued capital of Ocean on 14 September 2012.

2

The Independent Expert has concluded that the Proposal is fair and reasonable for Members as a whole and to Exiting Shareholders.

3

The Proposal will enable investors to reallocate their investment away from the presently challenged Far North Queensland tourism industry

4

Opportunity for Exiting Shareholders to realise immediate value.

5

ASX listing no longer provides capital markets benefits and incurs costs.

6

Illiquidity makes trading in Shares difficult, particularly for those with larger parcels of Shares or unmarketable parcels of Shares.

7

No brokerage costs associated with the Capital Reduction.

Reasons why Members might vote against the Proposal

From the point of view of the Exiting Shareholders

- 1 Following the proposed Capital Reduction, all Shares held by Exiting Shareholders will be cancelled. Exiting Shareholders will cease to enjoy any rights as Shareholders of Ocean, including attendance and voting at meetings of Ocean and participation in any future dividend payments.

 - 2 To the extent that Ocean benefits from any improved trading conditions that may arise in the future (for example, revenue gains, cost reductions and asset acquisitions or disposals), the Exiting Shareholders will not obtain any subsequent benefits arising from such improvements.

 - 3 You may disagree with the assessment of the Independent Expert that the Proposal is fair and reasonable to Members as a whole and to Exiting Shareholders.
-

From the point of view of the Continuing Shareholders

- 1 The Continuing Shareholders will be the holder of 100% of the Shares and therefore will be exposed to 100% of the downside of any adverse trading conditions that Ocean may suffer in the future.

 - 2 As Ocean will be delisted after completion of the Capital Reduction (subject to ASX approval of Ocean's removal from the Official List of the ASX):
 - Ocean will no longer be able to raise funds from the market, and accordingly, the Continuing Shareholders will be responsible for meeting Ocean's future capital needs;
 - the liquidity of the Continuing Shareholders' investment in Ocean will be reduced.
-

1. Summary of the Proposal

1.1. Introduction

In summary:

- The Proposal is for Ocean to conduct a selective capital reduction pursuant to sections 256B and 256C of the Corporations Act.
- All Shares held by Exiting Shareholders will be cancelled.
- Exiting Shareholders will receive \$0.20 per Share.
- The Proposal is subject to Member approvals at the Meetings as set out in Section 5.
- Members will also consider a resolution to approve the removal of Ocean from the Official List of the ASX (**Removal Resolution**).
- If the Proposal and the Removal Resolution are approved at the Meetings, then upon all Shares held by Exiting Shareholders being cancelled:
 - the Continuing Shareholders will become the only Members in Ocean; and
 - Ocean will be removed from the Official List of ASX (subject to ASX approval).
- If the Proposal is not approved but the Removal Resolution is approved at the Meetings, then Ocean will be removed from the Official List of ASX (subject to ASX approval).

1.2. What Member approvals are required?

The Proposal will only proceed:

- if the special resolution to be considered at the General Meeting is approved by the Continuing Shareholders (being the only Members eligible to vote in favour of that resolution); and
- if the special resolution to be considered at the Special Meeting of Exiting Shareholders is approved by Exiting Shareholders (being the only Members eligible to vote in favour of that resolution).

These resolutions (**Reductions Resolutions**) require approval by at least 75% of votes cast by Members who are present and entitled to vote at the Meetings.

The Proposal is also conditional on the passage of a resolution approving the Removal Resolution for the removal of Ocean from the Official List of ASX. The Removal Resolution is an ordinary resolution that requires approval by a majority of votes cast by Members who are present and entitled to vote at the General Meeting. All Members may vote on this Resolution. The Continuing Shareholders have confirmed to the Board that they will vote in favour of the Removal Resolution.

For the full explanation of the nature, purpose and effect of the resolutions and the voting restrictions applying to them at each of the Meetings, please refer to Section 5 of this Booklet.

1.3. Independent Expert's Report

The Company has engaged the Independent Expert to prepare an Independent Expert's Report expressing an opinion on whether or not the Proposal is fair and reasonable to Members as a whole and to Exiting Shareholders.

The Independent Expert concludes that the Proposal is fair and reasonable to Members as a whole and to Exiting Shareholders. The Independent Expert is of this opinion because:

- “The Proposal is fair.”
- “We have formed our opinion in relation to fairness by comparing:
 - the fair market value of the price of \$0.20 per share (**Consideration**) at which the Shares are to be bought back; and
 - the fair market value of a Share, including a premium for control.”
- “The Proposal would be fair if the Consideration is greater than or equal to the fair market value of a Share, including a premium for control.”
- “...the Consideration of \$0.20 is greater than the assessed value range of a Share of \$0.17 to \$0.19, including a premium for control. Accordingly, the Proposal is “fair” to the Shareholders as a whole and to the Non-associated Shareholders.”
- “RG 111 provides that a proposal is considered to be “reasonable”, if it is “fair”. On this basis, as we have concluded that the Proposal is “fair”, it is also considered to be “reasonable” under RG 111”.

The Independent Expert's Report is set out in full Appendix 3 to this Booklet and you should read it as part of your assessment of the Proposal.

1.4. What to do next

- (a) *Read the remainder of this Booklet*

You should read and consider the remainder of this Booklet in full before making any decision on the Proposal.

- (b) *Consider your options*

Members should refer to Section 4 of this Booklet for further guidance on the expected advantages and possible disadvantages of the Proposal. However, this Booklet does not take into account the financial situation, investments objectives and particular needs of any particular Member.

- (c) *Further information*

Please refer to the:

- Notice of General Meeting in Appendix 1 to this Booklet for further information on voting procedures and details of the special resolution to be voted on at the General Meeting; and
- the Notice of Special Meeting of Exiting Shareholders in Appendix 2 to this Booklet for further information on voting procedures and details of the special resolution to be voted on at the Special Meeting of Exiting Shareholders.

- (a) *Venue*

The General Meeting will be held at the offices of VJRyan & Co on Monday, 17 December 2012 commencing at 11.00 am.

The Special Meeting for Exiting Shareholders will be held at the offices of VJRyan & Co on Monday, 17 December 2012 commencing at 11.45 am, or as soon as the General Meeting scheduled to take place at the offices of VJRyan & Co, Level 5, 255 George Street, Sydney on Monday, 17 December 2012 commencing at 11.00 am has concluded or been adjourned, whichever is earlier.

Your vote at the Meetings is important. Please take action by voting in person or by proxy.

(b) Voting in person

Members wishing to vote in person should attend the Meetings (as applicable) on 17 December 2012 and bring a suitable form of personal identification (such as a driver's licence).

Please arrive at the venue at least 15 minutes prior to the time designated for the commencement of the General Meeting, if possible, so that your Shareholding may be checked against the Register and attendance noted. Attorneys (see also paragraph (d) below) should bring with them the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the meeting.

(c) Voting by proxy

Members wishing to vote by proxy at the Meetings must complete and sign or validly authenticate the applicable personalised proxy forms which are enclosed with this Booklet.

A person appointed as a proxy may be an individual or a body corporate. Completed proxy forms must be delivered to the Ocean by:

- 11.00 am on 15 December 2012 for proxy forms for the General Meeting. Proxy forms received after this time will be invalid.
- 11.45 am on 15 December 2012 for proxy forms for the Special Meeting of Exiting Shareholders. Proxy forms received after this time will be invalid.

By post to VJRyan & Co:

Level 5, 255 George Street, Sydney NSW 2000

By hand delivery to VJRyan & Co at:

Level 5, 255 George Street, Sydney NSW 2000

By fax to VJRyan & Co on:

02 9247 5930 from within Australia, or +612 9247 5930 from outside Australia

Note: proxies may not be returned by email nor is internet voting available.

(d) Voting by attorney

If a Member executes or proposes to execute any document, or do any act, by or through an attorney which is relevant to their Shareholding in Ocean, that Member must deliver the instrument appointing the attorney to VJRyan & Co for notation.

Members wishing to vote by attorney at the Meetings must, if they have not already presented an appropriate power of attorney to Ocean for notation, deliver to VJRyan & Co (at the address or facsimile number specified in this Section 1.4 of this Booklet) the original instrument appointing the attorney or a certified copy of it by the times specified above.

(e) Voting by corporate representative

To vote in person at the Meetings, a Member or proxy which is a body corporate may appoint an individual to act as its representative.

To vote by corporate representative at the Meetings, a corporate Member or proxy should obtain a Certificate of Appointment of Corporate Representative form from VJRyan & Co, and complete and sign the form in accordance with the instructions on it. The appointment form should be lodged at the registration desk on the day of the Meetings.

2. Rationale for the Proposal

2.1. Purpose of this document

This Booklet has been prepared for the purpose of section 256C(4) of the Corporations Act and to convene the Meetings.

The purpose of this Booklet is to provide Members with all the information known to Ocean that is material to Members in deciding whether or not to approve the resolutions to be put forward at the Meetings regarding Proposal.

2.2. Background to the Proposal

The Continuing Shareholders together hold approximately 78% of the Shares in Ocean.

On 28 September 2012 Ocean announced its intention to progress a privatisation of Ocean, involving the cancellation of all Shares held by persons other than the Continuing Shareholders in return for a cash payment of \$0.20 per Share.

Importantly:

- the Independent Expert has concluded that the Proposal is fair and reasonable to Members as a whole and to Exiting Shareholders;
- the Proposal creates immediate value for Exiting Shareholders;
- Shares in Ocean may continue to be illiquid if the Proposal is not implemented; and
- given that the Continuing Shareholders together hold approximately 78% of Shares in Ocean, it is unlikely that Members will receive a higher offer or proposal from an alternative third party.

Please read the Independent Expert's Report in full.

2.3. Capital Reduction

The Capital Reduction involves the reduction of Ocean's Share capital from 80,512,389 Shares to 62,718,506 Shares.

This will be effected by the cancellation of 17,793,883 Shares held by Exiting Shareholders in consideration for a cash payment of \$0.20 by Ocean for every Share cancelled.

After the Capital Reduction is completed, all Shares on issue held by Exiting Shareholders will be cancelled and all Shares will be held by the Continuing Shareholders.

2.4. Rationale for the Proposal

In light of the poor market conditions and disappointing financial results, the Board has undertaken a comprehensive review of the current operations of Ocean. As part of this review, the Board has considered the options available to Ocean with respect to the future activities of Ocean and its continued listing on the ASX.

The Board has determined that, in light of the market capitalisation of Ocean and limited on-market trading activity, a continued listing on the ASX is impacting on Member value without sufficient corresponding benefits for Members.

After due consideration of all of the reasonable options available to Ocean to effect a privatisation of Ocean, the Board has determined that it is in the best interests of Ocean and its Members to put the Proposal forward as described above in Section 2.3 for the consideration of Members.

2.5. How has the consideration for the Capital Reduction been calculated?

The Independent Director has concluded that an aggregate sum of \$0.20 is a fair amount to distribute to the Exiting Shareholders as consideration for the Capital Reduction, taking into account the following factors:

- the assets and liabilities of Ocean;
- the historic and projected financial performance of Ocean;
- Ocean's small market capitalisation and relative lack of liquidity;
- recent trading history including the Continuing Shareholders' acquisition off-market from a retiring director of a parcel of Shares representing 2.6% of the issued capital of Ocean for \$0.20 on 14 September 2012 and the range of \$0.14 - \$0.18 at which Shares have traded over the 12 months to 14 September 2012 (with \$0.14 being the last on-market sale price for Shares);
- the Continuing Shareholders' current controlling Shareholding of approximately 78%; and
- the conclusion of the Independent Expert that the Proposal is fair and reasonable to Members as a whole and to Exiting Shareholders.

2.6. Will Ocean remain listed if the Proposal does not proceed?

As foreshadowed in various ASX announcements, the Board has determined that, irrespective of the outcome of the Capital Reduction elements of the Proposal, given the minimal amount of on-market share trading, the financial and operating performance of Ocean and its scale of operations do not justify the costs associated with maintaining the listing of Ocean on ASX.

Accordingly, the Board has included the Removal Resolution for Members to approve the removal of Ocean from the Official List of ASX (**Removal Resolution**). If the Removal Resolution is passed and ASX approves the removal of Ocean from the Official List, Ocean will be delisted and its Shares will no longer be traded on ASX irrespective of whether Members approve the capital reduction.

The Removal Resolution is an ordinary resolution that requires passage by a majority of votes cast by Members who are present and entitled to vote at the General Meeting. All Members may vote on this Resolution. The Continuing Shareholders have confirmed to the Board that they will vote in favour of the Removal Resolution.

If Proposal is not implemented but the Removal Resolution is passed at the General Meeting and ASX approves the removal of Ocean from the Official List of the ASX, Ocean will be an unlisted public company.

2.7. What are the implications of rejecting the Proposal?

If the Proposal is not implemented:

- Ocean is likely to be removed from the Official List of the ASX, in which case:
 - Ocean will not be subject to the Listing Rules and Members will no longer be afforded the protections associated with being a Member of a listed entity, such as the restrictions relating to certain share issues under Listing Rule 7.1 and Listing Rule 10.11 (noting that Ocean Shares will continue to be classified as "enhanced disclosure securities" and so will be subject to enhanced financial reporting and continuous disclosure obligations under the Corporations Act);
 - Ocean will no longer be able to raise funds from the market, and accordingly, Members will be responsible for meeting Ocean's future capital needs; and
 - the liquidity of each Member's investment in Ocean will be reduced and any sale of Shares will need to be undertaken off-market.

- A higher offer or proposal from an alternative third party is unlikely to emerge from a third party.

2.8. No recommendations

The role of the Independent Director is to consider the merits of the Capital Reduction and make a recommendation to Members, oversee the Capital Reduction process and be satisfied that Members are provided with the information they require to make an informed decision on the resolutions to be considered at the Meetings.

Nicola Constantinidis is independent from the Continuing Shareholders and does not hold any Shares in Ocean. However, as Ms Constantinidis is a full time employee and executive Director of Ocean, Ms Constantinidis does not consider it appropriate to provide a recommendation to Members on the Proposal.

David Kingston is the sole director of two of the Continuing Shareholders and so controls Sun-2 and K Capital. Sun-2 is the trustee of a family trust for the benefit of members of the Kingston family. Charles Kingston is also a Continuing Shareholder for the purposes of this Booklet as it is proposed that the Shares held by Charles Kingston will not be cancelled as part of the Capital Reduction. Accordingly, both David Kingston and Charles Kingston abstain from making a recommendation to Members on the Proposal as they may have a material personal interest in the outcome of the Proposal.

However, to ensure that Members have all the information material to a decision of whether to vote in favour of the resolutions to be proposed at the Meetings, the Independent Director has engaged the Independent Expert to prepare the Independent Expert's Report on the Proposal. The Independent Expert's Report is included in Appendix 3 to this Booklet. The Independent Expert has concluded that the Proposal is fair and reasonable to Members as a whole and to Exiting Shareholders.

3. Overview of Ocean and the Continuing Shareholders

3.1. Overview of Ocean

Ocean was listed on the ASX on 24 March 1988 and is engaged in the business of operating tourism resorts, other accommodation and cruise operations in Queensland.

Ocean is operating 4 businesses in the Far North Queensland tourism industry. Sunlover Reef Cruises and Hides Hotel are based in Cairns and Long Island Resort and Club Croc Hotel are based in the Whitsundays.

The fifth business at Cape Tribulation is being exited. The Cape Tribulation Resort was closed 2 years ago and the other operational part, Ferntrees, is closing on 30 November 2012. Notwithstanding campaigns to sell, neither property has been sold. A smaller residential block and a tenanted property Jungle Lodge have been sold recently.

Club Croc Hotel has been affected by the very subdued trade in Airlie Beach and is being marketed for sale at present. However in the current very subdued Far North Queensland tourism market, it is unclear if Ocean will secure a buyer for this property.

3.2. FY 2012 Audit

Ocean was suspended from trading on the ASX on 1 October 2012 as its unaudited annual report lodged on 28 September 2012 did not include an audit report from its auditors, WHK, Cairns, as it had not been completed at that date.

The auditors have since issued their qualified report on 2 November 2012 and the Ocean annual accounts for the financial year ending 30 June 2012 were issued on 31 October 2012 (**Audited Annual Report**).

The auditors qualified the audit report in respect of the value and impairment to Hides Hotel and Club Croc Hotel. The auditors did not consider that they had access to sufficient appropriate audit evidence to support the recoverable amount of these items of property, plant and equipment either individually or on a cash generating unit basis in accordance with Australian Accounting Standards AASB136 Impairment of Assets. Consequently, the auditors were unable to determine whether any further adjustments to these carrying values were necessary at 30 June 2012. Independent valuations of both these hotels have since been obtained. These independent valuations of both Hides Hotel and Club Croc Hotel have been utilised in the Independent Expert's Report.

If the new independent valuations of Hides Hotel and Club Croc Hotel had been adopted in the Audited Annual Report, the updated values would result in no impairment to Club Croc Hotel and an additional impairment of \$1.2 million to Hides Hotel (with an assessed value of \$3 million).

The auditors also qualified the treatment of deferred tax assets (**DTA**) in the Audited Annual Report as the auditors considered that certain components of the deferred tax assets did not meet the necessary recognition criteria set out in Australian Accounting Standard AASB112 Income Taxes as the auditors did not consider it probable that future taxable profits would be available against which the deductible temporary differences relating to buildings could be utilised. Accordingly, the auditors considered that the consolidated financial statements for financial year ending 30 June 2012 should be adjusted by reducing the DTA by \$843,000, decreasing retained profits by \$843,000, increasing income tax expenses by \$843,000 and increasing the loss and total comprehensive loss for the financial year ending on 30 June 2012 by \$843,000.

3.3. Ocean's Share price and trading history

Ocean has a very small market capitalisation for a listed company. There also has been a minimal amount of on-market share trading over the past 12 months, amounting to less than 1% of the issued Share capital of Ocean.

The below diagram provides a general indication of the historical trading price of Shares and the trading volume of Shares for the 12 months to 30 September 2012, being the last day on which

Shares traded on ASX before the announcement of the suspension from trading referred to in Section 3.1 above.



3.4. Ocean's historical financial performance for 2011 and 2012

(a) Ocean's summary consolidated statement of comprehensive income

Ocean's summary consolidated statement of comprehensive income for each of the financial years ending on 30 June 2011 and 30 June 2012 is set out below:

	2012 ¹ \$000	2011 ² \$000
Operating revenue	19,700	20,332
Revenue from sale of land	-	1,000
Revenue from insurance	436	-
General and administration costs	(20,415)	(22,066)
Profit/(loss) for the period pre Impairment	(279)	(734)
Impairment on property, plant and equipment	(7,321)	(1,546)
Profit/(loss) for the period before income tax	(7,601)	(2,280)
Income tax benefit/(expense)	228	(1,669)
Profit/(loss) for the period	(7,373)	(3,949)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the year	(7,373)	(3,949)

Notes

- Based on the Audited Annual Report dated 31 October 2012 including the qualified auditor's report dated 2 November 2012 and released to the ASX on 5 November 2012. The qualified auditor's report for the financial year ending 30 June 2012 was qualified in relation to impairment on property, plant and equipment and deferred tax assets. See Section 3.2 for details.
 - Based on the audited annual report released to the ASX on 31 August 2011.
- (b) *Ocean's summary consolidated statement of financial position*

Ocean's summary consolidated statement of financial position as at 30 June 2011 and 30 June 2012 is set out below:

	2012¹ \$000	2011² \$000
Current assets	1,899	1,708
Non-current assets	21,996	29,565
Total assets	23,895	31,273
Current liabilities	2,778	2,766
Non-current liabilities	222	240
Total liabilities	3,000	3,006
Net assets	20,895	28,267
Equity issued capital	20,865	20,865
Equity retained earnings	30	7,402
Total equity	20,895	28,267

Notes

1. Based on the Audited Annual Report dated 31 October 2012 including the qualified auditor's report dated 2 November 2012 and released to the ASX on 5 November 2012. The qualified auditor's report for the financial year ending 30 June 2012 was qualified in relation to impairment on property, plant and equipment and deferred tax assets. See Section 3.2 for details.
2. Based on the audited annual report released to the ASX on 31 August 2011.

3.5. Ocean's business outlook

Sunlover Reef Cruises continues to trade solidly supported by the Chinese market. Long Island Resort guest numbers have improved, albeit at rates which reflect substantial price competition. Both Sunlover and Long Island Resort have required substantial capital expenditure.

Hides Hotel's revenue has been soft and Club Croc Hotel has suffered from competition and the very subdued Airlie Beach market. As disclosed in the Audited Annual Report, the underperformance of the Queensland tourism industry that started 2 to 3 years ago has continued during the last financial year.

The structural issues affecting tourism (such as the high Australian dollar, high labour costs and aggressive competition) has affected capital values across the industry and has resulted in write downs to three of the five Ocean businesses.

As disclosed in the Audited Annual Report, there has been no free cash flow for the year and there will be no dividend payable in relation to the financial year ending 30 June 2012.

