

MBD CORPORATION LIMITED

ABN 34 087 730 667

PROSPECTUS

For a non-renounceable pro-rata rights issue by MBD Corporation Limited to Eligible Shareholders of 1 New Share for every 1 Share held on the Record Date at an issue price of 2.0 cents per New Share to raise approximately \$1,315,194 (before expenses).

The Offer closes at 5:00pm (Melbourne time) on 15 August 2014 (unless extended).

The Rights Issue is fully Underwritten

This document is important and requires your immediate attention. You should read this document in its entirety before making any investment decision. If you are in any doubt about what to do, you should consult your professional adviser without delay. Any investment in MBD Corporation Limited should be considered as a speculative investment.

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Important Notices

The Offer

This Prospectus is issued by MBD Corporation Limited ABN 34 087 730 667 (**MBD or Company**) for the purposes of Chapter 6D of the Corporations Act. The Offer contained in this Prospectus is an invitation by MBD to Eligible Shareholders to subscribe for New Shares on the basis of 1 New Share for every 1 Share held at 7:00pm (Melbourne time) on Tuesday 22 July 2014.

Lodgement and application for quotation

This Prospectus is dated 14 July 2014. A copy of this Prospectus was lodged with ASIC on 14 July 2014.

The Company will apply to ASX within 7 days after the date of this Prospectus for official quotation of the Shares offered under this Prospectus. The fact that ASX may grant official quotation of the New Shares is not to be taken in any way as an indication of the merits of the Company or its Shares.

Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or the merits of the investment to which it relates.

Expiry Date

This Prospectus expires on the date that is 13 months after the date of the Prospectus and no Shares will be issued on the basis of this Prospectus after the expiry date.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation in connection with the Offer not contained in this Prospectus may not be relied on as having been authorised by the Company or its Directors. Neither the Company nor any other person warrants the future performance of MBD or any return on any investment made under this Prospectus except as required by law and then only to the extent so required.

Future performance and forward looking statements

Applicants should note that the past share price of MBD provides no guidance as to future share price performance. Any financial information provided in this Prospectus is for illustrative purposes only and is not represented as being indicative of MBD's future financial performance.

Some of the information contained in this Prospectus may constitute forward-looking statements that are subject to various risks and uncertainties. Forward-looking statements include those containing such words as 'anticipate', 'estimate', 'should', 'will', 'expects', 'plans' or similar expressions. These statements discuss future objectives or expectations concerning results of operations or financial conditions or provide other forward-looking information. The Company's actual results, performance or achievements could be significantly different from the results or objectives expressed in, or implied by, those forward-looking statements. This Prospectus details some important factors that could cause the Company's actual results to differ from the forward-looking statements made in this Prospectus.

MBD has no intention to update or revise forward-looking statements or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, unless the law requires otherwise.

Transaction Specific Prospectus

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

Offer to Australian and New Zealand Shareholders only

The Offer is made only to Eligible Shareholders, being Shareholders with registered addresses in Australia or New Zealand as at 7:00pm (Melbourne time) on 22 July 2014. The Entitlement and Acceptance Form sets out an Eligible Shareholder's entitlement to participate in the Rights Issue.

Ineligible Shareholders

The Offer is not extended to, and no New Shares are offered or will be issued to, persons with registered addresses outside of Australia and New Zealand. The Company considers it unreasonable to extend the Offer to Shareholders with registered addresses in jurisdictions outside Australia and New Zealand having regard to the small number and value of the New Shares that would be offered in such jurisdictions and the cost of complying with the legal and regulatory requirements in those jurisdictions.

Foreign jurisdictions and restrictions on the distribution of this Prospectus

This Prospectus has been prepared to comply with the requirements of the securities laws of Australia.

This Prospectus and accompanying Entitlement and Acceptance Form do not, and are not intended to, constitute an offer of New Shares in any place outside Australia and New Zealand. The distribution of this Prospectus and the accompanying Entitlement and Acceptance Form in jurisdictions outside Australia and New Zealand may be restricted by law. Persons who come into possession of this Prospectus and the accompanying Entitlement and Acceptance Form outside Australia and New Zealand should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus and the accompanying Entitlement and Acceptance Form do not constitute an offer of New Shares in any jurisdiction where, or to any person to whom, it would be unlawful to make such an offer.

Without limitation, neither this Prospectus nor the accompanying Entitlement and Acceptance Form may be sent or passed to persons outside Australia and New Zealand or otherwise distributed outside Australia and New Zealand.

In particular, the Offer has not been, and will not be, registered under the *Securities Act of 1993* (US) or the securities laws of any state or other jurisdiction of the United States and is not being made in the United States or to persons resident in the United States. Without limitation, neither this Prospectus nor the accompanying Entitlement

and Acceptance Form may be sent to investors in the United States or otherwise distributed in the United States.

The New Shares being offered to residents of New Zealand under this Prospectus are offered in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2013* (New Zealand). This Prospectus is not an investment statement or prospectus under New Zealand law and has not been registered, filed with or approved by any New Zealand regulatory authority, or under or in accordance with the *Securities Act 1978* (New Zealand) or any other relevant law in New Zealand. It may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

This Prospectus complies with Australian disclosure requirements. These disclosure requirements may be different from those applicable in other jurisdictions. The financial information included in this Prospectus was prepared with a view towards compliance with Australian practice and not that of any other jurisdiction.

This is an important document

The information in this Prospectus is not intended to be relied on as advice to investors and has been prepared without taking into account the recipient's investment objectives, financial circumstances or particular needs. If after reading this Prospectus, you have any questions about the Offer, you should contact your stockbroker, lawyer, accountant or other professional adviser.

Before deciding whether or not to accept the Offer described in this Prospectus, it is important that you read the Prospectus in its entirety. In particular, you should carefully consider the risk factors described in Section 4 in light of your personal circumstances (including financial and taxation issues) and seek professional investment advice before deciding whether or not to accept the Offer.

The New Shares offered under this Prospectus should be considered speculative. Please refer to Section 4 for a description of the risk factors associated with investing in the Company.

Applications for New Shares, and any Additional Shares, by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form sent to Eligible Shareholders with this Prospectus and otherwise in accordance with the instructions in this Prospectus.

Electronic Prospectus

This Prospectus is available to Australian and New Zealand investors in electronic form at www.asx.com.au and www.marbletrend.com.au. If you are an Eligible Shareholder and have access to an electronic version of this Prospectus, you should ensure that you download and read the entire document. The electronic version of this Prospectus will not include an Entitlement and Acceptance Form. The Entitlement and Acceptance Form will be mailed to Eligible Shareholders together with a hard copy of this Prospectus.

The Corporations Act prohibits any person passing on to another person an Entitlement and Application Form unless it is attached to a hard copy of this Prospectus or it accompanies a complete and unaltered version of this Prospectus.

Acceptance of Entitlement to New Shares

If you wish to apply for New Shares, you must complete and return your personalised Entitlement and Acceptance Form which accompanies this Prospectus together with payment for the New Shares so that they are **received by the Company by 5:00pm (Melbourne time) on Friday 15 August 2014** (unless extended).

Queries

If you have not received a personalised Entitlement and Acceptance Form or have any queries on how to complete the Entitlement and Acceptance Form, please contact MBD on 03 9820 2087 (within Australia) or +61 3 9820 2087 (outside Australia).

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Privacy Disclosure

By completing an Entitlement and Acceptance Form, you are providing personal information to the Company and the Share Registry, which is contracted by the Company. The Company and the Share Registry on its behalf, collect, hold and use that personal information to process your application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

By submitting an Entitlement and Application Form, each Applicant agrees that the Company may use the information provided on the Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

The Corporations Act requires the Company to include information about the security holder (including name, address and details of the securities held) in its shareholder register. The information contained in the Company's shareholder register must remain there even if that person ceases to be a security holder of the Company. Information contained in the Company's shareholder register is also used to facilitate the payment of dividends and other distributions and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and for compliance by the Company with its legal and regulatory requirements.

If you do not provide the information required on the Entitlement and Application Form, the Company may not be able to accept or process your Application.

An Applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Share Registry if any of the details you have provided change. In accordance with the Corporations Act, information on the Company's shareholder register will be accessible by members of the public.

Defined terms and abbreviations

Definitions and abbreviations used in this Prospectus are explained in Section 6.

References to sections are references to sections of this Prospectus, unless otherwise stated.

Unless otherwise stated or implied, a reference to a date or years are calendar year references.

All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and the sum components in tables contained in this Prospectus are due to rounding.

Letter from Executive Chairman

Dear Shareholder,

On behalf of MBD Corporation Limited (**MBD** or **Company**), I am pleased to invite you participate in a non-renounceable pro-rata rights issue to raise approximately \$1,315,194 (before expenses) (**Rights Issue**). The Rights Issue was announced to ASX on 11 July, 2014.

Under the Rights Issue, Eligible Shareholders with registered addresses in Australia or New Zealand will be given the opportunity to subscribe for 1 new fully paid ordinary share in MBD for every 1 MBD ordinary share held at 7:00pm (Melbourne time) on 22 July 2014 at an issue price of 2.0 cents per New Share (**Issue Price**). The Issue Price represents:

- an approximate 20% discount to the closing price of the Company's Shares on ASX on 10 July 2014 (being the trading day immediately prior to the date of announcement of the Rights Issue); and
- an approximate 9% discount to the 30 day volume weighted average price (VWAP) of the Company's Shares on ASX to 10 July 2014.

In addition, Eligible Shareholders who take up their full Entitlement will also be able to apply for additional new shares that are not subscribed for under the Rights Issue pursuant to a shortfall facility. Any new shares allotted under the shortfall facility will be issued to Eligible Shareholders at the discretion of the directors of the Company.

Entitlements of Eligible Shareholders under the Rights Issue are non-renounceable. This means that Shareholders' entitlements under the Rights Issue cannot be traded on ASX or otherwise transferred. Shareholders who do not take up all or any part of their Entitlement will not receive any payment or value in respect of those Entitlements and their equity interest in the Company will be diluted following completion of the Rights Issue.

The net proceeds of the Rights Issue will be used to recapitalize the Company, reduce debt and return it to a stable financial footing.

The Rights Issue has the support of the Company's banker, Westpac, which has agreed to provide the Company with a Debtor Finance Facility of up to \$4 million in replacement of the existing \$3 million overdraft facility and permit MBD to establish a Trade Finance Facility of up to \$500,000 with another financier (**Additional Finance Facilities**). The Company and Realstar Finance Pty Ltd have executed a Trade Finance Facility, the purpose of which is to provide finance for the purchase of products from China.

