



ZBB

PROSPECTUS

THIS IS A PROSPECTUS FOR THE OFFER OF UP TO 15,000,000 NEW SHARES

GTN RESOURCES LIMITED

ABN 40 004 681 734

This Offer is not underwritten.
Findlay & Co Stockbrokers Limited is the Sponsoring Broker.

An investment in New Shares offered by this Prospectus should be considered speculative.

This Prospectus is an important document and should be read in its entirety. Investors may wish to consult their professional adviser about its contents.

Corporate Directory

Company

GTN Resources Limited
ABN 40 004 681 734

Registered Office

Level 9, 1 York Street
SYDNEY NSW 2000
Australia

Tel 02 9250 0111
Fax 02 9241 6953

Current Board of Directors of GTN

Raymond John Soper
Anthony James Haggarty
Kerry Peter Banney Heywood

Proposed Board of Directors

Thomas George Folliard
Anthony James Haggarty
Geoffrey David Hann
Robert John Parry
Richard Andrew Payne

Current Company Secretary

Nigel Ian Jones

Proposed Company Secretary

Geoffrey David Hann

Share Registry

Computershare Investor
Services Pty Limited

Level 2
45 St George's Terrace,
PERTH WA 6000
Australia

Tel 1300 557 010
Fax 08 9323 2033

Investigating Accountant and Auditor

KPMG
45 Clarence Street
SYDNEY NSW 2000
Australia

Lawyers for the Company

McCullough Robertson, Lawyers

Level 12
Central Plaza Two
66 Eagle Street
BRISBANE QLD 4000
Australia

Sponsoring Broker

Findlay & Co
Stockbrokers Limited

Level 1, Kyle House
27 Macquarie Place,
SYDNEY NSW 2000
Australia

Tel 02 9251 9644
Fax 02 9247 9342

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Important Notice

This Prospectus is dated 18 August 2003. A copy of this Prospectus was lodged with ASIC on 18 August 2003. ASIC and ASX and their respective officers take no responsibility for the contents of this Prospectus. The fact that ASX may admit the Company to the official list is not to be taken in any way as an indication of the merits of the Company or of the Shares offered under this Prospectus. The expiry date of this Prospectus is the date which is 13 months after the date of this Prospectus. No Shares will be allotted or transferred on the basis of this Prospectus later than the expiry date.

The Prospectus does not constitute an offer in any place where, or to any person to whom, it would not be lawful to make such an offer. The distribution of this Prospectus in jurisdictions outside the Commonwealth of Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

This Prospectus provides information for investors to decide if they wish to invest in GTN and should be read in its entirety. In particular, the assumptions underlying the financial forecasts and the risk factors that could affect the financial performance of GTN should be examined. If, after reading this Prospectus, you have any questions about the desirability of, or procedure for, investing in GTN, please contact your stockbroker, accountant or independent financial adviser.

Defined terms and abbreviations used in this Prospectus are explained in the Definitions section. All financial amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated. The assets depicted in photographs in this Prospectus are not assets of the Company unless otherwise stated.

This Prospectus is available in electronic form via www.zbbenergy.com. The Offer constituted by this Prospectus in electronic form is available only to persons (not including US persons) receiving this Prospectus in electronic form within Australia. Persons having received a copy of this Prospectus in its electronic form may, during the Offer period, obtain a paper copy of the Prospectus (free of charge) by telephoning 02 9250 0111. Applications for Shares may only be made on the Application form attached to this Prospectus or in its paper copy form as downloaded in its entirety from www.zbbenergy.com. 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 the complete and unaltered electronic version of this Prospectus.

The Corporations Act prohibits GTN from processing Application forms in the 7 day period after the date of lodgement of this Prospectus with ASIC. This period may be extended by ASIC by up to a further 7 days. This period is an exposure period to enable the Prospectus to be examined by market participants prior to the raising of funds. Application forms received during the exposure period will not be processed until after the expiry of that period. No preference will be conferred on Application forms received in the exposure period.

This Document is Important and Should be Read in its Entirety

Dear Investor

14 August 2003

Dear Investor

The Board of GTN Resources Limited ('GTN') has great pleasure in making an Offer of New Shares in GTN to the public pursuant to this Prospectus. This Offer is conditional on the Merger taking place.

Under the Merger, GTN will acquire all of the shares of ZBB by issuing GTN shares and options to the shareholders and optionholders of ZBB in exchange for their shares and options in ZBB. ZBB shareholders will become the majority owners of GTN. Details of the Merger are set out in this Prospectus.

ZBB's business is the development, manufacture and marketing of distributed energy storage systems based on ZBB's zinc bromine rechargeable electrical energy storage technology.

GTN is seeking to raise up to \$15,000,000 via this Offer of New Shares at \$1.00 per New Share to the public. If the \$10,000,000 minimum subscription of this Offer is raised and the other conditions of the Merger are satisfied, the Merger will be completed, and the share capital of the Company will be consolidated. Once this has occurred the Offer will be closed and the New Shares issued to investors.

The funds from this Offer will provide GTN with capital to undertake the objectives set out in section 3.4 of this Prospectus. In particular, it will enable GTN to capitalise on the development of ZBB's energy storage technology by increasing manufacturing capacity of ZBB's energy storage systems and commercialising and selling ZBB's products.

Upon completion of the Merger, GTN will appoint Robert Parry, Geoffrey Hann, Richard Payne and Thomas Folliard, who are the directors of ZBB, to the board of GTN. Tony Haggarty will remain on the board and Ray Soper and Kerry Heywood will resign as directors of GTN, and GTN will change its name to ZBB Energy Limited.

GTN will be changing the nature and scale of its business activities to that of ZBB's business as a result of the Merger. GTN is seeking approval of its shareholders to the Merger, this change in its activities and certain other matters at the meeting of GTN's shareholders on 24 September 2003. It is expected that GTN's securities will be suspended from quotation on ASX from shortly before the GTN shareholders' meeting until completion of the Merger and closure of the Offer when GTN will then make application to ASX for re quotation of its securities.

The Board of GTN and the incoming directors believe the ZBB business is at a very promising point in its development and that GTN can offer ZBB the opportunity to further that development. This is an exciting opportunity for investors in GTN, and we commend the Offer of Shares to you.

Yours sincerely



Ray Soper

Chairman

GTN RESOURCES LIMITED

1. Definitions

- 'ASIC'** means Australian Securities and Investments Commission;
- 'ASX'** means Australian Stock Exchange Limited ABN 98 008 624 691;
- 'Australian GAAP'** means generally accepted accounting principles in Australia;
- 'Board'** means the board of Directors of GTN as at the date of this Prospectus;
- 'Business'** means ZBB's business of development, manufacture and marketing of energy storage systems, based on ZBB's proprietary zinc bromine rechargeable energy storage technology;
- 'CHESS'** means Clearing House Electronic Subregister System, operated by ASX Settlement and Transfer Corporation Pty Limited;
- 'Offer Date'** means the date on which the Offer opens, being 26 August 2003. This date may be varied without prior notice by the Company;
- 'Company'** or **'GTN'** means GTN Resources Limited ABN 40 004 681 734;
- 'Corporations Act'** means the Corporations Act 2001;
- 'Directors'** means the directors of GTN as at the date of this Prospectus;
- 'Dollars'** or **'\$'** means Australian dollars unless otherwise shown;
- 'Existing Shareholders'** means those shareholders who hold GTN Shares on completion of the Merger (including ZBB shareholders and holders of ZBB Notes who receive GTN Shares pursuant to the Merger) and prior to the issue of the New Shares pursuant to this Prospectus;
- 'GTN Options'** means the options granted by GTN following completion of the Merger (including the options issued to ZBB optionholders and holders of ZBB Notes pursuant to the Merger) the terms of which options are described in section 11.3 of this Prospectus;
- 'Listing Rules'** means the Listing Rules of ASX;
- 'Maximum Subscription'** means the maximum amount which can be raised under this Prospectus, being \$15,000,000;
- 'Merger'** means the process whereby ZBB will become a wholly owned subsidiary of GTN and GTN will issue GTN Shares and GTN Options to the shareholders and optionholders of ZBB in exchange for their shares and options in ZBB and as described in section 11.5 of this Prospectus;
- 'Merged Entity'** means that entity which is ZBB Energy Limited (formerly known as GTN Resources Limited) following completion of the Merger;
- 'Minimum Subscription'** means the minimum amount which can be raised under this Prospectus being \$10,000,000;
- 'New Shares'** means the GTN Shares to be issued under this Prospectus;
- 'Offer'** means the offer of up to 15,000,000 New Shares under this Prospectus;
- 'Proposed Directors'** means the new board of directors following the Merger;
- 'Prospectus'** means this prospectus dated 18 August 2003;
- 'SCH Business Rules'** means the Securities Clearing House Business Rules approved under the Corporations Act;
- 'Shares'** or **'GTN Shares'** means fully paid ordinary shares in GTN;
- 'US GAAP'** means generally accepted accounting principles in United States of America;
- 'ZBB'** means ZBB Energy Corporation ARBN 082 338 789, a Wisconsin USA corporation, and, where the context permits, its wholly owned subsidiaries, ZBB Technologies, Inc. (a Wisconsin USA corporation) and ZBB Technologies, Ltd ACN 008 958 254 (an Australian Corporation);
- 'ZBB Board'** means the board of directors of ZBB prior to the Merger;
- 'ZBB Options'** means the options held by ZBB shareholders as at the date of this Prospectus, details of which are set out in section 11.3 of the Prospectus; and
- 'ZBB Notes'** means the unsecured convertible notes in ZBB described in section 11.4 of this Prospectus.

2. Overview

2.1 Key Offer details

Offer Price per New Share is \$1.00	
Shares offered under this Prospectus	Up to 15,000,000
Total number of Shares on issue following the Offer*	65,289,000
Amount to be raised under the Offer	Up to \$15,000,000

* assuming Maximum Subscription is reached, no ZBB Options are exercised between the date of this Prospectus and the date of the Merger and no ZBB shareholders exercise their dissenters' rights as described in section 11.5.

Refer to section 3 of this Prospectus for further details.

Important Dates	Date
Offer opens	9.00am 26 August 2003
Shareholders meeting of GTN	24 September 2003
Shareholders meeting of ZBB	24 September 2003
Estimated completion of Merger	25 September 2003
Offer closes	5.00pm 26 September 2003
Estimated date of allotment	3 October 2003
Estimated date for despatch of holding statements	3 October 2003
Estimated date for commencement of trading in shares on ASX	10 October 2003

These dates and times are indicative only. GTN reserves the right to vary the dates and times of the Offer, without prior notice including closing the Offer before the scheduled Closing Date. Investors are encouraged to submit their Application form as soon as possible.

2.2 GTN Resources Limited ('GTN')

GTN is an Australian company currently listed on ASX. As part of the Merger transaction, GTN's share capital will be reconstructed from 19,689,713 Shares to 4,350,000 Shares on the basis of 1 Share for every 4.52637 Shares held. On completion of the Merger (and assuming no ZBB Options are exercised prior to issue of any New Shares under this Offer) GTN will have 50,289,000 Shares on issue, held by approximately 1,300 shareholders.

At the time of the Merger, GTN will not have any ongoing business. As part of the Merger, GTN will acquire the Business, details of which are set out below. GTN is seeking approval of its shareholders to the Merger, this change in its activities and certain other matters at the meeting of GTN's shareholders to be held on 24 September 2003.

The Offer is conditional upon the completion of the Merger. Pursuant to the Merger, ZBB will become a wholly owned subsidiary of GTN by GTN issuing GTN Shares and GTN Options to the shareholders and optionholders of ZBB in exchange for their shares and options in ZBB. ZBB shareholders will become the majority shareholders in GTN.

One consequence of this is that, pursuant to the Listing Rules, GTN will need to comply with Chapters 1 and 2 of the Listing Rules as if it were applying for admission to the official list of ASX. As a result, it is expected that GTN's securities will be suspended from quotation on ASX at the close of trading on the business day preceding the shareholders' meeting and will remain suspended until GTN has completed the Merger, closed the Offer and issued the New Shares. Commencement of trading of Shares of the Company following the Merger is at the discretion of ASX.

Further details about GTN, the shareholders' meeting to approve the Merger and related matters are set out in section 5 of this Prospectus.

2.3 ZBB Energy Corporation ('ZBB')

ZBB was incorporated under the laws of Wisconsin in 1998. ZBB develops, manufactures and markets distributed energy storage systems based upon its proprietary zinc bromine rechargeable electrical energy storage technology. ZBB conducts the Business through two wholly owned subsidiaries – ZBB Technologies, Ltd ACN 008 958 254, an Australian corporation, and ZBB Technologies, Inc., a Wisconsin corporation. ZBB has approximately 650 shareholders, the majority of whom are Australian residents. The Merger is conditional upon, amongst other things, ZBB's shareholders approving the Merger at a meeting of ZBB shareholders to be held on 24 September 2003. ZBB has issued a proxy statement/prospectus to its shareholders for this meeting in accordance with Wisconsin law.

Further details about ZBB and the Business are set out in section 4 of this Prospectus. Proceeds of the Offer will be used to expand the operations of the Business.

2.4 Shareholding structure

Following the Merger (assuming no ZBB Options are exercised prior to the Merger and no ZBB dissenters' rights as described in section 11.5 are exercised) and at the close of the Offer, the undiluted shareholding structure of GTN (that is, without taking GTN Options into account) will be as follows:

	Number of Shares (maximum subscription)	% ownership (maximum subscription)	Number of Shares (minimum subscription)	% ownership (minimum subscription)
Existing Shareholders*	50,289,000	77.03%	50,289,000	83.41%
New Shares offered	15,000,000	22.97%	10,000,000	16.59%
Total	65,289,000	100.00%	60,289,000	100.00%

* this includes the Shares issued to ZBB shareholders pursuant to the Merger and Shares issued by the automatic conversion of the ZBB Notes at the time of the Merger. (Details of ZBB Notes are specified in section 11.4 of this Prospectus.)

Following the Merger, (assuming no ZBB Options are exercised prior to the Merger and no ZBB dissenters' rights as described in section 11.5 as exercised) and at the close of the Offer, the fully diluted shareholding structure of GTN (that is, assuming all GTN Options are exercised) will be as follows:

	Number of Shares (maximum subscription)	% ownership (maximum subscription)	Number of Shares (minimum subscription)	% ownership (minimum subscription)
Existing Shareholders*	50,289,000	61.48%	50,289,000	65.94%
New Shares offered	15,000,000	18.34%	10,000,000	13.11%
GTN Options**	16,504,358	20.18%	15,979,358	20.95%
Total	81,793,358	100.00%	76,268,358	100.00%

* this includes the Shares issued to ZBB shareholders pursuant to the Merger and Shares issued by the automatic conversion of the ZBB Notes at the time of the Merger. Details of ZBB Notes are specified in section 11.4 of this Prospectus.

** this table assumes that all GTN Options are exercised after the Merger. (Details of the GTN Options are specified in section 11.3 of this Prospectus.)

2.5 Restricted securities

Pursuant to the ASX Listing Rules, it is expected that the Proposed Directors and/or their related entities, and other persons who have been issued with ZBB securities in the 12 months period prior to the re-commencement of trading of GTN shares on ASX after completion of the Merger, will be required to enter into restriction agreements pursuant to which they will be restricted from dealing in a specified number of GTN securities held by them, for periods up to 24 months from the re-commencement of trading of GTN Shares on ASX after completion of the Merger or such other period as ASX may specify.

2.6 Risk factors

In addition to the general risks associated with any investment in the equity market, there are certain risks inherent in investing in the energy storage sector. Potential investors should be aware that the purchase of the New Shares offered under this Prospectus is likely to involve exposure to risks specific to the operations of the Business. A more detailed description of some of the risk factors is contained in section 8 of this Prospectus. Potential investors should consider all risks and seek professional financial advice.

An investment in New Shares offered by this Prospectus should be considered speculative.

2.7 Summary only

This summary is not intended to provide full details of the Offer. Potential investors should read this Prospectus in full and consult their professional adviser prior to making a decision regarding the Offer.

3. Details of the Offer

3.1 Description of the Offer

GTN is seeking to raise a minimum of \$10,000,000 and a maximum of \$15,000,000 through the Offer of up to 15,000,000 New Shares at \$1.00 each. Upon completion of the Offer (assuming the Maximum Subscription is reached and no ZBB Options are exercised prior to completion of the Merger and no ZBB dissenters' rights as described in section 11.5 are exercised) the New Shares will represent 22.97% of the undiluted issued capital of GTN, and 18.34% of the capital of GTN on a fully diluted basis.

If only the Minimum Subscription is reached (and no ZBB Options are exercised prior to completion of the Merger and no ZBB dissenters' rights as described in section 11.5 are exercised), upon completion of the Offer, the New Shares will represent 16.59% of the undiluted issued capital of GTN and 13.11% of the capital of GTN on a fully diluted basis.

Applications must be for a minimum of 2,000 New Shares and thereafter in multiples of 1000 New Shares. The Company may also accept applications for a lesser amount of New Shares from Existing Shareholders that enable them to "round up" their shareholding to a minimum of 2,000 Shares.

The Offer opens on 26 August 2003 and closes on 26 September 2003. GTN reserves the right to vary the Closing Date without notice. If the Merger does not proceed, the Offer will be withdrawn.

3.2 How to Apply for New Shares

Applications for New Shares can only be made by completing and lodging a paper copy of an application form.

Application forms are attached to this Prospectus and the Prospectus is available in electronic form at www.zbbenergy.com.

Application forms should be completed in accordance with the instructions on the guide to the application form.

An application form must be accompanied by a cheque in Australian dollars for the value of New Shares applied for and made payable to 'GTN Share Offer' and crossed 'Not Negotiable'.

An application form may only be distributed attached to a complete and unaltered copy of this Prospectus. Application forms included with this Prospectus contain a declaration that the investor has personally received the complete and unaltered Prospectus prior to completing the application form.

GTN will not accept a completed application form if it has reason to believe that the applicant has not received a complete paper or electronic copy of this Prospectus or if it has reason to believe that the application form or electronic copy of the Prospectus has been altered or tampered with in any way.

While GTN believes that it is extremely unlikely that during the period of the Offer the electronic version of the Prospectus will be tampered with or altered in any way, the Company cannot give any absolute assurance that this will not occur. Any investor in doubt concerning the validity or integrity of an electronic copy of the Prospectus should immediately request a paper copy of the Prospectus directly from GTN or their financial adviser.