For the financial year ending 30 June 2013, the Board is budgeting for improved profitability, partly due to improved trade and partly due to reduced depreciation charges reflecting impairment reductions in book values. Excluding impairment charges, the financial year ending 30 June 2012 pre tax loss was \$279,000. However in the very challenging market conditions, accurate forecasts are not possible. Ocean has failed to meet its budgeted profit for the past 2 years and is slightly behind budgeted profit for the 3 months ended 30 September 2012.

3.6. Overview of the Continuing Shareholders

Sun-2 was incorporated in June 2006. David Kingston (a non-executive director of Ocean) is the sole director and secretary of Sun-2 and so controls Sun-2. Sun-2 acts as trustee of a family trust for the

benefit of members of the Kingston family including Charles Kingston. Sun-2 is the registered holder of 54,387,695 Shares.

K Capital was incorporated in January 2003. David Kingston is the sole shareholder and sole director and secretary of K Capital and so controls K Capital. K Capital is the trustee of a self-managed superannuation fund of which David Kingston is the sole member. K Capital is the registered holder of 7,636,919 Shares.

Charles Kingston holds 693,892 Shares in his personal capacity and is a director of Ocean.

3.7. Future direction of Ocean

The Continuing Shareholders have provided the following information regarding their intentions with respect to Ocean should the Proposal be implemented.

These intentions are based on the facts and information concerning Ocean which are known to the Continuing Shareholders at the time of preparation of this Booklet and the existing circumstances affecting the business of Ocean.

Accordingly, the statements set out in this Section are statements of current intentions only which may vary as circumstances require.

(a) Delisting and conversion to proprietary company

If the Capital Reduction is approved by Members and the Continuing Shareholders together become the holders of 100% of the issued Shares in Ocean, the Continuing Shareholders have stated that they intend to procure that the Board seek the removal of Ocean from the Official List of ASX. If Ocean is delisted and 100% owned by the Continuing Shareholders, the Continuing Shareholders may also consider the conversion of Ocean from a public company to a proprietary company upon an analysis of the comparative benefits for Ocean of changing status to a proprietary company.

If the Capital Reduction is not approved by Members but the Removal Resolution is passed, the Board intend to proceed with the removal of Ocean from the Official List of ASX (subject to ASX approval of the removal of Ocean from the Official List of the ASX). See Section 2.6 for details.

(b) Sale of assets

The Continuing Shareholders propose to procure that Ocean continues to market for sale the Cape Tribulation Resort that was closed 2 years ago notwithstanding that its value has and continues to decline as the infrastructure is subject to vandalism and inherent deterioration in an intense environment. The Ferntrees property is anticipated to close on 30 November 2012. The Continuing Shareholders propose to procure that Ocean continue to seek buyers however none have emerged in the 4 month selling campaign so far and the property will deteriorate once closed.

The Club Croc Hotel is currently being marketed for sale. The Far North Queensland tourism market remains very subdued and there is soft buyer demand. Whether any sale materialises is unclear at this stage. If a sale does not materialise, it is the intention to commit to the Club Croc Hotel and seek to improve its soft current results.

(c) Conduct of business

Except as set out above, the Continuing Shareholders intend to operate Ocean's business in substantially the same manner as presently conducted.

(d) Voting intentions

The Continuing Shareholders have informed Ocean that they intend to vote in favour of the proposed Capital Reduction and the Removal Resolution at the General Meeting (and will not be eligible to vote on the special resolution at the Special Meeting of Exiting Shareholders).

4. Relevant considerations for Members

4.1. Introduction

The purpose of this Section 4 is to identify significant issues for Members to consider in relation to the Proposal.

Before deciding how to vote at the Meetings, Members should carefully consider the factors discussed below, as well as the other information contained in this Booklet.

4.2. Benefit of undertaking the Capital Reduction compared to other options

The Board has considered the benefits of effecting the proposed privatisation of Ocean through all options reasonably available to it under the Corporations Act, including pursuant to a potential takeover, scheme of arrangement or buy back.

In light of the current market capitalisation and the potential costs involved in undertaking the proposed privatisation, the Independent Director considers that the proposed Capital Reduction presents the most time and cost effective way to effect the privatisation of Ocean for all Members, particularly in the absence of any alternative proposal from a third party.

4.3. Benefits for Exiting Shareholders

The benefits of the Proposal to Exiting Shareholders are as follows.

- The capital payment of \$0.20 represents a premium of 43% to \$0.14, being the last price at which Shares traded on ASX prior to the date of this Booklet and prior to the date of the announcement of the Proposal on 28 September 2012. It is the same price at which the Continuing Shareholders acquired off-market from a retiring director a parcel of Shares representing 2.6% of the issued capital of Ocean on 14 September 2012.
- The Independent Expert has concluded that the Proposal is fair and reasonable to Members as a whole and to Exiting Shareholders.
- Shares in Ocean may continue to be illiquid. Approximately 78% of the Shares in Ocean are held by the Continuing Shareholders with approximately 22% of Shares held by the Exiting Shareholders. The Continuing Shareholders have not traded their Shares on-market so in practical terms, it is only the Shares held by the Exiting Shareholders that are available to be traded.
- Ocean continues to experience difficult market conditions in the tourism industry in Queensland. This is reflected in Ocean's financial performance over the last 2 - 3 financial years. The Capital Reduction enables Exiting Shareholders to immediately realise their investment in Ocean and retain a certain value for their Shares in the form of a cash payment and allows Exiting Shareholders to apply the funds as they wish.
- After the implementation of the Capital Reduction, Exiting Shareholders will no longer be exposed to the risks of an ongoing investment in Ocean.
- It is the view of the Board that the ongoing costs associated with listing on the ASX are impacting on Member value without providing sufficient benefits to Members.
- As the Capital Reduction involves the cancellation of Shares held by Exiting Shareholders rather than the sale of those Shares, it will provide Exiting Shareholders will the opportunity to dispose of their Shares without incurring brokerage costs.
- Given that the Continuing Shareholders hold approximately 78% of Shares in Ocean, it is unlikely that Members will receive a higher offer or proposal from an alternative third party.

Please read the Independent Experts Report in full.

4.4. Benefits for Continuing Shareholders

The benefits of the Proposal to the Continuing Shareholders are as follows:

- The ability to manage the business of Ocean without the additional regulatory obligations and administrative and other costs associated with being listed on the ASX.
- An enhanced focus on the operations of the business without the distraction of being a publicly listed company.
- The Continuing Shareholders will together participate in 100% of any increase in value in the future and will together control 100% of the cashflows of Ocean.

4.5. Disadvantages for the Exiting Shareholders

The disadvantages for Exiting Shareholders in implementing the Proposal include the following:

- After the proposed Capital Reduction is implemented, all Shares held by Exiting Shareholders will be cancelled and the Exiting Shareholders will cease to enjoy any rights as Members of Ocean, including attendance and voting at meetings of Ocean and participation in any future dividend payments.
- In addition, to the extent that Ocean benefits from any improved trading conditions that may arise in the future (for example, revenue gains, cost reductions and product development), the Exiting Shareholders will not obtain any subsequent benefits arising from such improvements (for example, increase in value).

4.6. Disadvantages for the Continuing Shareholders

The disadvantages for the Continuing Shareholders in implementing the Proposal include the following:

- The Continuing Shareholders will be the only Members of Ocean and therefore will be exposed to 100% of the downside of any adverse trading conditions that Ocean may suffer in the future.
- As Ocean will be delisted after completion of the Capital Reduction:
 - Ocean will no longer be able to raise funds from the market, and accordingly, the Continuing Shareholders will be responsible for meeting Ocean's future capital needs; and
 - the liquidity of the Continuing Shareholders' investment in Ocean will be reduced.

4.7. Implications of not pursuing the Proposal

The Continuing Shareholders have informed the Board that if the Proposal is not implemented, consideration may be given to alternative ways to offer Exiting Shareholders liquidity and exit options. However the price offered under this scenario may be less than that offered under the Proposal as the full savings of privatisation may not be achieved. There can be no certainty that such an alternative will be available.

In addition, if the Proposal is not implemented:

- the Shares of Ocean may continue to be illiquid;
- an alternative to the Proposal is unlikely to emerge from a third party because approximately 78% of the Shares of Ocean are owned by the Continuing Shareholders; and
- the benefits of the Proposal as described above may not be obtained if the Proposal is not implemented.

Please read the Independent Expert's Report in full.

4.8. Source of Funds

If the proposed Capital Reduction is approved by Members and implemented, Ocean will return capital of \$3,558,776.60 (being \$0.20 per Share).

On 29 October 2012, Commonwealth Bank of Australia (**CBA**) provided a letter of offer under which the CBA agrees to provide a \$3 million facility (**Facility**) which will enable Ocean to draw on the Facility for the purpose of paying the Capital Reduction payments to Exiting Shareholders. The Facility has a term of 3 years, will be secured over assets of Ocean and its subsidiaries and is subject to conditions precedent consistent with market practice. The final terms of the Facility are yet to be documented in long form. Ocean is not currently aware of any reason why the Facility will not be available to Ocean at the time the Capital Reduction payments are intended to be made to Exiting Shareholders.

The remaining amount required to fund the capital payment to Exiting Shareholders will be drawn from Ocean's existing funds on deposit.

4.9. Impact on Ocean's financial position

Following the implementation of the Capital Reduction and the cancellation of the Shares held by the Exiting Shareholders, Ocean will have non-current debt of around \$3 million. The estimated interest payable on the \$3 million debt is \$180,000 and having regard to Ocean's budgeted earnings before interest and tax (**EBIT**) for the year ended 30 June 2013 of \$1 million, Ocean's interest cover is substantial. Having regard to Ocean's value based on the capital payment of \$0.20 under the Proposal, the \$3 million loan represents a modest loan to value ratio of below 20%.

Having regard to the value of Ocean's assets, the date for repayment of Ocean's facilities and service obligations and based on Ocean's current cashflow, the Capital Reduction will not materially prejudice Ocean's ability to repay its current creditors and meet its debts as and when they fall due. In addition, Ocean retains an undrawn \$500,000 overdraft to be available to meet any seasonal fluctuations or contingencies.

4.10. Impact on Ocean's capital structure

Ocean currently has 80,512,389 Shares on issue. The Continuing Shareholders together hold 62,718,506 of those Shares, being approximately 78% of the total issued Share capital.

If the proposed Capital Reduction is approved by Members, the 17,793,883 Shares held by the Exiting Shareholders will be cancelled, leaving the 62,718,506 Shares held by the Continuing Shareholders as the only Shares on issue at the time of the cancellation.

See Section 5 regarding the process and timing of the proposed Capital Reduction.

4.11. Taxation impact on Exiting Shareholders

The following is a broad outline of the tax consequences for Members associated with the Capital Reduction. This outline is not exhaustive of all possible income tax considerations that could apply to a particular Member. There are a number of limitations to the outline including that:

1. It applies only to Australian resident individual and company taxpayers. It does not cover the tax treatment for any other classes of taxpayers including individuals who are non-residents of Australia for tax purposes, insurance organisations, superannuation funds, trusts or employees of Ocean who acquired their Shares in respect of their employment.
2. It applies only where Members hold their Shares on capital account. It does not apply where the Shares are held on revenue account (eg. Shares held by Members who trade in securities or hold Shares as trading stock).

3. It is based on Australian tax law in effect at the date of this Booklet. It does not consider or anticipate any changes in the law (including changes to legislation, judicial authority or administrative practice).

If Ocean has retained profits at the time a return of capital is made, part of that return of capital may be treated as a dividend under the income tax legislation.

Exiting Shareholders may be liable to pay capital gains tax (**CGT**) in relation to the Capital Reduction payment, however, this will depend on each Exiting Shareholder's individual circumstances. An outline of the potential CGT consequences for Exiting Shareholders is as follows:

- a CGT event 'C2' will occur when the Shares held by the Exiting Shareholders are cancelled;
- the capital gain or loss that should arise on the cancellation of each Exiting Shareholder's Shares will broadly be calculated as the difference between the consideration received from Ocean for the Capital Reduction, being \$0.20, and each Exiting Shareholder's "cost base" (in relation to a capital gain) or "reduced cost base" (in relation to a capital loss) for the Share; and
- the capital gain may be treated as a discount capital gain where the Shares were purchased by the Shareholder at least 12 months prior to the payment of the Capital Reduction payment, and the other requirements of the discount capital gains provisions have been satisfied.

Ocean and its advisers do not accept any liability or responsibility in respect of any statement concerning the taxation consequences of the Capital Reduction payments or in respect of the taxation consequences themselves. All Members should consult their own independent professional tax advisers regarding the tax consequences of the Capital Reduction.

4.12. Independent Expert

The Independent Expert has concluded that:

- *"The Proposal is fair."*
- *"We have formed our opinion in relation to fairness by comparing:*
 - *the fair market value of the price of \$0.20 per share (**Consideration**) at which the Shares are to be bought back; and*
 - *the fair market value of a Share, including a premium for control."*
- *"The Proposal would be fair if the Consideration is greater than or equal to the fair market value of a Share, including a premium for control."*
- *"...the Consideration of \$0.20 is greater than the assessed value range of a Share of \$0.17 to \$0.19, including a premium for control. Accordingly, the Proposal is "fair" to the Shareholders as a whole and to the Non-associated Shareholders."*
- *"RG 111 provides that a proposal is considered to be "reasonable", if it is "fair", On this basis, as we have concluded that the Proposal is "fair", it is also considered to be "reasonable" under RG 111."*

The Independent Expert's Report is set out in full in Appendix 3 of this Booklet and you are strongly encouraged to read that report as part of your assessment of the Proposal.

5. Procedure

5.1. Procedure

Pursuant to section 256B of the Corporations Act, a company may reduce its share capital if the proposed capital reduction:

- (a) is fair and reasonable to the company's shareholders as a whole;
- (b) does not materially prejudice the company's ability to pay its creditors; and
- (c) is approved by shareholders.

Section 256C of the Corporations Act specifies different procedures for the necessary shareholder approval depending on whether the capital reduction is a selective capital reduction or an equal capital reduction.

The proposed reduction of Ocean's Share capital is a selective capital reduction as it does not apply to each holder of Shares in proportion to the number of Shares they hold, and the terms of the proposed reduction are not the same for each holder of Shares.

5.2. What Member approvals are required?

The proposed Capital Reduction must be approved pursuant to section 256C(2) of the Corporations Act by 2 special resolutions of Members which are described in sections 5.3 and 5.5 below.

5.3. Special Resolution – General Meeting

The first special resolution to approve the Capital Reduction must be passed at the General Meeting. The terms of this special resolution are set out in the Notice of General Meeting in Appendix 2.

No votes may be cast in favour of the resolution set out in the Notice of General Meeting by any person who is to receive consideration as part of the Capital Reduction or whose liability to pay amounts unpaid on Shares is to be reduced, or by their Associates.

Under the Proposal, Exiting Shareholders will receive consideration for the cancellation of their Shares. Accordingly, Ocean must disregard any votes cast by Exiting Shareholders in favour of the resolution set out in the Notice of General Meeting.

That is, only the Continuing Shareholders will be entitled to cast votes in favour on the special resolution set out in the Notice of General Meeting. As a special resolution, the resolution must be passed by at least 75% of the votes cast by Members who are present and entitled to vote on the resolution.

Implementation of the Proposal is conditional upon both the special resolution to be considered at the Special Meeting of Exiting Shareholders and the Removal Resolution being passed.

Ocean understands that it is the current intention of the Continuing Shareholders to vote in favour of both resolutions set out in the Notice of General Meeting.

5.4. Removal Resolution – General Meeting

As foreshadowed in various ASX announcements, the Board has determined that given the minimal amount of on-market share trading, the financial and operating performance of Ocean and its scale of operations do not justify the costs associated with maintaining the listing of Ocean on ASX.

Accordingly, the Board has included the Removal Resolution for Members to approve the removal of Ocean from the Official List of ASX. If the Removal Resolution is passed and ASX approves the removal of Ocean from the Official List, Ocean will be delisted and its Shares will no longer be traded on ASX irrespective of whether Members approve the Capital Reduction.

The Removal Resolution is an ordinary resolution that requires passage by a majority of votes cast by Members who are present and entitled to vote at the General Meeting. All Members may vote on this Resolution. The Continuing Shareholders have confirmed to the Board that they will vote in favour of the Removal Resolution.

The Removal Resolution is **not** conditional on the passage of the Reduction Resolution. Accordingly, Ocean may be removed from the Official List of ASX if the Proposal is not implemented.

5.5. Special Resolution – Special Meeting of Exiting Shareholders

The second special resolution to approve the Capital Reduction must be passed at a meeting of the Members whose Shares are to be cancelled, being the Special Meeting of the Exiting Shareholders.

The terms of the special resolution are set out in the Notice of special Meeting of Exiting Shareholders. As the Shares held by the Continuing Shareholders will not be cancelled, the Continuing Shareholders will not be entitled to vote on this special resolution. Again, this special resolution must be passed by at least 75% of the votes cast by Exiting Shareholders present and entitled to vote on the resolution.

Implementation of the Proposal is conditional upon both resolutions to be considered at the General Meeting also being passed.

5.6. Timetable

The General Meeting will be held at the offices of VJRyan & Co, Level 5, 255 George Street, Sydney on Monday, 17 December 2012 commencing at 11.00 am.

The Special Meeting will be held at the offices of VJRyan & Co, Level 5, 255 George Street, Sydney on Monday, 17 December 2012 commencing at 11.45 am, or as soon as the General Meeting has concluded or been adjourned, whichever is earlier.

If the proposed Capital Reduction is approved, it is intended that:

- if the suspension of Ocean Shares currently in place is lifted, trading of Shares on ASX will be suspended at the close of trading on 16 January 2013 (unless the ASX agrees to an earlier suspension);
- the Record Date for determining entitlements to the Capital Reduction payment of \$0.20 per Share will be 23 January 2013, being 5 Trading Days after suspension of the Shares of Ocean on ASX.

Any change to the suspension of Ocean will be announced to the ASX. It is intended that payment of amounts payable to Exiting Shareholders in respect of the Proposal will be made on 24 January 2013.

The capital payment will be made to Exiting Shareholders by cheque, posted to each Exiting Shareholder at the address of the Exiting Shareholder as it appears on the Register.

6. Additional information

6.1. Introduction

This section includes additional information that Ocean considers is material to the decision on how to vote on the resolutions to be considered at the Meetings.

6.2. Resolutions interconditional

The passage of the special resolution (Resolution 1) to be considered at the General Meeting is interconditional with the passage of the resolution to be considered by Members at the Special Meeting of Exiting Shareholders and the Removal Resolution. This means that each of these special resolutions and the Removal Resolution need to be passed for the approval sought in respect of the Proposal to be effective.

The Reduction Resolutions are proposed as special resolutions, requiring the approval by 75% of the votes cast by Members present and entitled to vote at the Meetings.

The Removal Resolution is to be considered at the General Meeting by Members is not interconditional with the special resolutions regarding the Capital Reduction and is an ordinary resolution.

6.3. Directors of Ocean

The directors of Ocean are:

- Nicola Constantinidis (Executive director)
- David Kingston (Non-executive director)
- Charles Kingston (Non-executive director)

6.4. Director holdings

- Nicola Constantinidis holds no Shares in Ocean. Nicola Constantinidis is not an Associate of the Continuing Shareholders.
- David Kingston is sole director of both Sun-2 and K Capital, both being Continuing Shareholders, and so controls both entities. Sun-2 and K Capital together hold 62,024,829 Shares in Ocean, being a 77% interest in Ocean. On 14 September 2012, K Capital acquired 2,144,829 Shares off-market at a price of \$0.20 per Share. This increased the voting power of K Capital from 74.4% to 77%. This represents the only acquisition of Shares undertaken by a Continuing Shareholder in the 4 months up to the date of this Booklet.
- Charles Kingston (also a Continuing Shareholder for the purposes of this Booklet) holds 693,892 Shares in Ocean, representing 0.86% of the issued capital of Ocean.

6.5. Payments or benefits

In connection with the Proposal, no payment or other benefit is proposed to be made or will be given to any director, secretary or executive officer of Ocean as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in Ocean.

6.6. Agreement or arrangement

There is no agreement or arrangement made between any director of Ocean and any other person in connection with or conditional upon the outcome of the Capital Reduction other than as set out in this Booklet.

6.7. Substantial Shareholders

As at the date of this Booklet, the only substantial shareholder of Ocean (based on notices of substantial shareholding lodged with Ocean) are the Continuing Shareholders having voting power of approximately 78%.

6.8. Material information

Other than as contained in this Booklet, there is no information material to the making of a decision (being information that is within the knowledge of any director of Ocean) that has not previously been disclosed to Members.

6.9. Shares in Ocean in which the Continuing Shareholders have a relevant interest

As at the date of this Booklet:

- Sun-2 is the registered holder of 54,387,695 Shares and so has a relevant interest in those Shares;
- K Capital is the registered holder of 7,636,919 Shares and so has a relevant interest in those Shares; and
- Charles Kingston is the registered holder of 693,892 Shares and so has a relevant interest in those Shares.