Predicated on the completion of the Rights Issue, the drawdown of the Additional Finance Facilities and various agreements being entered into by MBD with a number of customers in respect of price increases and rebates, together with the conclusion of negotiations with a number of suppliers and the release of new products, your Directors anticipate that the Company will return to trading stability within the next 4 months with a material uplift in profitability thereafter.

Each of the Directors intends to take up his Entitlements in full under the Rights Issue.

The Rights Issue is fully underwritten by entities associated with Messrs Peter Reilly and Hamish Giles, each a Director of MBD. The Underwriters will only take up Shares not subscribed for by Shareholders under the Rights Issue including the Shortfall Facility.

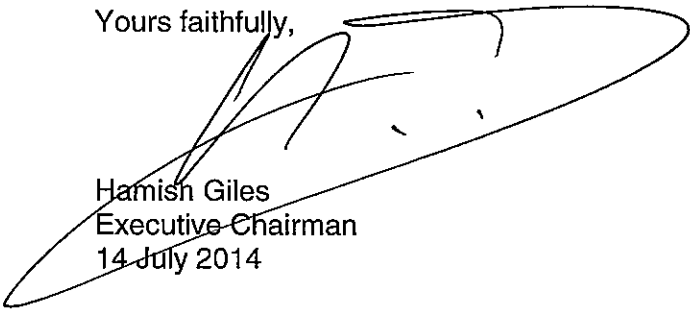
Following completion of the Rights Issue, the Company will have approximately 131,519,360 fully paid ordinary shares on issue.

This Prospectus contains important information about the Rights Issue including a personalised Entitlement and Acceptance Form which details your Entitlement to New Shares in MBD. If you are an Eligible Shareholder wishing to apply for all or some of the Shares making up your entitlement, you must follow the instructions set out in this Prospectus and the accompanying Entitlement and Acceptance Form.

This Prospectus should be read carefully and in its entirety before deciding whether or not to participate in the Rights Issue. If you have any questions in respect of the Rights Issue, please consult your stockbroker, accountant, lawyer or other professional adviser.

On behalf of the Board of MBD, I invite you to consider taking up your Entitlement in support of the Company and your Directors' strategy.

Yours faithfully,



Hamish Giles
Executive Chairman
14 July 2014

Key Offer Details

| Key data relating to the Offer | |
|--|-------------|
| Issue price per New Share | 2.0 cents |
| Total approximate number of New Shares to be issued | 65,759,680 |
| Total approximate amount to be raise under the Rights Issue (before expenses) | \$1,315,194 |
| Total approximate number of Shares on issue following completion of the Rights Issue | 131,519,360 |

| Summary of key dates¹ | |
|---|----------------|
| Lodgement of Prospectus with ASIC and ASX | 14 July 2014 |
| Shares quoted on an "ex" basis | 18 July 2014 |
| Record Date for determining entitlements of Shareholders to participate in the Rights Issue (at 7.00pm Melbourne time) | 22 July 2014 |
| Opening Date and despatch of Prospectus with Entitlement and Acceptance Forms to Eligible Shareholders | 24 July 2014 |
| Closing Date for acceptances and payment (at 5.00pm Melbourne time) | 15 August 2014 |
| Shares quoted on a deferred settlement basis | 18 August 2014 |
| Company notifies ASX of under subscriptions | 20 August 2014 |
| Allotment of New Shares/Anticipated date for despatch of holding statements for New Shares/Deferred settlement trading ends | 22 August 2014 |
| Anticipated date for commencement of trading of New Shares | 25 August 2014 |

Note 1: These dates are indicative only and are subject to change. The Company reserves the right, subject to the Corporations Act 2001 (Cth) and the ASX Listing Rules, to amend this indicative timetable in consultation with the Underwriters. In particular, the Company reserves the right to extend the Closing Date or to withdraw the Offer without prior notice. Any extension of the Closing Date will have a consequential effect on the date for the allotment of the New Shares.

INVESTMENT OVERVIEW

| Question | Answer | Further Information |
|---|---|---------------------|
| What is the Offer? | 1 New Share for every 1 Share held by an Eligible Shareholder on the Record Date at an Issue Price of \$0.02 (2 cents) per New Share. | Section 1.1 |
| Who can participate in the Offer? | Only Eligible Shareholders can participate in the Offer. Eligible Shareholders are persons with registered addresses in Australia or New Zealand and who are registered holders of Shares at 7:00pm (Melbourne time) on the Record Date. | Section 1.5 |
| How much do I have to pay to participate in the Offer? | The Issue Price for each New Share is \$0.02 (2 cents). You may subscribe for all, or part, of your Entitlement. | Section 1.1 |
| What are the terms of the New Shares? | The New Shares issued under the Offer will rank equally with all existing Shares on issue. | Section 5.1 |
| What is the purpose of the Offer? | The net proceeds from the Rights Issue will be used to recapitalize the Company, reduce debt and return it to a stable financial footing. | Section 1.4 |
| Is the Offer underwritten? | The Offer is fully underwritten by entities associated with each of Peter Reilly and Hamish Giles, Directors of MBD. | Sections 5.8 & 5.9 |
| Can I apply for New Shares in excess of my Entitlement? | Yes. Eligible Shareholders who take up their full Entitlement under the Offer may apply for more New Shares than the number shown on their Entitlement and Acceptance Form. Applications for Additional Shares may be considered if a Shortfall under the Offer exists. Additional Shares will be issued to Eligible Shareholders at the discretion of the Directors. There is no guarantee that you will receive Additional Shares. | Section 1.6 |
| What are the risks associated with applying for New Shares under the Offer? | <u>Risks specific to an investment in MBD</u> <i>Reduced profitability</i> Anticipated or expected sales targets may not be achieved, and even if achieved, may not result in the Company being profitable. <i>Ability to continue as a going concern</i> The ability of the Company to implement its business strategy depends, in part, on its ability to raise additional funds through debt or through equity investors. There can be no assurance that additional funding will be available, or that it will be available on terms attractive to the Company. If the Company's profit margins are significantly reduced or investment in its operations are unsuccessful | Section 4 |

| Question | Answer | Further Information |
|----------|---|---------------------|
| | <p>and it cannot raise additional funds, the Company should be regarded as having a limited future as a going concern.</p> <p><i>Support of financiers</i></p> <p>The Company will require the ongoing support of its financiers to meet its strategic objectives. There is no guarantee that the Company's financiers will continue to provide finance facilities to the Company.</p> <p><i>Shareholder dilution</i></p> <p>The equity interest of Eligible Shareholders who do not take up all or any part of their entitlement under the Offer will be diluted following completion of the Rights Issue.</p> <p><i>Loss of key personnel</i></p> <p>The success of the Company depends to a significant extent on its ability to continue to employ highly qualified technical and managerial personnel. The loss of key staff could have a material adverse effect on the Company, particularly where the relevant personnel are key to the future strategic direction of the Company.</p> <p><i>Disruption to product sourcing</i></p> <p>The Company's products are primarily manufactured in foreign jurisdictions, in particular, China. As a result, MBD is exposed to a range of risks including political instability, increased security requirements for foreign goods, costs and delays in international shipping arrangements, imposition of taxes and other charges as well as restrictions on imports, exchange rate and hedging risks. MBD is also exposed to risks related to labour practices, environmental matters, disruptions to production and ability to supply, and other issues in the foreign jurisdictions where suppliers operate. Any of these risks, individually or collectively, could material adversely affect MBD's future financial performance.</p> <p><i>Non-compliant products</i></p> <p>There is no guarantee that manufacturing being undertaken in China on behalf of the Company and its subsidiaries will necessarily produce products that conform to the specifications required for the Australian market. Non-compliant products would result in reduced profit margins which in turn could negatively impact the value of MBD Shares.</p> <p><i>Interruption to operations</i></p> <p>MBD may be exposed to short, medium or</p> | |

| Question | Answer | Further Information |
|----------|---|---------------------|
| | <p>long term interruptions to its operations and its suppliers' operations arising from events including industrial disputes, electricity interruptions, environmental accidents, mechanical failure or equipment breakdown, fires, floods, earthquakes and other disasters, any of which could (and particularly if such interruption occurred during MBD's peak trading period) result in reduced manufacturing capacity of the Company and adversely affect its future financial performance.</p> <p><i>Relationships with suppliers and key customers may deteriorate</i></p> <p>The loss or deterioration of MBD's relationships with key suppliers, customers and service providers, or an inability to renew contractual arrangements with such parties or negotiate agreements with new parties on terms which are not materially less favourable than existing arrangements, is likely to have an adverse effect on MBD's future financial performance.</p> <p><i>Risks related to investment in manufacturing</i></p> <p>Investment in a company where manufacturing is undertaken overseas, predominately in China, and the company's revenue is generated through wholesale distribution in Australia, gives rise to high levels of risk in respect to inventory management, a requirement for additional cash reserves to support trading terms resulting from a growth in sales and potential upward pressure in pricing at the manufactured point of sale.</p> <p><i>Competition risk</i></p> <p>The structure of the markets in which the Company operates may alter, or new competitors may enter some or all of those markets, resulting in increased competition for bathroom products similar to those manufactured and distributed by MBD. There is no guarantee that the Company will be able to compete effectively with new competitors. Any deterioration in MBD's competitive position may have an adverse effect on MBD's future financial performance and its Share price.</p> <p><i>Contractual risks</i></p> <p>The Company's operational subsidiaries operate through a series of contractual relationships with operators and sub-contractors and sell the Company's products pursuant to a number of marketing contracts. Additionally, various manufacturing facilities are contracted to provide products. All contracts carry risks associated with the</p> | |

| Question | Answer | Further Information |
|----------|---|---------------------|
| | <p>performance by the parties thereto of their obligations as to time and quality of work performed. Any default under an agreement with a supplier by MBD could adversely affect MBD's ability to maintain its product range, which may have an adverse effect on MBD's future financial performance.</p> <p><i>Construction and renovations market may worsen</i></p> <p>As many of MBD's products are viewed by consumers as "discretionary" rather than "necessities", MBD's financial performance is sensitive to the current state of, and future changes in, the building and renovations environment in Australia. Economic conditions may worsen, including a rise in interest rates, which could cause the retail sector in which MBD operates to deteriorate as consumers reduce or delay the purchase of bathroom products.</p> <p><i>Customer preference for products may change</i></p> <p>MBD's revenue is dependent upon producing products which accord with consumer preferences. Failure to keep pace with consumer preferences could adversely impact on MBD's future financial performance.</p> <p><i>Exposure to product recall and warranty obligations</i></p> <p>MBD provides a number of products sourced from a range of suppliers. Associated with these products are various recall and warranty obligations. Any significant product recall or warranty obligation may result in a warranty cost that is borne by MBD, net of insurance and other recoverable costs.</p> <p><i>Complaints and litigation</i></p> <p>MBD may be the subject of complaints or litigation by customers, suppliers, government agencies or third parties. Such matters may have an adverse affect on MBD's reputation, divert its financial and management resources from more beneficial uses, or have material adverse effect on MBD's future financial performance or position.</p> <p><i>Workplace health and safety</i></p> <p>MBD's employees are at risk of workplace accidents and incidents. If an MBD employee is injured in the course of their employment, MBD may be liable for penalties or damages. This risk has the potential to harm both the reputation and future financial performance of MBD.</p> | |

General risks associated with an investment in shares

Price of shares

As a publicly listed company on ASX, MBD is subject to general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in its Share price that are not explained by the fundamental operations and activities of MBD.

