Calair Systems Limited

PROSPECTUS

For the issue of up to 10,000,000 Ordinary Shares at an issue price of 50 cents each to raise up to $5,000,000.

This Prospectus is dated the 30th day of June 2005 and it was lodged with the Australian Securities and Investments Commission [ASIC] on the 30th day of June 2005

Calair Systems Limited
ACN 096 558 977
ABN 44 096 588 977

Sponsoring Broker
Tonkin Scorer Menzies
ANZ Bank Chambers
Bolton Street,
Newcastle NSW 2300

IMPORTANT NOTICES

Application will be made within 7 days of the date of this Prospectus for listing of the Company's Shares offered by this Prospectus on the Stock Exchange of Newcastle Limited. The fact that the Stock Exchange of Newcastle Limited may list the Shares of the Company is not to be taken in any way as an indication of the merits of the Company or the listed Shares. The Stock Exchange of Newcastle Limited takes no responsibility for the contents of this document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this document.

This Prospectus is dated the 30 th day of June 2005 and it was lodged with the Australian Securities and Investments Commission [ASIC] on the 30th day of June 2005. It is issued by Calair Systems Limited ("the Company").

Neither ASIC nor any of its officers take any responsibility for the contents of this Prospectus.

No Ordinary Shares will be allotted or issued on the basis of this Prospectus later than thirteen months from the date of this Prospectus. This Prospectus expires on the Expiry Date.

If the Minimum Subscription is not reached within four months after the date of this Prospectus any subscriptions already received by the Company pursuant to this Prospectus will be repaid in full without interest.

Potential investors should be aware that they have no right to require that their Ordinary Shares in the Company be redeemed or repurchased by the Company or any third party.

No person or corporation connected with the issue of this Prospectus guarantees, underwrites or warrants the performance of the Company or the Ordinary Shares offered under this Prospectus and no guarantee is given in relation to any return of capital or payment of income distributions or any other return to holders of Ordinary Shares offered under this Prospectus.

This is not intended as a short-term investment and will be subject to the risks generally associated with commercial ventures. An investment in Ordinary Shares offered in this Prospectus should therefore be considered speculative.

There is no guarantee that the Shares offered under this Prospectus will provide a return on capital, lead to payment of dividends or that there will be any increase in the value of the Shares in the future.

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 relation to the Offer not contained in this Prospectus may not be relied on as having been authorised by the Company in connection with the Offer.

The Offer made pursuant to this Prospectus is not made in any jurisdiction other than in Australia. This Prospectus does not constitute an offer in any place which, or to any person to whom, it would not be lawful to make such an offer. The distribution of the Prospectus in a jurisdiction other than Australia may be restricted by law and persons who come into possession of the Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. It is the responsibility of all overseas Applicants to ensure their compliance with the laws of any country relevant to their application for Ordinary Shares under this Prospectus. Residents of other jurisdictions could consider doing so using Australian domiciled entities including nominee companies affiliated with Australian Broking firms and should seek their own advice.

Certain terms and abbreviations in this Prospectus have defined meanings that are explained in Section 12 - Defined Terms to this Prospectus.

This document is important and should be read in its entirety. Applicants are advised to consult a professional adviser for the purpose of making an informed assessment of this Offer before deciding to participate in it.

If after reading this Prospectus you have any questions about the Issue you should consult your professional adviser(s).

Applications for Ordinary Shares can only be made by completing the Application Form to be found at the back of this Prospectus.

Exposure Period

Pursuant to the Corporations Act this Prospectus is subject to an exposure period of 7 days from the date of lodgement with ASIC which period may be extended by ASIC by a further period of 7 days. The Exposure Period enables this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus. If deficiencies are detected the Company will either return any application moneys that the Company has received or give to each Applicant a supplementary or replacement Prospectus that corrects the deficiency and give the Applicant the option to withdraw the Application within one month and be repaid the application money.

Applications received prior to the expiration of the Exposure Period will not be processed until after the Exposure Period. No preference will be conferred on applications received during the Exposure Period and all applications received during the Exposure Period will be treated as if they were simultaneously received on the Opening Date.

Electronic Prospectus

This Prospectus may be viewed online at **www.calair.net.au**

The Offer pursuant to this Prospectus is available to persons receiving an electronic version of this Prospectus within Australia. The Offer made under this Prospectus is only available to persons receiving this Prospectus in this jurisdiction. The Company is entitled to refuse an Application for Ordinary Shares under this Prospectus if it believes the Applicant did not receive the Offer in Australia. There is no facility for online applications. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must only access the Prospectus from within Australia. Ordinary Shares to which this Prospectus relates will only be issued on receipt of an Application Form issued together with the Prospectus. Applications must be made by completing a paper copy of the Application Form. The Company will not accept Application Forms electronically. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to a hard copy of this Prospectus or accompanies the complete and unaltered version of this Prospectus. During the Offer Period any person may obtain a paper copy of this Prospectus free of charge by contacting the Registered Office on telephone (02) 9651-4722.

Miscellaneous

Items and undertakings displayed in photographs in this Prospectus (if any) are not necessarily assets owned by the Company. The inclusion of photographs supplied by persons or entities other than the Company does not constitute an endorsement or recommendation by those persons or entities of the Ordinary Shares offered under this Prospectus.

IMPORTANT DATES and ACTION REQUIRED

The dates shown in Table 1 below which are later than the date of this Prospectus are indicative only and may be varied. The Company reserves the right to vary the Opening Date and the Closing Date without prior notice which may have a consequential effect on other dates. Accordingly, applicants are encouraged to submit their Applications as soon as possible after the Offer opens.

Table 1	Important Dates
Prospectus lodged at ASIC	30th June 2005
Offer open for acceptance	18th July 2005
Closing Date (Last day for Applicants to lodge Application Forms)	31st October 2005
Intended date for allotment of Ordinary Shares (subject to permission for Quotation being granted by the NSX).	7th November 2005
Estimated date for quotation of Ordinary Shares	14th November 2005

Action required by Applicants

Persons wishing to apply for Ordinary Shares pursuant to the Offer should complete the Application Form at the back of this Prospectus and send that form together with the Subscription Amount to the address shown on the form so that it is received prior to the Closing Date.

Contents

Corporate Directory

Directors:

Dr. Robert Strange (Chairman)
John McNab (Managing Director)
David Richard McDonald ASIA

Company Secretary and Public Officer:

Margaret McNab

Principal and Registered Office:

6 Edwards Road,
Dural NSW 2158
Tel: (61+)-2-9651-4722
Fax: (61+)-2-9651-4687
Email: info@calair.net.au
Website: www.calair.net.au

Sponsoring Broker:

Tonkin Scorer Menzies
ANZ Bank Chambers
16a Bolton Street,
Newcastle NSW 2300
(AFS Licence Number: 239050 & 239196)

Nominated Adviser:

Athans & Taylor Joondalup
Chartered Accountants
89 Winton Road,
Joondalup WA 6027

Share Registry:

Registries Limited
28 Margaret Street,
Sydney NSW 2000

Solicitors to the Company:

Cutler Hughes & Harris
Level 44,
2 Park Street,
Sydney NSW 2000

Accountants:

Douglas Jiear
4 / 41 Dunmore St
Wentworthville NSW 2145

Registered Company Auditor:

Carlton & Partners
Certified Practising Accountants
295A Lord Street,
Perth WA 6000

Prospectus Consultant:

Equity Capital Solutions
44 Kings Park Road,
West Perth WA 6566

Bankers:

BankWest
Level 20, BankWest Tower
108 St Georges Terrace
Perth WA 6000

Section 2:

Chairman's Letter

Dear Sir or Madam,

Thank you for considering an investment in Calair Systems Limited ("the Company"). The Company has developed a successful business in marketing and distribution of specialist piping systems and has recently acquired all manufacturing capabilities and intellectual property of Calair Pipe Systems Pty Ltd which has been manufacturing high quality piping systems for the past 15 years. The Company is now seeking funds to expand its manufacturing base and seek new markets both in Australia & New Zealand and overseas.

Equity funds raised from this Issue will be used to:

- To acquire new plant & equipment;
- To upgrade existing plant & equipment;
- To source new Licensed Distributors;
- To employ additional administrative & production personnel;
- To undertake marketing, advertising & promotional campaigns;
- To finance establishment costs & fees overseas;
- To reduce existing debt levels & finalise expenses of the Issue; and,
- To provide additional working capital.

In the more advanced countries the occupational health and safety regulations are increasingly impacting on material selection. This is especially the case with piping which may be carrying material under pressure or material which is itself toxic or poisonous.

This is an opportunity to participate in an Australian owned and operated Company based in New South Wales. My Directors and I are committed to the successful long term development of the Company's fortunes. We are also shareholders in the Company and hold Options to acquire further Ordinary Shares at a premium to the issue price (see Section 11 – Additional Information).