Applications should be:

Posted to	OR	Delivered to
GTN Share Offer		GTN Share Offer
Computershare Investor Services Pty Limited		Computershare Investor Services Pty Limited
GPO Box D182 PERTH, WA, 6840 Australia		Level 2, 45 St George's Terrace, PERTH, WA, 6000 Australia

Additional copies of the Prospectus are available from www.zbbenergy.com. Lodgement of an application form constitutes an irrevocable offer made in accordance with the provisions of the guidelines to the application form.

Enquiries about the Offer should be directed to Geoffrey Hann or Rob Parry on 08 9494 2055 during business hours in Perth, Western Australia or Tony

Haggarty on 02 9250 0111 during business hours in Sydney, New South Wales

3.3 Capital structure

At the close of the Offer (assuming no Options are exercised prior to the Merger, and no ZBB shareholders exercise their dissenters' rights as described in section 11.5) if the Merger is completed, the capital structure of GTN will be as follows:

	Number of Shares (maximum subscription)	% ownership (maximum subscription)	Number of Shares (minimum subscription)	% ownership (minimum subscription)
Existing Shareholders	50,289,000	61.48%	50,289,000	65.94%
New Shares offered	15,000,000	18.34%	10,000,000	13.11%
GTN Options *	16,504,358	20.18%	15,979,358	20.95%
TOTAL	81,793,358	100.00%	76,268,358	100.00%

* this table assumes all GTN Options are exercised. Details of the GTN Options are set out in section 11.3 of this Prospectus.

3.4 Use of proceeds

Over the past 25 years, more than US\$45 million has been spent on research and development of zinc bromine battery technology and commercialisation of ZBB's products.

ZBB has now completed the development of its core technology and product and successfully completed several field demonstration projects. ZBB has also recently added manufacturing capacity and is beginning to market its products to customers. ZBB has devoted its resources to funding final research and development, field testing and evaluation and perfecting high volume commercial manufacturing of its quality products.

In order to facilitate expansion of the Business in accordance with the Company's plans as described in section 4, the Company requires a minimum of approximately \$10,000,000 of new capital. Estimated minimum capital requirements are as follows:

New manufacturing equipment - \$2,000,000.

This includes the following items:

Automation of carbon coating process	\$450,000
Edge welding machine	\$300,000
Vibration welders (3)	\$900,000
Infra Red welder	\$300,000
Sundry	\$50,000

Process Controls & Automation - \$1,500,000.

This includes the cost to achieve ISO 9001 factory certification and underwriters laboratory product certification. The Company will also need to incorporate manufacturing work station manuals and a computerised inventory management system

Inventory (stock on hand increase) - \$2,000,000.

In order to achieve the necessary production output schedule and to achieve economies of scale, the Company will be required to increase its present inventory levels. The inventory items that require purchase include bulk pre-mixed electrolyte, injection moulded flow frames, end blocks, separator material, extruded carbon plastic electrodes, bulk carbon granules, and sub assembly parts for battery modules including pumps, motors, controllers, module circuitry and module frames/cabinets.

Sales & Marketing - \$2,500,000. The Company plans to introduce its products into utility and renewable energy markets. In order to achieve the required product exposure, the Company will display various working models at a range of selected industry conferences held locally and internationally. The Company plans to provide specific marketing literature and economic modelling to its distributor network and to develop distribution links throughout USA, Europe, South East Asia, Japan, China and India.

Working Capital - \$2,000,000. This includes the necessary support funding required to match the growth of the Business.

Any moneys raised above \$10,000,000 will be utilised by the Company to further expand the business including further inventory and the addition of further vibration welders and continuation of the non-flow battery development program.

At completion of the Offer, in addition to the proceeds of the Offer, the Company will have cash reserves of approximately \$3 million. Together with the anticipated working capital these funds will be used to meet the costs of the Merger and of the Offer, including any payments to ZBB shareholders exercising dissenters' rights as set out in section 11.5 as required under Wisconsin Law. In the Board's view these funds are sufficient to meet the Company's anticipated working capital and capital expenditure requirements and objectives for at least 12 months.

3.5 Rights attaching to Shares

The New Shares to be issued under this Prospectus will rank equally in all respects with all other Shares. The rights attaching to Shares are detailed in the Company's constitution. A summary of the major provisions of the Company's constitution is set out in section 11.2 of this Prospectus.

3.6 Allotment

Allotment of New Shares will be made as soon as practicable after the close of the Offer. GTN reserves the right to allocate the New Shares offered under this Prospectus in full on any application, or to allocate any lesser number, or to decline any application. Where no allotment is made, the amount tendered will be returned in full without interest.

Where the number of New Shares allotted is less than the number of New Shares applied for, surplus application money will be despatched to the applicant within 21 days close of the Offer. Interest will not be paid on refunded application money. Any interest earned on application money prior to allotment or return will belong to GTN.

3.7 Minimum subscription

The minimum amount to be raised by the Offer is \$10,000,000. If this Minimum Subscription is not raised, GTN will return all application money as soon as practicable, without interest.

3.8 No underwriting

The Offer is not underwritten. Findlay & Co Stockbrokers Limited has been appointed as sponsoring broker to the Offer and the Company will pay Findlay & Co Stockbrokers Limited fees as detailed in section 11.10 of this Prospectus. If the Merger does not proceed, the Offer shall be withdrawn.

3.9 Handling fee

Findlay & Co Stockbrokers Limited as the Sponsoring Broker to the Offer will pay a handling fee of up to 4% on amounts raised in the Offer up to \$5,000,000 to any licensed security dealer ("Dealer") in respect of successful applications made by investors (other than existing ZBB securities holders) and lodged by a Dealer through Findlay & Co Stockbrokers Limited.

3.10 ASX application

Not later than 7 business days after the date of this Prospectus, application will be made to ASX for re-quotation of Shares so that trading in its Shares may recommence. Re-quotation of the Shares is at the discretion of ASX.

The fact that ASX may have admitted GTN to its official list is not to be taken in any way as an indication of the value or merits of the Company or the New Shares offered. Quotation, if granted, will commence as soon as practicable after the issue of holding statements. If permission for quotation of the Shares is not granted within 3 months after the date of this Prospectus, all application moneys will be returned without interest as soon as practicable. In addition, the Merger will not be completed and all GTN Shareholders will retain their pre-merger shareholding in GTN, and all ZBB Shareholders will retain their shareholding in ZBB.

3.11 CHESS

GTN participates in the security transfer system known as CHESS. Under CHESS, GTN will not be issuing certificates to shareholders in GTN. The Company will operate an electronic issuer sponsored sub-register and an electronic CHESS sub-register. Shareholders will receive a notice advising them of their holder identification number and sponsoring issuer number, participant identifier in the case of a holding on the CHESS sub-register, or security holder reference number in the case of a holding on the issuer sponsored sub-register, allowing Shares to be traded electronically.

Following distribution of the initial holding statements and CHESS notifications to all shareholders, a holding statement will be provided to a shareholder at the end of any subsequent month during which there has been a movement in their shareholding. Shareholders may also request GTN to provide a statement at other times, although the Company may charge an administration fee in these circumstances.

3.12 Foreign investors

No action has been taken to register or qualify the New Shares or the Offer, or otherwise to permit a public offering of the New Shares in any jurisdiction outside Australia.

The Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

3.13 Withdrawal

The Directors may at any time decide to withdraw this Prospectus and the Offer, in which case GTN will return all Application Money without interest as soon as practicable.

3.14 Taxation implications

Investors should consult their own professional tax adviser in regard to the taxation implications of subscribing for New Shares under this Prospectus.

3.15 Privacy Act

If investors complete an Application for New Shares, investors will be providing personal information to the Company (directly or to the Company's share registry). The Company collects, holds and will use that information to assess an investor's application and for corporate communications to an investor as a shareholder and to carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Tax Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

Shareholders can access, correct and update the personal information that the Company holds about shareholders. Shareholders may contact the Company or its share registry if shareholders wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1998 (Cth) as amended. Investors should note that if investors do not provide the information required on the application form, the Company may not be able to accept or process an application.

4. ZBB and its Business

4.1 Introduction

ZBB Technologies Ltd, the predecessor to ZBB, was formed in Western Australia 1981 to support developments in zinc bromine battery technology in Western Australia.

ZBB was incorporated under the laws of Wisconsin in 1998 and is registered as a foreign company in Australia in accordance with the Corporations Act. ZBB develops, manufactures and markets distributed energy storage systems based upon its proprietary zinc bromine rechargeable electrical energy storage technology. ZBB conducts the Business through two wholly owned subsidiaries – ZBB Technologies, Ltd an Australian corporation (ZBB's predecessor), and ZBB Technologies, Inc., a Wisconsin corporation.

As at the date of this Prospectus, ZBB has approximately 650 shareholders, the great majority of whom are Australian residents.

This Offer is being made to the public. It is conditional on the Merger taking place. On completion of the Merger, GTN's business will be the Business previously vested in ZBB. The Merger is conditional upon, amongst other things, a meeting of ZBB shareholders to be held on 24 September 2003 approving the Merger.

ZBB has issued a proxy statement/prospectus to its shareholders for this meeting in accordance with Wisconsin law. Further details of the Merger are set out in section 11.5 of this Prospectus.

4.2 The Business

ZBB develops, manufactures and markets distributed energy storage systems based upon ZBB's proprietary zinc-bromine rechargeable electrical energy storage technology. The modular construction of ZBB's core 50 kWh product enables ZBB's battery to be sized and packaged as a fully customized, large format energy storage system. This scalable, mobile system is

ideally suited for a number of large market applications, including:

- (a) Load management for generation, transmission and distribution utilities, energy service companies ("ESCOs") and large commercial and industrial customers, allowing peak shaving and deferral of capital expenditures that otherwise would be required to alleviate utility system constraints;
- (b) Uninterruptible power supply ("UPS") providing power quality protection from voltage, current or frequency deviations for both utilities and commercial and industrial customers; and
- (c) Storage of renewable wind and solar energy production in both grid connected and grid independent environments.

ZBB has advanced manufacturing capabilities using the zinc bromine technology. ZBB's technology was in part developed by Exxon Research and Engineering Company ("Exxon"), Johnson Controls, Inc. ("JCI") and ZBB Technologies, Ltd a predecessor company to ZBB. Over the last 25 years, more than US\$45 million has been spent on research and development of zinc bromine battery technology and commercialisation of ZBB's products. ZBB currently has 270 US, Australian and international patents and 11 patents pending relating to its zinc bromine technology and battery manufacturing process.

ZBB's core zinc bromine battery is an aqueous flow battery using a circulation loop to continuously feed reactants to the battery stacks. The product is ideally suited to applications that require deep discharge and long cycle life energy storage. Compared with advanced lead-acid batteries, the zinc-bromine battery provides superior technical performance and at a lower "life-cycle" cost. The primary features of ZBB's zinc-bromine battery include its:

- (a) Superior energy density, depth of discharge and cycle life;
- (b) Large scale capacity (50 kWh module) which can be configured into larger systems;

- (c) Ability to store energy from any prime mover generating source; and
- (d) Construction from predominantly low cost, recyclable plastics, which can be manufactured with techniques suitable for low cost, automated mass production.

ZBB has also developed a non-flow zinc bromine battery, a simpler design than the flowing electrolyte system, which results in a more compact and technically less complex battery suitable for a range of applications where size and cost are significant requirements. The non-flow zinc bromine battery is suitable for powering telecommunication back-up needs, golf cars, lawn mowers and material handling equipment. Depending on the application, ZBB expects the non-flow battery to range in size from 500 Wh to 2 kWh. Similar to ZBB's flowing battery technology, ZBB has designed the non-flow system to be readily scaleable in a unit with capacity of up to 20 kWh.

As utilities are now moving toward distributed networks, battery energy storage will play a flexible, multifunctional role in the entire utility system. Beneficiaries will include generation, transmission and distribution utilities, ESCOs and end-use customers. ZBB intends to market its products to all of these customers directly and also with strategic partners. The value and type of the benefits to be derived will depend on the customer needs, geographic location and utility system constraints, among other factors. One customer could also derive multiple benefits from the same battery storage system, multiplying the value.

4.3 Discussion and analysis of financial condition and results of operations

Overview

Since February 1998, ZBB has devoted its resources to funding final research and development and perfecting high volume, commercial quality manufacturing of its flow battery cell stacks, battery modules and system configurations, field testing and

evaluation of its battery energy storage systems, preliminary market research identifying distribution partners and other potential customers for distribution arrangements and assembling a management team. As a development stage company, ZBB is subject to all the risks inherent in establishing a new business, including the risk that full-scale operations may not occur.

ZBB has produced limited sales revenues to date, but does anticipate having product sales by at least the first half of 2004. ZBB has been unprofitable or marginally profitable since inception and anticipates that it will continue to incur significant expenses as it transitions from the development stage to full-scale production. Historic spending levels are not indicative of anticipated future spending levels because ZBB is entering a period in which it will rapidly increase spending to commercially exploit its technology, introduce its products into the market, establish exclusive distribution channels, expand manufacturing capacity, and diversify its activity into global markets. For these reasons, ZBB expects to continue operating at a loss through at least some or all of 2004. Moreover, there can be no assurance that ZBB will ever achieve profitability or if profitability is achieved, that such profitability can be sustained. Refer also to section 10 in this Prospectus regarding risks.

Capital resources

ZBB has financed its operations since inception primarily through private equity sales and from limited project sales income and development grants. ZBB's business strategy requires a significant expenditure of funds for an accelerated commercialization of its battery energy storage systems. These expenditures are anticipated to total approximately \$10 million using proceeds of the Offer for the next 12 months. Actual expenditures for accelerated commercialization and additional research and development efforts could vary materially from these estimates.

In conjunction with its planned commercial introduction ZBB negotiated and executed on March

31, 2003 an exclusive distributor agreement with Power Plus for the sale, installation and servicing of its energy storage systems in the states of California, Arizona and Nevada (USA). Further details are set out in section 11.6.

ZBB plans to engage in substantial marketing activities to support the introduction of battery energy storage systems. Such activities may include advertising campaigns, cooperative advertising with strategic distributors and individualised distributor training.

The actual amount and timing of ZBB's future capital requirements will depend on many factors, including the extent of continued progress in its development programs, the magnitude of these programs, the costs involved in filing, prosecuting, enforcing and defending patent claims, the appearance of competing technological and market developments and the success of ZBB's sales and marketing efforts.

ZBB has no committed external sources of capital. Based on its current plan, ZBB anticipates that, following the Merger, its existing capital resources, together with the proceeds of the retail offering and interest earned thereon, will be adequate to satisfy its capital requirements for at least the 12 months following the completion of the Merger. There may be circumstances, however, particularly a delay in the

introduction of ZBB's products or lower than anticipated sales, that might accelerate the use of the net proceeds of the Offer and ZBB's existing capital resources. ZBB may be required to raise substantial additional funds in the future, through public or private sources or other relationships. No assurance can be given that additional financing will be available, or if available, that it will be available on terms acceptable to ZBB.

Project overview

Detroit Edison/Department of Energy and SNL 400 kWh System (Michigan, USA).

A 400 kWh system was installed on a Detroit Edison site in Lum, Michigan for its second round of field trials and operated over a three month period until October 2001, functioning as a load management asset to alleviate system stress at an "in field" transmission substation. From both load and battery operating data collected during this test period it is evident that the ZBB system can function seamlessly with the power grid whilst providing necessary line support. Accordingly, the utility and ZBB undertook a third round of testing in US summer 2002 followed by testing in the US winter 2003/2004. The project met all expectations.



400 kWh system at Lum, Michigan – August 2002



400 kWh system operating at United Energy, Victoria – March 2002

United Energy 400 kWh System (Victoria, Australia).

This system was installed on site for commissioning in November 2001. Since that date the system has and continues to undergo a series of tests to collect operating experience across different seasonal conditions. The test regime, conducted in association with input from the power utility, United Energy Ltd, is designed to test the functionality of all aspects of the energy storage system. Tests defining the system's abilities have addressed, among others, its storage capacities over various dispatch schedules, peak shaving, power factor control and reactive power (VAR) compensation capabilities, monitoring operations, availability and maintenance requirements.

The system is operating primarily as a distribution system peak shaving device. In full commercial application, the resultant benefit to the utility is to defer conventional distribution system capacity upgrades.

Australian Inland Energy 500 kWh System (Australia).

This system was shipped in modular format to the Western Australian facility in June 2002 for assembly and testing. There is still some development work to be undertaken on the assembly of this system. This additional work will be undertaken by ZBB's Australian

engineering group and will include assistance from Power Design and Switchgear Engineering (PDSE).

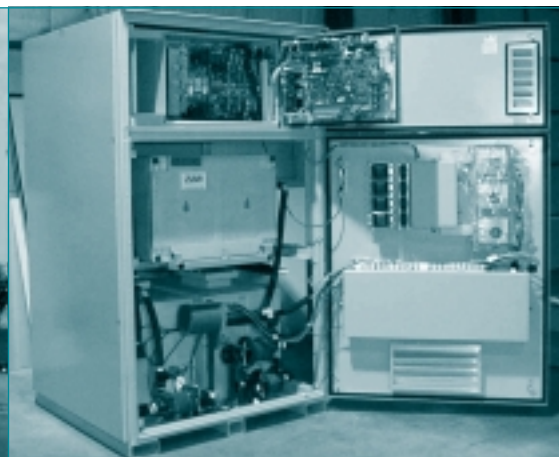
In August 2002 ZBB announced that PDSE had been appointed to market, assemble, install and service ZBB Battery Energy Storage Systems (Z-BESS) in Australia and New Zealand. PDSE, which is part of the EPE Group of Companies, has been operating for more than 50 years in the power and energy market in Australasia.

PowerLight/NYSERDA 50 kWh Systems – (New York State, USA).

ZBB has entered into a collaborative contract with PowerLight Corporation, an integrator and marketer of photovoltaic (PV) systems, to develop an integrated 50 kWh stand-alone battery system that will provide dispatchable peak shaving, uninterruptible power supply, and/or other power quality benefits for industrial customers. The initial focus of this project is the development of a joint peak-shaving system comprising nominally 50 kW of PV (Photovoltaic solar panels) and 50 kWh/100 kWh of battery storage for an existing industrial customer in New York State. The system is being installed and evaluated as part of an existing PowerLight project sponsored by the New York State Energy Research and Development Agency.