Trading and liquidity in Shares

There can be no guarantee that an active market for Shares will exist. There may be relatively few potential buyers or sellers of the Shares on ASX at any given time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares.

Shareholder dilution – future share issues

In the future, MBD may elect to issue more Shares or other securities. While the Company is subject to the constraints of the ASX Listing Rules regarding the issue of Shares or other securities, Shareholders may be diluted as a result of any such future issues of Shares or other securities.

Changes in tax rules or their interpretation

Changes in tax law or changes in the way taxation laws are interpreted may impact the tax liabilities of the Company or the tax treatment of a Shareholder's investment. Each Eligible Shareholder is encouraged to seek professional tax advice in connection with a further investment in MBD.

Government and regulatory factors

Government or regulatory policies may change, which could have an impact on the Australian economic environment, retail market conditions or MBD's operations. Depending on the nature of any such changes, it may adversely impact the operations or future financial performance of MBD.

Accounting standards

Australian Accounting Standards are issued by the Australian Accounting Standards Board and are not within the control of MBD or its Directors. Any changes to the accounting standards or to the interpretation of those standards may have an adverse

| Question | Answer | Further Information |
|---|---|---------------------|
| | <p>impact on the reported financial performance or financial position of MBD.</p> <p><i>Interest rate fluctuations</i></p> <p>Changes in interest rates will affect any of MBD's borrowings which bear interest at floating rates. Any increase in interest rates will affect MBD's costs of servicing these borrowings which may adversely affect its financial position.</p> <p><i>Ability to refinance debt or access debt markets on attractive terms</i></p> <p>MBD is subject to the risk that it may not be able to refinance its existing or future bank facilities when they fall due or that the terms available to MBD on refinancing will not be as favourable as the terms of its existing or future bank facilities.</p> <p><i>Force majeure events</i></p> <p>Events may occur within or outside Australia that could impact upon the global or Australian economies, the operations of MBD and the price of its Shares. These events include acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse impact on the demand for MBD's products and services and its ability to conduct business.</p> | |
| What are my options with respect to the Rights Issue? | <p>You may either:</p> <ul style="list-style-type: none"> • take up all of your Entitlement; • take up or part, of your Entitlement and allow the balance of your Entitlement to lapse; • take up all of your Entitlement and apply for Additional Shares; or • do nothing and allow all of your Entitlement to lapse, in which case the New Shares comprising your Entitlement not otherwise taken up by other Shareholders under the Shortfall Facility (refer to Sections 1.6 and 2.3) will be taken up by the Underwriters (refer to Section 5.8). | Section 2.1 |
| How do I accept my Entitlement? | <p>If you are an Eligible Shareholder, and you wish to subscribe for all or some of the New Shares making up your Entitlement, you must complete the personalised Entitlement and Acceptance Form and lodge it together with the applicable Application Monies. Application Monies may be paid by cheque or electronic funds transfer. As noted above,</p> | Section 2 |

| Question | Answer | Further Information |
|--|--|---------------------|
| | <p>those Eligible Shareholders who subscribe for their full Entitlement may also apply for Additional Shares. Additional Shares will be issued to Eligible Shareholders at the discretion of the Directors. There is no guarantee that you will receive Additional Shares.</p> <p>Please refer to Section 2 for further details on how to accept your Entitlement.</p> <p>If you have not received an Entitlement and Acceptance Form, or if you have any queries about how to accept your Entitlement, please call the Company on 03 9820 2087 (within Australia) or +61 3 9820 2087 (outside Australia).</p> | |
| Can I sell or transfer my Entitlement? | No. The Offer is non-renounceable and, accordingly, you cannot sell or transfer any of your Entitlement. | Section 1.8 |
| How can I obtain further information? | MBD encourages you to seek advice from your financial or other professional adviser in respect of the Offer. | |

1. Details of the Offer and Eligibility

1.1 The Offer

The Company is offering Eligible Shareholders the opportunity to subscribe for 1 New Share for every 1 Share held at 7:00 pm (Melbourne time) on 22 July 2014 (**Record Date**) at an Issue Price of 2 cents (\$0.02) per New Share.

The total number of New Shares to be issued pursuant to this Prospectus is approximately 65,759,680. The gross proceeds of the Offer will be approximately **\$1,315,194** (before expenses). The Rights Issue is fully underwritten (refer Sections 5.8 and 5.9 for further details).

1.2 Opening and Closing Date

The Company will accept Entitlement and Acceptance Forms from the Opening Date, being Thursday 24 July 2014 until the Closing Date, being 5:00 pm (Melbourne time) on Friday 15 August 2014 (unless extended).

MBD reserves the right, subject to the Corporations Act and the ASX Listing Rules and in consultation with the Underwriters, to amend the Closing Date of the Offer. Any extension of the Closing Date will have a consequential effect on the date for the allotment of the New Shares.

1.3 Minimum Subscription

There is no minimum amount to be raised under the Offer. The Offer is fully underwritten by the Underwriters.

1.4 Use of Funds

The total approximate amount to be raised under the Offer is \$1,315,194 (before expenses).

Based on the information known to the Directors at the date of this Prospectus, the proceeds of the Rights Issue will be applied as follows:

| | \$ |
|--|------------------|
| Working capital | 1,232,586 |
| Estimated expenses of the Rights Issue | 82,608 |
| Total | 1,315,194 |

The amount raised will initially be applied towards expenses of the Offer and the balance will be applied to supplement the working capital of the Company and reduce existing bank debt.

1.5 Eligible Shareholders and Entitlements

The Record Date for the purpose of determining entitlements to New Shares under the Rights Issue is 7:00 pm (Melbourne time) on Tuesday 22 July 2014.

A person will be entitled to participate in the Offer if on the Record Date if the person:

- 1) was a registered holder of Shares; and
- 2) has a registered address in Australia or New Zealand.

The number of New Shares to which Eligible Shareholders are entitled to subscribe for is shown on the accompanying Entitlement and Acceptance Form.

If you apply for Additional Shares in excess of your Entitlement shown on the Entitlement and Acceptance Form, there is no guarantee that you will be issued those Additional Shares.

1.6 Shortfall Facility

Eligible Shareholders who subscribe for their full Entitlement may also apply for more New Shares than the number shown on their Entitlement and Acceptance Form. That is, those Shareholders may apply for Additional Shares. The issue price for each Additional Share will be \$0.02 (2 cents), being the same Issue Price for New Shares under the Rights Issue. The Directors may not themselves participate in any Shortfall under the Shortfall Facility.

Applications for Additional Shares may be considered if a Shortfall exists. If there is a Shortfall, the Directors reserve the right, at their discretion, to issue Shares under the Shortfall within 3 months of the Closing Date.

Eligible Shareholders may apply for Additional Shares by adding the number of Additional Shares they wish to subscribe for to the number of New Shares the subject of their Entitlement and including the total number of New Shares and Additional Shares on their Entitlement and Acceptance Form (please refer to Section 2 for further information).

There is no guarantee that you will receive Additional Shares and the Directors do not represent that any application for Additional Shares will be successful. In particular, if the number of Additional Shares applied for exceeds the Shortfall, the Directors may allocate to an Eligible Shareholder a lesser number of Additional Shares than the Eligible Shareholder applied for, or reject any Application for Additional Shares. If the number of Additional Shares allotted to an Eligible Shareholder is less than the number applied for by that Eligible Shareholder, surplus Application Monies will be refunded in full. Interest will not be paid on monies refunded.

If the number of Additional Shares applied for is equal to or less than the Shortfall, all Applicants for Additional Shares will receive all Shares applied for by them in full, subject to the Corporations Act.

The Additional Shares will be allotted at the same time as the New Shares under the Offer are allotted.

1.7 Proposed Placement of 15 million Shares

As announced to ASX on 11 July 2014, the Company proposes to place up to 15 million Shares with sophisticated or professional investors at an issue price at least equivalent to the issue price of the New Shares. The proposed placement will be made without Shareholder approval pursuant to ASX Listing Rule 7.1 or 7.1A.

The Shares issued pursuant to this proposed placement are in addition to the Shares offered under this Prospectus.

The Directors may not themselves participate in this proposed placement without the approval in general meeting of the Shareholders of the Company.

1.8 No trading of Entitlements

The Offer is made on a non-renounceable basis. Accordingly, Eligible Shareholders may not sell, trade or otherwise transfer all or any part of their Entitlement. Any Entitlements to New Shares not accepted will form part of the Shortfall Facility. Refer to Sections 1.6 and 2.3 for further details.

1.9 Ranking of New Shares

The New Shares will rank equally with existing Shares and will carry the same voting rights, dividend rights and other entitlements at the date they are issued.

A summary of the rights and liabilities attaching to the New Shares is set out in Section 5.1.

1.10 Trading History of Shares

In the 3 months prior to the date of this Prospectus, Shares in the Company have traded in a range of \$0.020 to \$0.025 and the Issue Price represents an approximate discount of 20% to the closing price on 10 July 2014, being the last trading day immediately prior to the date of the announcement of this Rights Issue by MBD on 11 July, 2014.

The issue of New Shares may affect the market price of Shares.

1.11 ASX quotation and allotment of New Shares and Additional Shares

The Company will apply to the ASX for official quotation of the New Shares within 7 days of the date of this Prospectus.

The fact that ASX may grant official quotation of New Shares is not to be taken in any way as an indication of the merits of the Rights Issue or the New Shares offered by this Prospectus.

MBD expects to issue the New Shares, including any Additional Shares which the Directors exercise their discretion to allot under the Shortfall Facility and the holding statements in respect of the New Shares, on or before Friday 22 August 2014.