I look forward to welcoming you as a shareholder in the Company.

Dr. Robert Strange
Chairman

Investment Highlights

Company background

- Since incorporation in April 2001, Calair Systems Limited (previously Calair Systems Pty Ltd) ("the Company") has proven itself an unrivalled innovator in an otherwise largely underdeveloped and underserved industry.

- The Company offers the only complete end-to-end solution package for the many problems associated with pipe systems in industrial applications available today. No other company in Australia has the manufacturing capability and infrastructure to offer comparable products and services

- The Company manufactures most of its products and components in house, using unique Australian designed, purpose built equipment that ensures a level of pipe quality which simply outperforms similar products on the market.

- The Company's pipe can be installed quickly and easily by clients without any special equipment or prior experience.

- All the Company's pipe is completely reusable, recyclable and relocatable.

- The Company continues to develop new pipe systems for specific applications.

- The Company's systems can be found in many of Australia's Top 100 companies including Ford, General Motors and BHP and also in locations such as the Sydney Harbour Bridge.

- The Company has supplied over 6,000 users and has earned an outstanding record for successful pipe system solutions with customer satisfaction in excess of 99.8%.

Investment Highlights continued

- Since 2000/2001, the Company's systems have shifted from a direct sales strategy to a network of Licensed Distributors. The transition phase is now complete, sales are growing rapidly, and the Company is poised for substantial expansion into both domestic and international markets.

- The Company will use part of the funds raised from the Issue to launch an operation in the United Kingdom this calendar year as a springboard for entry to Europe and if this proves to be successful and funds permit, the Company intends to launch an operation in the United States by 2007.

- In coming years many installed traditional pipe systems will need to be replaced in the face of evolving health, safety and environmental regulations such as those contained in the Australian Occupational Health and Safety Act. This situation is mirrored in many international markets as an increasing trend and an opportunity for the Company's products.

- The Company offers extensive OH&S risk management consulting and is the only manufacturer of colour-identifiable polymer pipe for use in pressure applications, providing easy pipe content identification in accordance with new OH&S regulations with a low life-cycle cost.

- The Company's products offer significant and sustainable competitive advantages in terms of price, performance, ease of use, safety and regulatory compliance. Backed by 15 years of experience the Company is poised to expand its successful Australian operations and to enter new markets across the globe.

Industry Overview

Industrial Pipe Industry Background

For decades the industrial pipe industry has operated primarily as a commodities market dominated by large steel and copper pipe manufacturers and with little or no technological development. Most plastic pipe manufacturers offer little more than copies of their steel and copper counterparts in low performance materials such as PVC. While copper, steel and PVC pipe are sufficient for purposes such as sewage and drainage they are ill-suited to many modern applications in which contents are hazardous and transported under pressure.

Manufacturers of traditional materials seldom offer design, installation or maintenance support for pipe systems. These tasks have fallen to architects and general contractors and may result in systems that are highly inefficient and therefore costly with the potential for significant health, safety and environmental hazards. As health and environmental standards continue to intensify around the world especially in Australia, North America and Europe, many installed systems may fail to meet new regulations. Australian Occupational Health and Safety Acts require risk management on pipe systems – including content identification to AS1345-1995 – that many systems do not comply with. A wide range of industries will soon be looking for an easy to incorporate solution that meets these new demands and provides long-term benefits with a low life cycle cost.

While the lack of design and innovation by large manufacturers has left the pipe market largely devoid of new products, new niche markets have developed in response to the efforts of a few small companies. These range from high-end clients implementing technically demanding systems to small volume clients previously unable to afford the set up and installation costs of traditional options. The needs of these and of many traditional pipe markets are not sufficiently met by the current industry.

Industry Needs

The industrial pipe industry has thus created three clear market needs:

- Pipe made from purpose-specific materials that are stronger, lighter, more durable and more efficient than traditional steel and copper pipe or plastic pipe such as PVC. Traditional pipe systems are often not suitable for conveying a wide range of chemicals or for use with new materials and processes.
- Specialized performance design, layout and installation services to make pipe systems safer, more efficient, more environmentally friendly and compliant with evolving health, safety and environmental regulations.
- Innovation in pipe usage and design to expand current markets and exploit untapped market opportunities.

Industry Overview

The coal mining industry provides a case in point:

Above ground, washeries and workshops require employees to work in close proximity to complex pipe systems moving a variety of liquid and gaseous materials. These systems must be highly resistant to leaks or faults to protect the health and safety of workers and pipe contents must be easily identifiable to prevent dangerous and costly accidents.

Below ground, demanding compressed air and water reticulation systems often operate in difficult and hazardous environments such as gaseous mines. These systems must be extremely durable and designed to match the unique demands of their environments.

Industry Participants

Steel and copper pipe manufacturers have traditionally dominated the pipe market but the joint market share of these technologies is declining. This is due in part to the appearance of niche high-end and small-volume pipe markets. The Company started to address the needs of these markets in the late eighties and initially set out to fill the design, installation and support needs of the compressed air systems niche market. The Company has since expanded into manufacturing and product development for a wide range of traditional and emerging pipe industries. Since 1995 a number of other companies in Australia have endeavoured to break into the Australian pipe systems industry through the compressed air market, however, these endeavours have met with limited success.

Company Overview

Company History

Calair Systems Limited (ACN 096 558 977) has been a family owned and controlled business originally incorporated in New South Wales as Calair Systems Pty Ltd on the 19th day of April 2001. The Company manufactures and markets "Application Specific" polymer pipe systems for high pressure and difficult applications, coloured for easy content identification.

The Company began as a designer and installer of pipe systems for compressed air reticulation, relying on the pipe and equipment currently available. After years of struggling to maintain its high performance standards with available materials, the decision was made to expand into manufacturing and product design. Over the last six years the Company has made a major investment in new plant and equipment and product research and has also streamlined manufacturing methods to develop an enhanced range of coloured polypropylene pipe to help address the many problems encountered using traditional materials.

The Company has built an excellent reputation as a provider of high performance pipe systems. Calair pipe systems are sold to a broad range of industries including manufacturing, food processing, mining, government and the military. They provide a low cost, high performance alternative to traditional copper and steel pipe and can be installed by the customer without specialized equipment or previous experience. The Company has to date supplied over 6,000 users with minimal dissatisfaction rates and warranty claims.

The Company's pipe systems can be found in many of Australia's top 100 companies, including Ford, General Motors, Nestle, BHP, MIM, Gwalia, Misima (PNG) and the Sydney Opera House. The Company has also created a new market of small to medium sized companies in a wide variety of industries for whom traditional systems were too expensive or difficult to install.

The success of the Company is the result not only of its superior products but of its solution-based approach to pipe systems. Unlike other manufacturers, the Company provides its clients with complete end-to-end solutions to the many problems experienced with pipe reticulation. This unique approach has enabled the Company to build a loyal customer base, provide much needed product innovation, and identify new product opportunities. It has also positioned the Company to become a supplier of full turnkey contracts, contract service agreements and consultancy services in addition to its core pipe sales, both domestically through its growing network of Licensed Distributors and through an aggressive export drive abroad.

Company Overview continued

Licensed Distributors (Franchisees)

In 1999/2000 the Company shifted its sales and marketing strategy from one of direct sales and installation to one of franchised sales and installation via Licensed Distributors. Until that time the Company had enjoyed a full decade of healthy yearly sales growth but in 1998/1999 sales began to plateau as the Company's resources were stretched to their limit by increasing sales volume, manufacturing and R&D efforts. During the transition from direct sales to franchised sales the Company experienced a small downturn in sales but the new structure has positioned the Company for unprecedented expansion into both domestic and international markets. Each Licensed Distributor undergoes an extensive application and review process to ensure they meet the Company's unrivalled standard of excellence. The domestic transition phase is almost complete and the Company forecasts strong growth over the next five years.

The Company provides Licensed Distributors with

- An established company identity with an excellent reputation and large, loyal customer base;
- The best product of its kind available on the market; and,
- The core Calair team, who bring over 15 years of experience and expertise in the pipe industry and provide extensive support in the form of seminars, marketing and promotional material, etc

Licensed Distributors, in turn, provide the Company with significant advantages over alternative models. These may be summarised as follows:

- A tied distribution network bound by contract to sell and install the Company's products exclusively;
- An Agreement duration of 5 + 5 years;
- Significant reduction in staff and operating costs;
- The core CalAir team is free to turn their experience and expertise to manufacturing and product development;
- Any monies owed to the Company by Licensed Distributors are secured by personal guarantees;
- All marketing and promotional material produced by the Company is purchased by Licensed Distributors;
- All national advertising undertaken by the Company is paid by Licensed Distributors via a 3% levy on all gross sales; and,
- Management support expenses incurred by the Company are subsidised by Licensed Distributors via a 7% levy on all gross sales

Since Nov 2001, the Company has promoted seven Licensed Distributors in Australia out of a targeted eighteen as follows:

Location	Current Outlets	Target Outlets
NSW	2	6
Vic	3	6
SA	1	2
Qld	0	2
Tas	1	1
WA	0	1

CalAir Products

The Company offers clients complete solutions to the many problems associated with the distribution of various fluids and gasses in industrial applications. The core of these solution packages is an innovative range of polypropylene pipe systems designed in house for a wide variety of industrial applications, ranging from compressed air to chemical solutions and the rapid movement of various gases. A unique Australian designed, purpose built extrusion machine allows the Company to employ technologically advanced materials.