ZBB's Research and Development facility – Bibra Lake, Western Australia



50 kWh ZBB Energy Storage System

For this project, ZBB is deploying two 50 kWh battery systems. ZBB has repackaged a new “upright” version of its 50 kWh module that will function as a totally stand-alone product. Each module will include its own fully integrated 30 kVA power conditioning system (‘PCS’) which is independently being developed by SatCon Canada. The battery and PCS are being integrated into a heating, ventilation and air conditioning enclosure, which is suitable for outdoor installation. ZBB intends to market this stand-alone, fully integrated 50 kWh product to commercial and industrial customers. In addition, the repackaged “upright” 50 kWh module can be used for ZBB’s 500 kWh core ABESS system marketed to utility companies.

START Project – Non-Flow ZBB Battery.

ZBB’s N-F800 non-flow zinc-bromine battery technology does not use a circulating electrolyte and emerged through development work conducted by ZBB with its flowing electrolyte battery systems.

Because this new battery has been developed without the necessity of an electrolyte flow system, it becomes a more compact and technically less complex battery suitable for a range of applications where size and cost are of paramount importance.

The non-flow design is much simpler than the flowing electrolyte system since pumps and plumbing are not incorporated into the battery. Although the non-flow zinc-bromine battery relies on the same chemical reaction and similar material components, it is not a competitor to the larger flowing battery. Rather, this battery allows the technology to deliver a better product to markets previously unattainable by the bigger systems.

Prototypes of the N-F800 currently on life cycle tests have passed the 3,000 cycle mark and still achieve total return energy efficiency of over 70%. The battery is fully discharged to 1.0 volts per cell at each cycle. These test results illustrate the extent to which ZBB’s non-flow battery outperforms the lead-acid battery in deep discharge cycling applications where a long cycle life is important.

In June 2001 ZBB was awarded a \$1.7 million grant under the “START” scheme which is administered by the Australian Government agency, AusIndustry.

This two year development program was completed on 30 June 2003 at ZBB’s Western Australia premises. ZBB made significant progress on all of the key milestones for the various tasks being undertaken. Some of the key areas of work being addressed in this development program include:

- development of binding reagents to improve the overall performance of the electrolyte for use in a non-flow battery system;
- development work associated with ion exchange membranes and microporous separators;
- development of specific substrate materials for incorporation into a new non-flow battery stack; and
- integration of components into a new bipolar battery.



Four (4) ZBB non-flow batteries in test bed golf car

A final report on this project will be delivered to the Australian Government in late September 2003. Further funding will be necessary to bring the non-flow battery to where it is a product capable of commercialisation.

General

Other major milestones and advancements include the following.

In October 2001 ZBB moved into a new leased manufacturing facility in Menomonee Falls, Wisconsin and now occupies 35,000ft² for its production, assembly and administration headquarters. In conjunction with this move to new premises ZBB also purchased new manufacturing equipment which expands its production capacity to 20MWh annually.

In January 2002 ZBB's Australian subsidiary moved into new leased self-contained research and development facilities in Bibra Lake, Western Australia after previously occupying sub-leased laboratory and

workshop facilities at Murdoch University, for the past 15 years.

In February 2002 ZBB appointed Mr. Greg Nelson as its Chief Operating Officer. This position is a senior appointment to the growing management team. In this new role Mr. Nelson has assumed responsibility for the continued roll out and daily operations of ZBB's battery manufacturing facility in Menomonee Falls, and the engineering development of ZBB's energy storage systems.

ZBB commenced marketing initiatives by delivering a series of papers at specifically selected industry conferences. Most notable amongst these were the 2002 EESAT conference (April 2002) and the 2002 AWEA conference (American Wind Energy Association, June 2002). The follow on effect from these presentations has led to business opportunities for future sales of ZBB's energy storage systems.



Manufacturing facility at ZBB's premises – Menomonee Falls, Wisconsin



ZBB's premises – Menomonee Falls, Wisconsin

4.4 Investment highlights

Multiple, large market applications

The existing and potential markets for ZBB's battery energy storage systems are significant. The world market for batteries is estimated by energy storage industry bodies at about US\$15 billion each year. The US Electricity Storage Association (ESA) estimates that industrial batteries, as might be used in utility applications, uninterruptible power supplies, power quality applications, standby and reserve batteries amount to US\$5 billion each year. Other independent analysis in the USA has looked specifically at the value in the United States for using energy storage to defer capital expenditure in transmission and distribution (poles and wires) applications and combining the use of these storage systems to also capitalize on energy arbitrage (buy low, sell high) opportunities in regions with high energy price volatility. By absorbing just the 2% annual load growth nationwide this represents a potential annual market of US\$4 billion for energy storage in the USA.

Renewable energy in both grid and non-grid applications present outstanding opportunities for ZBB's energy storage systems. Wind energy is the world's fastest growing energy source, with an average growth rate of 30% annually over the last five years. Market growth in 2002 was estimated in the range of 6,000 MW. The Earth Policy Institute reports an increase in 2001 in world solar cell production to 395 MW, up 37 percent over 2000. This annual growth in output, now comparable in size to a new power plant, is set to take off in the years ahead as production costs fall. Cumulative solar cell or photovoltaic (PV) capacity world wide now exceeds 1,840 MW. Solar electric energy demand has grown consistently by 10-20% per annum over the past 20 years. In 2002 sales rose to 427 MW annually. ZBB's energy storage systems optimize the match between demand for energy and the generation of energy and therefore increase the value of those renewables using storage. The battery energy storage system also provides "load following" benefits to renewable energy systems together with other stabilization benefits for grid connected

renewable systems. ZBB believes the worldwide battery energy storage market for renewable energy applications offers significant opportunities to ZBB.

ZBB believes that approximately one third of the world's population is yet to be served by a consistent electricity supply. Remote and inaccessible markets are not quantifiable, however a significant number of people worldwide including millions of people who live on islands and in other remote areas, still have limited or no access to power. ZBB believes renewable energy and hybrid power systems using energy storage will be critical components in ensuring reliable future energy supply in many areas, and that the market for these products is growing rapidly.

Limited competition with significant technological barriers to entry

There are a number of competing technologies in energy storage, at various stages of development. The Electricity Storage Association (ESA) identifies eleven technologies:

Lead-acid

Lead-acid is one of the oldest and most developed battery technologies. It is a low cost and popular choice for energy storage, but its application for energy management is very limited due to its short cycle life.

Zinc Bromine

Two different electrolytes flow past carbon-plastic composite electrodes in two compartments separated by a microporous polyolefin membrane. Under commercial production by ZBB.

Polysulfide Bromide (PSB)

A flow battery based on a regenerative fuel cell technology that provides a reversible electrochemical reaction between two salt solution electrolytes (sodium bromide and sodium polysulphide). Being installed in the UK and is expected to be in operation in 2003. Another application planned in Mississippi (USA) to be operational in 2004.

Vanadium Redox

A flow battery that stores energy by employing vanadium redox couples, stored in mild sulphuric acid

solutions. Installed by Sumitomo electric in Japan and by Vantek in South Africa.

Sodium Sulphur (NaS)

Battery consisting of molten liquid sulphur at the positive electrode separated by a solid beta alumina ceramic electrolyte. Kept at high temperatures around 300° C to allow the process to occur. Trial installations in Japan, commercial production targeted in 2003.

CAES

A peaking gas turbine power plant using compressed air stored in underground caverns inside salt rocks.

Super Capacitor

Storage devices with high energy density. Large scale applications are still under development.

Flywheels

High-power flywheels consisting of a massive rotating cylinder that stores energy. Main use is for short-term uninterruptible power supply (UPS) applications.

Pumped hydro storage

Not a battery device, pumped hydro uses two water reservoirs. During off peak hours water is pumped from the lower reservoir to the upper; the water flow is reversed to generate electricity. Widely used but characterised by long construction times and high capital expenditure.

Metal-air

Potential high energy density and low cost battery, but electrical recharging is very difficult and is still in development.

Lithium Ion

Li-ion batteries offer high energy density, high efficiency and a long cycle life. Widely used in small portable markets, but high manufacturing cost presently prohibits large scale industrial applications.

At the present time, to ZBB's knowledge, ZBB is the only company in the US with a fully developed commercial zinc bromine battery product. ZBB is the only company listed by ESA as providing zinc bromine technology. It appears that other potential competitors have not been able to successfully

complete the technology transfer to full scale commercial production.

The other two competing flow technologies – Polysulfide Bromide and Vanadium Redox – are distinguished by their large scale systems which are suited only to stationary applications and involve high construction costs. Because of their electrochemistry, in comparison to zinc bromine they both have a lower energy density. Both also have a longer recharge cycle time than zinc bromine. Vanadium Redox also has the drawback of using an environmentally toxic electrolyte (sulphuric acid).

The other potential competitor to lead-acid is the NaS battery. This operates at high temperatures of 300° - 350° centigrade, requiring a costly thermal management system. Like the other flow technologies it is a large scale application that is not transportable and comes at a high cost per system.

As the incumbent technology lead-acid will continue to be used for some time, however environmental concerns will compel users to look for 'greener' alternatives. Of the alternative technologies now available, ZBB's flow battery has a significant advantage in terms of:

- Proven commercial manufacturing capability;
- Modular construction allowing portable applications of varying size giving it considerable flexibility to meet customer' needs compared to the large scale fixed-site alternatives; and
- Superior technical attributes in terms of energy density, recharge cycle and overall cycle life.

Superior, cost-effective technology

The zinc bromine flow battery technology is ideally suited to applications that require deep discharge and long cycle life energy storage. Compared with advanced lead-acid battery technology, the zinc bromine battery provides superior technical performance at a significantly lower overall cost. Product advantages versus incumbent lead-acid technology include:

- (a) Improved specific energy: a zinc bromine battery can store approximately 2-3 times the energy compared to lead-acid batteries for the same given weight.
- (b) Deep discharge: a zinc bromine battery can be 100% discharged without degradation, whereas the maximum recommended depth of discharge for lead-acid batteries is 65%.
- (c) Long life cycle: a zinc bromine battery can be repeatedly deep discharged for as many as 2,000 cycles without any material degradation in performance reducing the cycle life cost of a zinc bromine battery, whereas a lead-acid battery can be significantly damaged after only a few deep discharge cycles (lead-acid batteries have a cycle life of only approximately 750 cycles)
- (d) Wider operating temperature: a zinc bromine battery has a wider operating temperature range that does not compromise life expectancy, leading to reduced operating costs.
- (e) Modular battery system: each 50Kw module contains three battery stacks, and any number of modules can be connected in series and parallel allowing for a fully customised, scalable system. If a battery stack needs to be replaced, a module can be removed from operation without disrupting the remainder of the system and the stack can be replaced without impacting the balance of the module.
- (f) All plastic construction: all metal reinforcement plates and tension rods have been eliminated from the construction resulting in lower manufacturing costs. In addition, the battery is fully recyclable, non toxic and environmentally friendly.

In addition to its technical advantages, ZBB believes its zinc bromine battery is a lower life cycle cost per kWh than a lead-acid battery. At full production, ZBB's estimates that its sales price will be competitive with reciprocating engines and other forms of prime power on an installed cost basis. In addition, the energy output of the battery will be lower in cost

than reciprocating engines and other forms of prime power such as diesel generators and will have zero emissions.

Low cost manufacturability

ZBB has developed products composed of low-cost components and materials, assembled using well-understood manufacturing concepts that require relatively low capital costs and are readily scalable to achieve high quality reproducibility. With the exception of the electrolyte and microporous separator which are purchased from third parties, all other ZBB product components are either injection moulded according to ZBB'S proprietary design or are standard off-the-shelf pieces. Furthermore, zinc and bromine are widely available commodities with numerous users and suppliers.

To improve manufacturing process efficiency, ZBB outsources all basic manufacturing processes such as injection and rotational moulding for elementary component parts, and concentrates its efforts only on the proprietary "value added" manufacturing of the battery stacks. ZBB has patented designs and owns its own moulds for all of the major parts for its battery stacks and tanks.

ZBB has developed its own proprietary process technology and equipment for high volume automated manufacturing of its battery stacks, the principal product components of which are electrodes, separators, flow frames and end blocks. The core manufacturing undertaken by ZBB is the construction of these hermetically sealed, leak proof battery stacks, which consist of nearly 100% plastic materials. From a manufacturing process perspective, ZBB uses a vibration welding process to achieve the hermetic seal and an infra-red ("IR") welding process to insert the separators and electrodes into the flow frames. Both of these processes are well-known manufacturing techniques used in several fields, including the automotive industry.

4.5 Zinc bromine technology description

Batteries are electrical storage devices that generate an electric current through an electrochemical reaction. The most common batteries are lead-acid and include the traditional automotive and penlight (disposable) types. Other battery types include nickel cadmium, lithium and nickel metal hydride, all of which have different product and performance characteristics leading to different market applications from those targeted by ZBB.

The zinc bromine battery is significantly different in concept and design from the more traditional lead-acid batteries. The zinc bromine battery depends on the reaction between two commonly available commodities, zinc and bromine, and unlike lead-acid and most other batteries, the zinc bromine battery uses electrodes that do not participate in the resulting chemical process, but instead act as a medium for the plating of zinc metal during the battery charging cycle. When the battery discharges, the zinc is dissolved back into the electrolyte, leaving the electrodes in their original state and condition.

4.6 Intellectual property

ZBB's research and development activities have enabled it to develop a commercially available zinc bromine battery that operates in conjunction with a power grid. It has also successfully demonstrated a commercially available product that also operates on a stand-alone basis.

ZBB has invested a significant amount of capital and resources in developing the zinc bromine technology to its current, commercially viable level. ZBB currently possesses a number of United States, Australian and international patents issued to ZBB and its subsidiaries directly, as well as to JCI, and later assigned to ZBB. In addition, ZBB has formal documentation covering all other key aspects of its intellectual property. In total, apart from the original Exxon patents that have expired, there are more than 60 separate processes or designs within ZBB's

intellectual property portfolio, including 27 current patents and 11 patents pending.

The following table lists ZBB's patented technology and number of relevant patents:

Description of Current Patented Technology/Process	Number of patents and patents pending
Battery Circulation System with improved four-way valve	2
Carbon Coating for an Electrode	1
Compact Energy Storage System	3
Component Design	1
Component Design for an Electric Energy Storing Device	2
Composite End Block for a Battery	1
Electro-Chemical Cells	8
End Block Constructions for Batteries	1
Friction Welded Battery Component	1
Improved Capacitor	2
Method of Electrode Reconditioning	3
Method of Joining Bipolar Battery Frames	1
Module for an Aqueous Battery System	3
Nonflow zinc/bromine battery design	1
Removable Protective Electrode in Bipolar Battery	1
Spill and Leak Containment System for zinc bromine battery	2
Terminal Electrode	1
Zinc bromine Battery with Non-Flowing Electrolyte	4
Total	38

Proprietary technology and intellectual property for design and manufacturing of ZBB's flow channel technology and electrode development are significant. While ZBB has not patented its flow channel technology, management believes that the technology is sufficiently difficult to develop and would require years of research to replicate. ZBB has declined to file a patent for its flow channel technology as it believes that such a public document filing would be detrimental to the proprietary nature of its know-how, providing potential competitors with insight into the technology and manufacturing processes. ZBB believes that its continued in-house research and development relating to the zinc bromine technology will provide an on-going source of competitive advantage.

4.7 Product and marketing - F2500 battery/flow technology

The building block for large zinc bromine battery systems offered by ZBB is its F2500 battery. The 50 kWh module consists of three 60-cell, 2500 cm² battery stacks connected in parallel, a pair of electrolyte storage reservoirs, an electrolyte circulation system and a power electronics system. Any number of modules can be stacked into a single battery system, which makes the battery a versatile and cost effective large format product.

The discharge capacity of the battery module is 50 kWh and can be sustained at continuous rates up to 300 amps. Fully charged, the battery can discharge energy for anywhere from two to eight hours, or longer, depending on the current requirement. The module can be charged from any prime mover generating source at different charge rates up to 225 amps. This gives the zinc bromine battery a rapid charge time, from fully discharged to fully charged within four hours.

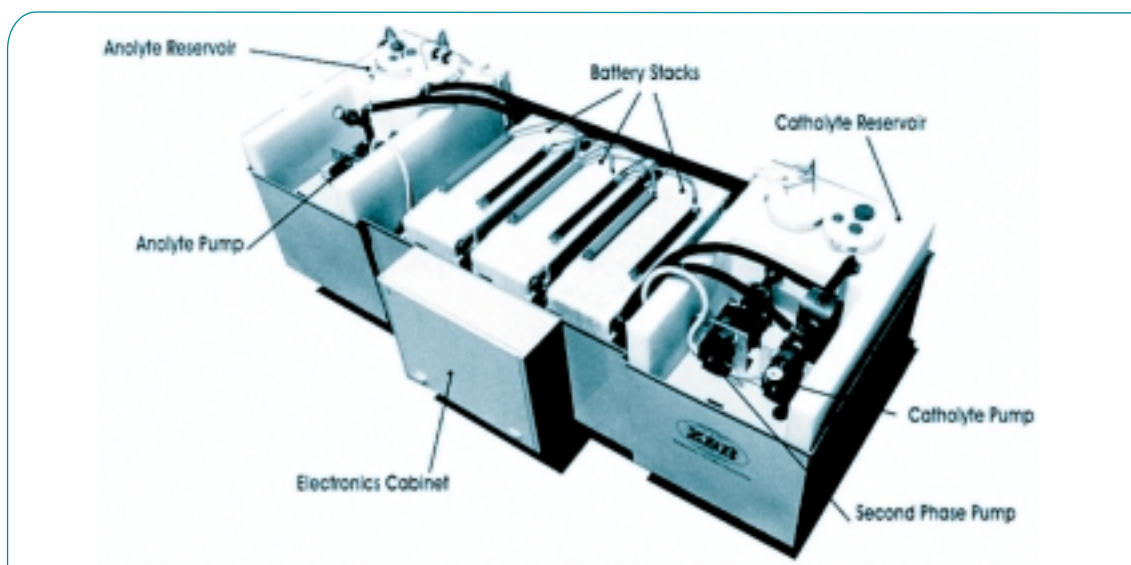
ZBB has engineered the assembly of battery stacks into 50 kWh self-contained battery modules. These modules will function either as standalone units or serve as the

building blocks for larger storage systems. These independently controlled modules are placed in various parallel and series arrangements to achieve the desired capacities that larger storage installations require. The first product developed by ZBB is a “turnkey” 400 kWh energy storage system that consists of eight 50 kWh battery modules. This system meets all the necessary requirements to allow connection directly to a utility grid. ZBB has manufactured and is trialing two 400 kWh systems. ZBB has increased the system size to a standardized 500 kWh system, which it believes is a readily acceptable base product for the utilities market.