It is the responsibility of Applicants to determine their allocation prior to trading in the New Shares. Applicants who sell their New Shares before they receive their holding statements do so at their own risk.

If ASX does not grant quotation of the New Shares within 3 months after the date of this Prospectus, the Company will not allot or issue any New Shares and will repay as soon as practicable, without interest, all Application Monies received pursuant to this Prospectus.

Interest earned on Applications Monies will be for the benefit of MBD and will be retained by MBD irrespective of whether any New Shares are issued.

1.12 Foreign Shareholders

No offer of New Shares will be made under this Prospectus to Shareholders with registered addresses outside Australia and New Zealand.

The Company has decided that it is not practical extend the Offer to Shareholders with registered addresses outside of Australia and New Zealand

having regard to the small number of such Shareholders, the number and value of New Shares they would be offered and the costs of ensuring compliance with the legal and regulatory requirements in the places where such Shareholders are located. Accordingly, this Prospectus has not been, and will not be, registered under the securities laws of those jurisdictions. For that reason, no Entitlement and Application Form will be sent, and no offer will be made, to Shareholders with registered addresses outside Australia and New Zealand. This Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer.

To the extent that a person holds Shares on behalf of another person resident outside of Australia or New Zealand, it is that person's responsibility to ensure that any acceptance complies with all applicable foreign laws.

1.13 Rights Issue fully Underwritten

MBD has entered into an Underwriting Agreement with each of the Underwriters for the Rights Issue. The terms of each Underwriting Agreement are summarised in Section 5.8.

The Underwriters will only take up Shares not subscribed for by Shareholders under the Rights Issue including the Shortfall Facility.

1.14 Application Monies held on Trust

Application Monies will be held on trust for Applicants in a subscription account until the New Shares are allotted and issued. All Application Monies will be returned (without interest) if the New Shares are not allotted and issued.

1.15 CHESS

The Company participates in the Clearing House Electronic Subregister System known as CHESS.

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

The CHESS holding statement will set out the number of New Shares issued under this Prospectus, and provide details of your holder identification number and the participant identification number of the sponsor.

If you are registered on the Issuer Sponsored subregister, your statement will be dispatched by the Share Registry and will set out the number of New Shares issued to you under this Prospectus and your security holder reference number.

CHESS or Issuer Sponsored holding statements will be routinely sent out to Shareholders at the end of any calendar month during which the balances of their holdings change. Shareholders may request a statement at any other time, however, a charge may be payable for additional statements.

1.16 Taxation

The Directors consider that it is not appropriate to give investors advice regarding the taxation consequences of subscribing for New Shares under this Prospectus.

The Company, its advisers and Officers do not accept any responsibility or liability for any such taxation consequences to Eligible Shareholders. Eligible Shareholders should consult their own professional tax adviser in connection with subscribing for New Shares under this Prospectus.

1.17 Withdrawal of Prospectus

The Directors may at any time before the issue of New Shares to Eligible Shareholders, decide to withdraw this Prospectus, in which case the Company will repay, as soon as practicable and without interest, all Application Monies received pursuant to this Prospectus.

1.18 Enquiries

Enquiries in relation to your Entitlement or the Prospectus should be directed to the Company on telephone 03 9820 2087 or by facsimile on 03 9820 2158.

2. Action required by Eligible Shareholders **Your alternatives**

The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. You may elect to take up:

- (1) **all** of your Entitlement;
- (2) **all** of your Entitlement **and** apply for Additional Shares;
- (3) **part** of your Entitlement and allow the balance of your Entitlement to lapse; or
- (4) **none** of your Entitlement and allow all of your Entitlement to lapse.

If you allow all or part of your Entitlement to lapse, New Shares not otherwise taken up by the other Shareholders under the Shortfall Facility (refer to Sections 1.6 and 2.3) will be taken up by the Underwriters.

2.2 All of your Entitlement

If you wish to take up **all** of your entitlement:

- (1) complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the Form;
- (2) decide on the form of payment (details are set out in Section 2.6 below); and
- (3) ensure your application is received by the Company (at the address set out in Section 2.6 below) by 5:00 pm (Melbourne time) on the Closing Date.

2.3 Apply for Additional Shares

If you wish to apply for Additional Shares in excess of your Entitlement, follow the instructions in Section 2.2 and specify the total number of New Shares you wish to apply for (including the Additional Shares). You must provide the Application Monies for the full amount of all New Shares (including Additional Shares) you apply for.

As permitted by the ASX Listing Rules, the Directors reserve the right to issue Additional Shares under the Shortfall Facility at their discretion. Accordingly, the Company cannot guarantee that you will receive any Additional Shares applied for in excess of your Entitlement. The Company reserves the right to reject, in whole or in part, any application for Additional Shares.

If you do not receive any or all of the Additional Shares applied for, any excess Application Monies will be returned to you (without interest).

Directors may not apply for additional New Shares under the Shortfall Facility.

Any New Shares not issued under the Shortfall Facility will be taken up by the Underwriters (refer to Section 5.8).

2.4 Part of your Entitlement

If you wish to take up **part** of your Entitlement and allow the balance to lapse:

- (1) complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the Form;
- (2) decide on the form of payment (details are set out in Section 2.6 below); and
- (3) ensure your application is received by the Company (at the address set out in Section 2.6 below) by 5:00 pm (Melbourne time) on the Closing Date.

If you decide not to take up all or part of your Entitlement to New Shares, the Entitlements, to the extent not taken up, will lapse and form part of the Shortfall and be dealt with in accordance with Sections 1.6, 2.3 and 5.8).

2.5 None of your Entitlement

If you wish to take up **none** of your Entitlement and thus allow it to lapse you need do nothing. The number of Shares you hold as at the Record Date and the rights attached to those Shares will not be affected if you choose not to accept any of your Entitlement.

Entitlement to New Shares not accepted will form part of the Shortfall which will be dealt with in accordance with Sections 1.6, 2.3 and 5.8.

2.6 Payment

Entitlement and Application Forms must be accompanied by payment in **full** at the Issue Price of 2 cents (\$0.02) per New Share. Payments will only be accepted in Australian dollars and as follows:

- (1) electronic funds transfer to the Company's nominated account, the details of which are set out in the Entitlement and Acceptance Form; or
- (2) a bank or personal cheque drawn on and payable at any Australian bank.

Cheques should be made payable to **"MBD Corporation Ltd Rights Issue"** and crossed **"Not Negotiable"**.

Completed Entitlement and Application Forms together with payment in full must be returned to the Company by 5:00pm (Melbourne time) on the Closing Date as follows:

"MBD Corporation Rights Issue"
C/- Salmon Giles Corporate Pty Ltd
Level 2
409 St, Kilda Rd
Melbourne VIC 3004

Eligible Shareholders must **not** forward cash. Receipts for payment will not be issued.

2.7 Entitlement and Acceptance Form is binding

A completed and lodged Entitlement and Acceptance Form creates a legally binding contract between the Applicant and the Company for the number of New Shares (including any Additional Shares) applied for by the Applicant. The Entitlement and Acceptance Form does not need to be signed to be a binding application for New Shares.

If the Entitlement and Acceptance Form is not completed correctly, it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe or complete the Entitlement and Acceptance Form is final.

Returning a completed Entitlement and Acceptance Form will be taken to constitute a representation by the Eligible Shareholder that they:

- (1) have received a printed copy of this Prospectus (and any supplementary or replacement document) accompanying the Entitlement and Acceptance Form and have read them all in full;
- (2) declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- (3) acknowledge that once the Entitlement and Acceptance Form is returned it may not be withdrawn;
- (4) agree to being issued the number of New Shares they applied for (or a lower number issued in a way described in this Prospectus);
- (5) authorise the Company, its Officers and agents, to do anything on their behalf necessary for New Shares to be issued to the Applicant, including to act on instructions received by the Company using any contact details in the Entitlement and Acceptance Form; and
- (6) make the representations, warranties and agreements (if any) set out in this Prospectus or the accompanying Entitlement and Acceptance Form.

3. Effect of the Rights Issue on the Company

3.1 Change in capital structure

Upon completion of the Rights Issue the Company's issued capital will be as follows:

| Issued Share Capital | Number |
|--|---------------|
| Shares on issue as at the date of this Prospectus | 65,759,680 |
| Total approximate number of New Shares that will be issued pursuant to this Prospectus | 65,759,680 |
| Total approximate number of Shares on issue after completion of the Rights Issue | 131,519,360 |

See Section 5.1 for details of the rights attaching to New Shares.

3.2 Use of funds raised

The funds raised from the Rights Issue will be used by the Company as follows:

| | \$ |
|--|------------------|
| Working capital | 1,232,586 |
| Estimated expenses of the Rights Issue | 82,608 |
| Total | 1,315,194 |

In respect of the increase in working capital, the net proceeds of the Rights Issue will be used to redress the impact of trading losses, pay down bank debt and bolster working capital to enable MBD to return to a more stable financial footing.

To complement the contribution of the net proceeds of the Offer to the Company's working capital, the Company has established a separate Debtor Finance Facility with Westpac of up to \$4 million and a Trade Finance Facility of up to \$500,000 with Realstar Finance Pty Ltd and has completed the sale of the Citywide Assets as announced to ASX on 13 May 2014.

3.3 Options and unlisted Shares

As at the date of this Prospectus, the Company has:

- no Options on issue; and.
- 1,550,000 unlisted (ordinary fully paid employee) Shares on issue.

3.4 Dilution

Shareholders who do not participate in the Offer will have their holdings diluted.

The following is a table which sets out some examples of the approximate dilutionary effect of the Offer:

| Holder | Holding at Record Date | | Entitlement | Holding following the Offer if no Entitlement taken up | |
|--------|------------------------|-------|-------------|--|-------|
| | Number | % | | Number | % |
| 1 | 10,000,000 | 15.57 | 10,000,000 | 10,000,000 | 7.79 |
| 2 | 5,000,000 | 7.79 | 5,000,000 | 5,000,000 | 3.90 |
| 3 | 1,000,000 | 1.56 | 1,000,000 | 1,000,000 | 0.78 |
| 4 | 500,000 | 0.78 | 500,000 | 500,000 | 0.39 |
| 5 | 100,000 | 0.016 | 100,000 | 100,000 | 0.008 |

3.5 Pro Forma Consolidated Statement of Financial Position

Set out below is the unaudited pro forma consolidated statement of financial position of the Company after taking into account completion of the Rights Issue and the sale of the Citywide Assets as announced on 13 May 2014 and completed on 23 May 2014.