6.10. No benefits given by Continuing Shareholders to directors of Ocean

Neither Sun-2, K Capital nor Charles Kingston, as the Continuing Shareholders, propose to make or give any payment or other benefit to any director, secretary or executive officer of Ocean as compensation for the loss, or as consideration for or in connection with, his or her retirement from office in Ocean.

6.11. No other agreement between Continuing Shareholders and directors of Ocean

Other than as described in this Booklet, neither Sun-2 or K Capital, as the Continuing Shareholders, have entered into any arrangements or agreements with any of the directors of Ocean in connection with or conditional upon the outcome of the proposed Capital Reduction.

6.12. Other material information

Other than as contained in this Booklet, there is no other information in relation to the Continuing Shareholders that is material to the decision whether or not to vote in favour of the Capital Reduction that is information that is known to the director of the Continuing Shareholders and has not previously been disclosed to Members.

6.13. Consents

The Independent Expert has consented in writing to the inclusion of the Independent Expert's Report, and statements based on its report, in the form and context in which they appear in this Booklet and has not withdrawn its consent.

6.14. Independent advice

Members should consult their legal, financial, taxation or other professional adviser if they have any queries regarding:

- the Proposal;
- the taxation implication for them if the Proposal is implemented; or
- any other aspects of this Booklet.

7. Glossary

The following terms used in this Booklet (including the Notice of General Meeting in Appendix 1 and the Notice of Special Meeting of Exiting Shareholders in Appendix 2) have the meanings given to them below, unless the context otherwise requires.

ASIC	Australian Securities & Investment Commission
Associate	has the meaning given in sections 10 to 17 in the Corporations Act
ASX	ASX Limited (ACN 008 624 691) or, as the context requires, the financial market conduct by it
Audited Annual Report	Audited annual report for financial year ending 30 June 2012 dated 31 October 2012, including the qualified auditor's report dated 2 November 2012 and released to the ASX on 5 November 2012
Booklet	this Shareholder Booklet dated 13 November 2012 in relation to the Proposal
Capital Reduction	the capital reduction of all Shares held by the Exiting Shareholders in consideration for the payment to each Exiting Shareholder of \$0.20 for each Share cancelled
Corporations Act	the Corporations Act 2001 (Cth)
Exiting Shareholders	all holders of Shares except for the Continuing Shareholders
Facility	the facility for \$3 million documented in a letter of offer provided by Commonwealth Bank of Australia to Ocean dated 29 October 2012
General Meeting	the general meeting of Members to be convened in respect of the Proposal on 17 December 2012. The notice convening the General Meeting is contained in Appendix 1 of this Booklet
Independent Director	Nicola Constantinidis
Independent Expert	BDO Corporate Finance (East Coast) Pty Ltd (ACN 050 038 170)
Independent Expert's Report	the report of the Independent Expert expressing an opinion on the Proposal. The Independent Expert's Report is set out in Appendix 3 of this Booklet
K Capital	K Capital Pty Ltd (ACN 103 454 379)
Listing Rules	the listing rules of ASX
Continuing Shareholders	Sun-2, K Capital and Charles Kingston
Meetings	together, the General Meeting and the Special Meeting of Exiting Shareholders
Member	a registered holder of Shares
Notice of General Meeting	the notice for the General Meeting dated 13 November 2012, as set out in Appendix 1 of this Booklet
Notice of Special Meeting of Exiting Shareholders	the notice for the Special Meeting of Exiting Shareholders dated 13 November 2012, as set out in Appendix 2 of this Booklet
Ocean	Ocean Capital Limited (ACN 010 715 901)
Proposal	subject to the approval of the Capital Reduction at the Meetings, the implementation of the Capital Reduction as described in this Booklet

Record Date	23 January 2013
Reduction Resolutions	All resolutions to be considered at the General Meeting or the Special Meeting of Exiting Shareholders other than the Removal Resolution
Register	the register of Members of Ocean
Removal Resolution	Resolution 2 to be considered at the General Meeting to approve removal of Ocean from the Official List of ASX
RG 111	ASIC Regulatory Guide 111
Shares	ordinary shares in the capital of Ocean
Special Meeting of Exiting Shareholders	the special meeting of Exiting Shareholders to be convened in respect of the Proposal on 17 December 2012. The notice convening the Special Meeting of Exiting Shareholders is contained in Appendix 2 of this Booklet
Sun-2	Sun-2 Pty Ltd (ACN 120101448)
Trading Day	has the same meaning as in the Listing Rules

Appendix 1 - Notice of General Meeting

Notice of General Meeting

Ocean Capital Limited
(ACN 010 715 901)

Notice of General Meeting for the General Meeting of Members

**To be held at 11.00 am (Sydney time) on 17 December 2012 at the offices of VJRyan & Co,
Level 5, 255 George Street, Sydney NSW 2000**

IMPORTANT INFORMATION

This is an important document that should be read in its entirety.

This Notice of General Meeting is an appendix to the Shareholder Booklet. The Shareholder Booklet and its appendices have been prepared to assist Members in determining whether or not to vote in favour of the resolution set out in this Notice of General Meeting.

The Shareholder Booklet and its appendices should be read in conjunction with this Notice of General Meeting.

You are encouraged to attend the meeting, but if you cannot, you are requested to complete and return the enclosed proxy form without delay in accordance with the instructions set out in the Notice of General Meeting.

IMPORTANT

- For information relevant to your decision as to how to vote, please refer to the Shareholder Booklet. You should also read the Explanatory Notes to this Notice of General Meeting.
- Certain terms used below are defined in the Glossary section of the Shareholder Booklet.

The business of the meeting is to consider the following proposed resolution.

1. Capital Reduction

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That, conditional on the passage of Resolution 2 and the special resolution set out in the Notice of Special Meeting of Exiting Shareholders of Ocean dated 13 November 2012, pursuant to sections 256B and 256C(2) of the Corporations Act 2001 (Cth), the share capital of Ocean Capital Limited be reduced by cancelling all ordinary shares held by all holders of ordinary shares other than Sun-2 Pty Ltd ACN 120 101 448, K Capital Pty Ltd ACN 103 454 379 and Charles Kingston (**Exiting Shareholders**) in consideration for the payment by Ocean Capital Limited to each Exiting Shareholder of \$0.20 for each share held by that Exiting Shareholder and cancelled.”*

Without limitation, Sections 256B and 256C(2) of the Corporations Act 2001 (Cth) are relevant to this resolution.

2. Removal from ASX

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That the removal of Ocean Capital Limited from the Official List of the ASX is approved.”

Without limitation, Listing Rule 17.11 is relevant to this Resolution.

3. Explanatory notes to the Notice of General Meeting

This resolution provides for a selective reduction of the capital of Ocean. For information relevant to your decision as to how to vote, please refer to the Shareholder Booklet accompanying this Notice of General Meeting.

Voting restrictions

Section 256B(1) of the Corporations Act requires that a share capital reduction be approved by shareholders under section 256C of the Corporations Act. In accordance with section 256C(2)(a) of the Corporations Act, Ocean must disregard any votes cast in favour of this resolution by:

- any Exiting Shareholder (being a person who is to receive consideration as part of the proposed Capital Reduction); and
- an Associate of any Exiting Shareholder.

However, Ocean need not disregard a vote cast in favour if:

- it is cast by a person as proxy for a person who is entitled to cast a vote in favour, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the General Meeting as proxy for a person who is entitled to cast a vote in favour, in accordance with a direction on the proxy form to vote as the proxy decides.

Further, Ocean need not disregard a vote cast **against** this resolution by an Exiting Shareholder or an Associate of an Exiting Shareholder.

Entitlement to vote

The Directors have decided that for the purpose of determining entitlements to attend and vote at the General Meeting, Shares will be taken to be held by the persons who are the registered holders at 7:00pm (Sydney time) on 14 December 2012. Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Voting restrictions and exclusions in respect of the resolution are set out above in the Voting Restrictions.

How to vote

Shareholders entitled to vote at the General Meeting may vote:

- by attending the meeting and voting in person;
- by appointing an attorney to attend the meeting and vote on their behalf or, in the case of corporate members or proxies, a corporate representative to attend the meeting and vote on its behalf; or
- by appointing a proxy to attend and vote on their behalf, using the proxy form accompanying this Notice. A proxy may be an individual or a body corporate.

Voting in person (or by attorney)

Shareholders or their proxies, attorneys or representatives (including representatives of corporate proxies) wishing to vote in person should attend the General Meeting and bring a form of personal identification (such as their driver's licence).

To vote by attorney at this meeting, the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed must be received by VJRyan & Co before 11.00 am (Sydney time) on 15 December 2012 any of the following ways:

By post to VJRyan & Co:

Level 5, 255 George Street, Sydney NSW 2000

By hand delivery to VJRyan & Co at:

Level 5, 255 George Street, Sydney NSW 2000

By fax to VJRyan & Co on:

02 9247 5930 from within Australia, or +612 9247 5930 from outside Australia

To vote in person, you or your proxy, attorney, representative or corporate proxy representative must attend the General Meeting to be held at the offices of VJRyan & Co, Level 5, 255 George Street, Sydney NSW 2000 on 17 December 2012 commencing at 11:00 am (Sydney time).

- A vote cast in accordance with the appointment of a proxy or power of attorney is valid even if before the vote was cast the appointor:
 - died;
 - became mentally incapacitated;
 - revoked the proxy or power; or
 - transferred the Shares in respect of which the vote was cast,

unless Ocean received written notification of the death, mental incapacity, revocation or transfer before the meeting or adjourned meeting.

Voting by proxy

- Members wishing to vote by proxy at this meeting must:
 - complete and sign or validly authenticate the proxy form, which is enclosed with this Booklet; and
 - deliver the signed and completed proxy form to Ocean by 11.00 am (Sydney time) on 15 December 2012 in accordance with the instructions below.
- A person appointed as a proxy may be an individual or a body corporate.

Submitting proxy votes

- Members wishing to submit proxy votes for the General Meeting must return the enclosed proxy form to Ocean in any of the following ways:

By post to VJRyan & Co:

Level 5, 255 George Street, Sydney NSW 2000

By hand delivery to VJRyan & Co at:

Level 5, 255 George Street, Sydney NSW 2000

By fax to VJRyan & Co on:

02 9247 5930 from within Australia, or +612 9247 5930 from outside Australia

Note: proxies may not be returned by email nor is internet voting available.

Notes for proxies

1. A Member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote at the meeting on that Member's behalf.
2. A proxy need not be a Member.
3. A proxy may be an individual or a body corporate. A proxy that is a body corporate may appoint a representative to exercise the powers that the body corporate may exercise as the Member's proxy.
4. If a Member appoints two proxies and the appointment does not specify the proportion or number of the Member's votes each proxy may exercise, each proxy may exercise half the votes.
5. A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on a particular resolution. If an appointment directs the way the proxy is to vote on a particular resolution:
 - if the proxy is the Chairman - the proxy must vote on a poll and must vote in the way directed; and
 - if the proxy is not the Chairman - the proxy need not vote on a poll, but if the proxy does so, the proxy must vote in the way directed.
6. If a proxy appointment is signed or validly authenticated by the Member but does not name the proxy or proxies in whose favour it is given, the Chairman may either act as proxy or complete the proxy appointment by inserting the name or names of one or more Directors or the Company Secretary.

If:

- a Member nominates the Chairman of the meeting as the Member's proxy; or
- the Chairman is to act as proxy if a proxy appointment is signed by a Member but does not name the proxy in whose favour it is given or otherwise under a default appointment according to the terms of the proxy form,

then the person acting as Chairman in respect of an item of business at the meeting must act as proxy under the appointment in respect of that item of business.

8. If an Exiting Shareholder provides an undirected proxy form in favour of the Chairman of the meeting, the Company Secretary or any Director, the Chairman, Company Secretary or any Director will abstain from voting on the Reduction Resolution at the General Meeting and will vote in favour of the Removal Resolution at the General Meeting.

Corporate representatives

1. To vote in person at the General Meeting, a Member or proxy which is a body corporate may appoint an individual to act as its representative.
2. To vote by corporate representative at the meeting, a corporate Member or proxy should obtain an Appointment of Corporate Representative Form from VJRyan & Co, complete and sign the form in accordance with the instructions on it. The appointment should be lodged at the registration desk on the day of the meeting.
3. The appointment of a representative may set out restrictions on the representative's powers.
4. The original form of appointment of a representative, a certified copy of the appointment, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.
5. The Chairman of the meeting may permit a person claiming to be a representative to exercise the body's powers even if he or she has not produced a certificate or other satisfactory evidence of his or her appointment.

By order of the Board

John Crawford
Company Secretary
Ocean Capital Limited
13 November 2012

Appendix 2 – Notice of Special Meeting of Exiting Shareholders

Notice of Special Meeting of Exiting Shareholders

Ocean Capital Limited

(ACN 010 715 901)

Notice of Special Meeting of Exiting Shareholders

for the Special Meeting of Exiting Shareholders

**To be held at 11.45 am (Sydney time) on 17 December 2012 at the offices of VJRyan & Co,
Level 5, 255 George Street, Sydney NSW 2000**

IMPORTANT INFORMATION

This is an important document that should be read in its entirety.

This Notice of Special Meeting of Exiting Shareholders is an appendix to the Shareholder Booklet. The Shareholder Booklet and its appendices have been prepared to assist Members in determining whether or not to vote in favour of the resolution set out in this Notice of Special Meeting of Exiting Shareholders.

The Shareholder Booklet and its appendices should be read in conjunction with this Notice of Special Meeting of Exiting Shareholders.

You are encouraged to attend the meeting, but if you cannot, you are requested to complete and return the enclosed proxy form without delay in accordance with the instructions set out in the Notice of Special Meeting of Exiting Shareholders.

IMPORTANT

- For information relevant to your decision as to how to vote, please refer to the Shareholder Booklet. You should also read the Explanatory Notes to this Notice of Special Meeting of Exiting Shareholders.
- Certain terms used below are defined in the Glossary section of the Shareholder Booklet.

The business of the meeting is to consider the following proposed resolution.

1. Capital Reduction

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That, conditional upon the approval of both resolutions set out in the Notice of General Meeting of Ocean dated 13 November 2012, pursuant to sections 256B and 256C(2) of the Corporations Act 2001 (Cth), the share capital of Ocean Capital Limited be reduced by cancelling all ordinary shares held by all holders of ordinary shares other than Sun-2 Pty Ltd ACN 120 101 448, K Capital Pty Ltd ACN 103 454 379 and Charles Kingston (**Exiting Shareholders**) in consideration for the payment by Ocean Capital Limited to each Exiting Shareholder of \$0.20 for each share held by that Exiting Shareholder and cancelled.”*

Without limitation, section 256C(2) of the Corporations Act 2001 (Cth) is relevant to this Resolution.

2. Explanatory notes to the Notice of Special Meeting of Exiting Shareholders

This resolution provides for a selective reduction of the capital of Ocean. For information relevant to your decision as to how to vote, please refer to the Shareholder Booklet accompanying this Notice of Special Meeting of Exiting Shareholders.

Voting restrictions

Only the Exiting Shareholders may attend and vote at the Special Meeting of Exiting Shareholders.

This resolution is conditional upon the approval of the special resolution set out in the Notice of General Meeting of Ocean dated 13 November 2012.

Entitlement to vote

The Directors have decided that for the purpose of determining entitlements to attend and vote at the Special Meeting of Exiting Shareholders, Shares will be taken to be held by the persons who are the registered holders at 7:00pm (Sydney time) on 14 December 2012. Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

All Exiting Shareholders as at this time are entitled to attend and vote at the Special Meeting of Exiting Shareholders.

How to vote

Shareholders entitled to vote at the Special Meeting of Exiting Shareholders may vote:

- by attending the meeting and voting in person;
- by appointing an attorney to attend the meeting and vote on their behalf or, in the case of corporate members or proxies, a corporate representative to attend the meeting and vote on its behalf; or
- by appointing a proxy to attend and vote on their behalf, using the proxy form accompanying this Notice. A proxy may be an individual or a body corporate.

Voting in person (or by attorney)

Shareholders or their proxies, attorneys or representatives (including representatives of corporate proxies) wishing to vote in person should attend the Special Meeting of Exiting Shareholders and bring a form of personal identification (such as their driver's licence).

To vote by attorney at this meeting, the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed must be received by VJRyan & Co before 11.45 am (Sydney time) on 15 December 2012 any of the following ways:

By post to VJRyan & Co:

Level 5, 255 George Street, Sydney NSW 2000

By hand delivery to VJRyan & Co at:

Level 5, 255 George Street, Sydney NSW 2000

By fax to VJRyan & Co on:

02 9247 5930 from within Australia, or +612 9247 5930 from outside Australia

To vote in person, you or your proxy, attorney, representative or corporate proxy representative must attend the Special Meeting of Exiting Shareholders to be held at the offices of VJRyan & Co, Level 5, 255 George Street, Sydney NSW 2000 on 17 December 2012 commencing at 11:45 am (Sydney time).

- A vote cast in accordance with the appointment of a proxy or power of attorney is valid even if before the vote was cast the appointor:
 - died;
 - became mentally incapacitated;
 - revoked the proxy or power; or
 - transferred the Shares in respect of which the vote was cast,
 unless Ocean received written notification of the death, mental incapacity, revocation or transfer before the meeting or adjourned meeting.

Voting by proxy

- Members wishing to vote by proxy at this meeting must:
 - complete and sign or validly authenticate the proxy form, which is enclosed with this Booklet; and
 - deliver the signed and completed proxy form to Ocean by 11.45 am (Sydney time) on 15 December 2012 in accordance with the instructions below.
- A person appointed as a proxy may be an individual or a body corporate.

Submitting proxy votes

- Members wishing to submit proxy votes for the Special Meeting of Exiting Shareholders must return the enclosed proxy form to Ocean in any of the following ways:

By post to VJRyan & Co:

Level 5, 255 George Street, Sydney NSW 2000

By hand delivery to VJRyan & Co at:

Level 5, 255 George Street, Sydney NSW 2000

By fax to VJRyan & Co on:

02 9247 5930 from within Australia, or +612 9247 5930 from outside Australia

Note: proxies may not be returned by email nor is internet voting available.

Notes for proxies

1. A Member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote at the meeting on that Member's behalf.
2. A proxy need not be a Member.
3. A proxy may be an individual or a body corporate. A proxy that is a body corporate may appoint a representative to exercise the powers that the body corporate may exercise as the Member's proxy.
4. If a Member appoints two proxies and the appointment does not specify the proportion or number of the Member's votes each proxy may exercise, each proxy may exercise half the votes.
5. A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on a particular resolution. If an appointment directs the way the proxy is to vote on a particular resolution:
 - if the proxy is the Chairman - the proxy must vote on a poll and must vote in the way directed; and
 - if the proxy is not the Chairman - the proxy need not vote on a poll, but if the proxy does so, the proxy must vote in the way directed.
6. If a proxy appointment is signed or validly authenticated by the Member but does not name the proxy or proxies in whose favour it is given, the Chairman may either act as proxy or complete the proxy appointment by inserting the name or names of one or more Directors or the Company Secretary.

If:

- a Member nominates the Chairman of the meeting as the Member's proxy; or
- the Chairman is to act as proxy if a proxy appointment is signed by a Member but does not name the proxy in whose favour it is given or otherwise under a default appointment according to the terms of the proxy form,

then the person acting as Chairman in respect of an item of business at the meeting must act as proxy under the appointment in respect of that item of business.

8. Proxy appointments in favour of the Chairman of the meeting, the Company Secretary or any Director which do not contain a direction will be voted in support of the resolution in the Notice of Special Meeting of Exiting Shareholders.

Corporate representatives

1. To vote in person at the Special Meeting of Exiting Shareholders, a Member or proxy which is a body corporate may appoint an individual to act as its representative.
2. To vote by corporate representative at the meeting, a corporate Member or proxy should obtain an Appointment of Corporate Representative Form from VJRyan & Co, complete and

sign the form in accordance with the instructions on it. The appointment should be lodged at the registration desk on the day of the meeting.

3. The appointment of a representative may set out restrictions on the representative's powers.
4. The original form of appointment of a representative, a certified copy of the appointment, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.
5. The Chairman of the meeting may permit a person claiming to be a representative to exercise the body's powers even if he or she has not produced a certificate or other satisfactory evidence of his or her appointment.

By order of the Board

John Crawford
Company Secretary
Ocean Capital Limited
13 November 2012

Appendix 3 - Independent Expert's Report



INDEPENDENT EXPERT'S REPORT
Ocean Capital Limited

In relation to a Proposed Selective
Reduction of Capital

5 November 2012

This Financial Services Guide is issued in relation to an independent expert's report (IER) prepared by BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (BDOCF) at the request of the independent director of Ocean Capital Limited (OCE).

Engagement

The IER is intended to accompany the shareholder booklet and notice of meeting (Documents) that is to be provided by the directors to the shareholders of OCE to assist them in deciding whether to approve a proposed selective capital reduction (Proposal).