F2500 applications and market opportunities

Energy storage technologies convert “real-time” electricity to “on demand” electricity. The ability to control the availability of energy through storage has inherent value in many applications for both energy providers and energy users.

- For an energy provider, energy storage is a tool that can be used to ensure more reliable power delivery and to alleviate constraints in the utility system. These constraints can exist in the generation, transmission and distribution sectors of the utility network;



ZBB flow (F2500) zinc bromine battery

- For an end-user, energy storage provides a solution to costly power quality and reliability problems, as well as management of price volatility; and
- From a conservation and environmental protection standpoint, energy storage enables clean renewable energy resources, such as wind and solar, to more meaningfully contribute to the energy supply in a manageable fashion.

Versatility

Broadly speaking, there are three types of applications for which ZBB's F2500 can be used by providers and users of electricity:

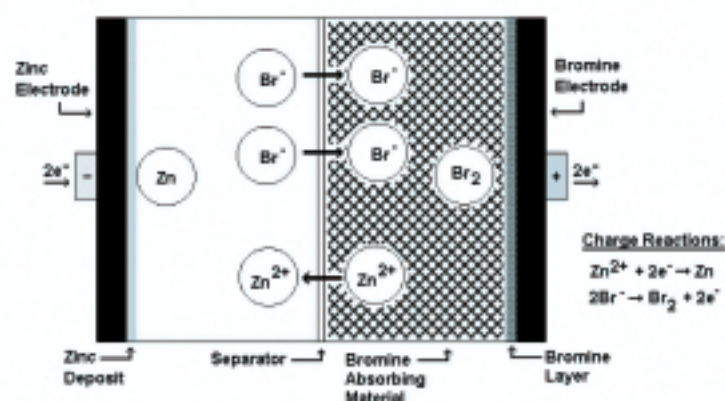
- **Load management** applications, whereby the F2500 is used to affect the timing of electricity production and consumption, to achieve one of two (not mutually exclusive) objectives:
 1. Optimization of utility assets around constraints, which applies to the utilization of existing assets and the deferral of capital expenditures that utilities would otherwise be required to make to serve system loads, and
 2. Price management through both the arbitrage of off-peak versus peak energy prices and a reduction in peak demand charges.
- **Power quality** applications, where the F2500 is used in conjunction with a power conditioning system to improve the quality of electricity provided or consumed; and
- **Renewable energy** applications, where the use of the F2500 can convert the unpredictable generation patterns of renewable energy sources into predictable power delivered to the grid and end users.

The design characteristics of the F2500 give it extraordinary versatility, allowing it to be used in a number of applications by the same user. For example, an industrial user of the F2500 may use it for peak shaving, power quality protection for critical processes and in conjunction with on-site renewable energy generation.

4.8 Product and marketing - N-F800 battery/non-flow technology

ZBB's N-F800 non-flow zinc bromine battery technology does not use a circulating electrolyte and emerged through development work conducted by ZBB with its flowing electrolyte battery systems. Because this new battery has been developed without the necessity of an electrolyte flow system, it becomes a more compact and technically less complex battery suitable for a range of applications where size and cost are of paramount importance.

The non-flow design is much simpler than the flowing electrolyte system since pumps and plumbing are not incorporated into the battery. Although the non-flow zinc bromine battery relies on the same chemical reaction and similar material components, it is not a competitor to the larger flowing battery. Rather, this battery allows the technology to deliver a better product to markets previously unattainable by the bigger systems. A summary of the chemical reactions and movement of the zinc bromine electrolyte solution through the non-flow battery is summarized below:



ZBB non-flow (N-F800) zinc bromine battery

The applications targeted by ZBB for the non-flow zinc bromine battery technology are batteries for electric vehicle use including smaller vehicles such as materials handling equipment, personal mobility vehicles, electric bicycles/scooters, golf cars, a range of domestic lawn and garden products such as electric lawn mowers, and back-up power for telecommunications systems. There are also many other applications where a battery is repeatedly deep discharged, such as renewable energy storage where this new technology will be most suitable. ZBB is conducting ongoing testing on these new batteries.

Depending on the power requirements of the application, ZBB anticipates producing non-flow products sized from approximately 500 Wh to 20 kWh.

The non-flow zinc bromine battery is capable of storing more energy than traditional lead-acid batteries of similar weight. For this reason, a vehicle powered by the non-flow zinc bromine battery can run for a longer time on a single charge than a vehicle powered by conventional lead-acid batteries. Thus, the non-flow zinc bromine battery technology offers high energy density combined with a long service (cycle) life and a low production cost.

Prototypes of the N-F800 currently on life cycle tests have passed the 3,000 cycle mark and still achieve total return energy efficiency of over 70%. The battery is fully discharged to 1.0 volt per cell at each cycle. These test results illustrate the extent to which ZBB's non-flow battery outperforms the lead-acid battery in deep discharge cycling applications where a long cycle life is important.

ZBB has already built four 24-volt, bipolar prototype batteries, each evaluated under laboratory conditions and in a vehicle application test (tricycle). Multiple cell stacks with sixty or more cells can be built allowing individual batteries to provide over one hundred volts. High voltage vehicle power systems give the advantage of reduced weights and dimensions for the power control, wiring and motor systems. Testing of the N-F800 is ongoing with commercial production and sales anticipated within

24 months. The testing phase will include an evaluation of current product prototypes by potential customers. Over the next 12-24 months, ZBB intends to complete further research and product development, including battery design to customer specification, reach final "design freeze" criteria, establish and finalize commercial manufacturing processes and acquire the specialized equipment and tooling required to enable commercial production and sales.

Product advantages

The N-F800 battery incorporates all of the advantages of the zinc bromine technology and delivers a product capable of competing with traditional batteries in the lower capacity requirements typically associated with small electric vehicles ("EVs") such as golf cars, mowers, materials handling equipment, electrical bicycles/scooters, other mobile equipment and telecommunications applications. The N-F800 battery provides greater energy density, superior energy efficiency, a faster recharge time, and greater life cycle relative to lead-acid batteries. In particular, the N-F800 battery is a rapid recharge battery and can be left in a totally discharged state as compared to the constant "trickle charge" required for lead-acid batteries.

The N-F800 is environmentally friendly and ZBB considers it is very suitable for small electric vehicles because of its (i) high energy density for a long EV driving range, (ii) high power density for good EV acceleration, (iii) capacity to withstand several thousand full discharge cycles without damage so that the batteries will last for the life of the vehicle, and (iv) low cost production.

Applications and market opportunities

The technology currently used for the electric power sources within most targeted vehicular segments is primarily lead-acid. While lead-acid technology is well established and relatively inexpensive, ZBB considers that the performance and cost targets for development of the N-F800 will be superior to that of lead-acid and other established battery technologies. Internal combustion ("IC") engines play

a major role in small vehicles primarily due to superior performance and low cost. This was and continues to be the direct result of inferior performing energy storage technologies. ZBB believes however, that the N-F800, when competitively priced and coupled with an appropriately sized electric motor will be a direct replacement for an IC engine on any of these targeted applications. From a consumer's perspective, the only difference will be an end-product that operates more quietly and without pollution. Applications include golf cars, personal mobility vehicles, electric mowers, materials handling equipment, scooters and telecommunication applications.

4.9 Manufacturing process and facilities

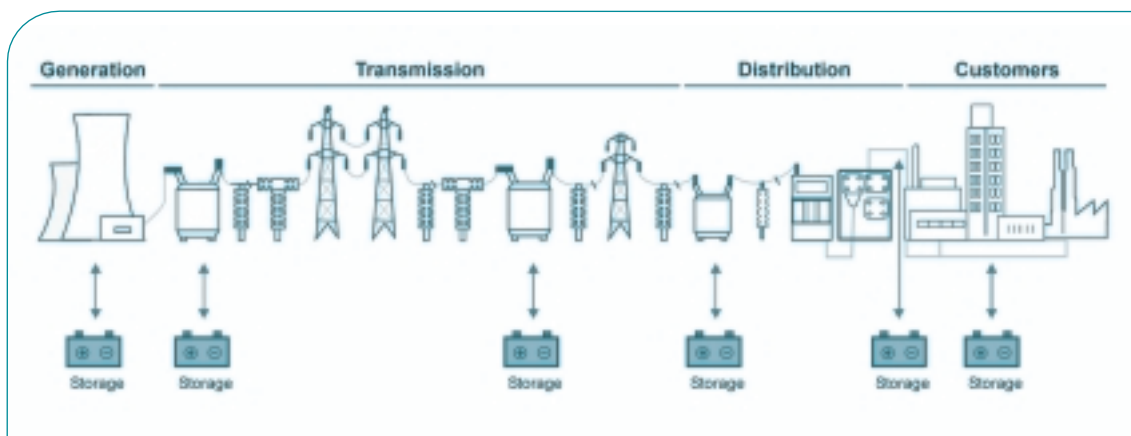
ZBB's battery design has enabled it to employ a process whereby the sub-components of the battery and accessories are efficiently assembled using automated systems with reduced manual labour so that a battery stack can be made and tested in approximately 8 hours. Throughout the manufacturing process the battery is tested for quality, and when a battery is completely assembled, it is further tested in ZBB's "flow" and "pressure" test cells. Once ZBB begins production of its batteries in mass quantities, ZBB estimates that it can produce a battery stack every 8 hours for an annual capacity of

240 stacks (eighty 50 kWh modules) per vibration welding machine per shift. ZBB has recently expanded its production line capability to an annual capacity of 20 MWh (four hundred 50 kWh modules) and plans to expand this capacity using the proceeds of the Offer to an annual capacity of 100 MWh (two thousand 50 kWh modules) and intends to increase this capacity in five years to 1,000 MWh annually.

4.10 Industry Overview

ZBB's F2500 product is available at a time when significant change is occurring in both the supply of and demand for electricity worldwide. Two important trends that are driving these changes are the deregulation of the global power industry and the emergence of the digital economy. The deregulation of the global power industry is having a significant impact on every step in the electricity supply chain—generation, transmission and distribution. Deregulation is also changing how customers buy electricity and creating new competitive ESCOs to address customer needs. What is also important to many customers is the quality of power and not simply the amount of power.

The technical capabilities and modular, stackable and mobile features of ZBB's F2500 battery make it a versatile product that addresses every one of these industry challenges for a wide range of customers, often delivering multiple benefits.



5. History of GTN

5.1 Background

GTN was formed in 1966 as Great Northern Mining Corporation NL to acquire a group of tin mining leases and related assets in the Herberton area of North Queensland. In 1992, the Company acquired Nunan Sapphires, at that time the largest Australian sapphire miner, and developed the Subera sapphire project at Anakie in Central Queensland.

In June 1998, Excel Mining Ltd acquired a major shareholding of the Company. At the same time the name of the company was changed to GTN Resources Ltd.

In early 2003, following a sustained downturn in the Company's sapphire mining business the Board resolved to seek a new business opportunity, which led to the current Merger proposal.

5.2 Merger and related transactions

Details of the Merger are set out in the merger agreement summarised at section 11.5 of this Prospectus.

The Merger is conditional on the Company obtaining the approval of its shareholders to the Merger at the meeting of shareholders to be held on 24 September 2003. At this meeting, in addition to approving the Merger transaction itself, shareholders will be asked to approve:

- (a) a change to the nature and scale of the Company's activities (to that of conducting the Business);
- (b) sale of the Company's residual assets (as part of the divestiture referred to in section 11.5 of this Prospectus) to a related party;
- (c) consolidation of the Company's share capital (on a 1 for 4.52637 basis);
- (d) the issue of GTN Shares and GTN Options (as required by the merger agreement referred to in section 11.5 of this Prospectus);

- (e) the issue of New Shares pursuant to this Prospectus;
- (f) the grant of GTN Options to holders of GTN Shares immediately prior to the Merger, on the basis of 1 GTN Option for every 6 GTN Shares held (to be calculated after consolidation of GTN's share capital);
- (g) the election of Robert Parry, Geoffrey Hann, Richard Payne and Thomas Folliard as directors of GTN; and
- (h) the change of name of GTN to ZBB Energy Limited.

The Company has issued a notice of meeting to its shareholders seeking approval of the Merger and the above matters, and has also issued a prospectus in respect of the issue of the options referred to in paragraph (d) above. Copies of these documents are available from the Company's registered office and also in electronic form from www.zbbenergy.com.

As the Company is seeking to change the nature and scale of its activities following completion of the Merger, pursuant to the Listing Rules, GTN will need to comply with Chapters 1 and 2 of the Listing Rules as if it were applying for admission to the official list of ASX. As a result, it is expected that the Company's securities will be suspended from quotation at the close of trading on the business day preceding the Company's meeting to vote on the Merger and will remain suspended until the Company has complied with Chapters 1 and 2 of the Listing Rules and completed the Merger, closed the Offer and issued the New Shares.

Among the factors considered by the Board in deciding to approve the Merger, the Board obtained a written opinion from an independent expert, Counterpoint Group Investment Consultants ('Counterpoint') to the effect that as of 8 August 2003, and based on and subject to the considerations in Counterpoint's opinion, the Merger was fair to existing GTN shareholders from a financial perspective. The Counterpoint opinion is included at section 9 of this Prospectus.

6. Directors and Management

6.1 The Board

The Board is responsible for the corporate governance of GTN, including its strategic development. The Board reviews corporate strategy and financial targets in terms of shareholder expectations, performance and potential, establishes goals for management and monitors achievement of these goals.

The Board has put in place the framework and operational policies for the management of GTN ensuring the proper management of internal controls and of risk.

6.2 Changes to the Board under the Merger

On completion of the Merger, it is expected that all existing GTN directors will resign apart from Anthony Haggarty. The following ZBB directors are Proposed Directors, and subject to GTN shareholder approval will be appointed to the board:-

Robert Parry

Geoffrey Hann

Richard Payne

Thomas Folliard

Robert Parry will act as chairman of the Company following the Merger.

6.3 Directors and proposed Directors profile

Robert John Parry

(Chief executive officer and director)

Robert Parry has been a Director of the foundation company, ZBB Technologies Ltd., since its incorporation in 1981 and has been its Managing Director since 1987 and has been the Chief Executive Officer for ZBB and its predecessors since that time. Prior to joining ZBB Technologies Ltd, he spent five years as a systems analyst, including two years on secondment in New Zealand, before returning to Western Australia and entering public practice. Mr. Parry holds an accounting degree from The WA Institute of Technology (Curtin University) in Western Australia. He is a Fellow of the Australian Society of CPAs and is an accredited mediator with the Supreme Court of Western Australia. Mr. Parry has extensive international experience in corporate management, finance and technology acquisition and transfer.

Geoffrey David Hann

(Chief financial officer and director)

Geoffrey Hann has been Company Secretary and Finance Director of ZBB Technologies, Ltd. and its subsidiaries since 1992 and has been a director of ZBB since 1998. Mr. Hann holds a Bachelor degree in Business Studies with a triple major in Accounting, Finance and Business Administration from Churchlands College of Advanced Education (Edith Cowen University) in Western Australia. He is an Associate of the Australian Society of CPAs, and is an accredited mediator with the Supreme Court of Western Australia.

Mr. Hann has an extensive financial management background, including four years with the Western Australian power utility, SECWA, where he was specifically responsible for project evaluation and analysis work and as Company Secretary/Finance Director for a Western Australian industrial investment company. Prior to that Mr. Hann spent two years gaining international experience in banking and financial analysis working for the Midland Banking Group in the United Kingdom.

Richard Andrew Payne
(Non executive director)

Richard Payne is a commercial lawyer who has practised in the corporate and commercial areas of law for 22 years. Mr. Payne holds a Bachelor Jurisprudence (Hons) and a Bachelor of Laws from the University of Western Australia and is the principal of Richard Payne & Associates. Mr. Payne has had extensive experience in advising and acting as a director of public and private companies. He is a director of Indcor Limited.

Thomas George Folliard
(Non executive director)

Thomas Folliard is a Certified Public Accountant. Mr. Folliard is the founder and President of Corporate Development Resources, Inc., a US organization specialising in the provision of assistance to corporations in the area of financial and business strategy, capital raisings, mergers, acquisitions and divestitures.

Anthony James Haggarty
(Non executive director)

Anthony Haggarty is currently the Managing Director of GTN and originally joined the board of GTN in March 1998. He holds a Masters of Commerce and is an associate of the Australia Society of CPA's. Mr. Haggarty has more than 20 years experience in coal mining in Australia and overseas. He is a founder of the Excel Group of Companies, is managing director of Excel Mining Ltd, and a director of Illawarra Coke Company Pty Ltd, Envirospheres Pty Ltd, HunterCoal Pty Ltd and SouthCoal Pty Ltd. He is also a Fellow of the Australian Institute of Company Directors.

6.4 Corporate governance

The Board

The Board carries out its responsibilities according to the following mandate:

- (a) the board should comprise at least five directors;
- (b) the board should be made up of at least half of non-executive directors (following the Merger, three of the proposed directors will be non-executive);
- (c) the directors should possess a broad range of skills, qualifications and experience;
- (d) the board should meet on a regular basis; and
- (e) all available information in connection with items to be discussed at a meeting of the board shall be provided to each director prior to that meeting.

Primary responsibilities of the board include:

- (a) approval of the annual and half-year financial report;
- (b) establishment of the long term goals of GTN and strategic plans to achieve those goals;
- (c) review and adoption of annual budgets for the financial performance of GTN and monitoring the results on a quarterly basis; and
- (d) ensuring that GTN has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities.

Independent professional advice

With the prior approval of the Chairman, each Director has the right to seek independent legal and other professional advice at GTN's expense concerning any aspect of GTN's operations or undertakings in order to fulfil their duties and responsibilities as directors.

Audit committee

Following the Merger, the new board will reconstitute the existing audit committee consisting of three directors, at least two of whom will be non-executive directors.

The audit committee provides a forum for the effective communication between the Board and the auditors. The audit committee reviews:

- (a) the annual and half-year financial report prior to their approval by the Board;
- (b) the effectiveness of management information systems and systems of internal control; and
- (c) the efficiency and effectiveness of the audit functions.

The audit committee invites the auditors to attend audit committee meetings.

Risk management

The Board is responsible for GTN's system of internal controls. The Board constantly monitors the operational and financial aspects of GTN's activities and, through the audit committee, the Board considers the recommendations and advice of the auditors and other external advisers on the operational and financial risks that face GTN.