It is based on the consolidated statement of financial position of the Company as at 31 December 2013, which has been extracted from the independently reviewed half year financial report for 31 December 2013 lodged with ASX on 28 February 2014. The unaudited pro forma consolidated statement of financial position illustrates the effect of the Rights Issue as if the issue of all of the New Shares under this Prospectus had occurred on 31 December 2013 and the sale of the Citywide Assets and payout of leases and bank loans associated with the Citywide Business has also occurred on 31 December 2013.

The unaudited pro forma consolidated statement of financial position has been included for the purposes of assisting Shareholders to consider the likely effect on the Company of the Rights Issue after also having regard to the impact of the sale of the Citywide Assets on the financial position of the Company. The pro forma financial position is indicative only, given that the actual financial position upon completion of the Rights Issue may have changed from the position set out in this Section. Accordingly, the Directors and any other person named with their consent in this Prospectus cannot assure Shareholders that the actual outcome will not be materially different.

MBD Corporation Limited and its controlled entities

Proforma Consolidated Statement of Financial Position

| | Note | Reviewed 31-Dec-13 \$ | Proforma 31-Dec-13 \$ |
|---|------|-----------------------------|-----------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalent | 1 | 269,966 | 1,502,552 |
| Trade and other receivables | | 6,046,632 | 6,046,632 |
| Inventories | | 7,483,795 | 7,483,795 |
| Total Current Assets | | 13,800,393 | 15,032,979 |
| Non-Current Assets | | | |
| Available for sale financial assets | | 64,900 | 64,900 |
| Property, plant & equipment | 2 | 4,789,294 | 2,389,294 |
| Deferred Tax Assets | | 2,396,104 | 2,396,104 |
| Intangible assets | | 2,994,326 | 2,994,326 |
| Total Non-Current Assets | | 10,244,624 | 7,844,624 |
| Total Assets | | 24,045,017 | 22,877,603 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Bank overdraft | | 2,900,654 | 2,900,654 |
| Trade and other payables | | 7,225,855 | 7,225,855 |
| Interest-bearing loans and borrowings | 2 | 6,438,896 | 4,988,896 |
| Provisions | | 447,980 | 447,980 |
| Total Current Liabilities | | 17,013,385 | 15,563,385 |
| Non Current Liabilities | | | |
| Interest-bearing loans and borrowings | 2 | 1,580,623 | 630,623 |
| Deferred Tax Liability | | 930,516 | 930,516 |
| Provisions | | 44,759 | 44,759 |
| Total Non-Current Liabilities | | 2,555,898 | 1,605,898 |
| Total Liabilities | | 19,569,283 | 17,169,283 |
| Net Assets | | 4,475,734 | 5,708,320 |
| EQUITY | | | |
| Issued Capital | | | |
| Contributed equity | 1 | 14,120,505 | 15,353,091 |
| Retained Earnings/ (Accumulated losses) | | (11,217,090) | (11,217,090) |
| Reserve on Acquisition of Subsidiary | | 50,000 | 50,000 |
| Other Reserves | | 36,810 | 36,810 |
| Non-controlling interest | | 1,485,509 | 1,485,509 |
| Parent Interests | | 4,475,734 | 5,708,320 |
| Total Equity | | 4,475,734 | 5,708,320 |

Note 1: Based on the independently reviewed half year financial report for 31 December 2013 and the completion of the Offer, a total amount of approximately \$1,315,194 (before expenses).

Note 2: Based on the independently reviewed half year financial report for 31 December 2013 and the Company selling the Citywide Assets, the proceeds of which were directly applied to the repayment of associated borrowings.

The unaudited pro forma consolidated statement of financial position has been prepared by adjusting the statement of financial position as at 31 December 2013 to include the financial effects of this Rights Issue and the sale of the Citywide Assets as follows:

- (i) the sale of Citywide Assets generating a reduction in bank debt of approximately \$1,200,000;
- (ii) the Company issuing 65,759,680 New Shares at 2 cents (\$0.02) per New Share raising approximately \$1,315,194 (before expenses); and
- (iii) the payment of \$82,608, being the estimated costs of the Rights Issue.

All expenses in connection with the Rights Issue are payable by the Company.

The unaudited pro forma consolidated statement of financial position has been prepared on the basis of no adjustment for:

- (i) the proposed placement of up to 15 million Shares with sophisticated or professional investors at an issue price at least equivalent to the issue price of the New Shares (refer Section 1.7); or
- (ii) the proposed conversion of existing Convertible Notes, subject to Shareholder approval (refer Section 5.2).

4. Risks

This Section 4 describes some of the potential risks associated with MBD's business and the industry in which it operates, and the risks associated with an investment in shares in general. It does not purport to list every risk that may be associated with MBD's business or the industry in which it operates, or an investment in shares now or in the future, and the occurrence or consequences of some of the risks described in this Section are partially or completely outside the control of MBD, its Directors and the senior management team.

The selection of risks included in this Section has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. The assessment is based on the knowledge of the Directors as at the date of this Prospectus, but there is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge.

Before applying for Shares, you should satisfy yourself that you have sufficient understanding of these matters and should consider if New Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus or are in any doubt as to whether to accept the Offer, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser before deciding to accept the Offer.

Risks specific to an investment in MBD

4.1 Risks to profitability

Anticipated or expected sales targets may not be achieved, and even if achieved, may not result in the Company being profitable. The ability of the Company to pay dividends will depend on the Business generating revenue and then deriving sufficient after-tax profits to be able to do so.

4.2 Ability to continue as a going concern

The Company intends to use the net proceeds of the Offer to assist in the recapitalization of the Company by paying down debt, and to supplement working capital for the growth of the business.

The ability of the Company to implement its business strategy depends, in part, on its ability to raise additional funds through taking on more debt or through the provision of equity to investors. There can be no assurance that additional funding will be available, or that it will be available on terms attractive to the Company. If the Company's profit margins are significantly reduced or investment in its operations are unsuccessful and it cannot raise additional funds, the Company should be regarded as having a limited future as a going concern. If the Company ceases to be going concern, the value of its Shares will significantly reduce.

To mitigate the risks to liquidity, the Company has negotiated with its banker, Westpac, to restructure MBD's finance facilities resulting in Westpac providing a new Debtor Finance Facility of up to \$4 million and permission to establish a

Trade Finance Facility with another financier of up to \$500,000. The Trade Finance Facility will be used specifically to fund the purchase of products from China. The Company also recently completed the sale of the Citywide Assets, the proceeds of which were used to reduce debt associated with the Citywide Business and Marbletrend.

4.3 Support of financiers

The Company will require the ongoing support of its financiers in addition to the proceeds of the Offer to meet its strategic objectives, which is part will be governed by the trading performance of the Company and its ability to meet its borrowing covenants. There is no guarantee that the Company's financiers will continue to provide finance facilities to the Company.

4.4 Shareholder dilution

The equity interest of Eligible Shareholders who do not take up all or any part of their entitlement under the Offer will be diluted following completion of the Rights Issue.

4.5 Loss of key personnel

The success of the Company depends to a significant extent on its ability to continue to employ highly qualified technical and managerial personnel. Competition for such staff is intense. The loss of key staff could have a material adverse effect on the Company, particularly where the relevant personnel are key to the future strategic direction of the Company.

4.6 Disruption to product sourcing

The Company's products are primarily manufactured in foreign jurisdictions, in particular, China. As a result, MBD is exposed to risks including political instability, increased security requirements for foreign goods, costs and delays in international shipping arrangements, imposition of taxes and other charges as well as restrictions on imports, exchange rate and hedging risks. MBD is also exposed to risks related to labour practices, environmental matters, disruptions to production and ability to supply, and other issues in the foreign jurisdictions where suppliers operate. Any of these risks, individually or collectively, could material adversely affect MBD's future financial performance.

4.7 Non-compliant products

There is no guarantee that manufacturing being undertaken in China on behalf of the Company and its subsidiaries will necessarily produce products that conform to the specifications required for the Australian market. The capacity of the Company and its subsidiaries to meet the regulatory guidelines in respect to the sale of products within Australia requires it to actively manage the quality of the products manufactured in China. If this management is not undertaken rigorously there are potential risks that production of manufactured products in China may not achieve the levels expected in order to generate the revenues required of the business plan and that unanticipated problems may increase costs of production and reduce the profitability of the goods manufactured. This would result in reduced profit margins which in turn could negatively impact the value of its Shares.

4.8 Interruption to operations

MBD may be exposed to short, medium or long term interruptions to its operations and its suppliers' operations arising from events including industrial disputes, electricity interruptions, environmental accidents, mechanical failure or equipment breakdown, fires, floods, earthquakes and other disasters, any of which could (and particularly if such interruption occurred during MBD's peak trading period) result in reduced manufacturing capacity of the Company and adversely affect its future financial performance.

4.9 Relationships with suppliers and key customers may deteriorate

The loss or deterioration of MBD's relationships with key suppliers, customers and service providers, or an inability to renew contractual arrangements with such parties or negotiate agreements with new parties on terms which are not materially less favourable than existing arrangements, is likely to have an adverse effect on MBD's future financial performance.

4.10 Risks related to investment in manufacturing

Investment in a company where manufacturing is undertaken overseas, predominately in China, and the company's revenue is generated through wholesale distribution in Australia, gives rise to high levels of risk in respect to inventory management, a requirement for additional cash reserves to support trading terms resulting from a growth in sales and potential upward pressure in pricing at the manufactured point of sale.

4.11 Competition risk

The structure of the markets in which the Company operates may alter, or new competitors may enter some or all of those markets, resulting in increased competition for bathroom products similar to those manufactured and distributed by MBD. New players in the market will result in increased competition creating pressure on the Company to sell its products to its key customers at lower prices or lose market share. Alternatively, a key customer may choose not to continue to purchase stock from MBD. Both scenarios would result in reduced operating margins and profits for the Company, if MBD is unable to offset its reduced profits through an increase in sales volumes or by securing another key customer. There is no guarantee that the Company will be able to compete effectively with new competitors. Any deterioration in MBD's competitive position may have an adverse effect on MBD's future financial performance and its Share price.

4.12 Contractual risks

The Company's operational subsidiaries operate through a series of contractual relationships with operators and sub-contractors and sell the Company's products pursuant to a number of marketing contracts. Additionally, various manufacturing facilities are contracted to provide products. All contracts carry risks associated with the performance by the parties thereto of their obligations as to time and quality of work performed. Any default under an agreement with a supplier by MBD could adversely affect MBD's ability to maintain its product range, which may have an adverse effect on MBD's future financial performance.