The unique design of the Company's pipe supports the use of fast, efficient and cost effective Compression Fitting as well as the permanent Socket Fusion connections familiar in Europe, both allowing pipe to be quickly and easily installed and making it reusable, recyclable and relocatable. Before this breakthrough all polypropylene pipe had to be joined by difficult and expensive Butt welding or Electro-Fusion welding. The impact resistant inner core provides exceptional pressure capability in hazardous conditions and at elevated temperatures. The outer coloured layer contains U.V. inhibitors for added safety and provides easy content identification in accordance with Australian Standards and Occupational Health and Safety issues.

To complete the package, the Company provides full turnkey equipment including air compressors, air dryers, pumps, filtration and other ancillary devices. All materials can be installed on-site, and the Company offers a high level of "performance design" and "layout services" to the market and assists with OH&S risk management.

Company Overview

In addition to offering high quality industrial pipe systems on the market, the Company has begun developing special purpose pipe systems in an effort to open or break into previously untapped markets

- An External Water Spray System (EWSS) was launched in January 2004 for the protection of life and property exposed to bush fire threat. The EWSS system employs Halogen Free Flame Retardants, the safest on the market as they do not produce toxic smoke or fumes when exposed to flames. The Company received over 500 inquiries regarding this system during the first 6 months of 2004 alone.

- A Flame Retardant Anti Static (FRAS) System is in the final stages of development to provide compressed air and water reticulation in hazardous applications such as gaseous underground mines. FRAS will be an alternative to heavy steel pipes that are a health hazard and a major contributor to inefficiencies through the contamination of expensive equipment.

- An Automatic Fire Sprinkler System (AFSS) is scheduled for release in 2005 incorporating many of the design innovations of the EWSS and FRAS systems but tailored to domestic, residential and light-hazard applications.

Company Objectives

The key objectives of the Company are:

- To maintain a minimum profit margin of 40%;
- To increase advertising and promotional activities to further strengthen brand awareness;
- To complete development of FRAS and AFSS systems and launch marketing campaigns;
- To achieve consistent growth of 40-50% per annum over the next 5 years;
- To finalize the Australian franchised network by 2006;
- To launch an operation in the United Kingdom this calendar year as a springboard for entry to Europe; and,
- To launch an operation in the United States by 2007.

Markets and Competitive Advantage

Client Base

The Company supplies a broad range of industries including manufacturing, food processing, mining, government and the military and has also created a new market of small to medium sized companies in a wide variety of industries for whom traditional systems were too expensive or difficult to install.

Sales and Marketing Strategy

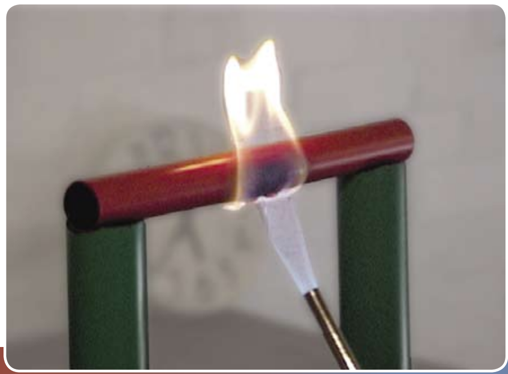
The Company is shifting all direct sales to its Licensed Distributor network. The sales strategy for Licensed Distributors focuses on three basic client demographics:

- For End Users, Licensed Distributors will promote the advantages of easy self-installation, fast and easy modification and relocation, reusability, durability, quality and cost effectiveness. Licensed Distributors will also assist users with system design, installation if necessary and the implementation of OH&S risk management.

- For Architects , Consultants and Specifying Engineers, Licensed Distributors will emphasise the guaranteed and proven performance of the Company's systems as well as their availability, reliability, OH&S compliance and cost effectiveness.

- For Resellers, Licensed Distributors will emphasise the excellent reputation of the Company's products, the lack of direct competition and minimal dissatisfaction rates and warranty claims.

The Company maintains a national advertising campaign focused on trade magazines, trade shows and other targeted mediums and also provides extensive promotional, marketing and training materials, on-site training seminars and invaluable immediate technical support



Markets and Competitive Advantage

Competitive Advantage

The Company offers significant advantages over competing products in terms of price, performance, ease-of-use, safety and OH&S compliance. These advantages include:

- Coloured pipe for content identification - now a concern of OH&S requirements. The Company is the only company in the world manufacturing colour identifiable pipe systems for pressure applications;
- Superior UV stability, fire retardant and anti-static for safe and effective operation in hazardous conditions;
- Compression fitting and socket fusion connections eliminating the need for gluing, threading or soldering;
- Tamperproof high security jointing through “Socket Fusion” welding;
- Lightweight and corrosion resistant;
- Extremely reliable. The Company provides a 10-year guarantee on installed systems (subject to operating conditions) and a 12-month guarantee on product for DIY systems with minimal dissatisfaction rates and warranty claims;
- Good pressure capability in hazardous conditions and at elevated temperatures;
- Reusable, recyclable and relocatable;
- The only Company to manufacture a flame retardant polymer pipe system for bush fire protection;
- The only Company in the world to manufacture a FRAS pipe for pressure applications;
- Competing suppliers are manufacturing driven and generally do not address niche and emerging markets or offer total solutions, however, the Company provides a complete end-to-end solution package; and;
- The Company’s products are also resistant to attack by a wide range of industrial chemicals thereby competing directly with very expensive stainless steel or cumbersome specialist lined pipes;

Details of the Offer

Purpose of the Offer

The principal purpose of the Offer is to expand operations, commence a wholly-owned subsidiary in the United Kingdom and list the Company on the NSX. Funds raised to achieve this purpose will be used:

- To acquire new plant & equipment;
- To upgrade existing plant & equipment;
- To source new Licensed Distributors;
- To employ additional administrative & production personnel;
- To undertake marketing, advertising & promotional campaigns;
- To finance establishment costs & fees overseas;
- To reduce existing debt levels & finalise expenses of the Issue; and,
- To provide additional working capital.

The Offer

The Company is offering for subscription a total of 10,000,000 Ordinary Shares at an issue price of 50 cents each payable in full on application to raise $5,000,000. All Ordinary Shares offered pursuant to this Prospectus will rank equally with Existing Shares. The rights attaching to Ordinary Shares are further described in Section 11 - Additional Information in this Prospectus.

Capital Structure

If the Offer is fully subscribed there will be a total of 16,685,477 Ordinary Shares on issue including 10,000,000 Ordinary Shares the subject of the Offer. Prior to the Offer there were 6,685,477 Ordinary Shares on issue. Set out in Table 2 below is a summary of the Ordinary Shares on issue after completion of the Offer based on the Offer being fully subscribed.

TABLE 2: Capital Structure	Number of Shares	Approx. %	Effective Amount paid (or to be paid) per share	Consideration
RFS Unit Trust*	480,000	2.9%	10 cents	Existing shareholder
Sayonara Investments Pty Ltd**	166,667	1%	10 cents	Existing shareholder
John Selkirk McNab	10	0.1%	$0.50c	Existing shareholder
Calair Pipe Systems Pty Ltd	6,038,800	36%	$0.01c	Existing shareholder
This Offer	**10,000,000**	**60%**	**$0.50c**	**Cash**
Total	**16,685,477**	**100%**		

* associated Dr Robert Strange (Chairman)
** associated David Richard McDonald (Director)

Working Capital Adequacy

The Directors are satisfied that upon completion of the Offer, based upon the Minimum Subscription being subscribed, the Company will have sufficient funds to carry out its stated objectives. Further funding, if required, may be sourced from further equity raisings or borrowings but there is no guarantee that the Company will be successful in attracting any further funds on favourable terms or at all.

The Company reserves the right to extend the Offer or to close the Offer early without notice. Applicants are therefore urged to lodge their Application Forms as soon as possible.

An original, completed and lodged Application Form for Ordinary Shares together with a cheque for the Subscription Amount, constitutes a binding and irrevocable offer to subscribe for the number of Ordinary Shares specified in the Application Form. The Application Form does not need to be signed to be valid. If the Application Form is not completed correctly, if the wrong Application Form is completed, or if the accompanying payment is for the wrong amount, it may still be treated by the Company as valid. The Directors' decision as to whether to treat that application as valid and how to construe, amend or complete the Application Form is final, however, an Applicant will not be treated as having applied for more Ordinary Shares than is indicated by the amount of the cheque for the Subscription Amount.