Financial Services Guide

BDOCF holds an Australian Financial Services Licence (License No: 247420) (Licence). As a result of our IER being provided to you BDOCF is required to issue to you, as a retail client, a Financial Services Guide (FSG). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

Financial services BDOCF is licensed to provide

The Licence authorises BDOCF to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives (limited to old law securities, options contracts and warrants) to retail and wholesale clients.

BDOCF provides financial product advice by virtue of an engagement to issue the IER in connection with the issue of securities of another person.

Our IER includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our IER (as a retail client) because of your connection with the matters on which our IER has been issued.

Our IER is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the IER.

General financial product advice

Our IER provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to voting on the Proposal described in the Documents may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that BDOCF may receive

BDOCF will receive a fee based on the time spent in the preparation of the IER in the amount of approximately \$35,000 (plus GST and disbursements). BDOCF will not receive any fee contingent upon the outcome of the Proposal, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Proposal.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of BDOCF or related entities but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our IER was provided.

Referrals

BDOCF does not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that BDOCF is licensed to provide.

Associations and relationships

BDOCF is the licensed corporate finance arm of BDO (East Coast Practice), Chartered Accountants and Business Advisers (BDO). The directors of BDOCF may also be partners in BDO.

BDO is comprised of a number of related entities that provide audit, accounting, tax and financial advisory services to a wide range of clients.

BDOCF's contact details are as set out on our letterhead.

BDOCF is unaware of any matter or circumstance that would preclude it from preparing the IER on the grounds of independence under regulatory or professional requirements. In particular, BDOCF has had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and Australian Securities and Investments Commission (ASIC).

Complaints resolution

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, BDO Corporate Finance (East Coast) Pty Ltd, Level 10, 1 Margaret Street, Sydney NSW 2000.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical. If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Ombudsman Service Limited (FOS). FOS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. BDOCF is a member of FOS. FOS may be contacted directly via the details set out below.

Financial Ombudsman Service Limited

GPO Box 3

Melbourne VIC 3001

Toll free: 1300 78 08 08

Email: info@fos.org.au

The Independent Director
Ocean Capital Limited
c/o V J Ryan & Co Services Pty Limited
Suite 1, Level 5
255 George Street
SYDNEY NSW 2000

5 November 2012

Dear Independent Director

INDEPENDENT EXPERT'S REPORT IN RELATION TO THE PROPOSED SELECTIVE REDUCTION OF CAPITAL

Introduction

BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (**BDOCF, we or us**) has been engaged by the independent director of Ocean Capital Limited (**OCE or the Company**) to prepare an independent expert's report (**Report or IER**), setting out our opinion as to whether the proposed selective capital reduction (**Proposal**) is fair and reasonable to OCE's shareholders as a whole (**Shareholders**) and to the non-associated shareholders.

Proposal

On 28 September 2012, OCE announced that it intends to undertake a selective capital reduction pursuant to which all the OCE shares (**Shares**) not held by Sun-2 Pty Ltd, K Capital Pty Ltd and Charles Kingston (**Continuing Shareholders**) will be cancelled. OCE will pay \$0.20 per Share to Shareholders in OCE other than the Continuing Shareholders (**Non-associated Shareholders**). The Shareholders will also vote on an independent resolution in relation to the removal of OCE from the Australian Securities Exchange (**ASX**).

There will be three (3) meetings to be held on 17 December 2012, being the annual general meeting, general meeting and special meeting (**Meetings**). A resolution in relation to the Proposal will be voted on at the Meetings. Full details of the Proposal are set out in the shareholder booklet and the notices of Meetings (**Documents**) to be provided to the Shareholders.

Purpose

Section 256B(1) of the Corporations Act 2001 (**Act**) states that a company may reduce its share capital in a way that is not otherwise authorised by law if the reduction:

- is fair and reasonable to the company's shareholders as a whole;
- does not materially prejudice the company's ability to pay its creditors; and
- is approved by the shareholders under s256C of the Act.

Section 256C(4) of the Act requires the company to include with the notice of the meeting a statement setting out all information known to the company that is material to the decision on how to vote on the resolution. Whilst there is no requirement for an independent expert's report to be prepared, Australian Securities and Investments Commission's (**ASIC**) Regulatory Guide 111 (**RG 111**) sets out that an independent expert's report should usually accompany the explanatory memorandum (for the notice of meeting) to satisfy the information requirements of fairness under section 256C(4) of the Act.

Accordingly, this Report is to accompany the Documents to be sent to Shareholders to assist them in deciding whether to approve the Proposal.

The IER provides our opinion as to whether or not the Proposal is fair and reasonable to the Shareholders as a whole and to the Non-associated Shareholders.

Summary of Opinion

We have considered the terms of the Proposal as outlined in the body of this Report and have concluded that the Proposal is fair and reasonable to the Shareholders as a whole and to the Non-associated Shareholders.

A summary of our analysis in forming the above opinion is provided below.

The Proposal is Fair

We have formed our opinion in relation to fairness by comparing:

- the fair market value of the price of \$0.20 per share (**Consideration**) at which the Shares are to be bought back; and
- the fair market value of a Share, including a premium for control.

The Proposal would be fair if the Consideration is greater than or equal to the fair market value of a Share, including a premium for control.

In arriving at the value of a Share we have had regard to RG 111.

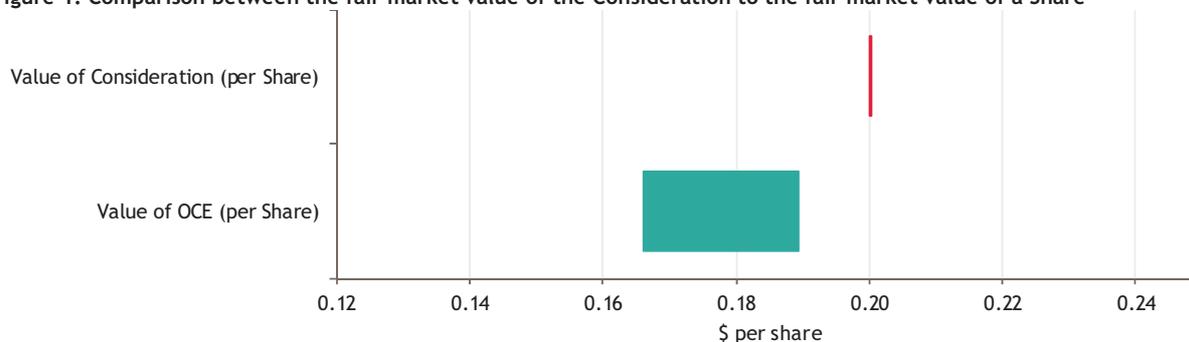
The result of our fairness analysis is summarised below.

Table 1: Comparison between the fair market value of OCE to the fair market value of the Consideration

\$ unless stated otherwise	Ref.	Low	High
Consideration	5.3	0.20	0.20
Fair market value of a Share	6.2	0.17	0.19

Source: BDOCF Analysis

Figure 1: Comparison between the fair market value of the Consideration to the fair market value of a Share



Source: BDOCF analysis

As demonstrated above, the Consideration of \$0.20 is greater than the assessed value range of a Share of \$0.17 to \$0.19, including a premium for control. Accordingly, the Proposal is "fair" to the Shareholders as a whole and to the Non-associated Shareholders.

The Proposal is Reasonable

RG 111 provides that a proposal is considered to be "reasonable", if it is "fair". On this basis, as we have concluded that the Proposal is "fair", it is also considered to be "reasonable" under RG 111.

Nevertheless, we have also considered various factors that we believe the Shareholders should consider when deciding whether or not to approve the Proposal. Set out below is a summary of our assessment of the various factors.

Table 2: Summary of factors considered in the reasonableness assessment

Advantages
<p>Consideration at a premium to last traded price - The Proposal contemplates payment of the Consideration of \$0.20 per Share. This represents a \$0.06 premium (43%) to OCE's last traded price of \$0.14 per Share on 24 September 2012, being the latest observation prior to the issue of this Report.</p>
<p>Opportunity to exit a company with relatively low liquidity - By accepting the Proposal, Shareholders will receive cash of \$0.20 per Share and exit their investment in OCE. This will provide them with the opportunity to invest in similar assets with higher liquidity. There is a risk that limited opportunities exist for Shareholders to exit and realise their investment in OCE if they do not accept this Proposal.</p>
<p>Opportunity to exit a company exposed to the risks of the Queensland tourism industry - OCE continues to experience difficult market conditions in the Queensland tourism industry as detailed in Section 4.2. The Proposal enables the Non-associated Shareholders to immediately realise their investment in OCE and reallocate the Consideration towards alternative investments.</p>
<p>Cash provides certainty over timing and consideration for Shares - By accepting the Proposal, Shareholders gain the benefit of a fixed price for their sale of Shares through 100% cash consideration. Further, by accepting the Proposal, Shareholders will not be subject to additional brokerage fees that would otherwise be payable if selling Shares on the ASX.</p>
<p>Alternate offer unlikely - Given that the Continuing Shareholders currently control 77.9% of OCE, it is highly unlikely that an alternate offer would be made for OCE except through a transaction supported by the Continuing Shareholders. Accordingly, in the absence of accepting the Proposal, there are limited alternative opportunities through which Shareholders will be able to realise a premium to the trading value of their Shares.</p>
<p>Opportunity to exit a non-dividend paying company - OCE has not paid dividends to its Shareholders since 29 December 2010 and the management of OCE (Management) has advised that it is unlikely to pay any dividends in the near term. The Proposal provides an opportunity to Shareholders to reinvest in dividend paying shares and capitalise on higher yield potential.</p>
Disadvantages
<p>Shareholders will forego any upside that may occur in the value of the Queensland tourism assets - By accepting the Proposal, Shareholders will be exiting a company that may experience upside in its share price if the Queensland tourism industry recovers from the events identified in Section 4.2.</p>
<p>Ability to consider other offers in the future - If Shareholders accept the Proposal, they will not be able to consider any superior offer that may arise in the future.</p>
<p>Shareholders will forego the benefit of deferred tax assets (DTAs) within OCE - OCE had \$2.3 million in DTAs as at 30 June 2012, as per Section 3.4.3. If OCE continues to trade, the Company may be able to realise the value of these DTAs. As we have valued OCE on a NRV basis, the DTAs have not been reflected in the valuation of a Share. If Shareholders accept the Proposal, they will not be able to access the benefit of DTAs which may become available to OCE.</p>
<p>Taxation issues - If Shareholders accept the Proposal then they will receive \$0.20 per Share. This may give rise to a capital gains tax (CGT) event and therefore accelerate a tax liability for certain Shareholders, depending on the tax cost base of their investment.</p>
Other
<p>Implications of rejecting the Proposal - Regardless of whether the Proposal is implemented or not, OCE is likely to be removed from the official list of the ASX. OCE will not be subject to ASX listing rules and any sale of Shares will need to be undertaken off-market.</p>
<p>Transaction costs - OCE will incur approximately \$0.1 million in transaction costs regardless of whether the Proposal is approved or not.</p>

Source: BDOCF analysis



Other Matters

Shareholders' individual circumstances

Our analysis has been undertaken, and our conclusions are expressed at an aggregate level. Accordingly, BDOCF has not considered the effect of the Proposal on the particular circumstances of individual Shareholders. Some individual Shareholders may place a different emphasis on various aspects of the Proposal from that adopted in this IER. Accordingly, individual Shareholders may reach different conclusions as to whether or not the Proposal is fair and reasonable in their individual circumstances.

The decision of an individual Shareholder in relation to the Proposal may be influenced by their particular circumstances and accordingly Shareholders are advised to seek their own independent advice.

Approval or rejection of the Proposal is a matter for individual Shareholders based on their expectations as to the expected value and future prospects and market conditions and their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Shareholders should carefully consider the Documents. Shareholders who are in doubt as to the action they should take in relation to the Proposal should consult their professional adviser. Capitalised terms used in this Report have the meanings set out in the glossary.

Current Market Conditions

Our opinion is based on economic, market and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time.

Changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision. We reserve the right to revise any valuation or other opinion, in the light of material information existing at the valuation date that subsequently become known to us.

Sources of Information

Appendix 2 to the IER sets out details of information referred to and relied upon by us during the course of preparing this IER and forming our opinion.

The statements and opinions contained in this IER are given in good faith and are based upon our consideration and assessment of information provided by OCE.

Under the terms of our engagement, OCE agreed to indemnify the partners, directors and staff (as appropriate) of BDO (East Coast Practice), Chartered Accountants and Business Advisers (BDO) and BDOCF and their associated entities, against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided by OCE which is false or misleading or omits any material particulars, or arising from failure to supply relevant information.

Limitations

This IER has been prepared at the request of the independent director for the sole benefit of the directors of OCE (Directors) and Shareholders to assist them in their decision to approve or reject the Proposal. This IER is to accompany the Documents to be sent to the Shareholders to consider the Proposal and was not prepared for any other purpose.

Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and Shareholders without our written consent. We accept no responsibility to any person other than the Directors and Shareholders in relation to this IER.

This IER should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our IER, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.



We have consented to the inclusion of the IER with the Documents. Apart from this IER, we are not responsible for the contents of the Documents or any other document associated with the Proposal. We acknowledge that this IER may be lodged with regulatory authorities.

Summary

This summary should be read in conjunction with the attached IER that sets out in full the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

Glossary

A glossary of terms used throughout this IER is set out in **Appendix 1**.

Financial Service Guide

BDOCF holds an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues. A financial services guide is attached to this IER.

Yours faithfully

BDO CORPORATE FINANCE (EAST COAST) PTY LTD

A handwritten signature in black ink, appearing to read 'David McCourt', with a long horizontal flourish extending to the right.

David McCourt
Director

A handwritten signature in black ink, appearing to read 'Sebastian Stevens', with a long horizontal flourish extending to the right.

Sebastian Stevens
Director

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1. PURPOSE AND BACKGROUND

1.1. Purpose

We have been appointed by the independent director to prepare an IER setting out our opinion as to whether the Proposal is fair and reasonable to the Shareholders as a whole and to the Non-associated Shareholders.

This IER is to accompany the Documents required to be provided to the Shareholders and has been requested by the independent director. This Report will be used to assist the Directors in fulfilling their obligation to provide the Shareholders with full and proper disclosure to enable them to assess the merits of the Proposal and to decide whether to approve the Proposal.

A summary of the background to the terms of the Proposal is set out below.

1.2. Proposal

On 28 September 2012, OCE announced that it intends to undertake a selective capital reduction, pursuant to which all the Shares not held by the Continuing Shareholders will be cancelled. OCE will pay \$0.20 per Share to the Non-associated Shareholders as Consideration. The Proposal requires approval by at least 75% of votes cast by Shareholders who are present and entitled to vote at the Meetings. We note that only the Non-associated Shareholders are entitled to vote on the Proposal.

The Shareholders will also vote on an independent resolution in relation to the removal of OCE from the ASX, which requires approval by a majority of votes cast by Shareholders who are present and entitled to vote at the Meetings. Whilst all Shareholders are entitled to vote, the Continuing Shareholders (who hold 77.9% of OCE) have confirmed to the independent director that they will vote in favour of removal from the ASX.

Full details of the Proposal are set out in the Documents to the Shareholders at the Meetings to be convened.

2. SCOPE AND LIMITATIONS

2.1. Scope

The scope of the procedures we undertook in forming our opinion on whether the Proposal is fair and reasonable to the Shareholders as a whole and to the Non-associated Shareholders has been limited to those procedures we believe are required in order to form our opinion. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards.

The assessment of whether the Proposal is fair and reasonable to the Shareholders as a whole and to the Non-associated Shareholders involved determining the “fair market value” of various securities, assets and liabilities.

For the purposes of our opinion, the term “fair market value” is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser and a knowledgeable, willing, but not anxious vendor, acting at arm’s length.

2.2. Summary of regulatory requirements

The regulatory requirements relevant to this IER are summarised below.

256B(1) of the Act

Section 256B(1) of the Act states that a company may reduce its share capital in a way that is not otherwise authorised by law if the reduction:

- is fair and reasonable to the company’s shareholders as a whole;

- does not materially prejudice the company's ability to pay its creditors; and
- is approved by the shareholders under s256C of the Act.

Section 256C(4) requires the company to include with the notice of the meeting a statement setting out all information known to the company that is material to the decision on how to vote on the resolution.

Whilst there is no requirement for an independent expert's report to be prepared, RG 111 sets out that an independent expert's report should usually accompany the explanatory memorandum (for the notice of meeting) to satisfy the information requirements of fairness under s256C(4) of the Act.

Regulatory Guides

In determining whether the Proposal is fair and reasonable to the Shareholders as a whole and to the Non-associated Shareholders, we have had regard to the following ASIC guidelines:

- RG 111 'Content of expert reports'
- Regulatory Guide 112 'Independence of experts' (RG112).

Paragraph 8 of RG 111 sets out that control transaction can be achieved through a number of legal mechanisms including selective capital reduction. In a control transaction, separate assessment of whether the transaction is 'fair' and 'reasonable' should be undertaken. That is, 'fair and reasonable' is not regarded as a compound phrase.

Fair

Paragraph 11 of RG 111 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The comparison must be made assuming:

- a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length; and
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

In our opinion, the Proposal will be fair to the Shareholders as a whole and to the Non-associated Shareholders if the value of the Consideration per share is equal to or greater than a Share.

Based on the above, we have undertaken the following:

- assessed the fair market value of the Consideration per share; and
- assessed the fair market value of a Share on a control basis.

Reasonable

Paragraph 13 of RG 111 sets out some of the factors that an expert might consider in assessing the reasonableness of an offer, including:

- the bidder's pre-existing voting power in securities in the target
- other significant security holding blocks in the target
- the liquidity of the market in the target's securities
- taxation losses, cash flow or other benefits through achieving 100% ownership of the target
- any special value of the target to the bidder, such as particular technology or the potential to write off outstanding loans from the target

- the likely market price if the offer is unsuccessful
- the value to an alternative bidder and likelihood of an alternative offer being made.

We have taken the following matters into account in regard to the Proposal:

- liquidity and volatility of OCE's shares
- whether an appropriate premium for control is included in the Proposal
- the likelihood of an improved or alternative offer or alternative transactions
- the conditions of the Proposal
- the risk of not approving the Proposal
- other factors for Shareholders of accepting or rejecting the Proposal.

General requirements in relation to the IER

In preparing the IER we considered the necessary legal requirements and guidance of the Act, ASIC regulatory guides and commercial practice.

The IER also includes the following information and disclosures:

- particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the last two years, between BDO or BDOCF and any of the parties to the Proposal
- the nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER
- we have been appointed as independent expert for the purposes of providing an IER for the Documents
- that we have relied on information provided by the Directors and Management and that we have not carried out any form of audit or independent verification of the information provided
- that we have received representations from the Directors in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

2.3. Fair market value

For the purposes of our opinion, the term “fair market value” is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser, and a knowledgeable, willing, but not anxious vendor, acting at arm’s length.

We understand that when applying the term “fair market value” in the context of the test of whether a proposal is “fair” under ASIC’s regulatory guides, ASIC’s interpretation is that RG 111:

- does not permit an expert to have regard to the current situation of the asset being valued, including any current difficult financial position and the impact of measures required to rectify such a position. Instead, in assessing fairness, the expert should assume an orderly market for the asset being valued, even if such market circumstances do not exist at the time of the fairness assessment.
- factors such as the current difficult financial position of the asset and the current state of the market in which the asset operates are appropriate matters to be taken into account when assessing the reasonableness of the proposal under consideration.

2.4. Special value

We have not considered special value in forming our opinion. Special value is the amount that a potential acquirer may be prepared to pay for a business in excess of the fair market value. This premium represents the value to the particular potential acquirer of potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchasers.

2.5. Reliance on Information

This IER is based upon financial and other information provided by the Directors and Management of OCE. We have considered and relied upon this information. Unless there are indications to the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether the Proposal is fair and reasonable.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to us was prepared in accordance with generally accepted accounting principles.

Where we relied on the views and judgement of Management the information was evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of direct external verification or validation.

Under the terms of our engagement, OCE has agreed to indemnify BDOCF and BDO, and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

2.6. Limitations

We acknowledge that this IER may be lodged by the Directors with regulatory and statutory bodies and will be included in the Documents to be sent to the Shareholders. The Directors acknowledge that our IER has been prepared solely for the purposes noted above and accordingly we disclaim any responsibility from reliance on the IER in regard to its use for any other purpose. Except in accordance with the stated purposes, no extract, quote or copy of the IER, in whole or in part, should be reproduced without our prior written consent, as to the form and context in which it may appear.

Our procedures in the preparation of the IER have involved an analysis of financial information and accounting records. This did not include verification work nor constitute an audit or review in accordance with Australian Auditing and Assurance Standards and consequently has not enabled us to obtain assurance that we would become aware of all significant matters that might be identified in an audit or review. Accordingly, we have not expressed an audit or review opinion.