4.13 Construction and renovations market may worsen

As many of MBD's products are viewed by consumers as "discretionary" rather than "necessities", MBD's financial performance is sensitive to the current state of, and future changes in, the building and renovations environment in Australia. Over the past year, the Company has experienced ongoing restrained trading conditions resulting from a decline in new housing construction particularly in the Victorian market and a slightly declining renovations market constrained by tight consumer discretionary spending. The economic conditions may worsen, including a rise in interest rates, which could cause the retail sector in which MBD operates to deteriorate as consumers reduce or delay the purchase of bathroom products.

4.14 Customer preference for products may change

MBD's revenue is dependent upon producing products which accord with consumer preferences. With a surge in home renovation and building shows on television, it is vital that MBD can predict or respond to changes in market trends. Failure to keep pace with consumer preferences could adversely impact on MBD's future financial performance. Such a risk is heightened where products are produced overseas as a delay in producing or delivery of products may result in MBD missing an opportunity to capitalise on injecting products into the Australian market which are on trend.

4.15 Exposure to product recall and warranty obligations

MBD provides a number of products sourced from a range of suppliers. Associated with these products are various recall and warranty obligations. Any significant product recall or warranty obligation may result in a warranty cost that is borne by MBD, net of insurance and other recoverable costs.

4.16 Complaints and litigation

MBD may be the subject of complaints or litigation by customers, suppliers, government agencies or third parties. Such matters may have an adverse affect on MBD's reputation, divert its financial and management resources from more beneficial uses, or have material adverse effect on MBD's future financial performance or position.

MBD is exposed to litigation in the jurisdictions in which it operates, for instance under applicable consumer protection regimes. While this is not currently a material issue, there is the potential for one or more claims that are material in cumulative quantum to occur, with the result that costs are increased or the Company's reputation is damaged.

4.17 Workplace health and safety

MBD's employees are at risk of workplace accidents and incidents. If an MBD employee is injured in the course of their employment, MBD may be liable for penalties or damages. This risk has the potential to harm both the reputation and future financial performance of MBD.

4.18 Regulatory approval risk

Operations by the Company may require approvals to be obtained from regulatory authorities. The Company has no reason to believe that any requisite approval may not be able to be obtained on terms acceptable to the Company and the Company's obligations for expenditure will be predicated on any requisite approvals being obtained. However, Applicants should be aware

that the Company cannot guarantee that all requisite approvals will be obtained.

General risks to an investment in shares and MBD

4.19 Price of shares

As a publicly listed company on ASX, MBD is subject to general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in its Share price that are not explained by the fundamental operations and activities of MBD.

Some of the factors which may affect the price of the Shares include fluctuations in the local and international stock markets, the size of the Company's market capitalisation, movements in interest rates, general economic and political conditions including interest rates, inflation rates, exchange rates, consumer sentiment, commodity and oil prices, changes to government fiscal, monetary and regulatory policies and settings, changes in legislation and regulation, the nature of the markets in which MBD operates, general operations and business risks and changes investor and consumer sentiment.

4.20 Trading and liquidity in Shares

There can be no guarantee that an active market for Shares will exist. There may be relatively few potential buyers or sellers of the Shares on ASX at any given time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Shareholders paid for their Shares under the Offer.

4.21 Shareholder dilution – future share issues

In the future, MBD may elect to issue more Shares or other securities. While the Company is subject to the constraints of the ASX Listing Rules regarding the issue of Shares or other securities, Shareholders may be diluted as a result of any such future issues of Shares or other securities.

4.22 Changes in tax rules or their interpretation

Changes in tax law (including goods and services taxes, stamp duties and other impost and charges imposed by government), or changes in the way taxation laws are interpreted may impact the tax liabilities of the Company or the tax treatment of a Shareholder's investment. In particular, both the level and basis of tax may change. In addition, an investment in the New Shares involves tax considerations which may differ for each Shareholder. Each Eligible Shareholder is encouraged to seek professional tax advice in connection with a further investment in MBD.

4.23 Government and regulatory factors

Government or regulatory policies may change, which could have an impact on the Australian economic environment, retail market conditions or MBD's operations. Depending on the nature of any such changes, it may adversely impact the operations or future financial performance of MBD.

4.24 Accounting standards

Australian Accounting Standards are issued by the Australian Accounting Standards Board and are not within the control of MBD or its Directors. Any changes to the accounting standards or to the interpretation of those standards may have an adverse impact on the reported financial performance or financial position of MBD.

4.25 Interest rate fluctuations

Changes in interest rates will affect any of MBD's borrowings which bear interest at floating rates. Any increase in interest rates will affect MBD's costs of servicing these borrowings which may adversely affect its financial position.

4.26 Ability to refinance debt or access debt markets on attractive terms

MBD is subject to the risk that it may not be able to refinance its existing or future bank facilities when they fall due or that the terms available to MBD on refinancing will not be as favourable as the terms of its existing or future bank facilities.

4.27 Force majeure events

Events may occur within or outside Australia that could impact upon the global or Australian economies, the operations of MBD and the price of its Shares. These events include acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse impact on the demand for MBD's products and services and its ability to conduct business.

5. Additional Information

5.1 Rights and liabilities attaching to New Shares

The rights and liabilities attaching to the New Shares offered under this Prospectus arise from a combination of the Constitution, statute and general law. The Constitution may be inspected during normal business hours at the Company's registered office.

The New Shares, once issued, will have the same rights attaching to them as existing Shares.

A summary of the more significant and relevant rights and restrictions attaching to Shares is set out below. The summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company's shareholders.

(1) *General Meetings*

Each Shareholder is entitled to receive notice of, attend and vote at meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act and ASX Listing Rules.

(2) *Voting at a General Meeting*

Subject to any Shares which may in the future be issued with special or preferential rights, every Shareholder present in person at a general meeting of the Company or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held. On a poll, partly paid shares confer a fraction of a vote in proportion to the amount paid up on the share.

(3) *Dividends*

The Directors may from time to time determine dividends to be distributed to Shareholders according to their rights and interests. The Directors may fix the time for distribution and the methods of distribution. Dividends are payable on all Shares in proportion to the amount of the total issue price paid (but not credited) for the Shares. This is subject to any special or preferential rights attached to any class of shares created after the allotment of the Shares.

The Company does not currently intend to pay a dividend on Shares in the near future. At this stage of the Company's development, the Directors consider it prudent to reinvest earnings in the Company's business.

(4) *Transfer of Shares*

Shares may be transferred by a proper transfer effected in accordance with the ASTC Settlement Rules [now called the ASX Settlement Operating Rules], by any other method of transferring or dealing in Shares introduced by ASX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by either the Directors or ASX that is otherwise permitted by the Corporations Act. The Directors may decline to register a transfer of Shares (other than a proper transfer in

accordance with the ASTC Settlement Rules [now called the ASX Settlement Operating Rules]) where permitted to do so under the ASX Listing Rules or where the Shares are restricted securities during an escrow period, unless otherwise permitted by the ASX Listing Rules.

If the Directors decline to register a transfer, the Company must, within 5 Business Days after the transfer is lodged with the Company, give the party lodging the transfer written notice of the refusal and the reason for refusal. The Directors must decline to register a transfer of Shares when required by law, the ASX Listing Rules or ASTC Settlement Rules [now called the ASX Settlement Operating Rules].

(5) *Issue of Further Shares*

The Directors may allot issue, grant Options in respect of, or otherwise dispose of, further Shares on such terms and conditions as they see fit. However, the Directors must act in accordance with the restrictions imposed by the Constitution, ASX Listing Rules and Corporations Act.

(6) *Winding Up*

If the Company is wound up, then subject to any special or preferential rights attaching to any class of shares, Shareholders will be entitled to participate in any surplus assets of the Company in proportion to the amount of capital paid up on their shares when the winding up begins.

(7) *Share Buy Backs*

Subject to the provisions of the Corporations Act and ASX Listing Rules, the Company may buy back shares in itself on terms and at times determined by the Directors.

(8) *Variation of Class Rights*

Unless otherwise provided by the Constitution or by the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or abrogated:

- (i) with the consent in writing of the holders of issued shares included in that class who are entitled to at least 75% of the votes that may be cast in respect of those shares; or
- (ii) with the sanction of a special resolution passed at a separate meeting of the holders of those shares.

(9) *Dividend Reinvestment Plan and Bonus Share Plan*

The Constitution authorises the Directors to establish and maintain dividend reinvestment plans (whereby any member may elect that dividends payable by the Company be reinvested by way of subscription for fully paid ordinary Shares in the Company) and bonus share plans (whereby any member may elect to forego any dividends that may be payable on all or some of the ordinary Shares held by that member and to receive instead some other entitlement including the allotment of fully paid ordinary Shares).

(10) *Alteration of Constitution*

The Constitution can only be amended by special resolution passed by at least 75% of shareholders present and voting at a general meeting of the Company. The Company must give at least 28 days written notice of its intention to propose a resolution as a special resolution.

5.2 **Convertible Notes**

As at the date of this Prospectus, the Company has issued convertible notes with a total value of \$720,000 (**Convertible Notes**). The Convertible Notes are currently convertible into 9 million Shares at a conversion price of \$0.08 (8 cents) per Share. As set out in the Company's announcement to ASX dated 11 July 2014, the Company and the holders of the Convertible Notes have agreed that, subject to Shareholder approval, the Convertible Notes will be converted in 36 million Shares at a conversion price of \$0.02 (2 cents) per Share, the same Issue Price under the Rights Issue. The Company will be seeking Shareholder approval in respect of the change in conversion price for the Shares issued on conversion of the Convertible Notes at its next general meeting of the Shareholders of the Company.

5.3 **Disclosing Entity**

The Company is a "disclosing entity" for the purposes of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. These obligations include compliance with the requirements of the ASX Listing Rules and the Corporations Act concerning notification of information to ASX.

Copies of documents lodged with ASIC by the Company may be obtained from, or inspected at, an ASIC office.

5.4 **Nature of this Prospectus**

This Prospectus has been prepared on the basis of section 713 of the Corporations Act which allows disclosing entities such as the Company to issue a transaction specific prospectus for securities in a class of securities that have been continuously quoted on ASX at all times in the 12 months prior to the issue of the prospectus.

In addition to specific formal matters, a transaction specific prospectus needs to contain certain information relating to the terms and conditions of the Offer, the effect of the Offer on the Company and the rights and liabilities attaching to the New Shares.

A transaction specific prospectus must also include information that has been excluded from a continuous disclosure notice where that information had not been disclosed. However, such information is only required where it is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of an entity and the rights and liabilities attaching to the securities being offered by the entity. Further, such a prospectus must contain this information only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in the prospectus.