Allocation and Allotment of Shares

The Company reserves the right to reject any application or to allot a lesser number of Ordinary Shares than that applied for. If the number of Ordinary Shares allocated is less than that applied for, the surplus Subscription Amount will be promptly refunded without interest.

The allotment of Ordinary Shares will occur as soon as practicable after the Minimum Subscription has been raised and the closure of the Offer. All Ordinary Shares issued pursuant to the Offer will rank pari passu in all respects with the Existing Shares. Statements of shareholding will be dispatched as required by the NSX. It is the responsibility of Applicants to verify their allocation prior to trading in the Ordinary Shares. Applicants who sell Ordinary Shares before they receive their statement of shareholding will do so at their own risk.

Subscription Amounts to be Held in Trust

The Subscription Amounts for Ordinary Shares to be issued pursuant to the Offer will be held in a separate bank account on behalf of the Applicants until the Ordinary Shares are allotted. If the Minimum Subscription is not achieved within a period of 4 months from the date of this Prospectus, the Subscription Amounts will be refunded in full without interest and no Ordinary Shares will be allotted pursuant to this Prospectus.

NSX Listing – The Stock Exchange of Newcastle Limited

The Company will apply to the NSX no later than seven days from the date of this Prospectus for the Company to be admitted to the Official List and for the NSX to grant Official Quotation to the Ordinary Shares to be issued under this Prospectus pursuant to the Offer and the Existing Shares, however, the Existing Shares are likely to be treated by the NSX as restricted securities as defined in the NSX Listing Rules. If the Minimum Subscription is not achieved, no Ordinary Shares will be issued pursuant to this Prospectus. If NSX approval is not granted within three months of the date of this Prospectus, none of the Ordinary Shares offered pursuant to this Prospectus will be issued and all Subscription Amounts will be refunded in full without interest.

Neither the NSX nor ASIC takes responsibility for the content of this Prospectus. The fact that the NSX may admit the Company to the Official List and grant official quotation to Ordinary Shares is not to be taken in any way as an indication by the NSX as to the merits of the Company or the Ordinary Shares.

Restricted Securities

The NSX has indicated that it will classify certain Ordinary Shares already issued to Existing Shareholders as being subject to the Restricted Securities provisions of the NSX Listing Rules. These Ordinary Shares will be required to be held in escrow for a period to be determined by the NSX.

CHESS and Issuer Sponsorship

Upon the Company being admitted to the Official List it will be admitted to participate in CHESS in accordance with the NSX Listing Rules and the ASTC Settlement Rules. On admission to CHESS the Company will operate an electronic issuer sponsored sub register and an electronic CHESS sub register. The two sub registers together will make up the Company's principal register of securities. The Company will not issue certificates. Rather, holding statements (similar to bank statements) will be dispatched to holders of securities as soon as practicable after allotment. Holding statements will be sent either by CHESS (for holders of securities who elect to hold their securities on the CHESS sub-register) or by the Company's Share Registrar (for holders of securities who elect to hold their securities on the issuer sponsored sub register). The statements will set out the number of securities allotted to the holder and provide details of a holder's Holder identification Number (for holders who elect to hold their securities on the CHESS sub register) or Shareholder Reference Number (in the case of a holding on the issuer sponsored sub register). Updated holding statements will also be sent to each holder as their holding of securities changes and also as required by the Listing Rules or the Corporations Act.

Risks

As with any share investment there are risks associated with investing in the Company. The principal risks that could effect the financial and market performance and operations of the Company are detailed in Risk Factors - Section 10 of the Prospectus. The Ordinary Shares on offer under this Prospectus should be considered speculative. Accordingly, before deciding to invest in the Company, Applicants should read the Prospectus in its entirety, and should consider all factors in light of their individual circumstances and seek appropriate professional advice.

Overseas Shareholders

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or to extend such an invitation. No action has been taken to register

Details of the Offer continued

this Prospectus or otherwise to permit a public offering of Ordinary Shares in any jurisdiction outside Australia. Residents of other jurisdictions wishing to subscribe for Ordinary Shares could consider doing so using Australian domiciled entities, including nominee companies affiliated with Australian broking firms. It is the responsibility of non Australian resident investors to obtain all necessary approvals for the issue to them of Ordinary Shares offered pursuant to this Prospectus.

Dividend Policy

The payment of dividends cannot be guaranteed and no assurance can be given that any dividend will ever be paid. However, the Directors desire to pay dividends to the Company's shareholders and will do so if and when business conditions allow.

Privacy

Persons who apply for Ordinary Shares pursuant to this Prospectus are asked to provide personal information to the Company, either directly or through the Share Registrar. The Company and the Share Registrar collect, hold and use that personal information to assess applications for Ordinary Shares, to provide facilities and services to shareholders, and to carry out various administrative functions. Access to the information collected may be provided to the Company's agents and service providers on the basis that they deal with such information in accordance with the relevant privacy laws. If the information requested is not supplied, applications for Ordinary Shares will not be processed. In accordance with privacy laws, information collected in relation to specific shareholders can be obtained by that shareholder by contacting the Company or the Share Registrar.

Electronic Prospectus

Pursuant to Class Order 00/044, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with ASIC and the publication of notices referring to an electronic prospectus or electronic application form subject to compliance with certain conditions. If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus of 50 pages accompanied by the relevant Application Forms. If you have not, please contact the Registered Office on telephone (02) 9651-4722 and you will be sent, free of charge, either a hard copy or a further electronic copy of the Prospectus or both. Alternatively, you may obtain a copy of the Prospectus from the Company's website at www.calair.net.au

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form it was not provided together with the electronic Prospectus (and any relevant supplementary or replacement prospectus).

There is no facility for online applications. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia. The Corporations Act prohibits any person passing on to another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered electronic version of this Prospectus.

ASIC Exposure Period

In accordance with Chapter 6D of the Corporations Act, the Prospectus is subject to an exposure period of 7 days from the date of lodgement with ASIC. The exposure period may be extended by ASIC by a further period of up to 7 days. The purpose of the exposure period is to enable the Prospectus to be examined by market participants prior to the raising of any funds. The examination may result in the identification of deficiencies in the Prospectus. If deficiencies are detected, any application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act. During the exposure period, the Prospectus may be viewed online at the Company's website or a hard copy of the Prospectus will be made available upon request to the Company. Applications received during the exposure period will not be processed until after expiration of the exposure period. No preference will be conferred on applications received during the exposure period, and all such applications will be treated as if they were simultaneously received on the Opening Date.

Enquiries

This document is important and should be read in its entirety. Persons who are in any doubt as to the course of action to be followed should consult their stockbroker, solicitor, accountant or other professional adviser without delay. Questions relating to the Offer or to the completion of the Application Form may be directed to the Registered Office of the Company on (02) 9651-4722.

Minimum Application

Applications must be for a minimum of 2,000 Ordinary Shares costing $1,000.

Minimum Subscription

The Minimum Subscription to the Issue is $500,000. No allotment of Ordinary Shares will be made until the Minimum Subscription has been reached. It is expected that allotment of Ordinary Shares will take place in November 2005. If the Minimum Subscription is not reached within four months from the date of this Prospectus the Directors will not allot any Ordinary Shares and the Company will, within 14 days thereafter, repay all Application Monies received without interest.

Maximum Subscription

The Maximum Subscription to the Issue is $5,000,000.

Application of Funds Raised

On completion of this Issue and assuming it is fully subscribed the Directors intend to utilise the funds raised as follows:

Australia:	$'000	
Certification & approvals	100k	
New plant & equipment & upgrades	250k	
New Licensed Distributors & personnel	250k	
Marketing, advertising & promotion	250k	
Expenses of the Issue	100k	
Consultant's Fee	300k	
Potential commissions payable	300k	
Debt reduction	500k	
Additional working capital	150k	$2,200,000
United Kingdom:		
Sundry establishment costs	150k	
Fees - legal, accounting, IP, certification, etc.	150k	
New plant & equipment	600k	
New Licensed Distributors & personnel	500k	
Marketing, advertising & promotion	650k	
Working capital	750k	$2,800,000
TOTAL		$5,000,000

If only the Minimum Subscription of $500,000 is raised then the funds would be applied as follows:

Australia (only):	$'000	
Certification & approvals	50k	
New plant & equipment & upgrades	100k	
Recruitment drive for Licensed Distributors	100k	
Expenses of the Issue	100k	
Consultant's Fee	30k	
Potential commissions payable	30k	
Additional working capital	90k	
TOTAL		$500,000

Details of the Offer continued

Commission

The Company has agreed to pay certain commissions to licensed dealers in securities (persons and/or firms) for procuring Applications for Ordinary Shares. The Company may pay commissions of up to 6% of application moneys paid in relation to Applications for Ordinary Shares which have been procured by those persons or firms.