It was not our role to undertake, and we have not undertaken any commercial, technical, financial, legal, taxation or other due diligence, other similar investigative activities in respect of OCE. We understand that the Directors have been advised by legal, accounting and other appropriate advisors in relation to such matters as necessary. We provide no warranty or guarantee as to the existence, extent, adequacy, effectiveness and/ or completeness of any due diligence or other similar investigative activities by the Directors or their advisors.

We note that the IER does not deal with the individual investment circumstances of Shareholders and no opinion has been provided in relation to same. Some individual Shareholders may place a different emphasis on various aspects of the Proposal from that adopted in our IER. Accordingly, individuals may reach different conclusions on whether or not the Proposal is fair and reasonable to them. An individual Shareholder's decision in relation to the Proposal may be influenced by their particular circumstances and, therefore, Shareholders are advised to seek their own independent advice.

Apart from the IER, we are not responsible for the contents of the Documents or any other document. We have provided consent for inclusion of the IER in the Documents. Our consent and the Documents acknowledge that we have not been involved with the issue of the Documents and that we accept no responsibility for the Documents.

2.7. Assumptions

In forming our opinion, we have made certain assumptions and outline these in our IER including:

- assumptions addressed in the valuation sections
- that matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed
- information sent out in relation to the Proposal to Shareholders or any regulatory or statutory body is complete, accurate and fairly presented in all material respects
- publicly available information relied on by us is accurate, complete and not misleading
- if the Proposal is implemented, that it will be implemented in accordance with its stated terms
- the legal mechanisms to implement the Proposal are correct and effective.

3. PROFILE OF OCE

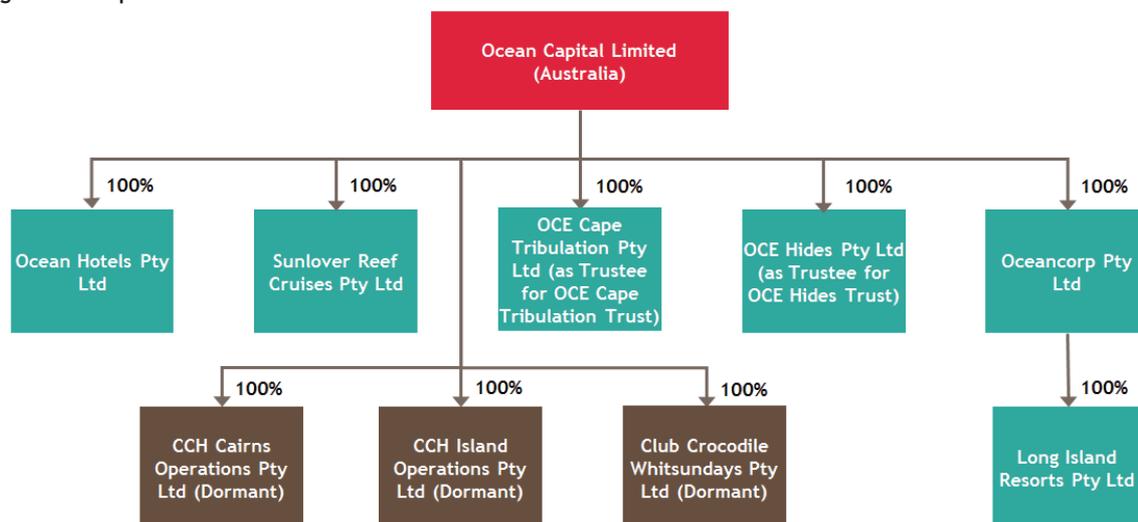
3.1. Overview

OCE owns and operates hotels and resorts in North Queensland, as well as a marine tourism business with two vessels and pontoons on Australia's Great Barrier Reef. A summary of the assets owned and/or operated by OCE is detailed below in **Section 3.3**. The Company was listed on the ASX on 24 March 1988 with the head office located in Cairns.

3.2. Corporate Structure

A detailed corporate structure of OCE and its associated entities are set out below:

Figure 2 : Corporate Structure



Source: Management

Set out below is an overview of OCE's key subsidiaries and operations:

Table 3: OCE's subsidiaries and operations

Company	Description	Percentage owned (%)
Ocean Hotels Pty Ltd	Operator of Hides Hotel, Club Crocodile Airlie Beach, Long Island Resort, Ferntree Rainforest Lodge	100
Sunlover Reef Cruises Pty Ltd	Operates two vessels and pontoons on Australia's Great Barrier Reef	100
OCE Cape Tribulation Pty Ltd	Trustee for OCE Cape Tribulation Trust, owner of Cape Tribulation Resort and Ferntree Rainforest Lodge	100
OCE Hides Pty Ltd	Trustee for OCE Hides Trust, owner of Hides Hotel	100
Oceancorp Pty Ltd	Owner of Long Island Resort	100

Source: FY12 annual report and Management

3.3. Assets

A summary of the key assets owned by OCE are listed below:

- Long Island Resort** - Located in the Whitsunday island group, Long Island Resort is rated a 3 ½ star resort and marketed as a relaxed resort for family and couples. Resort accommodation includes beachfront, garden and lodge rooms. Facilities include two swimming pools, spa, tennis court, a bar/lounge, on site restaurant and child minding and activities service. The property has 140 resort rooms and 15 backpacker rooms. Access to Long Island is provided by regular cruise services from the mainland at Shute Harbour, Abel Point Marina and the islands. The Whitsundays are serviced by two domestic airports at Hamilton Island and Proserpine. In 2010, Long Island Resort won the Queensland Tourism Award in the standard accommodation category.

- **Club Crocodile Airlie Beach (CCAB)** - Located at Airlie Beach in Queensland's central coast, access to CCAB is provided by the two local domestic airports, ferry or bus shuttle services. The 3 ½ star hotel contains 161 rooms and is marketed as a budget style accommodation for couples, families and groups of friends. Facilities include two pools, spa, games room, a bar & bistro, tennis/basketball/pool facilities and a babysitting service. CCAB is being offered for sale as at the date of this Report.
- **Hides Hotel** - Located in central Cairns, the Hides Hotel is a renovated heritage building. It is marketed as affordable accommodation for the tourist, corporate, family and large group traveller markets when visiting Queensland. The property has 102 rooms. The hotel provides 24 hour reception, tour booking services, limited car parking, a pool and an internet cafe. The complex includes a conference centre with wireless internet, photocopying and faxing facilities.
- **Sunlover Reef Cruises (Sunlover)** - Based in Cairns, Sunlover operates express daily cruises to the Great Barrier Reef aboard air-conditioned catamarans. Tour destination is predominantly to Moore Reef.
- **Cape Tribulation** - Cape Tribulation consists of four separate properties:
 - Cape Tribulation Resort, which was closed at the end of November 2010 due to weak trading performance and has not operated since
 - Jungle Lodge camping grounds (**Jungle Lodge**), which was settled on 9 October 2012 for net proceeds of \$390,000
 - Cape Tribulation - Lot 1, which was settled on 3 October 2012 for net proceeds of \$235,000
 - Ferntree Rainforest Lodge, which up until recently was Cape Tribulation's sole remaining operating property. It was announced that Ferntree Rainforest Lodge will cease operating from 30 November 2012.

3.4. Historical Financial Information

3.4.1. Qualified Accounts

We note that the independent auditor has issued the FY12 financial accounts with a "qualified" opinion. The basis for that opinion is provided below:

- *Recoverable amount of property, plant and equipment* - As at the date of the audited FY12 annual report the independent auditor did not have access to the independent valuation of Hides Hotel and CCAB, and was unable to determine whether additional adjustments to the carrying value of these assets was required.
- *Recognition of DTAs* - OCE has included in the statement of financial position DTAs of \$3.1 million. The independent auditor believes that \$0.8 million should be excluded as they do not consider it probable that future taxable profits will be available to utilise the deductible temporary differences.

3.4.2. Financial Performance

The audited statement of comprehensive income of OCE for the financial year ended 30 June 2011 (FY11) and the audited accounts of OCE for the financial year ended 30 June 2012 (FY12) are set out below:

Table 4: Statements of comprehensive income of OCE for FY11 and FY12

\$'000s unless stated otherwise	Ref.	FY11 (Audited)	FY12 (Audited)
Operating revenue	i	20,332	19,700
Cost of sales		(2,810)	(2,662)
Gross profit		17,522	17,038
Revenue from sale of land	ii	1,000	-
Revenue from insurance	iii	-	436
Administrative costs		(595)	(501)
Catering		(814)	(950)
Employee related expenses	iv	(8,852)	(8,284)
Fuel		(982)	(889)
Occupancy		(1,906)	(2,104)
Repairs and replacements		(1,251)	(1,066)
Sales & marketing	iv	(1,071)	(638)
Other expenses	iv	(1,820)	(1,478)
Earnings before interest, taxation, depreciation and amortisation (EBITDA), excluding impairment expense		1,231	1,564
Depreciation and amortisation		(1,965)	(1,843)
Earnings before interest, taxation (EBIT), excluding impairment expense		(734)	(279)
Impairment on property, plant & equipment	v	(1,546)	(7,321)
Profit/(loss) before income tax (NPBT)	vi	(2,280)	(7,601)
Income tax benefit/(expense)	vii	(1,669)	228
Profit/(loss) after income tax expense	vii	(3,949)	(7,373)

Source: FY11 and FY12 annual reports

We note the following in relation to the above:

- i. Operating revenue decreased by \$0.63 million over FY12 due to continued poor trading conditions, the persistently high Australian dollar and competition for domestic tourists from overseas destinations. Additionally, during FY12 Sunlover suffered a turbo engine failure as a result of the supply and installation of non-genuine turbo housings by a third party during a major engine service. As a result, OCE has initiated litigation against the contractor for damages of approximately \$521,000.

- ii. Revenue from sale of land in FY11 relates to the sale of unutilised land at Cape Tribulation in November 2010.
- iii. During FY12 Sunlover received an insurance payment for a replacement engine in the Tropic Sunseeker vessel unrelated to the turbo engine failure.
- iv. The decline in revenue was partially mitigated by cost control measures instigated during the year, with reductions in employee related expenses, other expenses and sales and marketing costs totalling \$1.34 million.
- v. OCE incurred an impairment charge of \$7.32 million over FY12. This is largely attributable to:
 - Cape Tribulation hotels (\$3.2 million) - OCE indicated the downturn of tourism in Far North Queensland and ongoing trading losses resulted in the closure of the Cape Tribulation Resort in November 2010. The property has been marketed without a sale materialising
 - Long Island Resort (\$3.0 million) - due to ongoing low earnings and negative free cashflow
 - Hides Hotel (\$1.1 million) - The Board of OCE assessed Hides Hotel to be valued at \$4.2 million, which was lower than its previous book value of \$5.3 million.

As per **Section 3.4.1**, the independent auditor did not have access to the valuation report of Hides Hotel by Taylor Byrne. The report valued the property at \$3.0 million, which would have resulted in additional impairment expense of \$1.2 million.

- vi. Sunlover was the best performing segment in FY12 with a NPBT of \$1.32 million. The weakest performing segments were Long Island Resort and Ferntree Lodge. Long Island Resort reported a NPBT of \$(0.67) million in FY12 and Ferntree Lodge reported a NPBT of \$(0.33) million. Budget FY13 EBIT for OCE is \$1.0 million post reduction of depreciation changes as a result of the impairment changes to Long Island Resort and Cape Tribulation (above).
- vii. As per **Section 3.4.1**, the independent auditor was of the opinion that DTAs were overstated by \$0.8 million as at 30 June 2012, which if included would increase income tax expense and increase the net loss after tax by \$0.8 million.

3.4.3. Historical Statements of Financial Position

The audited statement of financial position of OCE as at 30 June 2011 and 30 June 2012 are set out below:

Table 5: Statements of financial position of OCE as at 30 June 2011 and 30 June 2012

\$'000s unless stated otherwise	Ref.	30 Jun 2011 (Audited)	30 Jun 2012 (Audited)
Current assets			
Cash and cash equivalents		343	187
Trade and other receivables		906	926
Inventories		224	186
Assets held for sale	i	-	200
Other current assets		235	400
Total current assets		1,708	1,899
Non-current assets			
Assets held for sale	i	3,200	2,400
Property, plant and equipment	i	23,536	16,539
Deferred tax assets	ii	2,829	3,057
Total non-current assets		29,565	21,996
Total assets		31,273	23,895
Current liabilities			
Trade and other payables		2,706	2,704
Provisions		60	74
Total current liabilities		2,766	2,778
Non-current liabilities			
Provisions	iii	240	222
Total non-current liabilities		240	222
Total liabilities	iv	3,006	3,000
Net assets		28,267	20,895

Source: FY11 and FY12 annual reports

We note the following in relation to the above:

- i. The \$0.6 million decrease in current and non-current assets held for sale is attributed to the impairment expense incurred during FY12. The 29.7% fall in property, plant and equipment over FY12 is largely attributed to the \$7.47 million impairment charge over various properties owned by OCE.
As per **Section 3.4.1**, the independent auditor did not have access to the valuation report of Hides Hotel by Taylor Byrne. The report valued the property at \$3.0 million, which would have reduced the carrying value by \$1.2 million.
- ii. As per **Section 3.4.1**, the independent auditor was of the opinion that DTAs were overstated by \$0.8 million as at 30 June 2012.
- iii. OCE has recognised a provision for the costs to be incurred in decommissioning the reef pontoons owned and operated by Sunlover.
- iv. OCE did not hold any material borrowings or material property lease or rental obligations as at 30 June 2012.

3.5. Capital Structure and Ownership

The top 10 shareholders and total issued ordinary shares of OCE as at 31 October 2012 are summarised in the table below:

Table 6: Top 10 shareholders before Proposal

Shareholder	Number of Ordinary Shares held	Percentage of Total Ordinary Shares held
Sun-2 Pty Ltd ATF Ocean Unit Trust ⁽¹⁾	54,387,695	67.6%
K Capital Pty Ltd ATF K Superannuation Fund ⁽¹⁾	7,636,919	9.5%
Superdeck Pty Ltd (D X C & E Groves Super A/C)	1,682,784	2.1%
D B Management Pty Ltd (D B Superannuation Fund A/C)	1,225,659	1.5%
Elcos (Qld) Pty Ltd	1,125,000	1.4%
Thomas P V & Janet N Cameron (Cameron Family Super Fund)	1,000,000	1.2%
UBS Wealth Management Australia Nominees Pty Ltd	800,000	1.0%
Charles Samuel Kingston ⁽¹⁾	693,892	0.9%
Tappak Nominees Pty Ltd	650,000	0.8%
Kathryn Groves	580,174	0.7%
Sub-total	69,782,123	86.7%
Other shareholders	10,730,266	13.3%
Total	80,512,389	100.0%

Source: Management

Note 1: We note that Sun-2 Pty Ltd, K Capital Pty Ltd and Charles Kingston, being the Continuing Shareholders, collectively own 77.9% of OCE

ASX-listed ordinary shares are the only outstanding securities issued by OCE.

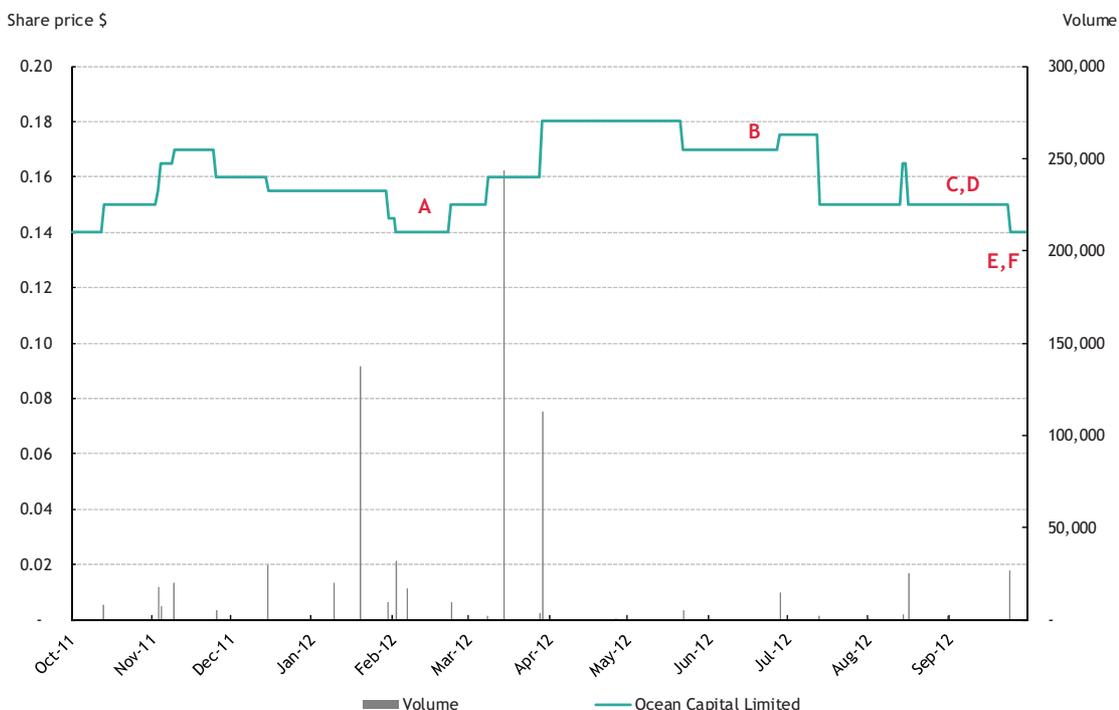
3.5.1. Recent transactions

KCapital Pty Ltd purchased 2,144,829 OCE ordinary shares (2.66% of the outstanding shares) off market for \$0.20 per share on 14 September 2012. The shares were purchased from interests associated with Malcolm McComas on his retirement as a Director of OCE.

3.6. ASX Trading

OCE was suspended from trading on the ASX on 1 October 2012. As such, the graph below illustrates the movement in the daily Share price and volumes traded from 29 September 2011 to 28 September 2012, being the last trading day before the suspension of trading on 1 October 2012.

Figure 3: ASX Trading



Source: Bloomberg, BDOCF analysis

Key price sensitive announcements which may have had an impact on trading in Shares are detailed below.

Table 7: Key events

Notation	Date	Event
A	22-Feb-12	Release of reviewed half-year FY12 financial statements
B	25-Jun-12	Announcement of expected impairment of Cape Tribulation, Long Island Resort and Hides Hotel properties.
C	29-Aug-12	Release of preliminary financial statements for FY12 (unaudited)
D	30-Aug-12	Announcement of sale of Jungle Lodge
E	28-Sep-12	Announcement of Management's intention to proceed with the Proposal
F	1-Oct-12	Suspension from official quotation on ASX following failure to lodge audited financial statements for FY12 by 30 September 2012

Source: ASX

The table below summarises the ASX trading in Shares over the 12 months up to 28 September 2012, including the volume weighted average price (VWAP) over each period.

Table 8: Share trading activity over the year to 28 September 2012

	High	Low	VWAP	Total Volume Traded	Annualised Turnover ⁽¹⁾	Average Bid/Ask Spread
	(\$)	(\$)	(\$)	('000s)	(%)	(%)
As at 28 September 2012 ⁽²⁾	n/a	n/a	n/a	n/a	n/a	n/a
As at 24 September 2012 ⁽³⁾	0.140	0.140	0.140	26,900	8.5%	50.0%
1 month to 28 September 2012	0.150	0.140	0.141	29,050	0.8%	50.0%
3 months to 28 September 2012	0.165	0.140	0.146	59,769	0.3%	26.9%
6 months to 28 September 2012	0.180	0.140	0.169	192,400	0.5%	24.9%
12 months to 28 September 2012	0.180	0.140	0.159	755,665	0.9%	24.5%

Sources: Bloomberg; BDOCF analysis

Note 1: Annualised turnover is calculated as period turnover divided by trading days in the period, multiplied by trading days in the year.

Note 2: OCE was suspended from quotation on the ASX on 1 October 2012. The last trading day before the suspension from quotation was 28 September 2012.