Other general information is not required to be included by a disclosing entity as the periodic reporting and continuous disclosure requirements applicable to

disclosing entities mean that all this information should have previously been released to the market.

5.5 Inspection and copies of Documents

The Company will provide a copy of any of the following documents free of charge to any person who requires a copy during the application period of this Prospectus:

- (1) the Annual Report dated 26 September 2013 for the financial year ended 30 June 2013 (being the annual report most recently lodged with ASIC);
- (2) the Interim Financial Report for the half-year ended 31 December 2013 (being the last financial statement lodged with ASX before lodgment of this Prospectus with ASIC); and
- (3) the following continuous disclosure notices given by the Company to ASX after lodgment of the annual report referred to in paragraph (1) above and before the date of lodgment of this Prospectus with ASIC:

| Date | Headline |
|------------|---|
| 21/10/2013 | Notice of Annual General Meeting/Proxy Form |
| 20/11/2013 | Chairman's Address to Shareholders at 2013 AGM |
| 20/11/2013 | Managing Director's Presentation – 2013 AGM |
| 20/11/2013 | Results of Meeting – 2013 AGM |
| 2/12/2013 | Revised 2013 AGM Results |
| 21/1/2014 | Proposed Sale of Citywide Investment |
| 28/2/2014 | Half Year ended 31 December 2013 Report/ Appendix 4D |
| 13/5/2014 | Citywide Sale |
| 23/5/2014 | Completion of Citywide Sale |
| 30/6/2014 | Appendix 3C – Buy-back (Employee Shares) |
| 9/7/2014 | Trading Halt |
| 9/7/2014 | Replacement Trading Halt Notice |
| 10/7/2014 | Cancellation of Unlisted Employee Shares and Form 484 |
| 11/7/2014 | Fully Underwritten Non-Renounceable Rights Issue |

The documents referred to in paragraphs (1) to (3) above are not included and do not accompany or form part of this Prospectus.

5.6 Directors' Interests

As at the date of this Prospectus, each of the Directors has a relevant interest in Shares as set out below:

| Director | Relevant interest in Shares |
|-----------------|------------------------------------|
| Peter T Reilly | 15,821,848 |
| Hamish Giles | 5,500,450 |
| Mike Evett | 377,379 |
| Jeff Nicol | 1,625,000 |
| Total | 23,324,677 |

As at the date of this Prospectus, there are no proposed new Directors.

Each Director has indicated his intention to take up their full entitlement under the Rights Issue.

Except as disclosed in this Prospectus, no Director, and no firm in which a Director is a partner holds any interest nor held any interest at any time during the last 2 years in:

- the formation or promotion of the Company;
- any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
- the Rights Issue.

Other than as set out in this Prospectus, no amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given to any Director either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of the Company or in connection with the Rights Issue.

5.7 Significant Directors' Shareholdings

As at the date of this Prospectus:

- Parmelia, a company associated with Mr Peter Reilly, non-executive Director of MBD, holds 15,821,848 Shares, which equates to approximately 24.1% of the Shares on issue in the capital of the Company; and
- any entity associated with Mr Hamish Giles, Director and Executive Chairman of MBD, hold 5,500,450 Shares, which equates to approximately 8.4% of the Shares on issue in the capital of the Company;

5.8 Underwriting Agreements

The Underwriters have agreed to underwrite (in aggregate) the subscription of all of the New Shares offered pursuant to this Prospectus as follows:

- (1) Parmelia (a company associated with Mr Peter Reilly) has agreed to underwrite New Shares up to an aggregate underwritten amount of \$789,116 representing 60% of the Rights Issue; and

- (2) Stardoor (a company associated with Mr Hamish Giles) has agreed to underwrite New Shares up to an aggregate underwritten amount of \$526,078 representing 40% of the Rights Issue.

The key terms of each Underwriting Agreement are as follows:

- (1) the issue price of the New Shares will be \$0.02 (2 cents) per New Share;
- (2) if by the Closing Date, the Company has not received acceptance or applications for all of the New Shares, the Company may give each of the Underwriters written notice within 3 Business Days of the Closing Date of the number of New Shares which the relevant Underwriter is required to subscribe for (**Underwriter Notice**);
- (3) the Underwriter must by 5:00 pm on the 2nd Business Day following receipt of the Underwriter Notice, lodge valid applications together with the requisite Acquisition Moneys with the Company to subscribe for all of the Shares specified in the Underwriter Notice;
- (4) in addition to their underwriting commitment, each Underwriter (being an Eligible Shareholder) must accept their respective full Entitlements under the Rights Issue;
- (5) the Underwriter must not assign, transfer, sub-syndicate or otherwise deal with its rights or obligations under the Underwriting Agreement without the consent of MBD; and
- (6) each Underwriter is entitled to receive an underwriting fee equal to 4% of their underwriting commitment. The total underwriting fees to be paid by the Company to the Underwriters will be \$52,608 plus any applicable GST.

Any Shares which the Underwriters are required to take up under the above Underwriting Agreements will be shared in the same proportion as the amount each has underwritten bears to the total amount underwritten by the Underwriters.

5.9 Significant Shareholders as Underwriters

Parmelia Pty Ltd

As stated in Section 5.8, Parmelia has entered into an Underwriting Agreement with the Company, pursuant to which it has agreed subscribe for up to \$789,116 of any Shortfall, following the issue of any Additional Shares to Eligible Shareholders under the Shortfall Facility.

If a Shortfall remains after the issue of Additional Shares under the Shortfall Facility, Parmelia will be required to increase its shareholding in the Company and its voting power will increase based on its increased shareholding.

The table below sets out the shareholding of Parmelia, and the resulting relevant interest of Mr Peter Reilly in the Company, under 3 scenarios immediately following the completion of the Rights Issue. These scenarios are included for illustrative purposes only and are used to highlight the theoretical minimum and maximum shareholding outcomes for Parmelia following the Rights Issue.

Scenario 1: All Shareholders exercise their rights to acquire New Shares under the Rights Issue.

Scenario 2: 50% of Shareholders exercise their rights to acquire New Shares under the Rights Issue. Parmelia and Stardoor are required to subscribe for Shares in accordance with their respective underwriting commitments.

Scenario 3: No Shareholders exercise their rights to acquire New Shares under this Rights Issue. Parmelia and Stardoor are required to subscribe for Shares in accordance with their respective underwriting commitments.

| | Scenario 1 | | Scenario 2 | | Scenario 3 | |
|---|------------------|--|------------------|--|------------------|--|
| | Number of Shares | Approximate % of total Shares on issue | Number of Shares | Approximate % of total Shares on issue | Number of Shares | Approximate % of total Shares on issue |
| Shareholding prior to Rights Issue | 15,821,848 | 24.1 | 15,821,848 | 24.1 | 15,821,848 | 24.1 |
| Shares acquired under Rights Issue | 15,821,848 | 24.1 | 15,821,848 | 24.1 | 15,821,848 | 24.1 |
| Shortfall Shares acquired | Nil | 00.0 | 14,981,350 | 11.4 | 29,962,700 | 22.7 |
| Shareholding immediately after Rights Issue | 31,643,696 | 24.1 | 42,252,447 | 35.5 | 61,606,396 | 46.8 |

If there is a Shortfall, Parmelia's voting power in the Company will increase beyond its current level of approximately 24.1% up to a maximum of 46.8%.

Accordingly, Parmelia (and Peter Reilly as its controller) would acquire control of the Company. Mr Reilly has indicated that if, he were to control the Company following the Rights Issue, he has no intention to make any material changes to the management or strategic direction of the Company. However, this intention may change in light of subsequent events or circumstances.

Stardoor Pty Ltd

As stated in Section 5.8, Stardoor has entered into an Underwriting Agreement with the Company, pursuant to which it has agreed subscribe for up to \$526,078 of any Shortfall, following the issue of any Additional Shares to Eligible Shareholders under the Shortfall Facility.

If a Shortfall remains after the issue of Additional Shares under the Shortfall Facility, Stardoor will be required to increase its shareholding in the Company and its voting power will increase based on its increased shareholding.

The table below sets out the shareholding of Stardoor and the resulting relevant interest of Mr Hamish Giles in the Company, under 3 scenarios immediately following the completion of the Rights Issue. These scenarios are included for illustrative purposes only and are used to highlight the theoretical minimum and maximum shareholding outcomes for Stardoor following the Rights Issue.

Scenario 1: All Shareholders exercise their rights to acquire New Shares under the Rights Issue.

Scenario 2: 50% of Shareholders exercise their rights to acquire New Shares under the Rights Issue. Parmelia and Stardoor are required to subscribe for Shares in accordance with their respective underwriting commitments.

Scenario 3: No Shareholders exercise their rights to acquire New Shares under this Rights Issue. Parmelia and Stardoor are required to subscribe for Shares in accordance with their respective underwriting commitments.

| | Scenario 1 | | Scenario 2 | | Scenario 3 | |
|---|------------------|--|------------------|--|------------------|--|
| | Number of Shares | Approximate % of total Shares on issue | Number of Shares | Approximate % of total Shares on issue | Number of Shares | Approximate % of total Shares on issue |
| Shareholding prior to Rights Issue | 5,500,450 | 8.4 | 5,500,450 | 8.4 | 5,500,450 | 8.4 |
| Shares acquired under Rights Issue | 5,500,450 | 8.4 | 5,500,450 | 8.4 | 5,500,450 | 8.4 |
| Shortfall Shares acquired | Nil | 00.0 | 12,051,846 | 9.1 | 24,103,692 | 18.3 |
| Shareholding immediately after Rights Issue | 11,000,900 | 8.4 | 23,052,746 | 17.5% | 35,104,592 | 26.7 |

If there is a Shortfall, the voting power of Stardoor and Mr Hamish Giles in the Company will increase beyond its current level of approximately 8.4% up to a maximum of 26.7%.

Mr Hamish Giles has indicated to the Company that irrespective of his voting power following completion of the Rights Issue, he has no intention to make any material changes to the management or strategic direction of the Company. However, this intention may change in light of subsequent events or circumstances.

5.10 Remuneration of Non-Executive Directors

In accordance with the Constitution, the non-executive Directors shall be paid out of funds of the Company, remuneration for their services as Directors, a sum not exceeding \$200,000 per annum or such larger amount as the Company in general meeting determines by ordinary resolution.

The remuneration of the non-executive Directors must not be increased except pursuant to a resolution passed at a general meeting of the Company where notice of the suggested increase shall have been given to members in the notice convening the meeting.