Oversubscriptions

The Company may accept oversubscriptions to the Issue of up to an additional $2,000,000. In the event that oversubscriptions are accepted the additional funds raised will be used to increase working capital.

The Board of Directors

Dr. Robert Strange (Chairman)

Dr Strange has over 25 years experience in high technology industries. At various time he has filled the roles of project engineer, project manager, systems architect, systems engineer, management consultant, executive or non-executive Director in over 50 companies and his groundbreaking designs have included electronic and communication systems in the Melbourne Underground Rail Loop project and in several prestigious major building developments throughout Australia and overseas. Since 1987 he has been increasingly involved in working with start-up enterprises. He is a Fellow of the Australian Institute of Company Directors and a Director of Baker Underwell, a technology and engineering consultancy, which has provided the Company with advice on product development for the past two years

John Selkirk McNab (Managing Director)

Mr McNab is the founder of the Company. He is a mechanical engineer with over 25 years experience in sales & marketing working with multi-national corporations. He is responsible for the Company's R&D and continually delivers concepts as successful products to the marketplace. He has a proven track record in developing and growing overseas markets and an established background in management, leadership, training & development, sales & marketing and negotiation.

David Richard McDonald ASIA

Mr McDonald, aged 63 years, is an Associate of the Securities Institute of Australia, the Principal of Equity Capital Solutions and a Director of over a dozen public companies. He was previously a qualified practicing accountant (CPA), registered tax agent and registered company auditor.

Corporate Governance

The Directors are committed to the principles underpinning the best practice in corporate governance. A description of the Company's main corporate governance practices is set out below

Board Responsibility

The Board of Directors ultimately takes responsibility for corporate governance and operates in accordance with the Company's Constitution. The current Directors were appointed under the Constitution of the Company. One third of the Board will retire and be subject to election at the next annual general meeting of the Company. Subsequent Directors will be appointed initially by the Board but subject to election by Shareholders at the next annual general meeting. The Chairman of the Board is to be elected by the Board and the performance of Directors is to be reviewed on an ongoing basis.

Directors have the right, in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. The Board accepts that it has the responsibility for internal control procedures within the Company. Compliance with these procedures covering financial reporting, quality and integrity of personnel and operational control is to be regularly monitored. All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The external auditor will be requested to attend annual general meetings and be available to answer questions from shareholders.

Committees

Audit and Risk Committee

The Audit and Risk Committee provides advice and assistance to the Board in fulfilling the Board's responsibilities relating to the Company's financial statements, financial and market reporting processes, internal accounting and financial control systems, internal audit, external audit, risk management and such other matters as the Board may request from time to time. The Committee may also undertake any other special duties as requested by the Board.

Remuneration Committee

The main role of the Remuneration Committee is to review the engagement, performance and remuneration of senior executives of the Company and recommend to the Board appropriate terms and conditions of engagement and remuneration of Directors within the aggregate limits approved by Shareholders. In assessing the performance of the Managing Director and any senior executives, the Committee gives considerable weight to the contribution of the employee towards the achievement of key performance indicators of the Company. Where necessary the Committee can obtain external advice in respect to the structure and level of remuneration packages.

Safety and Environmental Committee

The Company recognises the importance of environmental and occupational health and safety issues. The Company is committed to compliance with all relevant laws and regulations and continually assesses its operations to ensure the protection of the environment, the community and the health and safety of its employees. The Company may use contractors. Contractors will be required to submit their safety, environmental and disaster recovery procedure as part of the due diligence to be conducted prior to letting a contract.

The main role of the Safety and Environmental Committee is to review the adequacy of compliance with all regulatory requirements in respect of the environment and occupational health and safety, monitor the management of identified risks, highlight new risks and review the actions to be taken for their control, support the culture of safe working practices and concern for the environment throughout the Company, review any serious injury or major environmental incident and review proper practices are followed by all contractors
.

Ethical standards

All executives and employees are required to abide by laws and regulations, to respect confidentiality and the proper handling of information and act with the highest standards of honesty, integrity, objectivity and ethics in all dealings with each other, the Company, customers, suppliers and the community. The codes of conduct will be regularly reviewed and updated as necessary to ensure they reflect the highest standards of behaviour and professionalism.

The Board of Directors continued

Disclosure

The Directors are committed to keeping the market fully informed of material developments to ensure compliance with the NSX Listing Rules and the Corporations Act. At each Board meeting specific consideration is to be given as to whether any matters should be disclosed under the Company's continuous disclosure policy.

Share trading

Directors, management and other employees as nominated will normally only be permitted to trade in securities during a four week period commencing immediately after the announcement to the NSX of the half yearly and annual results and after the conclusion of the Company's annual general meeting, provided that the person is not in possession of price sensitive information and the trading is not for short term or speculative gain. Any trading outside these periods can only be conducted with the prior written approval of the Chairman.

Related party matters

Directors and senior management will be required to advise the Chairman of any related party contract or potential contract. The Chairman will inform the Board and the reporting party will be required to remove himself/herself from all discussions and decisions involving the matter.

Shareholder relations

The Directors aim to ensure that the shareholders are informed of all information necessary to assess the performance of the Company. Information on all major developments affecting the Company is to be communicated to the shareholders through the Annual Report, the Annual General Meeting and other meetings called to obtain approval for Board action as appropriate. All shareholders who are unable to attend these meetings will be encouraged to communicate issues or ask questions by writing to the Company.

CARLTON & PARTNERS

CERTIFIED PRACTISING ACCOUNTANTS
ABN 28 521 922 867
295A LORD STREET PERTH WA 6000
Telephone: (61+) - 8 - 9228 0722 Facsimile: (61+) - 8 - 9228 1066

30th June 2005

The Board of Directors
Calair Systems Limited
6 Edwards Road
DURAL 2158
NEW SOUTH WALES

Gentlemen,

INDEPENDENT ACCOUNTANT'S REPORT

1. INTRODUCTION

The Directors of Calair Systems Limited ("the Company") have requested Carlton & Partners to report on the Statement of Financial Position of The Company as at 31 March 2005 and the Pro Forma Statement of Financial Position as at 31 March 2005.

This Report is for inclusion in a prospectus ("the Prospectus") to be dated on or about the 30th June 2005 relating to the issue of up to 10,000,000 ordinary fully-paid shares at an issue price of $0.50 per share ("the Offer") to raise up to $5,000,000. The Company reserves the right to accept oversubscriptions of up to a further 4,000,000 ordinary fully-paid shares to raise an additional $2,000,000.

The Offer has a minimum subscription of $500,000 and is not underwritten.

We were requested by the Directors of the Company to include in this report, as Appendix C, the unaudited Statement of Financial Performance for the period ended 31 March 2005. This Appendix does not form a part of this Report and we have not reviewed or audited the information contained in Appendix C. We have not expressed an opinion on the information contained.

2. SCOPE OF OUR REPORT

Report on Historical Information

The Company was incorporated in 2001 and since that date has not been subject to audit. We have not audited the financial information provided to us as at 31 March 2005 and have relied upon the information provided to us by the Directors of the Company.

CARLTON & PARTNERS
CERTIFIED PRACTISING ACCOUNTANTS

Report on Pro Forma Information

We have conducted a review of the Pro Forma Statement of Financial Position of the Company as at 31 March 2005, as set out in Appendix A.

The purpose of the Pro Forma Statement of Financial Position is to show the financial effects on the Company as if the transactions outlined in Appendix B had taken place as at 31 March 2005.

We have reviewed the financial information in order to state whether anything has come to our attention that would indicate that the Pro Forma Statement of Financial Position contained therein is not presented fairly on the basis of the assumptions included in Note 5 of Appendix B and in accordance with the measurement requirements, but not the disclosure requirements, of applicable Accounting Standards and other mandatory professional reporting requirements.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements and was limited primarily to enquiries and discussions with the Directors and personnel of the Company, reading of Directors minutes and relevant contracts, analytical procedures applied to the financial data, performance of certain limited verification procedures and comparison for consistency in application of accounting standards and policies. The significant accounting policies of the Company are detailed in Appendix B.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. As we have not performed an audit on the Pro Forma financial information of the Company as at 31 March 2005 as set out in Appendices A and B to this report, we do not express an audit opinion.

3. STATEMENTS

Pro Forma Financial Information

Based on the scope of our review, which is not an audit, nothing has come to our attention which would require any modification to the Pro Forma Statement of Financial Position, as set out in Appendix A, in order for it to present fairly the financial position of the Company as at 31 March 2005, on the basis of the assumptions stated in Note 5 of Appendix B and in accordance with the measurement requirements, but not the disclosure requirements, of applicable Accounting Standards and other mandatory professional reporting requirements, had the transactions taken place on 31 March 2005.