Note 3: 24 September 2012 was the last day OCE traded on the ASX

4. INDUSTRY OVERVIEW

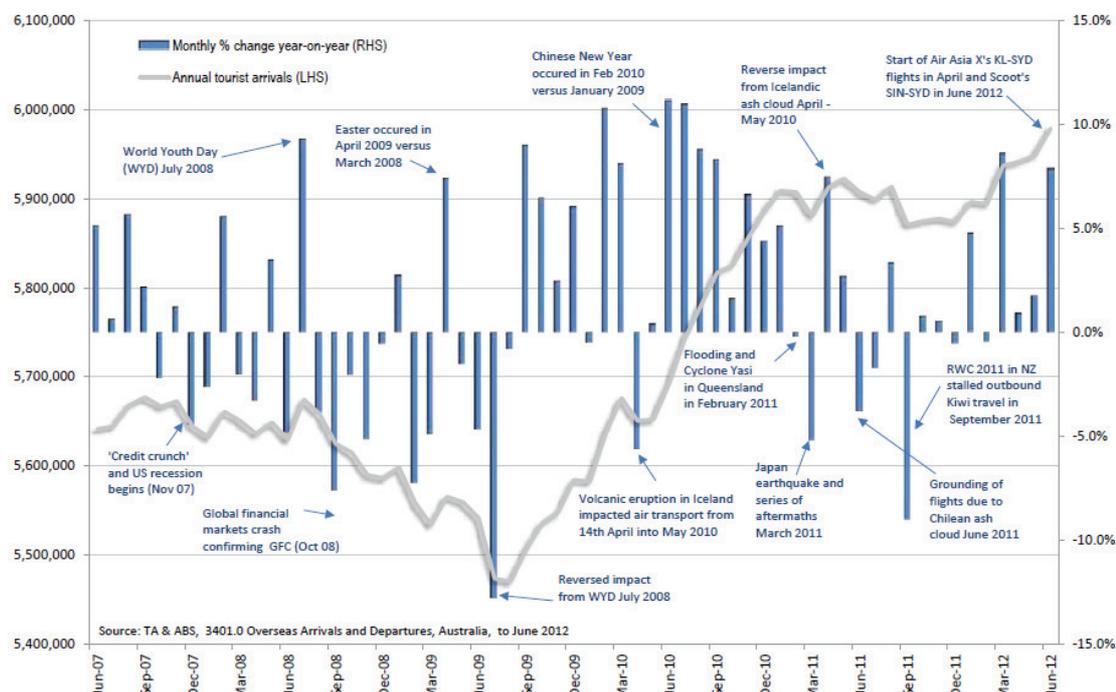
4.1. Industry Description

OCE operates in the tourism industry in Queensland providing accommodation and facilities and attractions for visitors. Tourism contributed approximately \$17.5 billion to the Queensland economy in FY12 and employs 5.4% of all employed people in the state. Tourism is the second largest source of export revenue for Queensland after coal.

4.2. Industry Performance and Outlook

An overview of the tourist arrivals to Australia is illustrated in the graph below:

Figure 4: Tourist arrivals to Australia (rolling annual) and monthly percentage change on the previous year



Source: Tourism Australia's Quarterly Market Update Issue 7 August 2012

According to the Australian Bureau of Statistics, total revenue from the Queensland tourist accommodation (hotels, motel and serviced apartments with 15 or more rooms) increased 6.4% to \$2.23 billion over FY12 from \$2.09 billion in FY11. The average room occupancy rate increased from 61.0% in the June 2011 quarter to 62.6% in the June 2012 quarter.

The Industry has recently experienced the following trends:

- The global financial crisis (GFC) was strongly felt in the tourism sector. Demand for hotel accommodation from both business and pleasure travellers in domestic and international markets weakened considerably. Weakness in developed economies is expected to continue in 2012, with the recovery in the US economy appearing to have slowed. The modest signs of an economic recovery throughout Europe have dissipated, with the UK experiencing a double dip recession. However, near-term fears of an escalation in European crises were alleviated with the election outcome in Greece and the announcements regarding recapitalisation of Spanish banks.
- The Queensland tourism industry has faced a number of challenges over the last decade as a result of the declining Japanese tourist market and recent natural disasters, such as the Queensland floods in early 2011 and Cyclone Yasi in February 2011.
- International visitation to Queensland decreased by 4% in FY12 to 1.95 million visitors due to the downturn in international holiday travel in key source markets such as Japan, UK and Europe. Additionally, the high Australian dollar makes the cost of a holiday in Australia relatively more expensive to foreign tourists and acts as a barrier to international tourism to Australia.
- Domestic visitation to Queensland increased by 10% in FY12 to 18.42 million visitors, largely attributed to the 22% growth in domestic tourists staying with friends or relatives in Queensland. As a result of weak consumer confidence, domestic tourists travelled close to home and stayed with friends or relatives.

- The persistently higher Australian dollar, discounted airfares and cheaper travel packages and room tariffs available through online booking made international travel more affordable to Australians at the expense of local tourism industry. Outbound trips by Australians in FY12 grew 8% year on year.
- On a positive note, it is expected that the expansion of low cost carriers such as Air Asia X and Scoot increase the supply of air transport capacity to Australia. The low fares will assist in improving price competitiveness and affordability to travel to Australia. Other international airlines that adds to the growing capacity to regional Australia includes QANTAS, China Eastern, China Southern and Etihad revealing plans to increase flights and/or launch flight services to Queensland.

The Queensland tourism industry is expected to perform modestly over the medium term, constrained by a shaky global and domestic economic environment. The Tourism Forecasting Committee predicts domestic tourism to Queensland will increase by an average of 1.1% p.a. between 2010/11 and 2015/16, with international visitation to Queensland to increase by 3.5% p.a. in 2012 and 4.4% p.a. by 2015-16.

5. VALUATION METHODOLOGY

5.1. Valuation requirements

As set out in **Section 2.2**, we formed our opinion in relation to fairness by comparing the fair market value of the Consideration to the fair market value of a Share. The Proposal would be fair if the Consideration is greater than or equal to the fair market value of a Share, including a premium for control.

Paragraph 64 of RG111 states that an expert should use its skill and judgment to select the most appropriate methodology or methodologies in its report. The expert must have a reasonable (or tenable) basis for choosing its valuation methodologies. Paragraph 69 of RG111 sets out the valuation methodologies that ASIC consider an expert should use in valuations for expert reports. This includes the net realisable asset method on the basis of an orderly realisation of assets as discussed below.

Details of common methodologies for valuing businesses and assets are included at **Appendix 3**.

Having considered the above, our view of the possible valuation approaches are set out in the ensuing paragraphs.

5.2. Methodology considered for the valuation of OCE

We have assessed the equity value of OCE using net realisable asset value (**NRV**) methodology determined on the basis of an orderly realisation of assets (as opposed to a going concern valuation).

We consider that for the purposes of this Report the NRV method on the basis of an orderly realisation of assets is appropriate for the following reasons:

- The NRV is relevant where a company is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding company, or where all its assets are liquid. It is also relevant to businesses which are being segmented and divested and to value assets that are surplus to the core operating business.
- OCE's hotel and resort operations (excluding Hides Hotel) generated a trading loss before tax for FY2012 of \$1.5 million and is expected to continue trading at a loss in FY13. We consider the trading value of OCE to be less than the NRV. We have performed a cross check at **Section 8.2**.

We have estimated the fair market value of a Share in these circumstances to include the following:

- an allowance for the reasonable costs of carrying out the sale of properties
- any discounts that might be required in order to liquidate the entire property portfolio within a reasonable time frame, as well as the time value of money, assuming OCE is wound up in an orderly manner
- on-going corporate costs required to operate the group up to end of winding up period
- any taxation charges.

The following assets and liabilities have been assessed on a stand-alone basis, and then aggregated to arrive at the equity value of OCE:

- the fair market value of Sunlover. We have assessed the equity value of Sunlover using a capitalisation of earnings (COE) method
- the fair market value of the hotel and resort operations including allowance for the reasonable costs of carrying out the sale of properties
- the fair market value of other assets and liabilities of OCE
- the net proceeds post 30 June 2012 from the sale of the Jungle Lodge and Cape Tribulation - Lot 1 properties
- capitalised overheads, costs associated with the Proposal and other capitalised payments.

To provide additional evidence of value, we have considered the most recent quoted market prices of listed OCE securities (share market trading method) as a secondary method. Furthermore, we have assessed the reasonableness of the primary valuation method for OCE with reference to implied EBIT multiples as a cross-check.

5.3. Valuation of Consideration

The fair market value of the Consideration is \$0.20 per Share using the face value around the date of this Report, due to the cash nature of the Consideration.

5.4. Valuation in Accordance with APES 225

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services, as issued by the Australian Professional and Ethical Standards Board.

6. VALUATION OF OCE

6.1. Overview

We have made the following assumptions in determining the equity interest in OCE:

- we have not estimated any movements in other assets and liabilities post 30 June 2012
- no material contingent liabilities exist as at the time of drafting this Report.

6.2. Valuation summary

Our assessment of the fair market value of OCE is set out below:

Table 9: Fair market value of OCE (control basis)

\$'000s unless stated otherwise	Ref.	Low	High
Fair market value of Sunlover	6.3	4,550	5,771
Fair market value of hotel and resort operations	6.4.2	10,971	11,606
Net proceeds from sale of Jungle Lodge	6.5	390	390
Net proceeds from Cape Tribulation - Lot 1	6.6	235	235
Book value of other assets and liabilities in OCE	6.7	(1,301)	(1,301)
Less: Capitalised corporate overheads	6.8	(1,350)	(1,350)
Less: Transaction costs	6.9	(110)	(110)
Equity value of OCE (control)	A	13,385	15,241
Number of ordinary shares on issue ('000s)	3.5, B	80,512	80,512
Equity value of OCE per Share (control)	A/B	0.17	0.19

Source: BDOCF analysis

Based on the above, we have estimated the fair market value of OCE to be between \$0.17 to \$0.19 per Share on a controlling interest basis

6.3. Fair market value of Sunlover

Our assessment of the fair market value of Sunlover is set out below:

Table 10: Fair market valuation of Sunlover

\$'000s unless stated otherwise	Ref.	Low	High
Normalised earnings	6.3.1	700	700
EBIT multiple on a control basis (times)	6.3.2	6.5x	7.5x
Enterprise value (control basis)		4,550	5,250
Add: Compensation on litigation	6.3.3	-	521
Enterprise value including surplus assets (control basis)		4,550	5,771
Less: Debt		-	-
Equity value (control basis)		4,550	5,771

Source: BDOCF analysis

6.3.1. Normalised historical earnings

Normalised earnings (NE) are the assessed level of earnings that in real terms can be expected to be derived by the existing operations of the business excluding any one off or accounting based profits or losses.

In our opinion, the appropriate earnings figure to adopt in valuing most businesses and companies is EBIT as it most accurately reflects the return generated by the business and ignores factors that may not be relevant to the actual earning capacity of the business. Sunlover is a capital intensive business, and depreciation is a significant cost. We have estimated the costs of depreciation using the medium term forecast capital expenditure (CAPEX). The actual Sunlover operating results for FY10, FY11 and FY12 as per the OCE management accounts as well as the budgeted figures for FY13 are presented below, in addition to our analysis of the normalised earnings of OCE.

Table 11: Normalised earnings of Sunlover

(\$'000s unless otherwise stated)	Ref.	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Budget
Operating Revenue		7,224	7,320	7,681	8,690
Cost of sales		(4,486)	(4,630)	(4,896)	(5,300)
Gross profit		2,739	2,690	2,785	3,391
Revenue from insurance	i	-	-	436	-
Administrative costs		(276)	(343)	(388)	(436)
Occupancy		(340)	(372)	(457)	(450)
Repairs and replacements		(384)	(605)	(452)	(441)
Depreciation and amortisation	ii	(429)	(441)	(373)	(650)
Write off unutilised asset		-	-	(152)	-
Other expenses		(16)	(22)	(79)	(18)
EBIT (Management Accounts)		1,294	908	1,319	1,396
Normalisation adjustments:					
Add/(Less):					
Revenue from insurance	i	-	-	(436)	-
Write off unutilised asset	iii	-	-	152	-
Management recharge	iv	251	272	317	385
Additional overheads required as a stand-alone entity	iv	(650)	(650)	(650)	(650)
Estimated net earnings loss from engine failure	v	-	-	401	-
Estimated earnings loss from lack of economies of scale	vi	(361)	(366)	(384)	(435)
Normalised Earnings		534	164	719	696
<i>Operating revenue growth %</i>		<i>n/a</i>	<i>1.3%</i>	<i>4.9%</i>	<i>13.1%</i>
<i>Gross profit margin %</i>		<i>37.9%</i>	<i>36.7%</i>	<i>36.3%</i>	<i>39.0%</i>
<i>Normalised EBIT growth %</i>		<i>n/a</i>	<i>(69.3)%</i>	<i>338.7%</i>	<i>(3.2)%</i>
<i>Normalised EBIT margin %</i>		<i>7.4%</i>	<i>2.2%</i>	<i>9.4%</i>	<i>8.0%</i>

Source: Management; BDOCF analysis

The above normalisation adjustments include the following:

- i. We have adjusted the revenue from insurance as it was a one-off cash payment relating to the replacement of an engine in one of Sunlover's vessels, as detailed in **Section 3.4.2**.

- ii. Management has advised that Sunlover is likely to incur additional CAPEX over the next five years of approximately \$0.65 million p.a. We have taken the medium term projection as an estimate of depreciation to be incurred.
- iii. The write off of the unutilised asset relates to the remaining book value of an engine replaced during the year. We have included this amount as CAPEX has already been considered above.
- iv. Management have advised that Sunlover currently pays management fees to OCE for its allocation of head office expenses incurred each period. However, if Sunlover is to be considered as a stand-alone entity (post the sale of accommodation assets) it is estimated that these overheads would increase to approximately \$0.65 million p.a. to cover additional staff and rental expenses that would be incurred. As such, we have adjusted the earnings to exclude the management recharge previously allocated to Sunlover and include the estimated stand-alone overhead costs.
- v. OCE experienced a loss in earnings from the turbo engine failure as detailed in **Section 3.4.2**. Management estimate a revenue loss of \$0.2 million as a result of the vessel not being in operation for a week during the school holidays, and \$0.3 million due to weaker than normal operations in months that followed due to the damage to Sunlovers's reputation in the local market. NE is adjusted to include the revenue lost.

However, the loss experienced during the week of school holidays was mitigated by expenses not incurred during this period. As such, we have adjusted the additional revenue during that period by Sunlover's gross profit margin of 40%.

- vi. Management advise that a stand-alone Sunlover would lose up to 10% of its revenue associated with cross-selling synergies and economies of scale in their operations. We have taken a conservative estimate of a 5% reduction in revenue relating to the loss of benefits achieved through operated in a larger group. We note that Sunlover incurs a high level of fixed costs, and a 5% reduction in revenue would have an immaterial reduction in costs. As such, we have adjusted the NE due to loss of economies of scale by 5% of revenue.

After considering the normalised historical and budgeted earnings, we have assessed the NE to be \$0.70 million.

6.3.2. Capitalisation multiple

The appropriate earnings multiple is usually assessed by collecting market evidence with respect to the earnings multiples of companies with operations that are comparable to those of the entity being valued or companies that have been acquired that are considered comparable to the entity being valued. Our analysis was performed based on data available as at the latest practicable date prior to the issue of this Report.

In selecting our multiple range, we have considered:

- earnings multiples derived from share market prices of broadly comparable listed companies
- transaction multiples observed in mergers and acquisitions of comparable companies.

A description of the companies considered comparable to Sunlover are set out in **Appendix 4**, with an analysis of the earnings multiples of the identified companies set out in **Appendix 5**.

We note that due to the specific operations of OCE as a tourism owner and operator in Queensland, no transactions were considered to be suitably comparable. However, we have identified several companies as broadly comparable to consider a trading multiples range. Based on our analysis, we have determined an EBIT multiple range applicable to Sunlover of 6.5x to 7.5x on a control basis.

6.3.3. Compensation on litigation

As detailed in **Section 3.4.2**, OCE has initiated litigation against the contractor responsible for the installation of a turbo engine that failed during FY12. Management has advised that the compensation expected to be paid in full is approximately \$0.5 million if the litigation is successful and \$nil if unsuccessful.

6.4. Fair market value of hotel and resort operations

We have reviewed OCE's audited accounts as at 30 June 2012. The main component of OCE's net assets as at 30 June 2012 was its interests in five investment properties. These properties are directly held by the subsidiaries of OCE.

BDO has reviewed the valuations undertaken by the independent valuers to verify whether there are any issues or anomalies that would materially impact the values of these assets disclosed in the balance sheet. Our review included a general assessment of the methodologies and key underlying assumptions adopted in each of the valuations. In our review, we considered the following (where applicable):

- date of valuation, property valuation amount and book value
- local market / geographical conditions
- occupancy rates
- yields, discount rates and capitalisation rates.

In relation to our review, we note the following:

- All properties have been valued between July 2012 and October 2012, which represents the latest valuation information available.
- All valuations adopted by OCE were undertaken on a "going concern" or "as is" basis as per the valuation reports. The valuation methodologies applied in the valuations appear to be appropriate and consistent with market practice.
- The external property valuers who prepared the independent valuations are from reputable and well established organisations. They are independent from OCE and do not have any interests in the properties based on the pecuniary interest disclosures in the valuation reports.
- The external valuations have been undertaken by direct comparison to comparable sales or by capitalisation of net profits, as directed between **Section 6.4.3** and **Section 6.4.7**. All properties have been valued in accordance with the Practice Standards of the Australian Property Institute's Standard for Commercial Valuations.

6.4.1. Adjustments to fair market value of hotel and resort operations

In order to assess the fair market value of OCE's hotel and resort operations using the NRV method under an orderly realisation of assets, we have considered the following factors:

- i. An allowance for the reasonable costs of carrying out the sale of properties

We have estimated agent selling fees to be 3%, management incentive fees of 2% and legal and marketing fees of \$50,000 for each property in accordance with on Management's estimate of completed recent sales. It has been represented to BDOCF that the management incentive fees are to be provided to the management of individual properties to keep them incentivised to remain with OCE during the sale process.

- ii. Discounts required in order to liquidate the property portfolio within a reasonable time frame.

As discussed in **Section 4.2**, the Queensland tourism industry is still recovering from the effects of the GFC, currently depressed international and domestic economies and the natural disasters of 2011. There has been a lack of asset sales in this sector with many resorts closing prior to sales being achieved. We note that the independent property valuers have considered recent sales as in their valuations as a comparison. However, this methodology does not consider properties that have failed to sell, which if included would have the effect of lowering the value of sampled properties.

As such, a discount may be required to sell properties in a reasonable time period. The discount also includes the time value of money impact from a slow sales process.

Factors considered are largely inclusive of:

- Timing, as an orderly realisation of these assets is expected to take up to 18 months
- Negative market sentiment and uncertain global economic performance having an adverse impact on property valuations. Despite the increase in capitalisation rates post GFC, concerns remain that property valuations may be overstated, as shown by many listed A-REITs trading at a discount to their NTA.

Data from the Australian real estate investment trust (**A-REIT**) sector indicates that for those entities that are not subject to a level of financial distress and own quality assets, the discount to net tangible assets (**NTA**) being applied by the market is approximately 5% to 15%. However, smaller entities that own lower quality grade or less attractive property assets may experience a higher discount. We have determined the discount rate applicable to OCE's hotel and resort operations assets at 20%.

iii. Any taxation charges

Management have advised that there would not be any capital gains tax (**CGT**) implications if the properties in **Section 6.4.2** were to be sold.

6.4.2. Fair market value of hotel and resort operations assets

Our assessment of the hotel and resort operations is set out below:

Table 12: Fair market value of Hotel and Resort Operations

\$'000s unless stated otherwise	Ref.	Low	High
Long Island Resort	6.4.3	4,966	4,966
Hides Hotel	6.4.4	2,230	2,230
CCAB	6.4.5	2,990	2,990
Ferntree Lodge	6.4.6	265	900
Cape Tribulation Resort	6.4.7	520	520
Fair market value of Hotel and Resort Operations		10,971	11,606

Source: BDOCF analysis

6.4.3. Fair market value of Long Island Resort

The market value of the Long Island Resort was assessed as \$6.6 million as at 26 July 2012 by Herron Todd White (HTW). HTW noted that valuation of island resorts by capitalisation of net profits is precluded due to difficult trading conditions such as the historically low occupancy rates and marginal profitability (or losses). The primary basis of valuation was by direct comparison to similar and recent transactions. HTW valued Long Island Resort at a rate of \$40,000 per resort room and \$15,000 per backpacker room.

Table 13: Fair market value of Long Island Resort

\$'000s	Low	High
Independent market valuation	6,600	6,600
Discount to NTA	(1,320)	(1,320)
Management incentive fee	(106)	(106)
Agent fee	(158)	(158)
Legal fees and other transaction costs	(50)	(50)
Fair market value of Long Island Resort	4,966	4,966

Source: BDOCF analysis, HTW valuation

6.4.4. Fair market value of Hides Hotel

The market value of the Hides Hotel was assessed as \$3.0 million as at 23 October 2012 by Taylor Byrne. Taylor Byrne valued the property using the capitalisation of projected net income approach as the primary method, and a direct comparison on a rate per room basis as a secondary method. A capitalisation rate of 13.5% and a rate per room of \$30,000 were adopted in their valuation.

Table 14: Fair market value of Hides Hotel

\$'000s	Low	High
Independent market valuation	3,000	3,000
Discount to NTA	(600)	(600)
Management incentive fee	(48)	(48)
Agent fee	(72)	(72)
Legal fees and other transaction costs	(50)	(50)
Fair market value of Hides Hotel	2,230	2,230

Source: BDOCF analysis, HTW valuation

6.4.5. Fair market value of CCAB

The market value of CCAB was assessed as \$4.0 million as at 22 October 2012 by HTW. HTW valued the property using the capitalisation of projected net income approach as the primary method, and a direct comparison on a rate per room basis as a secondary method. A capitalisation rate of 11.0% and a rate per room of \$25,000 were adopted in their valuation.