The following is a table of the base remuneration payable to each non-executive Director on an annual basis as at the date of this Prospectus.

| Name | Total Directors' fees (including superannuation) |
|--------------|---|
| Hamish Giles | \$55,000 |
| Peter Reilly | \$45,000 |
| Mike Evett | \$45,000 |

The remuneration of the managing director of the Company, Mr Jeff Nicol for the year ended 30 June, 2013 is set out in the Annual Report of the Company dated 26 September, 2013.

5.11 Expenses

The total expenses of the Offer are expected to be as follows:

| Expense | \$ |
|-----------------------------|---------------|
| Legal and professional fees | 30,000 |
| Underwriting Fees | 52,608 |
| Total | 82,608 |

All fees referred to in this Prospectus are exclusive of GST.

5.12 Interests of Other Persons

Except as disclosed in this Prospectus, no expert, promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity:

- (1) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Rights Issue or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
- (2) has been paid or given or will be paid or given any amount or benefit in connection with the formation or promotion of the Company or the Rights Issue.

Salmon Giles Corporate

Over the last 2 financial years Salmon Giles has been paid commercial arms length fees for professional services for management accounting and corporate advisory services provided to the Company. Fees for professional services undertaken in connection with the Offer and all other associated costs and expenses of the Prospectus and capital raising are approximately \$10,000 (plus GST)] as at the date of this Prospectus.

Grant Thornton

Over the last 2 financial years, Grant Thornton has been paid commercial arms length fees for auditing the Company's accounts and providing accounting and tax services to the Company.

Norton Rose Fulbright

Over the last 2 financial years Norton Rose Fulbright has been paid commercial arms length fees for professional services for providing professional legal services. Fees for professional services undertaken as Australian legal advisers in connection with the Offer and all other associated costs and expenses of the Prospectus are approximately \$15,500 (plus GST)] as at the date of this Prospectus.

5.13 Consents

The following consents have been given in accordance with the Corporations Act:

Advanced Share Registry Services has given and has not withdrawn its written consent to be named as Share Registrar in the form and context in which it is named. ASR has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registrar of the Company. ASR has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

Grant Thornton has given its written consent to being named as Auditors to the Company and the reference to the independently reviewed half-year report for 31 December, 2013 lodged with ASX on 28 February, 2014, and has not withdrawn its consent prior to lodgement with ASIC. With the exception of the consent as stated above, Grant Thornton has not authorised the issue of this Prospectus. Accordingly, it makes no representations regarding and takes no responsibility for any other statement or material in or omissions from this Prospectus.

Norton Rose Fulbright has given its written consent to being named as legal advisers to the Company and has not withdrawn its consent prior to lodgement with ASIC. With the exception of the consent as stated above, Norton Rose Fulbright has not authorised the issue of this Prospectus. Accordingly, it makes no representations regarding and takes no responsibility for any other statement or material in or omissions from this Prospectus.

Salmon Giles has given and not withdrawn its written consent to be named herein as corporate adviser in the form and context in which it is so named. Other than in its capacity as corporate adviser to the Company, Salmon Giles does not make any other statement in this Prospectus nor is any other statement based upon a statement by Salmon Giles. Salmon Giles does not accept any liability to any person in respect to any false or misleading statement in, or omission from, any other part of this document.

5.14 Governing law

This Prospectus and the contracts which arise on acceptance of Entitlement and Application Forms are governed by the law applicable in the State of Victoria, Australia and each applicant submits to the non-exclusive jurisdiction of the courts of the State of Victoria, Australia.

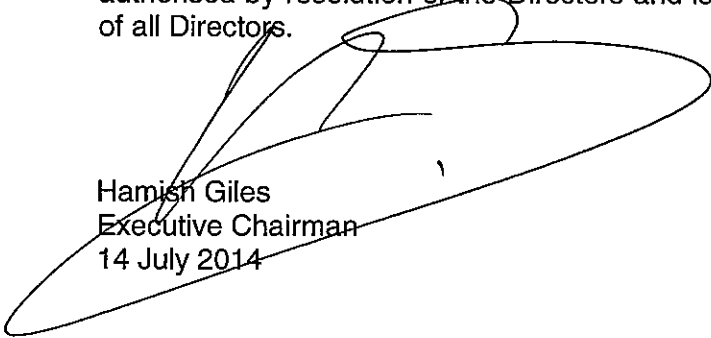
5.15 No Prospective Financial Information

Other than the financial information set out in Section 3.5, no prospective financial information is contained in this Prospectus as the Directors do not consider there to be reasonable grounds to include such information given the speculative nature of the investment as described in Section 4.

5.16 Directors' Responsibility Statement and Consent

Each Director of the Company has given, and has not withdrawn as at the date of this Prospectus, his consent to the lodgment of this Prospectus with ASIC in accordance with section 720 of the Corporations Act.

This Prospectus is issued by MBD Corporation Limited. Its issue was authorised by resolution of the Directors and is signed by a Director on behalf of all Directors.



Hamish Giles
Executive Chairman
14 July 2014

6. Definitions

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

| Terms | Meaning |
|---|--|
| "Additional Shares" | means additional New Shares applied for by Eligible Shareholders in excess of their Entitlement. The Additional Shares form part of the Shortfall. |
| "Advanced Share Registry Services" | means Advanced Share Registry Limited ABN 14 127 175 946 trading as Advanced Share Registry Services. |
| "Applicant" | means a person who submits a completed Entitlement and Acceptance Form. |
| "Application" | means a valid application for New Shares by way of an Entitlement and Acceptance Form. |
| "Application Monies" | means monies payable in respect of Applications for New Shares. |
| "ASIC" | means the Australian Securities and Investments Commission. |
| "ASX Settlement" | means ASX Settlement ACN 008 504 532 (formerly called ASX Settlement and Transfer Corporation Pty Ltd). |
| "ASX Settlement Rules" | means the ASX settlement operating rules of ASX Settlement, the securities clearing house, from time to time. |
| "ASX" | means ASX Limited ACN 008 624 691 or the Australian Securities Exchange operated by it, as the case requires. |
| "ASX Listing Rules" | means the official listing rules of ASX, as amended or waived. |
| "Business Day" | means an Australian business day that is not a Saturday, Sunday, or any other day which is a public holiday or bank holiday in the place where an act is to be performed or a payment is to be made. |
| "CHESS" | means the Clearing House Electronic Subregister System operated by ASX Settlement. |
| "Citywide Assets" | means the assets of Citywide Concrete Pty Ltd ACN 159 146 906 and Citywide Building Supplies Pty Ltd ACN 153 432 092 relating to the Citywide Business. |
| "Citywide Business" | means the concrete batching business carried on by Citywide Concrete Pty Ltd and Citywide Building Supplies Pty Ltd prior to the sale of that business as announced to ASX on 13 May, 2014. |
| "Closing Date" | means 5:00 pm (Melbourne time) on Friday 15 August, 2014 (unless extended) |

| | |
|--|---|
| "Company" or "MBD" | means MBD Corporation Limited ABN 34 087 730 667. |
| "Constitution" | means the constitution of the Company as at the date of this Prospectus. |
| "Convertible Notes" | means convertible notes with a face value of \$720,000 issued by the Company notionally converting into 9 million Shares at a conversion price of 8.0 cents per Share |
| "Corporations Act" | means <i>Corporations Act 2001</i> (Cth). |
| "Directors" | means the directors of the Company and includes a committee of them. |
| "dollars" or "\$" | means Australian dollars. |
| "Eligible Shareholder" | means a person who is registered as a holder of Shares on the Record Date and whose registered address is in Australia or New Zealand. |
| "Entitlement" | means the entitlement of an Eligible Shareholder to apply for 1 New Share for every 1 Share held on the Record Date. |
| "Entitlement and Acceptance Form" or "Form" | means the entitlement and acceptance form accompanying this Prospectus. |
| "Grant Thornton" | means Grant Thornton Audit Pty Ltd ACN 130 913 594. |
| "GST" | has the meaning given to it by the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth). |
| "Issue Price" | means \$0.02 (2 cents) per New Share. |
| "Issuer Sponsored" | means securities issued by an issuer that are held in uncertificated form and administered by the issuer (and not ASX Settlement). |
| "New Share" | means a Share to be issued pursuant to this Prospectus. |
| "Norton Rose Fulbright" | means Norton Rose Fulbright Australia. |
| "Offer" | means the offer of New Shares pursuant to this Prospectus and includes the Additional Shares. |
| "Officer" | means an officer of the Company as that term is defined in the Corporations Act. |
| "Option" | means an option to subscribe for a Share. |
| Parmelia | means Parmelia Pty Ltd ACN 009 647 170, a company associated with Mr Peter Reilly. |

| | |
|-----------------------------|--|
| "Prospectus" | means this Prospectus dated 14 July 2014. |
| "Record Date" | means 7:00 pm (Melbourne time) on 22 July 2014 being the date for determining Entitlements of Eligible Shareholders to participate in the Rights Issue. |
| "Rights Issue" | means the fully underwritten, non-renounceable pro-rata offer of up to 65,759,680 New Shares to Eligible Shareholders on the basis of 1 New Share for every 1 Share held on the Record Date. |
| "Salmon Giles" | means Salmon Giles Corporate Pty Ltd ACN 123 801 632. |
| "Share" | means a fully paid ordinary share in the capital of the Company. |
| "Shareholder" | means a person who is registered as the holder of Shares. |
| "Share Registry" | means Advanced Share Registry Services. |
| "Shortfall" | means those New Shares not subscribed for by way of an Application pursuant to this Prospectus by the Closing Date. Applications for Additional Shares form part of the Shortfall. |
| "Shortfall Facility" | means the facility pursuant to which Additional Shares may be issued to Eligible Shareholders at the discretion of the Directors. |
| "Stardoor" | means Stardoor Pty Ltd ACN 052 344 519, a company associated with Mr Hamish Giles. |
| "Underwriters" | means each of Stardoor and Parmelia. |
| "Westpac" | means Westpac Banking Corporation Limited ABN 33 007 457 141. |

7. Corporate Directory

Directors of MBD Corporation Limited

Hamish Giles – Executive Chairman
Peter Reilly – Non-executive Director
Mike Evett – Non-executive Director
Jeff Nicol – Managing Director and Chief Executive Officer

Company Secretaries

Hamish Giles
Peter Reilly

Registered Office

C/- Salmon Giles Corporate Pty Ltd
Level 2, 409 St Kilda
MELBOURNE VIC 3004
Telephone: (03) 9820 2087
Facsimile: (03) 9820 2158

Corporate Advisor

Salmon Giles Corporate Pty Ltd
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Share Registry

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