CARLTON & PARTNERS
CERTIFIED PRACTISING ACCOUNTANTS

4. Subsequent Events

To the best of our knowledge and belief, and based on the work we have performed as described in the scope paragraph above, there have been no material transactions or events subsequent to 31 March 2005, other than those disclosed in this Report, that would require a comment on, or adjustment to, the information referred to in our Report or that would cause the information included in this report to be misleading.

5. Disclosures

Carlton & Partners does not have any pecuniary interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in this matter. Carlton & Partners will receive a fee for the preparation of this Report.

The Directors have agreed to indemnify and hold harmless Carlton & Partners and its employees from any claims arising out of misstatement or omission in any material or information supplied by the Directors.

Consent for the inclusion of the Independent Accountants Report in this Prospectus in the form and context in which it appears has been given. At the date of this report this consent has not been withdrawn.

Yours faithfully

CARLTON & PARTNERS
Certified Practising Accountants

Dated at PERTH this 30th day of June 2005

APPENDIX A - STATEMENTS OF FINANCIAL POSITION

Set out below is the Statement of Financial Position of the Company as at 30 June 2004 & 31 March 2005, and the Pro Forma Statement of Financial Position of the Company as at 31 March 2005 on the basis of the assumptions contained in Note 5 of Appendix B. The significant accounting policies upon which the Statement of Financial Position and the Pro Forma Statement of Financial Position of the Company are based are contained in Appendix B.

	NOTES	UNAUDITED THE COMPANY 30-JUN-04	UNAUDITED THE COMPANY 31-MAR-05	REVIEWED PRO-FORMA 31-MAR 05
CURRENT ASSETS		$	$	$
Cash		34,773	23,207	2,973,207
Inventories		74,346	177,283	177,283
Receivables		407,500	393,989	393,989
TOTAL CURRENT ASSETS		516,619	594,479	3,544,479
NON-CURRENT ASSETS				
Prepayments, Plant and Equipment, etc.		44,390	47,723	897,723
TOTAL NON-CURRENT ASSETS		44,390	47,723	897,723
TOTAL ASSETS		561,009	642,202	4,442,202
CURRENT LIABILITIES				
Accounts Payable		381,697	305,571	
Other Current Liabilities inc. GST		162,203	296,802	
TOTAL CURRENT LIABILITIES		543,900	602,373	
NON-CURRENT LIABILITIES				
Borrowings – Shareholder/Directors		29,952	4,951	
TOTAL NON-CURRENT LIABILITIES		29,952	4,951	
TOTAL LIABILITIES		573,852	607,324	107,324
NET ASSETS		**(12,843)**	**34,878**	**4,334,878**
EQUITY				
Historical Balance		(72,050)	-72,050	
Retained Earnings		53,747	54,689	
Current Year Earnings		5,460	52,239	
TOTAL EQUITY		**(12,843)**	**34,878**	**4,334,878**

The Statement of Financial Position should be read in conjunction with the accompanying notes detailed in Appendix B.

APPENDIX B - NOTES TO STATEMENTS OF FINANCIAL POSITION

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Company are detailed as follows:

(a) Basis of Accounting

The Statements of Financial Position as at 31 March 2005 have been drawn up in accordance with the measurement requirements, but not the disclosure requirements, of applicable Accounting Standards and other mandatory professional requirements.

(b) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is only taken up as income when received.

(c) Recoverable amount

Non-current assets are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount, assets are written down. In determining recoverable amount, the expected cash flows have not been discounted to their present value.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes direct material, direct labour and an appropriate portion of variable and fixed overheads. Costs are assigned on the basis of weighted average costs, overheads are applied on the basis of normal operating capacity.

(e) Property, plant & equipment

Cost and Valuation

Property, plant and equipment are brought to account at cost, less, where applicable, any accumulated depreciation or amortisation.

Depreciation

Depreciation is provided on a straight line or a reducing balance basis on property, plant & equipment.

(f) Accounts payable and other payables

Liabilities for accounts payable and other amounts are carried at costs which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

(g) Contributed equity

The contributed equity is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary fully-paid shares are recognised directly in equity as a reduction of the share proceeds.

(h) Revenue Recognition

Sale of goods and Disposal of Assets

Revenue from the sale of goods is recognised upon the delivery of goods to the customers.

Rendering of a service

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(i) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

(j) Impact of the adoption of International Accounting Standards (IAS)

There is no current impact of the adoption of IAS on the financial report of the Company.

(k) Research and Development

All research and development costs incurred by the Company are expensed in the year in which they occur.

	Reviewed The Company 30-Jun-04 $	Reviewed The Company 31-Mar-05 $	Reviewed Pro forma 31-Mar-05 $
2. Cash Assets			
Cash	34,773	23,207	2,973,207
	34,773	23,207	2,973,207

	Reviewed Pro Forma 31-Mar 05 Number	Reviewed Pro forma 31-Mar-05 $
3. Issued Capital		
Ordinary Capital	16,685,477	5,125,060
Issued and Paid Up Capital		
Reconciliation:		
Opening Balance		
▪ Ordinary fully-paid shares issued to the Directors	646,677	64,672
▪ Ordinary fully-paid shares issued to Calair Pipe Systems Pty Ltd	6,038,800	60,388
▪ Ordinary fully-paid shares issued by the company pursuant to this prospectus	10,000,000	5,000,000
▪ Costs associated with the Offer	-	700,000
Closing Balance	16,685,477	4,425,060

Options on Issue

Options to acquire Ordinary fully-paid shares at various times and at various exercise prices have been granted to each Directors as follows:-

250,000 Options to acquire Ordinary Shares @ $0.75 per share prior to 31 Dec 2005
250,000 Options to acquire Ordinary Shares @ $0.85 per share prior to 31 Dec 2006
250,000 Options to acquire Ordinary Shares @ $0.95 per share prior to 31 Dec 2007

A total of 2,250,000 options have been issued to Directors

4. Related Party Disclosures

With the exception of the loans and the resulting issue of ordinary fully-paid to Directors interests, we have not examined related party transactions as part of this independent accountants report as these are disclosed elsewhere in this prospectus.

5. Assumptions on which the Pro Forma Statement of Financial Position is based

Assuming that the issue is fully subscribed, the funds available to the company amount to:

	$
Funds received	5,000k
Less Costs of the Offer:	
-Expenses of the Issue	100k
-Consultant's Fee	300k
-Potential commissions payable	300k
Funds Available	$4,300k
	=====

It is the intention of the Directors to use these funds as set out in Section 7 - Details of the Offer, as follows:

	$
Establishment, Certification & approvals	250k
New plant & equipment & upgrades	850k
New Licensed Distributors & personnel	750k
Marketing, advertising & promotion	900k
Fees - legal, accounting, IP, certification, etc.	150k
Debt reduction	500k
Additional working capital	900k
TOTAL	$4,300k
=====	

Appendix C
Statement of Financial Performance
For The Period Ended 31 March 2005

	Note	31-Mar-05 9 months $	30-Jun-04 12 months $
Income			
Sales		639,844	969,861
Less Cost of Goods Sold		313,258	582,720
Gross Profit		326,586	387,141
Total Expenses		274,347	381,680
Profit from Ordinary Activities Before Income Tax		52,239	5,461
Income Tax Expense		-	-
Profit from Ordinary Activities After Income Tax		52,239	5,461
Profit from Ordinary Activities		52,239	5,461
(Accumulated Losses Brought Forward)		(17,361)	(22,822)
		34,878	(17,361)
(Accumulated Losses) / Retained Earnings		34,878	(17,361)

Risk Factors

Important Information Concerning Risk

Investment in Shares to be issued pursuant to this Prospectus should be regarded as speculative. There are specific risks associated with an investment in Calair Systems Limited ("the Company") because the business activities of the Company are subject to various risks that may impact on future performance. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls but some are outside the control of the Company. There are a number of risk factors which investors should consider before deciding whether or not to invest in Shares. Applicants should therefore examine the full contents of this Prospectus and consult their professional adviser(s) before deciding to invest. The principal risk factors include, but are not limited to, the following:

Risk of Product Liability

The Company may experience losses due to product liability claims beyond the level of insurance in place. With respect to certain risks, the Company may not be able to source appropriate insurance at all, or at a cost or on terms that are commercially reasonable. Accordingly, there can be no assurance that a product liability or other claim would not materially and adversely affect the business or financial condition of the Company.

Changes in Law

The introduction of new legislation or amendments to existing legislation by governments or developments in the common law of Australia or internationally, or the interpretation of those laws, could impact adversely on the assets, operations and the financial performance of the Company.

Unforeseen Expenses

The Company may need to incur expenses that have not been taken into account. If these were to be substantial then the Company would be adversely affected.