Table 15: Fair market value of CCAB

\$'000s	Low	High
Independent market valuation	4,000	4,000
Discount to NTA	(800)	(800)
Management incentive fee	(64)	(64)
Agent fee	(96)	(96)
Legal fees and other transaction costs	(50)	(50)
Fair market value of CCAB	2,990	2,990

Source: BDOCF analysis, HTW valuation

6.4.6. Fair market value of Ferntree Lodge

HTW assessed the market value of Ferntree Lodge at \$1.3 million as at 8 August 2012. The primary basis of valuation was by direct comparison to similar and recent transactions. In addition, the Queensland Department of Environment and Resource Management (QDERM) assessed the market value of Ferntree Lodge at \$0.4 million as at 13 June 2012 for the purposes of local government rating and state land tax from 30 June 2012. We note that Ferntree Lodge will cease operating from 30 November 2012. As such, we have considered both the land and operating value of the property in our assessment of Ferntree Lodge.

Table 16: Fair market value of Ferntree Lodge

\$'000s	Low	High
Independent market valuation	415	1,250
Discount to NTA	(83)	(250)
Management incentive fee	(7)	(20)
Agent fee	(10)	(30)
Legal fees and other transaction costs	(50)	(50)
Fair market value of Ferntree Lodge	265	900

Source: BDOCF analysis, HTW valuation, QDERM valuation

6.4.7. Fair market value of Cape Tribulation Resort

The market value of the Cape Tribulation Resort was assessed as \$0.8 million as at 8 August 2012 by HTW. HTW adopted the direct comparison approach to similar and recent transactions as their valuation methodology.

Table 17: Fair market value of Cape Tribulation Resort

\$'000s	Low	High
Independent market valuation	750	750
Discount to NTA	(150)	(150)
Management incentive fee	(12)	(12)
Agent fee	(18)	(18)
Legal fees and other transaction costs	(50)	(50)
Fair market value of Cape Tribulation Resort	520	520

Source: BDOCF analysis, HTW valuation

6.5. Net proceeds from sale of Jungle Lodge

The sale of the Jungle Lodge camping grounds was settled on 9 October 2012 for \$415,000, with net proceeds of \$390,000. We have assessed the value of these proceeds at face value due to their cash nature.

6.6. Net proceeds from Cape Tribulation - Lot 1

The sale of the Cape Tribulation - Lot 1 property was settled on 3 October 2012 for \$250,000, with net proceeds of \$235,000. We have assessed the value of these proceeds at face value due to their cash nature.

6.7. Book value of other assets and liabilities in OCE

We have relied on the audited financial position of OCE as at 30 June 2012 to determine the fair market values of all other assets and liabilities (not accounted in the other sections) as noted below:

Table 18: Statement of financial position of OCE as at 30 June 2012

\$'000s unless stated otherwise	30 Jun 2012 (Audited)
Cash and cash equivalents	187
Trade and other receivables	926
Inventory	186
Other current assets	400
Total assets	1,699
Trade and other payables	2,704
Provisions	296
Total liabilities	3,000
Total other assets and liabilities	(1,301)

Source: Management

- We have excluded the book value of property, plant and equipment and assets held for sale as these assets have been considered in **Section 6.3** and **Section 6.4**. We have determined that any residual plant and equipment relating to the head office would not have a material value.
- Deferred tax assets have been excluded as they would not be realisable under an orderly realisation of assets valuation.

6.8. Capitalised corporate overheads

The corporate costs of OCE are not included in the fair market value of the Company’s individual assets. In assessing the value of OCE on an orderly realisation basis, an appropriate capitalised allowance for corporate overheads has been determined. These costs include, but are not limited to:

- compliance costs such as reporting and taxation costs
- professional and consultant fees
- insurance and travel
- rental
- salaries and wages of administration staff
- directors fees.

Based on our review of the income statement and discussions with Management, we have assessed the required ongoing corporate overheads to be approximately \$0.9 million on an annualised basis (pre-tax). Management has advised that an orderly realisation process would take approximately 18 months. As such, we have assessed a multiple of 1.5x to be appropriate in capitalising the corporate costs. A summary of our analysis is tabled below:

Table 19: Capitalised corporate overheads

	\$'000s
Corporate overheads	900
Capitalised rates (times)	1.5x
Capitalised corporate overheads	1,350

Source: BDOCF analysis

6.9. Transaction costs

Management have advised that the Company will incur costs associated with the Proposal of approximately \$0.1 million (excluding GST). These costs relate to legal fees, consultancy fees, property valuation fees and fees associated with the preparation of this Report.

These costs will be incurred by OCE regardless of whether the Proposal is approved. As such, we have considered an adjustment for the amount of \$0.1 million (excluding GST) to reflect these costs.

7. ASX TRADING

7.1. Recent ASX trading in OCE Shares

As a secondary valuation method, we have also considered the ASX quoted market price for Shares. The ASX quoted market price reflects a minority interest price for Shares.

As noted in Section 3.6, OCE was suspended from trading on the ASX on 1 October 2012. As such, the table below summarises trades over the year up until the last trading day before the suspension of trading on 1 October 2012, being 28 September 2012:

Table 20: Share trading activity over the year to 28 September 2012

	High (\$)	Low (\$)	VWAP (\$)	Total Volume Traded ('000s)	Annualised Turnover (Note 1) (%)	Average Bid/Ask Spread (%)
As at 28 September 2012 (Note 2)	n/a	n/a	n/a	n/a	n/a	n/a
As at 24 September 2012 (Note 3)	0.140	0.140	0.140	26,900	8.5%	50.0%
1 month to 28 September 2012	0.150	0.140	0.141	29,050	0.8%	50.0%
3 months to 28 September 2012	0.165	0.140	0.146	59,769	0.3%	26.9%
6 months to 28 September 2012	0.180	0.140	0.169	192,400	0.5%	24.9%
12 months to 28 September 2012	0.180	0.140	0.159	755,665	0.9%	24.5%

Sources: Bloomberg; BDOCF analysis

Note 1: Annualised turnover is calculated as period turnover divided by trading days in the period, multiplied by trading days in the year.

Note 2: OCE was suspended from quotation on the ASX on 1 October 2012. The last trading day before the suspension from quotation was 28 September 2012.

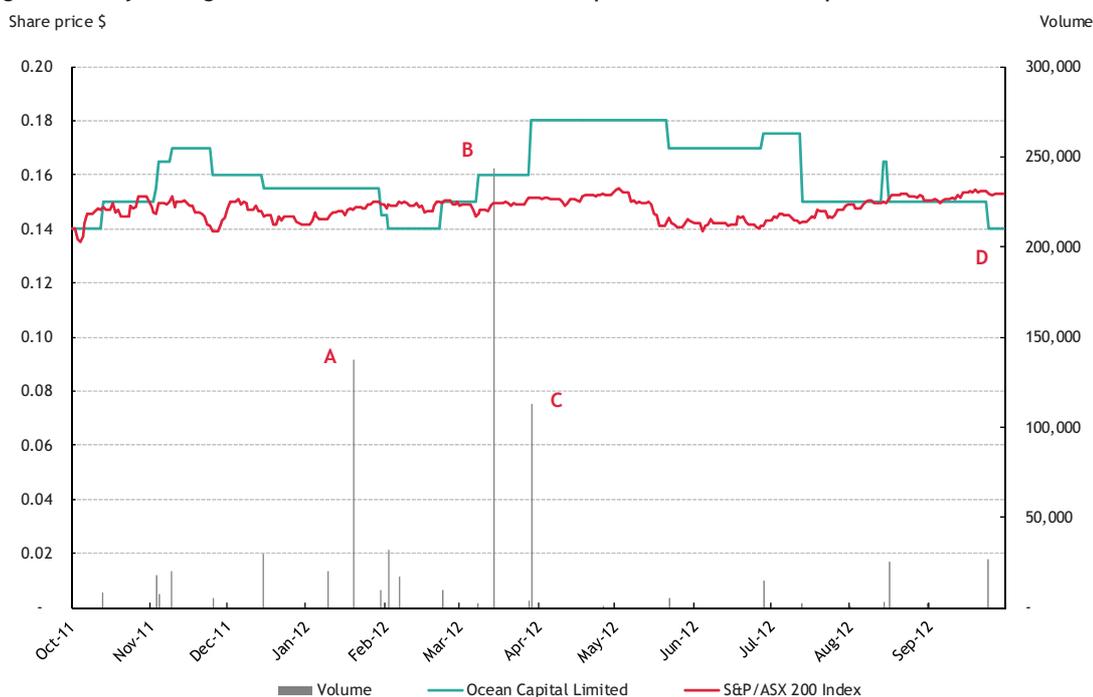
Note 3: 24 September 2012 was the last day OCE traded on the ASX

We note the following with respect to Shares during the 12 months up to 28 September 2012:

- OCE did not trade on 28 September 2012. The last closing price in the period was \$0.140 per share on 24 September 2012.
- Shares traded between \$0.140 per share and \$0.180 per share over the trading period.
- On three separate days over the period analysed, the daily volume traded was greater than 100,000 Shares. These spikes in volume are charted above. Whilst on some days announcements to the ASX were made that provide possible reasons for the unusual trading activity, reasons for the unusual trading activity are not always traceable to any particular event(s).
- VWAP prices are observed to be generally on a downward trend.
- There is minimal trading volume over the period, as the total traded volume of Shares over the 12 months to 28 September 2012 was approximately 0.9% of the total weighted average number of Shares on issue over the period.
- Over the year analysed, there were 25 days of trading activity out of a total of 254 trading days.
- The average bid-ask spread over each period ranged from 24.9% to 50.0%, which indicates a very low level of liquidity.

Figure 5 shows OCE's daily close price and the volume of Shares traded each day over the period from 29 September 2011 to 28 September 2012 inclusive.

Figure 5 : Daily Closing Share Prices and Volumes from 29 September 2011 to 28 September 2012



Source: Bloomberg; BDOCF analysis

OCE outperformed the S&P/ASX 200 Index at times over the trading period. However, OCE finished the 12 months to 28 September 2012 flat as compared to the S&P/ASX 200 Index which closed 9.4% higher over the trading period. Periods of relatively high traded volume are detailed below:

Table 21: OCE ASX Announcements

Note	Date	Announcement Details	Prior Day Closing Share Price	Closing Share Price	% Movement
A	19 Jan 12	No ASX announcement attributable	0.160	0.160	0.0%
B	14 Mar 12	No ASX announcement attributable	0.160	0.160	0.0%
C	29 Mar 12	No ASX announcement attributable	0.160	0.18	12.5%

Source: ASX

Therefore, given the low volume in trading activity of the Shares, the low number of days the Shares were traded in the period, and the high bid-ask spread we consider OCE to be illiquid. As such, the trading activity up until 28 September 2012 does not provide support of the fair market value of OCE per Share on a minority basis.

7.2. Premium for control of OCE

We note that the ASX trading value constitutes a minority value. As such, we have included a premium for control of 25% to the minority traded price of OCE. When valuing a controlling interest, an appropriate allowance should be made for a premium for control. Empirical evidence on premiums for control indicate that these premiums tend to range between 20% to 45%. We have applied a premium for control of 25% to OCE considering the following:

- Empirical evidence as described above.
- The strategic benefit that a controlling interest in OCE would provide a hypothetical willing purchaser, including the ability to cross-sell between operations and greater economies of scale.
- The mature stage of OCE's business life cycle and the market in general.
- Generally accepted market practices.

We have considered the high and low price of a Share trading on the ASX over the three months to 28 September 2012 as the ASX trading value range on a minority basis, including a premium for control of 25%. We have assessed the value range of a Share using recent ASX trading activity with a premium for control between \$0.18 and \$0.21 per Share. However, for the reasons outlined in **Section 7.1** we consider that the ASX trading activity does not provide support of the fair market value of OCE per Share. As such, we have only used the ASX price as a guide as to the value of a Share.

8. ASSESSED VALUE OF OCE

8.1. Comparison of assessed value of OCE

We have considered the fair market value of a Share under the NRV methodology determined on the basis of an orderly realisation of assets. We have also considered the recent ASX trading activity for a Share. Our assessed values under the two methodologies are summarised below.

Table 22: Fair market value of a Share (controlling basis)

	Ref.	Low \$	High \$
NRV	6.2	0.17	0.19
ASX (including a premium for control)	7.2	0.18	0.21
Preferred valuation methodology (NRV)		0.17	0.19

Source: *BDOCF Analysis*

Based on the above we note that our assessed value range of a Share is \$0.17 to \$0.19 using the NRV methodology, whereas the value range of a Share using recent ASX trading activity with a premium for control is higher at \$0.18 to \$0.21. However, due to the illiquidity of trading in OCE our preferred valuation methodology is NRV. As such, our assessed value of a Share is \$0.17 to \$0.19.

8.2. Secondary cross-check

As detailed above, our assessed value range of a Share is \$0.17 to \$0.19 using NRV as our preferred valuation range. Furthermore, we have assessed the reasonableness of the primary valuation method for OCE with reference to implied EBIT multiples as a cross-check.

Table 23: Implied multiple cross-check

\$'000s unless stated otherwise	Ref.	Low	High
Enterprise value of OCE (control)	6.2	13,385	15,241
FY13 forecast EBIT	3.4.2	1,028	1,028
Implied EBIT multiple (times)		13.0x	14.8x

Source: *BDOCF Analysis*

The implied FY13 EBIT multiple range of 13.0 to 14.8 is higher than the multiple range we would expect for OCE's business. Therefore we consider the NRV valuation to be a reasonable methodology to assess the value of Shares.

9. FAIRNESS ASSESSMENT

9.1. Fairness assessment

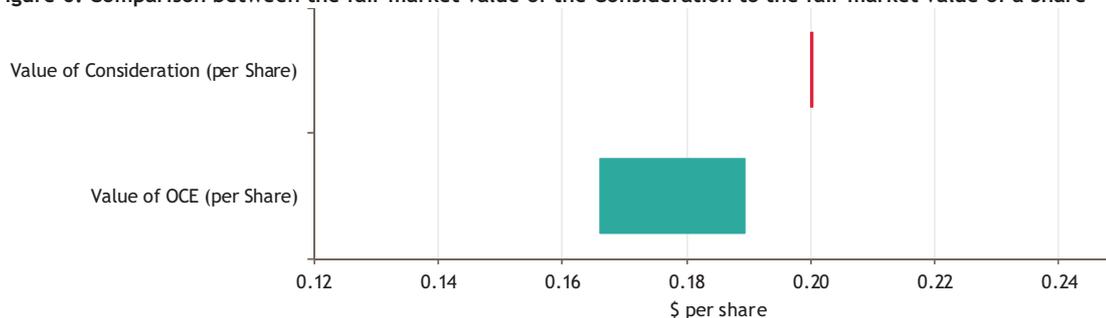
In order to determine whether the Proposal is "fair", we compared the fair market value of the Consideration to the fair market value of a Share in OCE. The result of our fairness analysis is summarised below.

Table 24: Fairness assessment

\$'000s unless stated otherwise	Ref.	Low	High
Consideration	5.3	0.20	0.20
Fair market value of a Share	6.2	0.17	0.19

Source: BDOCF Analysis

Figure 6: Comparison between the fair market value of the Consideration to the fair market value of a Share



Source: BDOCF analysis

As illustrated above, the Consideration of \$0.20 is greater than the assessed value range of a Share of \$0.17 to \$0.19, including a premium for control. Accordingly, the Proposal is "fair" to the Shareholders as a whole and to the Non-associated Shareholders.

10. REASONABLENESS ASSESSMENT

RG 111 provides that a proposal is considered to be "reasonable", if it is "fair". On this basis, as we have concluded that the Proposal is "fair", it is also considered to be "reasonable" under RG 111.

Nevertheless, we have also considered various factors that we believe Shareholders should consider when deciding whether or not to approve the Proposal. Set out below is a summary of our assessment of the various factors.

10.1. Advantages of accepting the Proposal

10.1.1. Consideration at a premium to last traded price

The Proposal contemplates payment of the Consideration of \$0.20 per Share. This represents a \$0.06 premium (43%) to OCE's last traded price of \$0.14 per Share on 24 September 2012, being the latest observation prior to the issue of this Report.

10.1.2. Opportunity to exit a company with relatively low liquidity

By accepting the Proposal, Shareholders will receive cash of \$0.20 per Share and exit their investment in OCE. This will provide them with the opportunity to invest in similar assets with higher liquidity. As discussed in **Section 7.1**, we observed that only 0.9% of all outstanding Shares were traded in the 12 months to 28 September 2012. There is a risk that limited opportunities exist for Shareholders to exit and realise their investment in OCE if they do not accept this Proposal.

10.1.3. Opportunity to exit a company exposed to the risks of the Queensland tourism industry

OCE continues to experience difficult market conditions in the Queensland tourism industry as detailed in **Section 4.2**. The Proposal enables the Non-associated Shareholders to immediately realise their investment in OCE and reallocate the Consideration towards alternative investments.

10.1.4. Cash provides certainty over timing and consideration for Shares

By accepting the Proposal, Shareholders gain the benefit of a fixed price for their sale of Shares through 100% cash consideration. Further, by accepting the Proposal, Shareholders will not be subject to additional brokerage fees that would otherwise be payable if selling Shares on the ASX.

10.1.5. Alternate offer unlikely

Given that the Continuing Shareholders currently control 77.9% of OCE, it is highly unlikely that an alternate offer would be made for OCE except through a transaction supported by the Continuing Shareholders. Accordingly, in the absence of accepting the Proposal, there are limited alternative opportunities through which Shareholders will be able to realise a premium to the trading value of their Shares.

10.1.6. Opportunity to exit a non-dividend paying company

OCE has not paid dividends to its Shareholders since 29 December 2010 and Management has advised that it is unlikely to pay any dividends in the near term. The Proposal provides an opportunity to Shareholders to reinvest in dividend paying shares and capitalise on higher yield potential.

10.2. Disadvantages of accepting the Proposal

10.2.1. Shareholders will forego any upside that may occur in the value of the Queensland tourism assets

By accepting the Proposal, Shareholders will be exiting a company that may experience upside in its share price if the Queensland tourism industry recovers from the events identified in **Section 4.2**.

10.2.2. Ability to consider other offers in the future

If Shareholders accept the Proposal, they will not be able to consider any superior offer that may arise in the future.

10.2.3. Shareholders will forego the benefit of DTAs within OCE

OCE had \$2.3 million in DTAs as at 30 June 2012, as per **Section 3.4.3**. If OCE continues to trade, the Company may be able to realise the value of these DTAs. As we have valued OCE on a NRV basis, the DTAs have not been reflected in the valuation of a Share. If Shareholders accept the Proposal, they will not be able to access the benefit of DTAs which may become available to OCE.

10.2.4. Taxation issues

If Shareholders accept the Proposal then they will receive \$0.20 per Share. This may give rise to a CGT event and therefore accelerate a tax liability for certain Shareholders, depending on the tax cost base of their investment.

10.3. Other factors

10.3.1. Implications of rejecting the Proposal

Regardless of whether the Proposal is implemented or not, OCE is likely to be removed from the official list of the ASX. OCE will not be subject to ASX listing rules and any sale of Shares will need to be undertaken off-market.

10.3.2. Transaction costs

OCE will incur approximately \$0.1 million in transaction costs whether the Proposal is approved or rejected.

11. QUALIFICATIONS, DECLARATIONS AND CONSENTS

11.1. Qualifications

BDOCF is the licensed corporate finance arm of BDO East Coast Practice, Chartered Accountants and Business Advisers. BDOCF provides advice in relation to all aspects of valuations and has extensive experience in the valuation of corporate entities and provision of expert's reports.

Mr David McCourt, BBus, CA, is a director of BDOCF. Mr McCourt is also a partner of BDO East Coast Practice.

Mr McCourt is the director responsible for the preparation of this IER. Mr McCourt has over 14 years experience in a number of specialist corporate advisory activities including company valuations, financial modelling, preparation and review of business feasibility studies, accounting, advising on mergers and acquisitions and advising on independent expert reports. Accordingly, Mr McCourt is considered to have the appropriate experience and professional qualifications to provide the advice offered.

Mr Sebastian Stevens, BBus, CPA and ACA, is a director of BDOCF. Mr Stevens is also a partner of BDO East Coast Practice. Mr Stevens has been responsible for the review of this IER.

Mr Stevens has over 20 years experience all aspects of corporate advisory including mergers and acquisitions, valuations and transaction advisory services. He also has significant experience in providing international and cross-border services including international coordination of assignments. Accordingly, Mr Stevens is considered to have the appropriate experience and professional qualifications to provide the advice offered.

11.2. Independence

We are not aware of any matter or circumstance that would preclude us from preparing this IER on the grounds of independence either under regulatory or professional requirements. In particular, we have had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

We consider ourselves to be independent in terms of RG 112 Independence of experts, issued by ASIC. Neither BDOCF, nor its owner practice, BDO East Coast Partnership, has acted in any capacity for OCE with regard to any matter in the past.