The Board ensures that recommendations made by the auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that GTN has an appropriate internal control environment in place to manage the key risks identified.

In addition, the Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties, and the employment and training of suitably qualified and experienced personnel.

Code of conduct

As part of the Board's commitment to the highest standard of conduct, GTN intends to adopt a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities. The code of conduct will cover such matters as:

- (a) responsibilities to shareholders;
- (b) compliance with laws and regulations;
- (c) relations with customers and suppliers;
- (d) ethical responsibilities;
- (e) employment practices; and
- (f) responsibilities to the environment and the community.

6.5 Management and employees

On completion of the Merger, ZBB's existing management team will continue to manage the Business both in the USA and Australia and will assume full management responsibility for GTN. The Company will also employ additional staff to assist the Company to expand the manufacturing, marketing and selling capability of the Business as outlined in this Prospectus.

The management operations and registered office of GTN will be transferred from GTN's existing premises to ZBB's premises in Bibra Lake, Western Australia.

The senior employees of ZBB are as follows:

Gregory Nelson **(Chief operating officer)**

Greg Nelson joined the Company in February 2002 based at ZBB's Wisconsin premises. Greg is an electrical engineer with a history in start-up new technology companies. He was most recently chief operating officer for First Solar, an Ohio based solar energy company where he oversaw the design, construction and implementation of a \$40 million photo voltaic manufacturing facility. Prior to that

appointment Greg was an officer and vice president of engineering and manufacturing at Xyron, Inc. where he led development and scale up of the initial products for this office products and material conversion start up, participated in negotiation in private label contracts with 3M Corporation, Varatronics Corporation and W.H. Brady, Corporation, negotiated supply contracts resulting in a raw materials cost reduction of more than 50%, put in place sub-contract manufacturing relationships to support 100% plus annual growth and relocated manufacturing into a 90,000 square foot new facility.

He has relevant international experience and has established manufacturing facilities in the UK, Asia and Mexico. He attended Arizona State University and DeVry Institute of Technology and holds five patents in micro-electronics packaging.

Peter Lex
(Senior chemical engineer)

Mr. Lex joined one of ZBB's predecessors (then called Johnson Controls Battery Group) in 1990 and has since coordinated extensive laboratory testing and qualification of zinc bromine batteries and electrochemical capacitors. Mr. Lex spent three years as a Research Assistant at The University of Connecticut involved in materials investigation, thermodynamics and computer science. Mr. Lex is a co-developer of ZBB intellectual property and has been the principal US research and development scientist for ZBB and its predecessors since 1994 and coordinates the entire group's materials research activities.

Mr. Lex holds a Bachelor of Science degree in Chemical Engineering from The University of Wisconsin-Madison and Master of Science degree in Chemical Engineering from The University of Connecticut, Storrs.

Michael Hughes
(Senior electrical engineer)

Mr. Hughes joined Johnson Controls Inc. (JCI) in 1991 and was JCI's senior systems design engineer since 1994. He headed the engineering team in the transfer to ZBB Technologies Inc. in late 1994. He managed the

eight member development team that built, tested and demonstrated the initial 100kWh system utilizing on-board computers, PC-based controls and automated communication systems. Mr. Hughes was also a core team member of the JCI electric vehicle race team that demonstrated a zinc bromine battery powered car capable of a top speed of 95 mph. Prior to joining the zinc bromine research group at JCI, he held positions as a research assistant and then project assistant at University of Wisconsin-Milwaukee Department of Physics. Mr. Hughes holds a Masters of Science in Physics from the University of Wisconsin-Milwaukee.

Bjorn Jonshagen
(Senior engineer)

Bjorn Jonshagen has been the principal Australian research and development engineer for ZBB and its predecessor since 1992, and a part of the Australian research and development team since 1986 in charge of the design and development program. He is the technical manager in charge of ZBB's Australian research facility and personnel, and he is a co-developer of intellectual property for ZBB. Prior to joining ZBB's predecessor in 1986, Mr. Jonshagen gained extensive experience as a design engineer for wind turbine generators, plate heat exchangers and medical equipment for open heart surgery.

Mr. Jonshagen holds a Masters of Science degree in Mechanical Engineering from Lund University of Technology, Sweden, and a Masters of Science degree in Mechanical Engineering Materials Science from the University of Hawaii, Honolulu

Other employees

At 30 June 2003, ZBB and its subsidiary companies employed either on a full time or consultancy basis, 24 people of whom 14 held relevant professional qualifications. Of these employees, 17 were involved in product development and manufacturing, 3 were involved in sales, marketing and customer service, and 4 were involved in general administrative or managerial functions.

7. Financial Information

7.1 Historical Financial Statements of GTN and ZBB and Unaudited Pro Forma Consolidated Merged Entity Financial Information

This section contains the following financial information:

- Unaudited interim financial statements of GTN for the nine months ended 31 March 2003;
- Unaudited interim financial statements of ZBB for the nine months ended 31 March 2003;
- Unaudited pro forma consolidated Merged Entity statement of financial position of GTN following the Merger, as at 31 March 2003;
- Unaudited pro forma consolidated Merged Entity statement of financial performance of GTN following the Merger, for the nine months ended 31 March 2003; and
- Unaudited pro forma consolidated Merged Entity statement of financial performance of GTN following the Merger, for the 12 months ended 30 June 2002.

KPMG, the investigating accountant, has reviewed the unaudited interim and pro forma financial statements as of and for the nine months ended 31 March 2003. A copy of the Investigating Accountants' Report is included in section 8 of this Prospectus. KPMG has not reviewed the unaudited pro forma consolidated statement of financial performance for the 12 months ended 30 June 2002.

Included in this Prospectus are historical financial statements of GTN and other historical financial information regarding GTN. As discussed previously, GTN intends to dispose of all of its operations and to cease actively engaging in any business, subject to approval of shareholders of GTN. The historical financial statements and other historical financial information of GTN included in this document do not reflect the impact of the divestiture of GTN's mining assets and should not be relied upon as being reflective of the operations and financial condition of GTN at the effective time of the Merger.

The pro forma Merged Entity financial information has been extracted from the unaudited historical financial information of GTN for the nine month period ended 31 March 2003 and for the year ended 30 June 2002 and the unaudited historical financial information of ZBB for the nine month period ended 31 March 2003. The unaudited pro forma consolidated Merged Entity financial statements relate to GTN which will be the parent company of ZBB following the effective time of the Merger. The following unaudited pro forma consolidated Merged Entity financial statements have been derived from the application of pro forma adjustments to the historical financial statements of GTN and ZBB.

The unaudited pro forma consolidated Merged Entity statement of financial performance for the periods presented gives effect to the Merger and related transactions, including:

- (a) the divestiture agreements described in section 11.9 of this Prospectus and application of those proceeds;
- (b) the Merger;
- (c) conversion of ZBB Notes; and
- (d) the Offer under this Prospectus and the application of the proceeds,

as if they had been consummated on 1 July 2002 for the consolidated Merged Entity statement of financial performance for the nine months ended 31 March 2003, and on 1 July 2001 for the consolidated Merged Entity statement of financial performance for the year ended 30 June 2002.

The unaudited pro forma consolidated Merged Entity statement of financial position gives effect to all of the foregoing events, as if they had been consummated on 31 March 2003. Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the unaudited pro forma consolidated Merged Entity financial information. The actual purchase accounting adjustments described in the accompanying notes will be made as of the effective time of the Merger and may differ from those reflected in the unaudited pro forma consolidated Merged Entity financial information.

The quantum of the pro forma adjustments related to the Merger and the related transactions are preliminary and based on information obtained to date and are subject to revision as additional information becomes available. Revisions to the quantum of these adjustments may have a significant impact on the pro forma amounts of total assets, total liabilities, shareholders' equity, cost of sales, selling, general and administrative expenses, depreciation and amortisation and interest expense.

The unaudited pro forma consolidated Merged Entity financial information should not be considered indicative of actual results that would have been achieved had the Merger and related transactions been consummated on the date or for the periods indicated and do not purport to indicate consolidated Merged Entity statement of financial position or statement of financial performance as of any future date or any future period.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted, although it is believed that the disclosures are adequate to make the information presented not misleading. The pro forma consolidated Merged Entity financial statements for the nine months ended 31 March 2003 and unaudited pro forma financial statements should be read in conjunction with the financial statements of GTN and ZBB. Such financial statements are available from the Company. The information furnished reflects all adjustments that, in the opinion of management of ZBB and GTN, are necessary for a fair statement of the results of operations for the Merged Entity for the periods presented.

Interim Statements of Financial Performance and Pro Forma Consolidated Merged Entity Statements of Financial Performance for the Nine Months Ended 31 March 2003 and Pro Forma Consolidated Merged Entity Statement of Financial Performance for the 12 Months Ended 30 June 2002

		A\$'000	US\$'000	US\$'000	US\$'000	US\$'000	\$A'000	US\$'000
		GTN	GTN	ZBB	Adjustments	Pro Forma Merged Entity USGAAP	Pro Forma Merged Entity AGAAP	Pro Forma Merged Entity USGAAP
	Notes	AGAAP	AGAAP	USGAAP				12 months ended 30 June 2002
		Nine months ended 31 March 2003						
Revenue from ordinary activities	1	2,167	1,408	362	1,817	3,587	5,518	5,969
Cost of sales		(1,356)	(881)	(113)	-	(994)	(1,529)	(2,818)
Gross profit/(loss)		811	527	249	1,817	2,593	3,989	3,151
Selling and Admin expenses	1,2	(993)	(645)	(1,832)	(2,434)	(4,911)	(7,556)	(5,042)
Borrowing costs expense		(32)	(21)	-	-	(21)	(32)	(184)
Other income (expenses)		(3)	(2)	-	-	(2)	(3)	7
Operating profit/(loss) before abnormal items and income tax		(217)	(141)	(1,583)	(617)	(2,341)	(3,602)	(2,068)
Abnormal items before income tax		-	-	-	-	-	-	-
Operating profit/(loss) before income tax		(217)	(141)	(1,583)	(617)	(2,341)	(3,602)	(2,068)
Income tax attributable to operating profit/(loss)	3	-	-	518	(518)	-	-	-
Operating profit/(loss) after income tax		(217)	(141)	(1,065)	(1,135)	(2,341)	(3,602)	(2,068)
Accumulated losses at the beginning of the financial year		(9,608)	(6,245)	(3,078)	-	(9,323)	(14,343)	(8,362)
Acquisition adjustments	4	-	-	-	4,661	4,661	7,171	3,568
Accumulated losses at the end of the financial year		(9,825)	(6,386)	(4,143)	3,526	(7,003)	(10,774)	(6,862)

The pro forma consolidated Merged Entity statement of financial performance for the nine months ended 31 March 2003 gives effect to the Merger and related transactions as if the Merger had been consummated 1 July 2002. The pro forma consolidated Merged Entity statement of financial performance for the 12 months ended 30 June 2002 gives effect to the Merger and related transactions as if the Merger had been consummated 1 July 2001.

The interim statements of financial performance and the pro forma consolidated Merged Entity statements of financial performance assume that the foreign exchange rate between A\$ and US\$ was A\$1=US\$0.65 for the entire period presented.

Note 1 As indicated at Note 1 to the pro forma consolidated Merged Entity statement of financial position, a number of transactions will be undertaken to divest GTN Resources of its existing operations and related assets and liabilities. The net impact on equity of US\$35,000 (A\$53,000) is represented by proceeds from sale of assets of US\$1,817,000 (A\$2,795,000) offset by the book value of assets disposed and other expenses of US\$1,784,000 (A\$2,742,000).

Note 2 Assumed Merger cost accrual of US\$650,000 (A\$1,000,000).

Note 3 It has been assumed that the deferred tax asset relating to tax losses should not be reflected in this transaction as recovery is not reasonably certain in accordance with US GAAP.

Note 4 Includes ZBB acquisition adjustments to accumulated losses as indicated in Note 8 to the pro forma statement of financial position.

Interim Statements of Financial Position and Pro Forma Consolidated Merged Entity Statement of Financial Position as at 31 March 2003

	Notes	A\$'000 GTN AGAAP	US\$'000 GTN AGAAP	US\$'000 ZBB USGAAP	US\$'000 Pro Forma Adjustments	US\$'000 Pro Forma Merged Entity USGAAP	A\$'000 Pro Forma Merged Entity AGAAP
Current Assets							
Cash	1, 2, 3	1,009	656	-	9,225	9,881	15,201
Receivables	1	150	98	84	(98)	84	129
Inventories	1	946	615	1,920	(615)	1,920	2,954
Other	1	73	47	-	(47)	-	-
Total Current Assets		2,178	1,416	2,004	8,465	11,885	18,284
Non-Current Assets							
Receivables	1	220	143	632	(143)	632	972
Investments	1	122	79	-	(79)	-	-
Property, plant and equipment	1	601	391	-	(391)	-	-
Exploration and development expenditure	1	697	453	-	(453)	-	-
Intangibles	5	-	-	1,789	25,101	26,890	41,369
Deferred tax benefit	5	-	-	2,284	(2,284)	-	-
Other	2	1	-	-	(1)	-	-
Total Non-Current Assets		1,642	1,067	4,705	21,750	27,522	42,341
Total Assets		3,820	2,483	6,709	30,215	39,407	60,625
Current Liabilities							
Accounts payable	1, 4	127	82	610	571	1,263	1,943
Borrowings	1, 3	83	54	1,401	(151)	1,304	2,006
Provisions	1	312	203	49	(203)	49	75
Total Current Liabilities		522	339	2,060	217	2,616	4,024
Non-Current Liabilities							
Borrowings	1	1	212	(1)	212	326	
Total Non-Current Liabilities		1	212	(1)	212	326	
Total Liabilities		523	340	2,272	216	2,828	4,350
Net Assets		3,297	2,143	4,437	29,999	36,579	56,275
Equity							
Issued capital and reserves	2, 3, 6, 7	13,122	8,529	8,580	26,473	43,582	67,049
Accumulated losses	1, 4, 8	(9,825)	(6,386)	(4,143)	3,526	(7,003)	(10,774)
Shareholders equity attributable to members of the Company		3,297	2,143	4,437	29,999	36,579	56,275
Total Equity		3,297	2,143	4,437	29,999	36,579	56,275

The pro forma consolidated Merged Entity statement of financial position as at 31 March 2003 gives effect to the Merger and related transactions as if the Merger had been consummated 31 March 2003.

The interim statements of financial position and the pro forma consolidated Merged Entity statements of financial position assumes that the foreign exchange rate between A\$ and US\$ was A\$1= US\$0.65 on 31 March 2003.

Note 1 A number of transactions are assumed to take place in the lead up to the transaction to divest GTN of the costs of existing operations and monetise assets and liabilities related to such operations. The transactions have been advised by GTN management, and include the following adjustments:

	A\$'000						US\$'000	
	Disposal of GNM	Sale of Komatsu	Monetisation of assets & liabilities	Legal including action JMO	Disposal of assets to Excel	Sales of inventory	Total Balance Sheet	Total Balance Sheet
Assets								
Cash	1,000	489	(354)	(100)	750	556	2,341	1,522
Receivables (current and non-current)	(112)	-	-	-	(258)	-	(370)	(241)
Inventories	-	-	-	-	(390)	(556)	(946)	(615)
Other	(27)	-	-	-	(48)	-	(75)	(49)
Investments	-	-	-	-	(122)	-	(122)	(79)
Property, plant and equipment	(229)	(90)	(106)	-	(176)	-	(601)	(391)
Exploration and development expenditure	(350)	-	-	-	(347)	-	(697)	(453)
Total Assets	282	399	(460)	(100)	(591)	-	(470)	(306)
Liabilities								
Accounts payable	-	-	(127)	-	-	-	(127)	(81)
Borrowings (current and non-current)	-	-	(84)	-	-	-	(84)	(55)
Provisions	(120)	-	(25)	-	(167)	-	(312)	(203)
Total Liabilities	(120)	-	(236)	-	(167)	-	(523)	(339)
Effect on Equity	402	399	(224)	(100)	(424)	-	53	33

- Note 2 An adjustment to reflect the proposed minimum capital raising of US\$6.5 million (A\$10 million) through the issue of new equity.
- Note 3 An adjustment to reflect the conversion of US\$97,000 (A\$150,000) of ZBB Notes held at 31 March 2003 and the conversion of US\$1,203,000 (A\$1,850,000) of ZBB Notes issued subsequent to 31 March 2003. The conversion of the ZBB Notes will take place within 10 days of the consummation of the Merger.
- Note 4 An adjustment to reflect the Merger cost accrual of US\$650,000 (A\$1 million).
- Note 5 An adjustment representing the fair value increment reflected as an uplift to the ZBB intellectual property is included in the pro forma consolidated merged entity statements of financial position. The adjustment is calculated as follows:

	US\$'000	US\$'000	A\$'000	A\$'000
Deemed Consideration		27,253		41,927
Less: Net Assets of ZBB at 31 March 2003	(4,436)		(6,824)	
Adjusted for deferred tax asset of ZBB	2,284		3,514	
Adjusted net assets of ZBB		(2,152)		(3,310)
Excess consideration over Net Assets		25,101		38,617

It has been assumed that this excess will be assigned to an uplift in the fair value of intellectual property. The final value will only be determinable at the date of acquisition.

- Note 6 This adjustment is required to reflect the ordinary shares issued by GTN at deemed consideration:
- Every ZBB shareholder is entitled to receive 2.5 ordinary shares of GTN per ZBB share.
 - Assumes the number of ZBB shares issued and eligible to participate is 16,770,848 being the number of shares on issue at 31 March 2003. 604,572 shares issued through the exercise of options at 30 June 2003 and any subsequent share issues have not been incorporated into the pro forma balance sheet.
 - Assumes the market value of the GTN ordinary shares at transaction date is A\$1.00 (US\$0.65) following the consolidation of GTN fully paid ordinary shares on a one-for-4.52637 basis into 4,350,000 fully paid ordinary shares.