Competition

The industrial pipe industry is competitive with a not insignificant risk of failure. Other companies in this industry have significantly greater resources than the Company and consequently, will be in a position to offer strong competition. The Company's success will, to a large degree, depend on the competitiveness of its products and its ability to penetrate the market and achieve sales.

Intellectual Property Rights

As the Company's products and services do not lend themselves to patent or copyright protection, it is possible that they will be duplicated by one or more competitors. Such duplication could have a materially adverse affect on the Company's business. At this time no known competitor has the manufacturing capability to do so. However, the sharing and publication of information about the Company's offerings as a publicly listed company increases this risk. The Company will rely on trademarks, brand awareness and superior product quality to achieve success.

Dependence on Key Personnel

The Company is dependent on the principal members of its technical and management staff, the loss of whose services might significantly delay or prevent the achievement of technical or business objectives.

Share Market Conditions

There can be no guarantee that there will be ready buyers at a time when an investor may wish to sell Shares. Shares may be subject to volatility depending on various factors. In addition, there is always a risk, for whatever reason, that investors may become averse to investments in the industrial pipe industry. There can be no guarantee that any future capital raising projects by the Company will meet with market support.

Taxes

In addition to income taxes of general application to companies, direct and indirect taxes and other imposts could have a substantial effect upon the Company. Profitability may be affected by changes in government taxation policies or in the interpretation and application of these policies.

Economic Risks

The Company's operating and financial performance is influenced by a variety of general economic and business factors quite beyond the control of the Company such as changes in consumer confidence and consumer spending patterns, changes in interest rates, changes in the pipe industry, inflation, exchange rates and taxation, etc. Any or all of these factors may impact, negatively or positively, on the revenue and profitability of the Company.

Regulatory Risks

It is possible, but very unlikely, that the Australian Government (Federal and/or State) and the United Kingdom Government may introduce changes in laws and/or regulations which adversely affect the business of the Company or its products. In particular, changes to laws and/or regulations that impinge on the pipe industry could adversely affect the value of the Company. It should be noted, however, that the Company is not aware of any proposals for change.

Limited Liquidity

The Company is not yet listed on the Stock Exchange of Newcastle Limited ("NSX"). Although the Company intends to immediately list all Ordinary Shares to be issued pursuant to this Prospectus and eventually list all existing Ordinary Shares and any Ordinary Shares issued from the exercise of Options to acquire Ordinary Shares held by the Directors there can be no guarantee that the Company will be successful in this endeavour. See under NSX Listing – the Stock Exchange of Newcastle Limited in Section 7 - Details of the Offer.

Risk Factors continued

Future Investment Risks

The Company will use the proceeds from the Issue to facilitate growth and expansion. There can be no guarantee that the Company will be successful in this endeavour. The further development by the Company of its products and planned initiatives to set up a United Kingdom base will also involve general risks associated with running any business. These include financing risks, development risks, project failures and inability to meet financial projections. Where possible such risks will be minimised by negotiation and insurance contracts where appropriate.

Management Changes

The skills, knowledge and expertise of the Chairman, Directors and other employees of the Company are vital and central to success. Management of the Company is dependent on the current Board of Directors. It may be that key people wish to retire or resign and it may be difficult to replace them. In order to counter this risk the Company will seek to enter into employment contracts with key people and if appropriate obtain keyman insurance.

Competition

There are many other competitors competing with the Company. Any significant increase in the number of competitors or any alternative technologies developed could adversely affect the income and future prospects of the Company.

Force Majeure

There are some risks that cannot be prevented by the Company which could impact upon the business of the Company. These risks include earthquakes, storm damage, sabotage and war, all of which could give rise to adverse economic conditions that could dampen demand for products or cause disruption of supply.

Additional Information

Directors

The Constitution contains provisions relating to the appointment and removal of Directors by Shareholders. Directors continue in office until they retire or are otherwise removed.

Shareholding Qualifications

The Directors are not required to hold any shares in the Company under the Constitution of the Company.

Directors' Interests and Shareholdings

Except as disclosed in this Prospectus or as set out below no Director and no firm in which a Director is a partner as at the date of this Prospectus has any other interest in the promotion of the Company or any property proposed to be acquired by the Company with the sole exception of David Richard McDonald who is the Principal of Equity Capital Solutions ("ECS"). ECS is a Consultant to the Company and was initially paid $10,000 with a further amount payable based on the equivalent to 6% of gross funds raised from this Issue. Apart from ECS there are no disclosable interests for any commissions or rewards to be received by a Director as a result of the promotion of the company or the Ordinary Shares to be issued pursuant to this Prospectus.

As at the date of this Prospectus the Directors and/or their families have the following relevant interests, either directly or indirectly, in the issued capital of the Company.

Dr Robert Fredrick Strange	480,000 fully paid Ordinary Shares
David Richard McDonald	166,667 fully paid Ordinary Shares
John Selkirk McNab	6,038,810 fully paid Ordinary Shares
Total Ordinary Shares on issue	**6,685,477**

Options

Options to acquire Ordinary Shares at various times and at various exercise prices have been granted to each Director as follows:-

250,000 Options to acquire Ordinary Shares @ $0.75 per share prior to 31 Dec 2005
250,000 Options to acquire Ordinary Shares @ $0.85 per share prior to 31 Dec 2006
250,000 Options to acquire Ordinary Shares @ $0.95 per share prior to 31 Dec 2007

Remuneration of Directors

No Directors' fees have been paid to the Directors. The Constitution of the Company provides for the non executive Directors to collectively be paid remuneration for their services as a fixed sum not exceeding the maximum from time to time determined by the Company in general meeting.

A Director may be paid fees or other amounts as the Directors determine when a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be

Additional Information continued

reimbursed for out of pocket expenses incurred on behalf of the Company.

The remuneration of John McNab, the Managing Director of the Company, is additional to the amounts that may be paid to non executive directors, and is covered by a service agreement.

Rights attaching to shares

The rights attaching to all Shares in the Company arise from a combination of the Company's Constitution, statute and general law. There is only one class of share on issue or proposed to be issued by the Company, namely, Ordinary Shares.

Significant rights of Shareholders

A summary of the more significant rights of Shareholders is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company's Shareholders. The summary is based upon the Company's Constitution current as at the date of this Prospectus.

(b) Reports and Notices

Shareholders are entitled to receive all notices, reports, accounts and other documents required to be furnished to shareholders by the Constitution and the Corporations Act.

(c) General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to speak and to vote at general meetings of the Company.

(d) Voting

Every Shareholder of an Ordinary Share present in person, or by proxy, attorney or representative has one vote on a show of hands and one vote for every Ordinary Share held by the Shareholder on a poll. A Shareholder who holds an Ordinary Share, which is not fully paid, shall be entitled to a fraction of the vote equal to the proportion that amount paid (not credited) bears to the total amounts paid and payable for the share (excluding amounts credited).

Dividends

The Directors may declare and authorise the distribution from the profits of the Company of dividends to be distributed to Shareholders according to their rights and interests. The Directors may determine the property to constitute the dividend and fix the time for distribution. Except to the extent that the terms of issue of shares provide otherwise each dividend must be distributed according to the amount paid up on the share in a manner calculated in accordance with the constitution.

Additional Information continued

Winding Up

Subject to the terms of issue of shares if the Company is wound up and after distribution of assets to repay paid up capital there remains assets available for distribution to Shareholders (in that capacity) those assets will be distributed to Ordinary Shareholders.

Transfer of Shares

All shares in the Company may be transferred. The Company does not provide a market for any of its shares, nor does it offer to repurchase or redeem its shares. The Shares offered pursuant to this Prospectus are transferable only in accordance with the Constitution of the Company.

Miscellaneous

Under the Constitution the Directors have control over the creation and issue of shares provided that any new issues are without prejudice to any special rights previously conferred on the Shareholders of any existing shares or class of shares.

Rights Attaching to Options

2,250,000 Options to acquire Ordinary Shares at a premium to the Issue Price have been issued to the Directors as at the date of this Prospectus and may be exercised by their respective holders on full payment of the stated exercise price at any time prior to the nominated exercise date(s).

Litigation

Legal proceedings may arise from time to time in the course of the Company's business. As at the date of this Prospectus the Company is not involved in any legal proceedings nor so far as the Directors are aware are any legal proceedings pending or threatened against the Company.

Issue Expenses

Estimated total expenses of the Issue will approximate $350k if Maximum Subscription is reached.

Approval of the Board

This Prospectus has been approved by a duly passed resolution of the Board.

Consents

Tonkin Scorer Menzies has given and has not before the date of this Prospectus withdrawn its consent to be named as the Sponsoring Broker to the Company in this Prospectus. Tonkin Scorer Menzies has been involved in the preparation of this Prospectus.