BDOCF was not involved in advising on, negotiating, setting, or otherwise acting in any capacity for OCE in relation to the Proposal. Further, BDOCF has not held and, at the date of this IER, does not hold any shareholding in, or other relationship with OCE that could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposal.

BDOCF will receive a fee of up to \$35,000, plus Goods and Services Tax for the preparation of this IER. BDOCF will not receive any fee contingent upon the outcome of the Proposal, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Proposal.

One draft of this IER was provided to the Directors and their advisors for review of factual accuracy. Certain changes were made to the IER as a result of the circulation of the draft IERs. However, no changes were made to the methodology, conclusions, or recommendations made to the Shareholders as a result of issuing the draft IERs.



11.3. Disclaimer

This IER has been prepared at the request of the Directors and was not prepared for any purpose other than that stated in this IER. This IER has been prepared for the sole benefit of the Directors and Shareholders. Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and Shareholders without our written consent. We accept no responsibility to any person other than the Directors and Shareholders in relation to this IER.

The statements and opinions contained in this IER are given in good faith and are based upon our consideration and assessment of information provided by the Directors, executives and Management of all the entities.

APPENDIX 1 : GLOSSARY

Term	Definition
<i>Act</i>	The Corporations Act 2001 (Cth)
<i>A-REIT</i>	Australian real estate investment trust
<i>ASIC</i>	Australian Securities and Investments Commission
<i>ASX</i>	Australian Securities Exchange
<i>BDO</i>	BDO (East Coast Practice), Chartered Accountants and Business Advisers
<i>BDOCF, we or us</i>	BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170)
<i>CAPEX</i>	Capital expenditure
<i>CCAB</i>	Club Crocodile Airlie Beach
<i>CGT</i>	Capital gains tax
<i>COE</i>	Capitalisation of earnings methodology
<i>Consideration</i>	Consideration of \$0.20 per Share
<i>Continuing Shareholders</i>	Shareholders associated with the Proposal, being Sun-2 Pty Ltd, K Capital Pty Ltd and Charles Kingston
<i>DCF</i>	Discounted cash flow
<i>Directors</i>	Directors of OCE
<i>Documents</i>	The shareholder booklet and notices of Meetings
<i>DTA</i>	Deferred tax asset
<i>EBIT</i>	Earnings before interest and taxation
<i>EBITDA</i>	Earnings before interest, taxation, depreciation and amortisation
<i>FOS</i>	Financial Ombudsman Service Limited
<i>FSG</i>	Financial Services Guide
<i>FYxx</i>	Financial year ended 30 June 20xx
<i>GFC</i>	Global financial crisis
<i>HTW</i>	Herron Todd White
<i>Jungle Lodge</i>	Jungle Lodge camping grounds
<i>Licence</i>	Australian Financial Services Licence (No. 247420)
<i>Macro</i>	Macro Corp Ltd
<i>Management</i>	Management of OCE
<i>Meetings</i>	The annual general meeting, general meeting and special meeting
<i>NE</i>	Normalised earnings
<i>Non-associated Shareholders</i>	The Shareholders of OCE other than the Continuing Shareholders
<i>NPBT</i>	Net profit before tax
<i>NPV</i>	Net present value
<i>NRV</i>	Net realisable asset value methodology
<i>NTA</i>	Net tangible assets
<i>OCE or the Company</i>	Ocean Capital Limited
<i>p.a.</i>	Per annum
<i>Proposal</i>	Proposed selective capital reduction
<i>QDERM</i>	Queensland Department of Environment and Resource Management
<i>Report or IER</i>	Independent expert's report
<i>RG 111</i>	ASIC Regulatory Guide 111: Content of expert reports
<i>RG 112</i>	ASIC Regulatory Guide 112: Independence of experts
<i>Share</i>	Ordinary share in OCE
<i>Shareholders</i>	Shareholders of OCE
<i>Sunlover</i>	Sunlover Reef Cruises
<i>VWAP</i>	Volume weighted average unit price

Source: BDOCF

APPENDIX 2: SOURCES OF INFORMATION

In preparing this IER, we had access to and relied upon the following principal sources of information:

- Final draft shareholder booklet
- OCE unaudited management accounts for FY12 and Sunlover unaudited management accounts for FY12
- Valuation reports in relation to:
 - Long Island Resort prepared by HTW as at 26 July 2012
 - Hides Hotel prepared by Taylor Byrne as at 23 October 2012
 - CCAB prepared by HTW as at 22 October 2012
 - Ferntree Lodge prepared by QDERM as at 13 June 2012
 - Ferntree Lodge prepared by HTW as at 8 August 2012
 - Cape Tribulation Resort prepared by HTW as at 8 August 2012
- Public announcements in relation to the Proposal
- Annual reports, half yearly reports, and ASX market releases for OCE
- OCE corporate structure and details of Shareholders' register as at 31 October 2012
- Various discussions with the Directors and Management of OCE
- ASIC guidance notes and regulatory guides as applicable
- Information sourced from Bloomberg, Capital IQ and Connect4
- Other generally available public information.

APPENDIX 3 : VALUATION METHODS - BUSINESSES AND ASSETS

In conducting our assessment of the fair market value of Shares the following commonly used business valuation methods have been considered:

Discounted Cash Flow Method

The discounted cash flow (DCF) method is based on the premise that the value of a business or any asset is represented by the present value of its future cash flows. It requires two essential elements:

- the forecast of future cash flows of the business asset for a number of years (usually five to 10 years); and
- the discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value (NPV).

DCF is appropriate where:

- the businesses' earnings are capable of being forecast for a reasonable period (preferably 5 to 10 years) with reasonable accuracy
- earnings or cash flows are expected to fluctuate significantly from year to year
- the business or asset has a finite life
- the business is in a 'start up' or in early stages of development
- the business has irregular capital expenditure requirements
- the business involves infrastructure projects with major capital expenditure requirements
- the business is currently making losses but is expected to recover.

Capitalisation of Earnings Method

This method involves the capitalisation of normalised earnings by an appropriate multiple. Normalised earnings are the assessed sustainable profits that can be derived by the vendor's business and excludes any one off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples of comparable companies.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

Net Realisable Value of Assets

Asset based valuations involve the determination of the fair market value of a business based on the net realisable value of the assets used in the business.

Valuation of net realisable assets involves:

- separating the business or entity into components which can be readily sold, such as individual business Shares or collection of individual items of plant and equipment and other net assets; and
- ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The net realisable value of the assets can be determined on the basis of:

- *orderly realisation*: this method estimates fair market value by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the Proposal of assets, taxation charges and the time value of money assuming the business is wound up in an orderly manner. This is not a valuation on the basis of a forced Proposal where the assets might be sold at values materially different from their fair market value;

- *liquidation*: this is a valuation on the basis of a forced Proposal where the assets might be sold at values materially different from their fair market value; or
- *going concern*: the net assets on a going concern basis estimates the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the valuation of an investment or property holding company. Adjustments may need to be made to the book value of assets and liabilities to reflect their going concern value.

The net realisable value of a trading company's assets will generally provide the lowest possible value for the business. The difference between the value of the company's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The net realisable value of assets is relevant where a company is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding company, or where all its assets are liquid. It is also relevant to businesses which are being segmented and divested and to value assets that are surplus to the core operating business. The net realisable assets methodology is also used as a check for the value derived using other methods.

These approaches ignore the possibility that the company's value could exceed the realisable value of its assets.

Share Market Trading History

The application of the price that a company's shares trade on the ASX is an appropriate basis for valuation where:

- the shares trade in an efficient market place where 'willing' buyers and sellers readily trade the company's shares; and
- the market for the company's shares is active and liquid.

Constant Growth Dividend Discount Model

The dividend discount model works best for:

- firms with stable growth rates;
- firms which pay out dividends that are high and approximate free cash flow to equity;
- firms with stable leverage; and
- firms where there are significant or unusual limitations to the rights of shareholders.

APPENDIX 4 : COMPARABLE COMPANY DESCRIPTIONS - SUNLOVER

In selecting appropriate comparable companies to Sunlover, we have had regard to listed Australian and international companies that provide cruise services or scenic tours. A description of each of the selected companies set out in the table below.

Table 25: Share Market Trading Multiples as at 31 October 2012

Comparable Companies	Country	Description
<u>Australian companies</u>		
Macro Corporation Limited (Macro)	Australia	Macro engages in providing cruise boat and diving activities in Australia. It operates daily cruises for diving, snorkeling, and sailing on the Great Barrier Reef; and dinner cruises sailing on the waters of Trinity Inlet, Cairns. The company is based in Cairns, Australia.
<u>International companies</u>		
Carnival plc	United Kingdom	Carnival plc provides cruises to various vacation destinations. The company offers cruises under the brand names of Carnival Cruise Lines, Holland America Line, Princess Cruises, and Seabourn in North America; and AIDA Cruises, Costa Cruises, Cunard, Ibero Cruises, P&O Cruises (UK), and P&O Cruises (Australia) in Europe, Australia, and Asia.
Royal Caribbean Cruises Ltd.	United States	Royal Caribbean Cruises Ltd. operates in the cruise vacation industry worldwide. It owns five cruise brands, which comprise Royal Caribbean International, Celebrity Cruises, Pullmantur, Azamara Club Cruises, and CDF Croisières de France. As of 31 December 2011, the company operated 39 ships with a total capacity of approximately 92,650 berths.
Genting Hong Kong Limited	Hong Kong	Genting Hong Kong Limited is primarily involved in the operation of passenger cruise ships. It operates a fleet of 18 ships with approximately 35,000 lower berths cruising to approximately 200 destinations worldwide under the Star Cruises and Norwegian Cruise Line brand names.
Viking Line ABP	Finland	Viking Line ABP provides passenger, recreation, and cargo carrier services. The company offers its services on seven vessels that sail on routes between the Finnish mainland, the Åland Islands, and Sweden, as well as between Finland and the Baltic countries. It markets one-way passenger tickets, pleasure cruises, and conference cruises, as well as travel and hotel packages for individual consumers and organizations.
New Century Group Hong Kong Limited	Hong Kong	New Century Group Hong Kong Limited provides cruise ship charter services in southeast Asia. It charters two cruise ships, including Leisure World and Amusement World.
Koeln-Duesseldorfer Deutsche Rheinschiffahrt AG	Germany	Koeln-Duesseldorfer Deutsche Rheinschiffahrt AG operates as a passenger shipping company in Germany. It provides passenger, vacation, and entertainment shipping services, as well as offers tour packages and special tours. As of December 31, 2010, it operated a fleet of 15 vessels comprising cabin ships, a hotel ship, and day excursion ships on the Rhine and Moselle rivers.
All Leisure Group Plc	United Kingdom	All Leisure Group plc operates as a cruise holiday company in the United Kingdom, the United States, and internationally. It offers destination-led cruises to various countries; and package holidays to Egypt, including cruises and excursions on the river Nile.
Island Breeze International, Inc.	United States	Island Breeze International, Inc. engages in developing and operating entertainment day cruises in the United States. As of December 31, 2010, the company owned the m/v Island Breeze, a 410 foot vessel located in Greece.
Salamis Tours (Holdings) Public Ltd.	Cyprus	Salamis Tours (Holdings) Public, Ltd. provides cruise shipping services. It operates cruises to Egypt, Israel, Greek Islands, and the western Mediterranean.

Sources: Capital IQ; BDOCF analysis

APPENDIX 5 : COMPARABLE COMPANY MULTIPLES - SUNLOVER

In selecting appropriate comparable companies, we have had regard to listed Australian and international companies that provide cruise services or scenic tours. Our observations are set out in the table below.

Table 26: Share Market Trading Multiples as at 31 October 2012

Comparable Companies				EBIT Multiple		
	Country	Year End	Enterprise Value (AUD m)	Historical 2011 (times)	Forecast 2012 (times)	Forecast 2013 (times)
<u>Australian companies</u>						
Macro	Australia	31-Dec-11	37	n/m	n/a	n/a
<u>International companies</u>						
Carnival plc	United Kingdom	30-Nov-11	41,543	18.7	14.9	11.9
Royal Caribbean Cruises Ltd.	United States	31-Dec-11	15,832	17.4	n/a	n/a
Genting Hong Kong Limited	Hong Kong	31-Dec-11	3,197	48.6	109.8	57.3
Viking Line ABP	Finland	31-Dec-11	337	33.7	n/a	n/a
New Century Group Hong Kong Limited	Hong Kong	31-Mar-12	43	n/m	n/a	n/a
Koeln-Duesseldorfer Deutsche Rheinschiffahrt AG	Germany	31-Dec-11	37	25.2	n/a	n/a
All Leisure Group Plc	United Kingdom	31-Oct-11	17	n/m	n/a	3.1
Island Breeze International, Inc.	United States	31-Dec-11	11	n/m	n/a	n/a
Salamis Tours (Holdings) Public Ltd.	Cyprus	31-Dec-11	8	14.0	n/a	n/a
Average (excluding outliers)				18.8	14.9	7.5
Median (excluding outliers)				18.1	14.9	7.5
Min (excluding outliers)				14.0	14.9	3.1
Max (excluding outliers)				25.2	14.9	11.9

Sources: Capital IQ; BDOCF analysis

Notes:

1. n/a - information not available, n/m - not meaningful
2. The multiples shown above are calculated on a control basis with an estimated control premium of 20%
3. The enterprise values were calculated by summing the total of the net borrowings at the company's most recent reporting date and the market capitalisation as at 31 October 2012.
4. Historical earnings were sourced from Capital IQ. Forecast information was sourced from Capital IQ consensus forecasts.
5. Outliers have been shaded in grey
6. All of our analysis has been performed as at 31 October 2012.

Our assessment of the earnings multiple ranges have been derived predominantly from the multiples observable from trades of minority parcels of shares in listed entities. Accordingly, the trading prices reflect a minority interest value. When valuing a controlling interest, an appropriate allowance should be made for a premium for control. Empirical evidence on premiums for control indicate that these premiums tend to range between 20% to 45%.

We have applied a premium for control of 20% considering the following:

- empirical evidence as described above
- the strategic benefit that a controlling interest in Sunlover would provide a hypothetical willing purchaser
- the mature stage of Sunlover's business life cycle and the market in general
- generally accepted market practices.

Our analysis of comparable companies above notes:

- in relation to historical EBIT FY2011, control multiples that range between 14.0x and 25.2x, with an average of 18.8x and median of 18.1x
- in relation to forecast EBIT FY2012, only one control multiple was sourced being 14.9x.

The potentially comparable company multiples above have been included for illustrative purposes only and we have placed limited reliance on these multiples based on the following:

- **Macro** - Macro engages in providing cruise boat and diving activities in Australia. It operates daily cruises to the Great Barrier Reef, for diving, snorkeling, and sailing. Therefore, it is considered the most comparable company. However, Macro had an EBIT loss of \$(1.1) million in the year to 31 December 2011, and did not provide a meaningful multiple.
- **Size** - In the absence of reliable comparable data, we have expanded our search to include international companies. These companies have operations that are significantly larger in size to Sunlover. In particular Carnival plc is several orders of magnitude larger than Sunlover, and would be expected to command a higher multiple.
- **Location of operations** - We note that the majority of the above companies have internationally diverse operations, which limits the dependence on the economic importance of any one area. In addition, different countries have varying financial reporting and taxation regulations which may limit comparability of the above companies to Sunlover.
- **Growth** - Sunlover is in the mature stage of its lifecycle and currently operates in market conditions recovering from poor economic performance and environmental disasters. The companies above are operating in different markets and may be operating in different stages of their life cycles and in different operating conditions.

The comparable companies above are larger than Sunlover and have more diversified operations, and would be expected to command higher multiples. Based on our analysis above, we have determined an EBIT multiple range applicable to Sunlover of 6.5x to 7.5x on a control basis.

GENERAL MEETING OF OCEAN CAPITAL LIMITED
PROXY FORM

STEP 1

Appointment of Proxy

Indicate who you want to appoint as your Proxy. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you have this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company of the registered member in the space.

Proof which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of the Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from VJRyan & Co.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

I/We..... of

Being a member/members of Ocean Capital Limited, hereby appoint

of or, failing this, the Chairman of the Meeting as my/our Proxy, to act generally and to vote for me/us on my/our behalf in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Members to be held on Monday, 17 December 2012 at 11.00am and any adjournment or postponement thereof.

The Chairman is authorised to exercise undirected proxies: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1 and 2 (except where I have indicated a different voting intention below). The Chairman of the Meeting intends to abstain from voting undirected proxies on Resolution 1 and intends to vote in favour of Resolution 2.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy, you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1 and 2 by marking the appropriate box below.

STEP 2

Signing instructions

In the spaces provided you must sign the form as follows:

Individual: This form is to be signed by the Member.

Joint Holding: where the holding is in more than one name, all the Members must sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person.

Please indicate the office held by signing in the appropriate place.

Dated this day of 2012

Signed by the said member:

Individual or Member 1

Member 2

Member 3

.....
Sole Director / Sole Company Secretary

.....
Director

.....
Director / Company Secretary

STEP 3**Lodgement**

The Directors have decided that for the purpose of determining entitlements to attend and vote at the General Meeting of Members, Shares will be taken to be held by the persons who are the registered holders at 7:00pm (Sydney time) on 14 December 2012. Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Proxies to be valid must be received at the Registered Office of the company, C/- VJ Ryan & Co Services Pty Ltd Suite 1 Level 5, 255 George Street Sydney NSW 2000, no later than 48 hours before the time of the meeting. A proxy need not be a member of the company.

By post to VJRyan & Co: Level 5, 255 George Street, Sydney NSW 2000

By hand delivery to VJRyan & Co at: Level 5, 255 George Street, Sydney NSW 2000

By fax to VJRyan & Co on: 02 9247 5930 from within Australia, or +612 9247 5930 from outside Australia

Note: proxies may not be returned by email nor is internet voting available.

STEP 4**VOTING DIRECTIONS FOR YOUR PROXY – PLEASE MARK X TO INDICATE YOUR DIRECTIONS**

ITEM		FOR	AGAINST	ABSTAIN*
1	Reduction Resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Removal Resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Members should be aware that it is the intention of the Chairman to abstain from voting on Resolution 1 and to vote in favour of Resolution 2. If you do not wish to direct your proxy how to vote, please place a mark in the box.

If you mark the Abstain box, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SPECIAL MEETING OF EXITING SHAREHOLDERS OF OCEAN CAPITAL LIMITED

PROXY FORM

STEP 1

Appointment of Proxy

Indicate who you want to appoint as your Proxy. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you have this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company of the registered member in the space.

Proof which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of the Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from VJRyan & Co.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

I/We..... of

Being a member/members of Ocean Capital Limited, hereby appoint

of or, failing this, the Chairman of the Meeting as my/our Proxy, to act generally at the Special Meeting of Exiting Shareholders on my behalf and to vote for me/us on my/our behalf in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) to be held on Monday, 17 December 2012 at 11.45am and any adjournment or postponement thereof.

The Chairman is authorised to exercise undirected proxies: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 1 (except where I have indicated a different voting intention below). The Chairman of the Meeting intends to vote in favour of Resolution 1.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy, you can direct the Chairman to vote for or against or abstain from voting on Resolution 1 by marking the box below.

STEP 2

Signing instructions

In the spaces provided you must sign the form as follows:

Individual: This form is to be signed by the Member.

Joint Holding: where the holding is in more than one name, all the Members must sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person.

Please indicate the office held by signing in the appropriate place.

Dated this day of 2012

Signed by the said member:

Individual or Member 1

Member 2

Member 3

.....
Sole Director / Sole Company Secretary

.....
Director

.....
Director / Company Secretary

STEP 3

Lodgement

The Directors have decided that for the purpose of determining entitlements to attend and vote at the Special Meeting of Exiting Shareholders, Shares will be taken to be held by the persons who are the registered holders at 7:00pm (Sydney time) on 14 December 2012. Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Proxies to be valid must be received at the Registered Office of the company, C/- VJ Ryan & Co Services Pty Ltd Suite 1 Level 5, 255 George Street Sydney NSW 2000, no later than 48 hours before the time of the meeting. A proxy need not be a member of the company.

By post to VJRyan & Co: Level 5, 255 George Street, Sydney NSW 2000

By hand delivery to VJRyan & Co at: Level 5, 255 George Street, Sydney NSW 2000

By fax to VJRyan & Co on: 02 9247 5930 from within Australia, or +612 9247 5930 from outside Australia

Note: proxies may not be returned by email nor is internet voting available.

STEP 4

VOTING DIRECTIONS FOR YOUR PROXY – PLEASE MARK X TO INDICATE YOUR DIRECTIONS

ITEM		FOR	AGAINST	ABSTAIN*
1	Reduction Resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Members should be aware that it is the intention of the Chairman to vote in favour of Resolution 1. If you do not wish to direct your proxy how to vote, please place a mark in the box.

If you mark the Abstain box, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.