	US\$'000	A\$'000
Deemed consideration of share issue	27,253	41,927
Conversion of ZBB Notes (Note 3)	1,300	2,000
Capital raising (Note 2)	6,500	10,000
Original GTN contributed equity	8,529	13,122
Pro forma contributed equity	43,582	67,049

Note 7 Adjustments to issued capital and reserves to reflect the acquisition of ZBB:

	US\$'000	A\$'000
Deemed consideration of share issue	27,253	41,927
Conversion of ZBB Notes (Note 3)	1,300	2,000
Capital raising (Note 2)	6,500	10,000
Elimination of ZBB issued capital and reserves	(8,580)	(13,200)
Adjustment to issued capital	26,473	40,727

Note 8 Adjustments to accumulated losses to reflect the acquisition of ZBB:

	US\$'000	A\$'000
Elimination of ZBB accumulated losses	4,143	6,374
Operating loss after income tax arising from pro forma adjustments	(1,135)	(1,746)
Adjustment to operating loss to reverse income tax credit written off on acquisition	518	797
Adjustment to accumulated losses	3,526	5,425

Statements of Cash Flows for GTN and ZBB for the Nine Months Ended 31 March 2003

	A\$'000 GTN AGAAP	US\$'000 GTN AGAAP	US\$'000 ZBB USGAAP
Cash Flows from Operating Activities			
Receipts from customers	2,304	1,498	523
Payments to suppliers and employees	(1,622)	(1,055)	(1,431)
Interest received	46	30	-
Borrowing costs	-	-	(56)
Net cash provided by/(used in) operating activities	728	473	(964)
Cash Flows from Investing Activities			
Proceeds from sale of property, plant and equipment	79	51	-
Payments for controlled entities	(100)	(65)	-
Net cash used in investing activities	(21)	(14)	-
Cash Flows from Financing Activities			
Proceeds from issue of shares	-	-	495
Proceeds from borrowings	-	-	457
Repayment of borrowings	(582)	(378)	-
Finance lease payments	-	-	(111)
Proceeds (conversion) of convertible notes	-	-	91
Net cash provided by/(used in) financing activities	(582)	(378)	932
Net increase/(decrease) in cash held	125	81	(32)
Cash at beginning of financial year	884	575	32
Cash at end of financial year	1,009	656	-

These unaudited statements of cash flows for the nine months ended 31 March 2003 are presented separately for GTN and ZBB and are based on historical information.

These statements of cash flows assume that the foreign exchange rate between US\$ and A\$ was A\$1=US\$0.65 for the entire period presented.

The statements of cash flows have been presented in a consistent format to enable comparison.

International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005 GTN must comply with International Financial Reporting Standards ('IFRS') as issued by the Australian Accounting Standards Board.

All financial information disclosed in this document has been prepared in accordance with current Australian GAAP or US GAAP.

The only difference between Australian GAAP and IFRS identified by management to date as potentially having a significant effect on the financial position and financial performance of GTN relates to the treatment of exploration expenditure.

Following the conversion to IFRS it is currently envisaged that exploration and evaluation expenditure will be expensed as incurred. However, the International Accounting Standards Board ('IASB') are currently considering allowing the grandfathering of capitalised expenditure that existed prior to the adoption of IFRS through a transitional period. US GAAP generally requires exploration and evaluation expenditure to be expensed as incurred. There are no other differences that have a significant impact on the financial position and financial performance of GTN which have been identified by management based on current interpretations and comparison of IFRS and US GAAP.

We have not performed an exhaustive examination of all the differences between Australian GAAP, US GAAP and IFRS and no attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

Accordingly, there can be no assurances that the consolidated financial performance and position of GTN as disclosed in this document would not be significantly different if determined in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP, US GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP, US GAAP and IFRS and the impact of these differences relative to GTN's financial statements in the future. You should consult your own professional advisers for an understanding of the differences between Australian GAAP, US GAAP and IFRS.

The potential impacts on the financial performance and financial position of GTN of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as the actual impacts will depend on the particular circumstances prevailing at the time of adoption.

7.2 No prospective financial information

Statements concerning the Company's future financial position, estimated revenues, projected costs and forecast cashflow are prospective financial information.

ASIC Policy Statement 170 on prospective financial information provides that a prospectus should only include prospective financial information if there are reasonable grounds for its inclusion, such reasonable grounds being where there is relevant factual foundation for the information and the information is not contrived (such as based on hypothetical assumptions).

The Company has considered including prospective financial information concerning the Business in this Prospectus, but in light of ASIC Policy Statement 170 has not included such information as the Company believes it would be based on hypothetical assumptions and could be misleading to investors. The Company believes that hypothetical assumptions relevant to its prospective financial information includes:

- the lead time on the manufacture, delivery and installation of new plant and equipment, and for the recruitment and training of an increasing labor force;
- the size of the market for the Company's products;
- the extent of market penetration over time;
- the volume of future sales;
- the costs of production, marketing and sales; and
- the effect of any new or competing technology

Investors should note that any investment in the Company should be considered speculative.

Although the Company believes its plans and intentions outlined in this Prospectus are reasonable, the Company gives no assurance that such plans and intentions will be achieved. Investors should read carefully the "Risk Factors" section of this Prospectus for a description of certain risks that could, among other things, affect the Company.

8. Investigating Accountants' Report



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The Directors
GTN Resources Limited
Level 9
1 York Street
Sydney NSW 2003
14 August 2003

Dear Sirs

Investigating Accountants' Report

1. Introduction

This report has been prepared by KPMG for inclusion in the following documents ("Disclosure Documents") to be dated on or about 14 August 2003, and to be issued by GTN Resources Limited ("GTN"), in respect of the proposed merger ("merger") of GTN and ZBB Energy Corporation ("ZBB"):

- the Joint Proxy Statement/Prospectus in respect of the proposed merger which involves the offer of shares in GTN to ZBB shareholders for submission to ZBB shareholders which complies with the requirements of Wisconsin business corporation law;
- the notice of general meeting and an explanatory memorandum ("Notice of Meeting") for submission to GTN shareholders which complies with the Corporations Act 2001 ("Corporations Act") and the Listing Rules of Australian Stock Exchange Limited; and
- the prospectus to be registered with the Australian Securities and Investments Commission ("ASIC") in respect of an offer of up to 15,000,000 shares to the public ("Retail Prospectus").

The details of the merger are set out in the Disclosure Documents, of which this report forms part.

KPMG has been requested to prepare a report covering the financial information described in section 2 of this report and disclosed in the Disclosure Documents.

Expressions defined in the Disclosure Documents have the same meaning in this report.



2. Financial information

2.1 Historical financial information of GTN

The historical financial information of GTN for the nine months ended 31 March 2003, as set out in the Disclosure Documents, comprises the:

- consolidated statement of financial performance of GTN for the nine months ended 31 March 2003;
- consolidated statement of cash flows of GTN for the nine months ended 31 March 2003; and
- consolidated statement of financial position of GTN as at 31 March 2003.

The historical financial information of GTN as set out in the Disclosure Documents has been extracted from the financial statements of GTN for the nine months ended 31 March 2003 prepared by GTN management.

The financial statements of GTN for the nine months ended 31 March 2003, prepared by GTN management, have not been audited.

The directors of GTN are responsible for the preparation and presentation of the historical financial information of GTN.

The historical financial information of GTN for the year ended 31 March 2003 is presented in an abbreviated form insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001 ("Corporations Act").

2.2 Historical financial information of ZBB

The historical financial information of ZBB, as set out in the Disclosure Documents, comprises the:

- consolidated statement of financial performance of ZBB for the nine months ended 31 March 2003;
- consolidated statement of cash flows of ZBB for the nine months ended 31 March 2003; and
- consolidated statement of financial position of ZBB as at 31 March 2003.

The historical financial information of ZBB set out in the Disclosure Documents has been extracted from the financial statements of ZBB for the nine months ended 31 March 2003 prepared by ZBB management.

The financial statements of ZBB for the nine months ended 31 March 2003 prepared by ZBB management, have not been audited.

The directors of ZBB are responsible for the preparation and presentation of the historical financial information of ZBB.

The historical financial information of ZBB is presented in an abbreviated form insofar as it does not include all of the disclosures required by US GAAP.



2.3 Pro forma historical financial information

The pro forma historical financial information of the merged GTN and ZBB ("Merged Entity"), as set out in the Disclosure Documents, comprises the pro forma, unaudited:

- consolidated statements of financial performance of the Merged Entity for the nine months ended 31 March 2003;
- consolidated statement of financial position of the Merged Entity as at 31 March 2003; and
- notes setting out the basis of the pro forma adjustments made in preparing the pro forma consolidated statement of financial performance and pro forma consolidated statement of financial position.

The pro forma financial information of the Merged Entity has been derived from the historical financial information of GTN and ZBB for the nine months ended 31 March 2003 after adjusting for the pro forma transactions and adjustments described in the Disclosure Documents.

The directors of GTN are responsible for the preparation and presentation of the pro forma historical financial information, including the determination of the pro forma transactions and adjustments.

The pro forma historical financial information of the Merged Entity is presented in an abbreviated form insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act and Accounting Standards applicable to the presentation of annual financial reports in the USA.

3. Scope

3.1 Review of historical financial information of GTN

We have reviewed the historical financial information of GTN in order to report whether anything has come to our attention which causes us to believe that the historical financial information of GTN, as set out in the Disclosure Documents, does not present fairly:

- the historical financial performance of GTN for the nine months ended 31 March 2003;
- the historical cash flows of GTN for the nine months ended 31 March 2003; and
- the historical statement of financial position of GTN as at 31 March 2003,

in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and other mandatory professional requirements, and accounting policies adopted by GTN.



Our review has been conducted in accordance with Australian Auditing and Assurance Standard AUS 902 “Review of Financial Reports”. We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- analytical procedures on the historical financial information of GTN;
- consideration of work papers, accounting records and other documents; and
- enquiry of directors and management of GTN.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

3.2 Review of historical financial information of ZBB

We have reviewed the historical financial information of ZBB in order to report whether anything has come to our attention which causes us to believe that the historical financial information of ZBB, as set out in the Disclosure Documents, does not present fairly:

- the historical financial performance of ZBB for the nine months ended 31 March 2003;
- the historical cash flows of ZBB for the nine months ended 31 March 2003; and
- the historical statement of financial position of ZBB as at 31 March 2003,

in accordance with the recognition and measurement principles prescribed in US GAAP, and accounting policies adopted by ZBB.

Our review has been conducted in accordance with Australian Auditing and Assurance Standard AUS 902 “Review of Financial Reports”. We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- analytical procedures on the historical financial information of ZBB;
- consideration of work papers, accounting records and other documents; and
- enquiry of directors and management of ZBB.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.



3.3 Review of pro forma historical financial information

We have reviewed the pro forma historical financial information in order to report whether anything has come to our attention which causes us to believe that the pro forma historical financial information is not presented fairly in accordance with the basis of preparation set out in the Disclosure Documents.

Our review has been conducted in accordance with Australian Auditing and Assurance Standard AUS 902 "Review of Financial Reports". Our review was limited primarily to:

- consideration of the pro forma adjustments to ensure that they reflect the assumptions and/or transactions on which they are based;
- consideration of the appropriateness of the adjustments between US GAAP and Australian GAAP for GTN and the Merged Entity; and
- enquiry of directors and management of GTN and ZBB.

The pro forma historical financial information has been prepared to illustrate the impact of the proposed merger.

The pro forma information is not intended to represent the actual financial position and performance of the Merged Entity. The actual adjustments which will be made in preparing the financial statements of the Merged Entity will be affected by, inter alia:

- the fair value of the assets and liabilities of ZBB at the time of the proposed transaction;
- the actual proceeds of the retail offering that is a condition of the merger;
- the deemed value of the GTN shares to be issued as consideration; and
- the adoption of the Merged Entity's accounting policies to the extent that they differ from those used by GTN or ZBB.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

4. Review statements

4.1 Review statement on the historical financial information of GTN

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the historical financial information of GTN for the year ended 30 June 2002 and the nine months ended 31 March 2003, as set out in the Disclosure Documents, does not present fairly:

- the historical financial performance of GTN for the nine months ended 31 March 2003;
- the historical cash flows of GTN for the nine months ended 31 March 2003; and
- the historical statement of financial position of GTN as at 31 March 2003,



in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and other mandatory professional reporting requirements, and accounting policies adopted by GTN disclosed in the Disclosure Documents.

4.2 Review statement on the historical financial information of ZBB

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the historical financial information of ZBB for the nine months ended 31 March 2003, as set out in the Disclosure Documents, does not present fairly:

- the historical financial performance of ZBB for the nine months ended 31 March 2003;
- the consolidated statement of cash flows of ZBB for the nine months ended 31 March 2003; and
- the historical statement of financial position of ZBB as at 31 March 2003,

in accordance with the recognition and measurement principles prescribed in US GAAP, and accounting policies adopted by ZBB disclosed in the Disclosure Documents.

4.3 Review statement on the pro forma historical financial information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the pro forma historical financial information has not been prepared in accordance with the basis of preparation set out in the Disclosure Documents.

5. Independence

KPMG does not have any interest in the outcome of this issue, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of GTN and from time to time, KPMG also provides GTN with certain other professional services for which normal professional fees are received.

Yours faithfully

KPMG

9. Independent Expert's Report

COUNTERPOINT GROUP INVESTMENT CONSULTANTS

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8 August 2003

The Directors
GTN Resources Limited
Level 9, 1 York Street
Sydney NSW 2000

Report to Directors of GTN Resources on the GTN Resources Limited and ZBB Energy Corporation Merger Transaction

Counterpoint Group has been engaged by the directors of GTN Resources Limited ('GTN') to provide an opinion on the proposed merger transaction with ZBB Energy Corporation ('ZBB'), addressing in particular the valuation of ZBB and the fairness of the transaction for existing GTN shareholders.

This report has been prepared for the directors and shareholders of GTN to use in their assessment of the merger transaction, and has not been prepared to satisfy any specific statutory requirement, either in Australia or the US. Our report will be included in documents issued to shareholders. Our comments are confined to assessing whether the merger transaction is fair to existing GTN shareholders from a financial perspective; it does not address any other aspect of the merger transaction or constitute a recommendation to any shareholder of GTN as to how they should deal with their shareholding or respond to the prospectus. We accept no responsibility for any reliance on this report by any parties other than those for whom it was intended, or for any purpose other than that for which it was prepared.

While we have discussed in this report the potential for ZBB in terms of its technology and its targeted markets, this report is not intended in any way to be a complete description of ZBB or the industry; we have concentrated only on key areas which may materially affect the business plan and the associated likely financial outcomes.

Methodology

The methodology we have adopted to arrive at our opinion is as follows.

1. We have examined and discussed the past and forecast financial performance of ZBB with senior management.
2. We have conducted extensive discussions with ZBB management on their future business plans and the formulation of the financial projections to confirm that the financial projections are constructed on reasonable assumptions and taking all relevant factors into account.
3. We have discussed with ZBB management the various ongoing contractual and business relationships with third party entities that have been developed pursuant to ZBB's business plans. In addition we have held discussions with a number of these third party entities, and have carried out site inspections where appropriate.
4. We have inspected relevant documents in relation to these relationships including contracts and agreements, and test results generated from joint trials.
5. We have assessed the fairness of the merger transaction in terms of whether the valuation of ZBB at the transaction share price is reasonable after taking into account the historical and projected financial and operational performance of ZBB, the financial statistics of comparable listed companies, and the history of actual off-market share transactions in ZBB ordinary shares that have taken place in recent years.

In arriving at our opinion Counterpoint has inter alia:

- Reviewed the draft proxy statement and prospectus.
- Examined the annual reports of ZBB for the years ended 2000 through 2002.
- Analysed the projected financial results for the merged company as prepared by ZBB and discussed the projections with management.
- Examined numerous documents relating to the business of ZBB, including those relating to:
 - Corporate information
 - Contracts
 - Personnel
 - Suppliers
 - Premises
 - Accounting and financial information
 - Technical information and intellectual property rights
- Carried out site visits to ZBB's two facilities in Perth, Western Australia and Milwaukee, Wisconsin
- Carried out site visits in Melbourne, Victoria and Lum, Michigan to examine the ZBB batteries undergoing trials with United Energy and Detroit Edison respectively, and discussed the operation and results of the trials with ZBB management.
- Met with the chief executive of PowerPlus in Anaheim, California, to discuss the distribution contract between ZBB and PowerPlus, and inspected PowerPlus' operations and discussed their business plans.

- Held discussions in person or by phone with a number of senior industry experts in the US, Australia and the UK, who are familiar with ZBB's products and the worldwide industry.
- Visited New Berlin Plastics in Milwaukee, a key supplier to ZBB (of plastic mouldings) inspected the production process and discussed their operations and the supply relationship with ZBB.
- Met with other executives from the power industry in the US who are in discussions with ZBB about potential sales contracts.
- Held discussions with ZBB's auditor and attorneys regarding the transaction and ZBB's business generally.
- Reviewed certain publicly available information on the electricity and energy storage industries and other publicly listed companies in the industry.

In addition we held a number of meetings and participated in detailed discussions with management and directors of ZBB to discuss the merger transaction and ZBB's business plans, covering all aspects of the business including

- Manufacturing
- Marketing
- Distribution
- Markets available to ZBB and their development
- Financial results for past years, current audited results and current budgets and projections
- Customers and relationships covering distribution and sales agreements, trials in progress, relationships developed and discussions being held in relation to potential sales.
- Suppliers
- Regulations and licensing issues
- Personnel issues both management and production labour force
- Technical aspects of ZBB's product including test reports both internally and externally generated.

Industry developments and ZBB's technology

The energy storage industry is expected to experience substantial expansion in the years to come, mainly due to major changes that are taking place in the generation, transmission and distribution of electricity around the world. These changes can be attributed to five key elements:

1. Power security and quality. There is an increasing demand by industry for very high efficiency and quality in the supply of electrical power. The traditional supply infrastructure in many cases does not deliver the required quality.
2. Commercial profit seeking. Traditional utilities generate low returns on capital employed. Energy storage can improve the profitability of existing electricity supply networks.
3. Environmental. Renewable energy is fast becoming a significant source of electricity around the world, as a result of the Kyoto protocols and the increasing awareness of environmental issues and the general movement to 'greener' industries.

4. Many transmission and distribution systems are old and have difficulty coping with modern demands. The costs of upgrading and/or extending these existing systems are very high and can be alleviated by the use of distributed generation techniques and energy storage devices.
5. Availability of renewable energy. After some thirty years of development the renewable energy industry, in particular wind farming technology, is now becoming mature and is in a position to offer reliable and cost-effective generation technology.

In each case energy storage will play a significant role going forward, and ZBB's battery technology is well placed to be a significant player in each of these developments.

ZBB has developed two products based on the zinc bromine technology: the flow battery for large-scale industrial applications and the non-flow battery for smaller electric power applications. In this report we have considered only the flow battery as that constitutes the focus of the company's business activities at present. The non-flow technology has the potential to add considerable additional value to the company once capital is applied to bring it to a commercial stage.