Additional Information

Athans & Taylor Joondalup has given and has not before the date of this Prospectus withdrawn its consent to be named as the Nominated Adviser to the Company in this Prospectus. Athans & Taylor Joondalup has been involved in the preparation of this Prospectus.

Registries Limited have given and have not before the date of this Prospectus withdrawn their consent to be named as Share Registry to the Company in this Prospectus. Notwithstanding that they may be referred to elsewhere in this Prospectus Registries Limited have not been involved in the preparation of any part of this Prospectus nor have they authorised or caused the issue of any other part of this Prospectus.

Cutler Hughes & Harris have given and have not before the date of this Prospectus withdrawn their consent to be named as Solicitors to the Company in this Prospectus. Notwithstanding that they may be referred to elsewhere in this Prospectus Cutler Hughes & Harris have not been involved in the preparation of any part of this Prospectus nor have they authorised or caused the issue of any other part of this Prospectus.

Douglas Jiear has given and has not before the date of this Prospectus withdrawn his consent to be named as the accountant to the Company in this Prospectus. Notwithstanding that he may be referred to elsewhere in this Prospectus he has not been involved in the preparation of any part of this Prospectus nor has he authorised or caused the issue of any other part of this Prospectus.

Carlton & Partners have given and have not before the date of this Prospectus withdrawn their consent to be named as Registered Company Auditor to the Company in this Prospectus. Carlton & Partners were instrumental in preparing the Independent Accountant's Report in Section 9 of this Prospectus but they have not been involved in the preparation of any other part of this Prospectus notwithstanding that they may be referred to elsewhere in this Prospectus.

Equity Capital Solutions ("ECS") has given and has not before the date of this Prospectus withdrawn its consent to be named as Prospectus Consultant in this Prospectus. ECS has been involved in the preparation of this Prospectus and the Company has executed a fee mandate with ECS.

Defined Terms

In this Prospectus the following words have the following meanings:

Allotment Date	the date of allotment of Shares to be issued pursuant this Prospectus.
Applicant(s)	Person(s) who submit valid Application Forms pursuant to this Prospectus.
Application	a valid application made to subscribe for a specified number of Securities pursuant to this Prospectus.
Application Form	the forms so described which accompany this Prospectus.
Application Moneys	means the issue price multiplied by the number of Shares applied for in an Application Form.
ASIC	Australian Securities and Investments Commission.
Auditor	the Registered Company Auditor of the Company.
Board	the Board of Directors of the Company.
Business Day	means a day other than a Saturday or Sunday on which banks are open for business in Australia.
Chairman	the chairman of the Board.
CHESS	means the Clearing House Electronic Sub-register System
Closing Date	means the last date of receipt of completed Application Forms for the Offer which is the 31st day of October 2005 or such other date and time as the Directors in their absolute discretion, may determine.
Company	Calair Systems Limited ACN 096 558 977
Constitution	the constitution of the Company.
Corporations Act	the Corporations Act 2001 (Commonwealth).
CST	means TBA
Director(s)	the Director(s) of the Company.

Defined Terms continued

Electronic Prospectus	An electronic version of the Prospectus.
Existing Shareholders	means holders of shares in the Company at the date of this Prospectus.
Existing Shares	means ordinary shares in the Company on issue at the date of the Offer
Expiry Date	means the date 13 months after the date of this Prospectus being the date after which no Shares will be issued on the basis of this Prospectus.
Exposure Period	means the period of 7 days after the date of lodgment of this Prospectus, which period may be extended by ASIC by not more than 7 days pursuant to section 727(3) of the Corporations Act.
Financial Year	the period of 12 months ending on 30 June in each year.
Gross Income	the total income earned or derived by of the Company during a Financial Year.
GST	Goods and Services Tax or other similar value added tax.
Head Office	Premises from which the Company will operate.
Issue	the issue of Securities pursuant to this Prospectus.
Issue Price	means $0.50 cents per Share.
Listing Rules	see NSX Listing Rules.
Maximum Subscription	the amount of $5,000,000 referred to in Section 7 - Details of the Offer of this Prospectus.
Minimum Subscription	the minimum subscription referred to in Section 7 - Details of the Offer of this Prospectus.
NSX	the Stock Exchange of Newcastle Limited ACN 096 558 977
NSX Listing Rules or Listing Rules	means the official listing rules of the NSX and any other rules of the NSX which apply while the Company is a listed company, each as amended or replaced from time to time except to the extent of any express written waiver by the NSX
Offer	the offer of 10,000,000 Ordinary Shares at an issue price of $0.50 cents each to raise up to $5,000,000 pursuant to this Prospectus.

Defined Terms continued

Offer Price	means $0.50 cents per Ordinary Share
Official List	means the official list of the NSX. Official Quotation has the same meaning as in the NSX Listing Rules
OH&S	means occupational health & safety
Opening Date	means the first date for receipt of completed Application Forms which is the 18th day of July 2005.
Option(s)	A class of options to subscribe for Ordinary Share(s) at a premium to the Issue price issued exclusively to Directors of the Company on the terms and conditions set out in Additional Information - Section 11 of this Prospectus.
Ordinary Share(s)	means Ordinary share(s) in the Company issued in accordance with its Constitution.
Prospectus	the Prospectus and includes the Electronic Prospectus.
Restricted Securities	means those Securities nominated for escrow by the Stock Exchange of Newcastle Limited.
SCH Business Rules	the business rules of Securities Clearing House.
Section	a section of this Prospectus.
Securities	Shares
Share(s)	may refer to any share of any class in the Company.
Shareholder	means a person who owns a share of any kind in the Company.
Share Registrar	means Registries Limited, 28 Margaret Street, Sydney NSW 2000
Subscription Amount	means the amount of money in dollars and cents payable for Ordinary Shares at $0.50 cents each pursuant to the Offer.
the Company	Calair Systems Limited ACN 096 558 977

Directors Statement

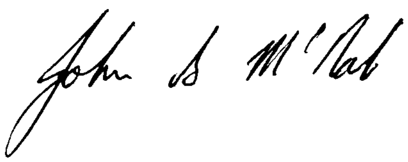
The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with ASIC, or to the Directors knowledge, before any issue of Ordinary Shares pursuant to this Prospectus.

This Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated the 30th day of June 2005.

Signed for and on behalf of the Company



John McNab
Managing Director

How to Apply

BEFORE COMPLETING THE APPLICATION FORM PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Insert your FULL NAME and ADDRESS in BLOCK letters;

2. Insert the number of Ordinary Shares applied for and the amount enclosed. The minimum investment is $1,000;

3. The subscription is $0.50 cents for each Ordinary Share;

4. Make cheques payable to: Calair Systems Limited - Ordinary Share Application Account;

Forward the Application Form to: Calair Systems Limited, 6 Edwards Road, Dural NSW 2158

NOTE:

Companies:

If the applicant is a company the application form should be signed in accordance with the constitution of the company. The companies' ABN number should be inserted after the companies' name where it first appears on the application form.

Joint Applications:

All applicants must sign joint applications and will be deemed joint tenants.

Share Application Form

SHARE APPLICATION FORM

CALAIR SYSTEMS LIMITED
ACN 096 558 977 / ABN 44 096 558 977

Important: Before signing this Application Form applicants should read the Prospectus to which the Share Application Form relates in its entirety. This Share Application Form must not be issued, circulated or distributed unless attached to this Prospectus which is dated the 30th day of June 2005 and expires on the 29th day of July 2006.

PLEASE USE BLOCK LETTERS WHEN COMPLETING THIS FORM

Full name of applicant: ______________________

Full name of joint applicant (if applicable): ______________________

Company applicant (if applicable): ______________________

Full postal address:
Number/street: ______________________
Suburb/town: ______________________
State/postcode: ______________________

Contact details:
Tel – private: ______________________
Tel – business: ______________________
Mobile: ______________________
Email: ______________________

Number of Ordinary Shares applied for: ______________________

Total amount payable: ______________________

PLEASE MAKE YOUR CHEQUE PAYABLE TO **CALAIR SYSTEMS LIMITED – ORDINARY SHARE APPLICATION ACCOUNT**

Lodgment of Applications:

Completed Application Forms and cheques must be received by the Share Registrar before 5.00 pm CST on the Closing Date at either of the following addresses:

Principal and Registered Office:

Calair Systems Limited
6 Edwards Road,
Dural NSW 2158
Tel: (61+)-2-9651-4722
Fax: (61+)-2-9651-4687
Email: info@calair.net.au
Website: www.calair.net.au

Share Registry:

Registries Limited
28 Margaret Street
Sydney NSW 2000

CALAIR SYSTEMS LIMITED
ACN 096 558 977
ABN 44 096 558 977
Principal and Registered Office:
6 Edwards Road, Dural NSW 2158
Tel: (61+2) 9651-4722
Fax: (61+2) 9651-4687
Email: info@calair.net.au
Website: www.calair.net.au