Industry applications

The market potential for the ZBB product is vast, having been estimated at over US\$40 billion in the US alone. The primary markets which ZBB has identified and on which it is concentrating its marketing efforts are:

Transmission and distribution

Changing economic, regulatory and technical forces have brought about a situation where electricity transmission infrastructure is under stress in most developed countries including the US. Energy storage can improve this situation at much lower cost than further investment in the traditional areas of generation and transmission infrastructure. The key areas where energy storage assists are in

- Load levelling: storage of inexpensive off-peak power for expensive on-peak dispatch.
- Voltage regulation: ability to maintain system voltage within required limits.
- Transmission and distribution deferral: ability to postpone installation of costly new infrastructure to supplement existing facilities.
- Enabling distributed generation systems, which utilise lower cost localised generation devices to supplement main transmission and distribution systems.

Customer services

Energy storage devices can provide localised power or supplement smaller generation devices within a transmission system. The key areas of application are

- Customer demand peak reduction, storage of off-peak power for dispatch during on-peak demand can reduce power costs and allow customers to take advantage of lower tariffs.
- Supplementing local generation devices in remote applications, temporary applications such as construction sites, or to ensure uninterrupted power supplies.

Renewable energy

Governments worldwide are encouraging the development of renewable energy sources and this will form an increasing proportion of generation capacity. Technologies such as solar, wind, geothermal and biomass are less polluting than fossil based fuels. Wind power in particular is growing at a rapid rate.

According to the American Wind Energy Association the total worldwide installed capacity of wind power is about 24,000 MW. Wind farms in the US are currently generating about 10 billion kWh annually, enough to power one million homes.

In Europe where the Kyoto protocols have been adopted, wind generation is growing even more quickly. By 2010, 10% of Europe's generation is expected to be via renewable energy, mostly wind, and this is expected to grow to 20% by 2020. In most cases this growth is being encouraged or forced by governments through various penalty and incentive regimes.

Although renewable sources are abundant, their nature often requires other system components to match resource to demand. Battery storage is a critical system component as it stores energy when the sun or wind produces a surplus for release on demand. Energy is thus stored during low demand and offered when demand and price are highest.

Where renewable sources are fed into the main transmission grid, energy storage can greatly increase the ability of the generator to maintain quality of supply as required by utility operators.

Competing technologies

There are a number of competing technologies in energy storage, at various stages of development. The Electricity Storage Association (ESA) identifies eleven technologies:

Lead-acid

Lead-acid is one of the oldest and most developed battery technologies. It is a low cost and popular choice for energy storage, but its application for energy management is very limited due to its short cycle life.

Zinc Bromine (ZnBr)

Two different electrolytes flow past carbon-plastic composite electrodes in two compartments separated by a microporous polyolefin membrane. Under commercial production by ZBB.

Polysulfide Bromide (PSB)

A flow battery based on a regenerative fuel cell technology that provides a reversible electrochemical reaction between two salt solution electrolytes (sodium bromide and sodium polysulphide). Being installed in the UK and is expected to be in operation in 2003. Another application planned in Mississippi (USA) to be operational in 2004.

Vanadium Redox

A flow battery that stores energy by employing vanadium redox couples, stored in mild sulphuric acid solutions. Installed by Sumitomo Electric in Japan and by Vantek in South Africa.

Sodium Sulphur (NaS)

Battery consisting of molten liquid sulphur at the positive electrode and molten liquid sodium at the negative electrode separated by a solid beta alumina ceramic electrolyte. Kept at high temperatures around 300o C to allow the process to occur. Trial installations in Japan, commercial production targeted in 2003.

CAES

A peaking gas turbine power plant using compressed air stored in underground caverns inside salt rocks.

Super Capacitor

Storage devices with high energy density. Large scale applications are still under development.

Flywheels

High-power flywheels consisting of a massive rotating cylinder that stores energy. Main use is for short-term uninterruptible power supply (UPS) applications.

Pumped hydro storage

Not a battery device, pumped hydro uses two water reservoirs. During off peak hours water is pumped from the lower reservoir to the upper; the water flow is reversed to generate electricity. Widely used but characterised by long construction times and high capital expenditure.

Metal-air

Potential high energy density and low cost battery, but electrical recharging is very difficult and is still in development.

Lithium Ion

Li-ion batteries offer high energy density, high efficiency and a long cycle life. Widely used in small portable markets, but high manufacturing cost presently prohibits large scale industrial applications.

At the present time ZBB is the only company in the US with a fully developed commercial ZnBr battery product. ZBB is the only company listed by ESA as providing ZnBr technology. Other potential competitors have not been able to successfully complete the technology transfer to full scale commercial production.

To date the main battery technology available for industrial power applications has been the lead-acid battery. When compared to lead-acid, the ZBB battery offers a number of very significant advantages:

Long cycle life

The ZBB battery can exceed 2000 full charge and discharge cycles during its operating lifetime, whereas 750 cycles is towards the limit of conventional lead-acid.

Deep discharge and full recharge

The ZBB battery is capable of full discharge (100% of stored energy) without damage. Lead acid manufacturers generally recommend 60% (maximum 80%) depth of discharge to avoid degradation and reduced life.

High specific energy

The ZBB battery has 2 to 3 times the energy to weight ratio of lead-acid.

Wider operating temperature

The ZBB battery has a much wider operating temperature range without degradation, whereas lead-acid life is reduced in high temperatures, so requiring air conditioning in tropical and desert environments.

Modularity

ZBB manufactures its batteries in modular form, and any number of 50 kWh modules can be connected in series and parallel allowing for a fully customised, scalable system. Individual modules can be exchanged without disrupting the remainder of the system.

Simple materials

The ZBB battery's almost entirely plastic components simplify production, reduce costs and provide readily for recycling or disposal.

Environmentally favorable

The ZBB battery uses a low toxicity electrolyte and recyclable plastic battery stacks compared to more toxic lead and sulphuric acid.

The other two competing flow technologies – Polysulfide Bromide and Vanadium Redox – are distinguished by their large scale systems which are suited only to stationary applications and involve high construction costs. Because of their size, in comparison to ZnBr they both have a lower energy density. Both also have a longer recharge cycle time than ZnBr. Vanadium Redox also has the drawback of using an environmentally toxic electrolyte (sulphuric acid).

The other potential competitor to lead-acid is the NAS battery. This operates at high temperatures of 300° – 350 ° centigrade, requiring a costly thermal management system. Like the other flow technologies it is a large scale application that is not transportable and comes at a high cost per system.

As the incumbent technology lead-acid will continue to be used for some time, however environmental concerns will compel users to look for 'greener' alternatives. Of the alternative technologies now available, ZBB's flow battery has a significant advantage in terms of

- proven commercial manufacturing capability
- modular construction allowing portable applications of varying size giving it considerable flexibility to meet customers' needs compared to the large scale fixed-site alternatives
- superior technical attributes in terms of energy density, recharge cycle and overall cycle life.

Valuation

In forming an opinion as to whether the terms of the merger represent fair value to GTN shareholders, we have addressed the question in three ways.

1. **Transactions history.** By examining actual off-market transactions that have taken place in ZBB shares in recent times.
2. **Assessed value.** By an assessment of the value of the merged entity with reference to the business plans and projected financial results for the company post merger.
3. **Comparable company analysis.** By an examination of comparable companies listed on public stock exchanges in Australia and the US.

At the time of the merger transaction the undiluted share capital of the company will be comprised as follows:

	Shares	Share Price A\$	Value A\$	Value US\$
GTN shareholders	4,350,000	1.00	4,350,000	
ZBB shareholders	17,375,600	2.50	43,439,000	
	21,725,600		47,789,000	
New shares issued in conjunction with merger transaction	10,000,000		10,000,000	
Total	31,725,600		57,789,000	37,562,850

Conversion A\$1.00 = US\$0.65

Pre-merger there are 17,375,600 ZBB shares issued, which will convert to 43,439,000 post-merger.

Share value is based on the A\$1.00 share price in terms of the merger transaction

The number of new shares issued is based on the minimum subscription of 10 million shares. This may be exceeded, up to a maximum of 15 million. Potentially this will result in up to an additional US\$3.25 million of capital raised.

In addition, the projected financial results assume that the Series 3 and Series 4 options will be exercised within the first 18 months post merger. Allowing for the issue of shares from the conversion of these options would take the total share capital to the following:

	Options	Exercise Price A\$	Value A\$	Value US\$
Series 3 debt options	2,398,192	0.75	1,798,644	
Series 4 options	625,000	1.00	625,000	
	3,023,192		2,423,644	
Ordinary shares			57,789,000	
Total			60,212,644	39,138,219

Conversion A\$1.00 = US\$0.65

Not allowing for the conversion of other options held by directors, staff and others.

Post-merger there will be an additional 4,215,053 options issued, with various exercise dates extending to May 2008. These have not been taken into account in the above figures. There is a potential extra cash injection of US\$4.2 million if all these options are exercised.

1. Transactions history

The ordinary shares of ZBB have been traded in Australia over the past two to three years. The company's share registry records show that a total of 5.6 million shares have been transferred since January 2001, with the most recent transfers occurring in July 2003.

We have been advised that these trades have taken place at a share price of A\$2.50 per share. In order to verify this we have examined the stamped share transfer forms relating to a sample of these share trades. We examined a total of 14 trades over the period July 2001 to January 2003. These transactions involved a total of 141,500 shares, with a total value of A\$353,750. All the trades we examined took place at a share price of A\$2.50 per share.

On the basis of the latest traded GTN share price, and taking into account the share reconstruction to take place in both ZBB and GTN in conjunction with the merger, the traded price of A\$2.50 is equivalent to the merger value of A\$1.00 per share.

Based on the information available to us and our analysis of actual trades, it is reasonable to conclude that:

- (a) There has been a relatively active market in ZBB shares in recent years that has continued until recently.
- (b) The share trades have taken place at a price of A\$2.50

This trading activity therefore provides clear evidence of the market value of ZBB shares at the present time.

The successful conclusion of the merger will result in ZBB being fully capitalised and able to continue with the planned roll-out of its business plans, which in our view can only enhance its position. It would be reasonable to expect therefore that the market price of ZBB shares would not reduce post-merger.

Taking all of the above into account, in our view the trading history at A\$2.50 per share indicates that the financial terms of the merger transaction represent fair value to GTN shareholders.

2. Assessed value

We have assessed the value of the merged entity in terms of the projected earnings of ZBB post merger. The projected earnings figures used in this assessment were prepared by ZBB, and were developed from a detailed representation of the company's business plans. We have analysed the projections and discussed the projected figures in detail with ZBB management and we are satisfied that they represent a realistic statement of the ZBB business going forward after the merger. In particular we have analysed and examined relevant documents in respect of the key aspects of the projections namely sales, pricing, costs of production, and capital requirements. These aspects are discussed in the following sections.

Sales

The projections have been developed from assumed sales of battery modules based on ZBB's knowledge of potential markets developed from its marketing efforts to date.

The largest single source of assumed sales is from a signed commercial distribution agreement with PowerPlus to sell ZBB batteries in conjunction with its existing product range in California, Arizona and Nevada. PowerPlus provides power solutions direct to commercial electricity users and is the largest company of its type in

California, servicing one of the largest energy markets in the world. We have examined the PowerPlus contract, visited the PowerPlus head office and discussed the contract and their plans with its chief executive.

Other assumed sales include:

- An experienced wind farm operator in the US which has existing contracts with a main supply transmission utility, is about to expand its generation capacity, and has agreed to use the ZBB batteries in peak shaving and power fluctuation capacities.
- Existing relationships with United Energy in Australia and Detroit Edison in Michigan, where the ZBB battery has been successfully trialled in peak shaving and power quality control applications.
- A number of other wind generation projects, distribution and transmission enhancement applications and remote site applications.

The relationship in these situations varies from signed contracts, to trial agreements, to relationships established through ongoing dialogue. Importantly, all assumed sales are from known projects where the likely usage has been scoped in the knowledge of the project's requirements.

We are also aware from our discussions with ZBB management and contact with others in the industry that ZBB is close to reaching agreement with other parties and that there is an increasing level of interest in ZBB and its technology particularly in the US and Australia, but also in Asia, Europe and South Africa.

In the circumstances described above we are satisfied that the assumed sales in the project financial outcomes are realistic and represent a reasonable picture of the company's future progress.

Costs and pricing

We have inspected the company's facilities in Perth and Milwaukee and held detailed discussions with management regarding the manufacturing process, the developments that have taken place to date, and their future plans. In the past year or so the company has spent considerable efforts in improving the flow battery's construction and design with the specific purpose of bringing it to a fully commercial production stage. Improvements have been made to numerous aspects of the battery module design, production techniques and production machinery, materials and material suppliers, and controls and associated software.

As a result of these efforts the cost of production has been reduced very substantially to the point where the production of battery modules is profitable even at current low production levels. Further improvements in production costs are in train which will further improve profitability.

The process improvements instituted have also resulted in increased efficiencies in the modules themselves which will in due course enable ZBB to increase the power rating of the modules, thus further improving profitability.

In addition increased production levels will further reduce the unit cost of modules, so that the company can confidently look forward to improving profitability in its production process as the sales program is rolled out.

ZBB has substantial capacity in its Milwaukee plant to expand production according to its business plans. We have discussed the capital requirements for ZBB to expand its production capacity and we are satisfied that capital assumed in the business plans and financial projections are adequate to provide for the planned increase in production.

Our assessed value of the merged entity has been determined by calculating a discounted present value of the projected earnings of ZBB post merger, under a number of assumptions. For this purpose we have made the following assumptions:

- Assessed value is equal to the discounted present value of ten years' future earnings.
- No account is taken of net assets as at the merger. These primarily consist of inventories and deferred tax benefits which are reflected in future earnings.
- Earnings assumed are as projected for the first five years, with an assumed rate of growth for years six to ten. We have done the calculations on assumed growth rates ranging from nil up to 20% pa.
- A discount rate of 15% pa was used. This is equivalent to a margin of some 10% pa above the 'risk free' rate 10-year government bond rates, which are currently 4.2% in the US and 5.4% in Australia. The margin reflects the uncertainties in the projected earnings.

These assumptions in our view are relatively conservative in light of the company's position, but nevertheless are appropriate for the purpose of assessing a fair value of the company.

On the basis of these assumptions the assessed value is in the range US\$38.2 million to US\$55.2 million. This indicates that the total share value at the listing price of US\$39.1 million is consistent with the expected value from the company's future earnings.

3. Comparable company analysis

The third method of assessing the value of ZBB is based on a comparison with a group of publicly listed companies in Australia and the US that share some common characteristics with ZBB. This methodology provides only a very broad comparison because of:

- (a) The early stage of development in terms of profitability and expected future growth which is inbuilt to the share prices of most of these companies: and
- (b) The lack of any direct competitor or directly comparable company to ZBB.

Our comparison focuses primarily on the following financial statistics:

- Total market capitalisation
- Total gross revenue from latest reported year FY2002
- Gross operating margin
- Net profit margin
- Price/Earnings ratio where applicable

The comparison group of companies is:

Australian companies

AES *Advanced Energy Systems Limited*

Advanced Energy Systems provides renewable ("green") energy based power electronics and control systems. It provides both energy generation and distribution.

ENE *Energy Developments Limited*

Energy Developments generates electricity from garbage dumps, with an increasing global business as new contracts are won overseas. The company has also developed expertise in extracting gas from coal prior to mining or from coal seams with high gas content. Technology to convert "fresh" garbage into electricity rather than waiting for decomposition is opening up new possibilities, partially patented through the Solid Waste Energy Recycling Facility.

NVE *Novera Energy Limited*

Novera Energy Limited is a renewable energy generator with a focus on the green energy market of the United Kingdom. Novera is among the largest landfill gas power generators in the UK and is also developing wind power and biomass gasification projects in the UK and Australia.

PHY *Pacific Hydro Limited*

Pacific Hydro is a niche environmentally friendly power producer, focusing on renewable forms of energy in Australia, South East Asia and Southern America.

SES *Solar Energy Systems Limited*

Solar Energy Systems is involved in the manufacture, marketing and distribution of solar powered equipment in Australia and some overseas markets. The company's main product is the Sun Mill, a patented solar-powered water pumping system.

US companies

AMSC *American Superconductor Corporation*

American Superconductor is engaged in developing products using superconductor materials and power electronic converters. The company designs, develops, manufactures and markets two core-enabling products: high temperature superconductor (HTS) wires and power electronic converters.

APWRE *AstroPower, Inc.*

AstroPower develops, manufactures, markets and sells a range of solar electric power generation products, including solar cells, modules, panels and its SunChoice pre-packaged systems for the global marketplace. The company's products provide a clean, environmentally friendly, reliable energy solution at the point of use and are sold for both off-grid and on-grid applications.

BCON *Beacon Power Corp.*

Beacon designs, develops, configures and offers for sale power systems intended to provide reliable, environmentally friendly, uninterruptible electric power employing both proprietary and third-party solutions for a number of potential applications.

ENER *Energy Conversion Devices, Inc*

Energy Conversion Devices is a technology, product development and manufacturing company engaged in the invention, engineering, development and commercialization of new materials, products and production technology. The company develops Ovonic materials that permit it to design and commercialize new products, such as nickel metal hydride (NiMH) batteries, thin-film solar (photovoltaic) cell products and phase-change optical memory media.

FCEL *FuelCell Energy, Inc.*

FuelCell Energy is engaged in the development and manufacture of carbonate fuel cell power for distributed power generation. The company designed and is developing standard fuel plants that offer significant advantages compared existing power-generation technology.

HYGS *Hydrogenics Corporation*

Hydrogenics Corporation develops and manufactures proton exchange membrane (PEM) fuel cell automated test stations, fuel cell power products and is a provider of engineering and other services. The company's principal business is the commercialization of PEM fuel cells and PEM fuel cell systems for use in research and development, portable, stationary, transportation and other power applications.

IMCO *IMPCO Technologies, Inc*

IMPCO Technologies designs, manufactures and supplies advanced systems that store gaseous fuels and monitor and control the pressure and flow of those fuels for use in internal combustion engines.

IMGC *Intermagetics General Corporation*

Intermagetics General Corporation is a global developer and manufacturer of superconducting materials, radio frequency (RF) coils, magnets and devices utilizing low- and high-temperature superconductors and cryogenic refrigeration systems. The company sells its products primarily in the magnetic resonance imaging (MRI), analytical instrumentation and industrial processing markets. Intermagetics is also investing in the development of high-temperature superconducting materials and products for the energy technology market specifically transmission and distribution of electric power.

Financial summary of comparable companies:

Company	Market Cap	Gross Operating Revenue	Revenue/Market Cap	Gross Margin	Net Profit Margin	Price/Earnings Ratio
Australia	A\$m	A\$m				
AES	10.7	14.2	133%	1.6%	-4.6%	-
ENE	255.0	110.0	43%	61.9%	17.1%	14.5
NVE	37.5	26.2	70%	20.3%	-11.5%	-
PHY	451.0	23.0	5%	16.1%	11.3%	17.2
SES	7.9	1.7	22%	-72.4%	-79.1%	-
Average			5.5%	-13.4%		
US	US\$m	US\$m				
AMSC	144.5	21.0	15%	-14.8%	-417.1%	-
APWRE	25.1	84.8	338%	33.8%	6.0%	7.0
BCON	12.8	0.1	1%	-	-	-
ENER	224.3	65.9	29%	10.9%	-44.5%	-
FCEL	319.5	44.9	14%	-79.6%	-118.4%	-
HYGS	229.7	22.1	10%	33.0%	-81.4%	-
IMCO	105.0	46.4	44%	31.7%	-61.2%	-
IMGC	356.4	146.7	41%	41.2%	9.5%	26.4
Average			8.0%	-101.0%		

Because of the limitations mentioned above these figures do not in our view enable us to draw any definite conclusions as to the market value of ZBB post merger. However they do allow us to place ZBB in the context of some comparable companies and to draw some broad conclusions. The comparisons demonstrate in particular that:

- The comparison group includes companies with market capitalisations ranging from less than \$50 million, such as AES, SES in Australia and APWRE and BCON in the US; to several hundreds of millions of dollars. The share capital of ZBB post-merger, at US\$39.1 million, is within this range.
- The majority of the companies in the comparison group are not profitable, and many show gross margins well below those that would be expected for ZBB. The share price of many of these companies indicates that the market is prepared to place a significant value on expected future profit growth.

For those companies in profits the P/E ratios vary from 14.5 to 17.2 in Australia and from 7.0 to 26.4 in the US.

We have determined an alternative assessed value on the assumption that ZBB would trade at the lower end of this P/E range once it has established a record of profitability. Specifically the assumptions were:

- Five years earnings based on the projected financial results.

- Capitalised at the end of either four or five years at a P/E of 7 times the fourth/fifth year's earnings. This is a conservative assumption for a company in a growth industry, implying a very low rate of growth in future earnings.
- Discount rate of 15% pa.

The assessed value on this basis is in the range US\$36.2 million to US\$58.1 million. The share capital of ZBB post-merger, at US\$39.1 million, lies in this range, and is closer to the lower end of the range. These figures demonstrate that the value of the company based on the share issue price at merger is consistent with a conservative estimate of what might be expected from the market allowing for the company to establish a track record of profitable trading.

Opinion

We have applied three methodologies to assess the value of ZBB pursuant to the merger transaction, as follows:

1. **Transactions history.** By examining actual off-market transactions that have taken place in ZBB shares in recent times

Our analysis of the trading history in ZBB shares indicates that the share price pursuant to the merger transaction is consistent with recent market transactions.

2. **Assess value.** By an assessment of the value of the merged entity with reference to the business plans and projected financial results for the company after the merger.

We determined a discounted value of the first ten years' earnings of ZBB post-merger, based on reasonable assumptions, to be in the range US\$38.2 million to US\$55.2 million

3. **Comparable company analysis.** By an examination of comparable companies listed on public stock exchanges in Australia and the US.

The gross revenues compared to market capitalisation, and gross and net margins, in comparison to ZBB, indicate that the merger value is broadly consistent with market prices for comparable companies.

On a conservative estimate of ZBB's Price/Earnings ratio once it has established a track record of profitable operations in four to five years, we determined a discounted value of ZBB, based on reasonable assumptions, to be in the range US\$36.2 million to US\$58.1 million.

The merger value of US\$39.1 million is at the conservative end of the valuation spectrum as described in points 2 and 3 above.

Based on the information and analysis as described in this report, and subject to the qualifications set out in this report, at the date of this report we are of the opinion that the merger transaction is fair from a financial point of view to GTN Resources shareholders.



Peter Williamson
Director

10. Risk Factors

10.1 Factors influencing success and risk

Investors should be aware that the future level of income and capital distributions may be influenced by a number of factors, including those outside the control of GTN.

Investors should appreciate that owning Shares in GTN involves various risks which can be broadly categorised into general investment risks and specific business risks. To fully understand the risks associated with an investment in GTN following completion of the Merger, this Prospectus should be read in its entirety.

Careful consideration should be given to the following risk factors, as well as the other information contained in this Prospectus, before a decision to invest is made. These are not the only risks GTN faces. Some risks are not yet known and there are other risks the Board does not currently believe are material but could later turn out to be so. All of these risks could hurt the Business. This Prospectus contains statements that involve certain assumptions that are subject to potential risks and uncertainties. Actual events and results, including the results of the Merged Entity operations, could differ materially from those anticipated. Some of the risks may be mitigated by the Company using safeguards and appropriate systems and taking certain actions. Some of the risks may be outside the control of GTN and not capable of mitigation. There are also general risks associated with any investment in shares.

10.2 Specific business risks

The Company's future operating results may fluctuate significantly.

As a result of ZBB's limited operating history and the recent emergence of the premium power market addressed by ZBB, ZBB has neither internal nor industry-based historical financial data for any significant period of time upon which ZBB can project revenues or future operating expenses of the Company following the Merger. The Directors expect that in the future and following the Merger, the results of the Company's operations may fluctuate significantly from quarter to quarter as a result of a variety of factors, including:

- Unpredictable demand for the Company's (formerly ZBB's) products and services;
- The introduction and acceptance of new, enhanced or alternative products or services by the Company or its competitors;
- Changes in the Company's operating expenses as the Company expands operations;
- The Company's ability to anticipate and adapt effectively to a developing market and rapidly changing technologies;
- Regulatory conditions specific to the Company's target markets;
- Changes in the Company's business strategy or development plans;
- Liability and other claims asserted against the Company;
- Economic changes impacting market sectors that require premium power, the main target of the Company's products;
- General economic conditions; and
- Economic conditions specific to technology and the premium power market.

Because the Company can expect a substantial portion of its operating expenses will be fixed, any variation in the timing and amounts of the Company's revenues could have a material adverse effect on its results of operations. The Company's operating results may be affected by, among other things, larger than expected fluctuation in demand for the Company's products, declines in the average selling prices of the Company's products and changes in the Company's gross margins. The market for the Company's products may also be affected on a seasonal basis by the nature of capital allocation and investment decisions and by the desire of certain market segments to address summer or winter peak demands for electricity. These seasonal fluctuations, coupled with project gestation periods of several months, may cause fluctuations in revenue booked and billed.

Foreign currency fluctuations may have a material adverse effect on the Company's operating results.

Following the Merger, the results of the Company's US operations will be reported in US dollars and then translated into Australian dollars at the applicable foreign currency exchange rates for inclusion in GTN's consolidated financial statements. The amount of revenue the Company expects to generate from sales within the US and outside will vary from time to time. Because of fluctuations in currency exchange rates or the imposition of limitations on conversion of foreign currencies into Australian dollars, the Company will be subject to currency translation exposure on the revenue and profits of its operations, in addition to economic exposure. This risk could have a material adverse effect on the Business, financial condition, cash flow and results of operations in the future.

Any failure to continue enhancing the Company's products and their failure to obtain market acceptance may cause the Company's revenues to be insufficient to support the business.

Following the Merger, the Company's results will be dependent on its ability to continue enhancing the ZBB products and their market acceptance. ZBB has invested, and if the Merger proceeds the Company can expect to continue to invest, considerable resources in developing and marketing the Company's products. Market acceptance of the Company's products will depend on the results of ongoing commercial pilot projects of the Company's products and acceptance of the Company's products by the market segments that have been targeted for initial sales and marketing efforts. If the Company fails to achieve market acceptance, potential customers will not purchase the Company's products and the Company will not be able to generate the revenue necessary to support its business. The Company's continued success will depend on its ability to mass-produce and deploy the Company's technology and the market acceptance of the same. The Company might not be able to successfully introduce new products in the future, and any such products might not be introduced on schedule.

ZBB has experienced growth in the Business in recent periods, and, if the Company is unable to manage this growth, the Company's operational infrastructure may not be able to support the growth.

The growth in the Business is expected to place a significant strain on the Company's management and operations. To manage the Company's anticipated future growth effectively, the Company's operational, financial, management, information systems and controls must be strengthened and expanded. The Company will also need to train and manage the Company's employee work force. Failure to do so effectively and on a timely basis could have a material adverse effect upon the Business, results of operations and financial condition.

Delays in cost reduction programs may harm the Business.

The unit manufacturing cost of the Company's products will need to be reduced over time to maintain the Company's ability to offer competitively priced products to the market place. The likelihood of achieving such a cost reduction must be considered in the light of low cost design enhancements, obtaining necessary tooling and favourable vendor contracts, as well as obtaining economies of scale resulting from high sales volumes. The Company might not be able to achieve such manufacturing cost reductions. The Company's failure to achieve such manufacturing cost reductions could have a material adverse effect on the Company.

If utility companies or end-users do not adopt and endorse premium power devices, the Business may be materially and adversely affected.

The premium power market is a relatively new and evolving market and therefore its growth rates and size potential are difficult to predict. Utility companies are beginning to test products from multiple suppliers for various applications, and no industry standard has been broadly adopted. The utility industry is generally characterized by long purchasing cycles involving numerous tests. The Company's success will depend, in part, on whether a significant number of utility companies and other end users desire the advantages that the Company's products are designed to fulfil.

If the utilities either decline to adopt energy storage devices because they do not identify their advantage in light of their costs of implementation to them or for other reasons, or the utilities implement or adopt premium power devices using systems that do not include the Company's technology, the Business, results of operations and financial condition could be materially and adversely affected.

Additionally, the Company's focus will be to use the Company's products to provide emerging applications to the utility industry and end-users in connection with the commercialization of micro turbines, fuel cells, renewable energy systems and other energy storage systems. If the market does not accept such applications as value-added, the Business, results of operations and financial condition could be materially and adversely affected.

The success of the Company's products also depends, in part, on obtaining favourable perceptions of the Company's products by industry opinion leaders in the utility and energy service sectors. The success of the Company's products will depend on perceptions of the value of the Company's products and services, ease of installation and use, cost, safety and reliability. The Company's success will depend on acceptance of these products by, and support from, technical personnel at the above-mentioned entities.

The Company will depend on suppliers and third-party manufacturers, and may experience delays or pricing pressures if it fails to identify alternative vendors.

The Company will be dependent upon third parties to manufacture components used in the assembly of its products. The Company may experience delays in its production if the Company fails to identify alternative suppliers. In addition, a reduction or interruption in supply or a significant increase in the Company's procurement costs could materially adversely affect the Business and results of operations.

The Company will depend on key personnel to grow the Business successfully.

The Company's future success depends to a significant extent on the continued services of the senior management and other key personnel of ZBB. The loss of key employees would likely have a material adverse effect on the Business, results of operations and financial condition. It is likely that the Company will need to hire additional personnel in all areas. The Company's future success also depends on the Company's ability to attract, retain and motivate highly skilled employees. Competition for personnel throughout the industry is intense. The Company may be unable to retain key employees or attract, assimilate or retain other highly qualified employees in the future. If the Company does not succeed in attracting new personnel or retaining and motivating current personnel, the Business will be adversely affected.

The inability to recruit, or the loss of important sales personnel, or distribution partners could materially adversely affect the Business and results of operations.

The Company will need to establish a dedicated internal sales and marketing staff in order to initiate and then increase its sales efforts. The expense of such internal expansion might exceed the net revenues generated, or future sales and marketing organization might not successfully compete against the more extensive and well-funded sales and marketing operations of the Company's competitors. The Company will be in the early stages of developing its distribution network.

The future sale of the Company's energy storage system is expected to involve a significant commitment of capital by customers, with the attendant delays frequently associated with large capital expenditures.

The Company will target, in part, customers in the utility industry, which generally have a lengthy process for approving capital expenditures. For these and other reasons, the sales cycle associated with the Company's energy storage systems is expected to be lengthy and subject to a number of significant risks over which the Company will have little or no control. The Company will have to plan its production and inventory levels based on internal forecasts of customer demand, which is highly unpredictable and can fluctuate substantially.

If sales in any period fall significantly below anticipated levels, the Company's financial condition and results of operations could be materially and adversely affected. In addition, the Company's operating expenses will likely be based on anticipated sale levels, and a high percentage of its expenses will likely be fixed in the short term. As a result of these factors, a small fluctuation in timing of sales can cause operating results to vary from period to period.

Strategic partners in the energy industry may not necessarily wish to enter into commercial relationships with the Company.

The strategy for commercializing the energy storage system is expected to involve strategic relationships with one or more large companies in the energy industry. Negotiating with large companies can be unpredictable, expensive, time consuming and ultimately unsuccessful. The Company might not be able to establish such strategic relationships. If the Company is unable to establish strategic or other relationships with one or more large companies, it will face additional challenges in competing in the electrical power generation industry. Even if such alliances are established, they will not necessarily achieve the desired results.

Accidents involving the Company's products could lead to personal injury or physical damage.

The production, marketing and sale of energy storage systems will involve certain unavoidable risks. A malfunction or the inadequate design of the Company's products could result in product liability or other tort claims.

While the Company will endeavour to obtain product liability insurance to reduce the risk of these types of losses and to limit losses through liability limitation clauses in contracts, such insurance might not be available or if available, might not in fact effectively limit the Company's liability. Any liability for damages resulting from malfunctions could be substantial and could have a material adverse effect on the Business, results of operations and financial condition.

The Company's proposed products are subject to federal, state, local and foreign laws and regulations, that govern, among other things occupational health and safety.

Regulatory agencies may impose special requirements for implementation and operation of the energy storage system and may adversely affect or even eliminate some of the Company's target markets. The Company may incur material costs or liabilities in complying with government regulations. In addition, potentially significant expenditures could be required in order to comply with evolving environmental and health and safety laws, regulations and requirements that may be adopted or imposed in the future.

The deregulation of the utility industry may also create challenges for the Company's marketing efforts. For example, as part of electric utility deregulation, federal, state and local governmental authorities may impose transitional charges or exit fees which would make it less economical for some potential customers to adopt the Company's products.

The patent applications filed by ZBB might not result in the issuance of patents or ZBB's intellectual property might not provide the Company with competitive advantages over competitors.

The Company's commercial success will depend, in part, upon its ability to obtain and enforce patents and maintain trade secrets. As at the date of this Prospectus, ZBB now holds 27 current patents and has 11 patents pending. These protective measures might not be adequate to prevent or deter misappropriation of the technology, and competitors might be able to independently develop technologies having similar functions or performance characteristics.

In addition, the laws of some foreign countries will not protect the Company's proprietary rights to the same extent as to the laws of Australia and the USA. The Company might not have an adequate legal remedy to prevent or seek redress for future unauthorized misappropriations of its technologies.

The negotiation of strategic or commercial alliances typically requires disclosure of highly confidential and sensitive information, including sharing or providing access to proprietary aspects of the Company's technology. The negotiated limitations on the use of such information might not be sufficient to prevent the activities of any potential strategic or commercial partner from having a material adverse effect on the Company's business, financial condition, and results of operations. Nor is there any assurance that contractual provisions and related legal remedies will be adequate to prevent potential strategic or commercial partners from making unauthorized use, or disclosure, of the Company's proprietary information or technology.

The Company may find it necessary to commence litigation in order to enforce and protect its proprietary rights. If the Company becomes involved in such litigation, it could consume a substantial portion of the Company's resources and result in a significant diversion of management's attention. The Company might not succeed in any such action. If the outcome of any such litigation were adverse to the Company, the Business, financial condition and results of operations could be materially and adversely affected.

If adequate funds are not available or are not available on acceptable terms, the Company's ability to fund its business, take advantage of unanticipated opportunities, develop or enhance services or products or otherwise respond to competitive pressures would be significantly limited.

It is anticipated that the net proceeds of the Offer will be sufficient to meet the Company's anticipated working capital and capital expenditure requirements for at least the next 12 months. The Company may need to raise additional funds, however, to fund more rapid expansion, to develop new or enhance existing services or products, to respond to competitive pressures or to acquire complementary products, businesses or technologies. If additional funds are raised through the issuance of equity or securities convertible into equity, the percentage ownership of the shareholders of the Company will be reduced and such securities may have rights, preferences or privileges superior to those of currently issued securities. Additional financing might not be available on terms favourable to the Company, or at all.

The failure of management to apply funds effectively could have a material adverse effect on the Business, results of operations and financial condition.

The Company intends to use the net proceeds from the Offer for product development, expansion of manufacturing capabilities, expansion of sales and marketing, working capital and general corporate purposes. Accordingly, management will have significant flexibility in applying the net proceeds of the Offer.

Liabilities arising from the previous operations of the Company.

Under the divestiture agreements specified in section 11.9 of this Prospectus, the Company has a contingent liability to the purchasers under those agreements. At the date of this Prospectus, the Board does not believe that any such liability will arise.

Consistent with other mining companies, the Company has an exposure to remediation at mineral properties which the Company has previously operated. The Directors do not believe that any potential costs of such remediation is material. The Board has taken legal advice, and considers that there is no material risk from litigation as described in section 12.4.

10.3 General investment risks

These are risks of investment which are considered beyond the control of the Company.

Possible volatility of share price

The stock market has from time to time experienced significant price and volume fluctuations, which may be unrelated to the operating performance of particular companies. The market price of GTN shares may be volatile. Factors that may have a significant impact on the market price and marketability of GTN Shares include announcements as to government regulation, variation in interest rates, the activities of any competitors, economic and other external factors, as well as fluctuations in GTN's operating results.

Regulation and publicity

Changes to the regulatory environment for the energy storage industry and/or any publicity may impact negatively on GTN.

Macro economic risks

The general state of the Australian and international economies as well as changes in taxation, monetary policy, interest rates, energy markets, statutory requirements and currency exchange rates may influence the performance of GTN.

Taxation risks

Changes in Australian tax laws from time to time may affect GTN and investors.

Tax liabilities are the responsibility of each individual investor, and GTN is not responsible either for taxation or penalties incurred by investors. Investors should consult their own taxation advisers to ascertain the tax implications of their investment.

General

The New Shares offered under this Prospectus carry no guarantee with respect to return on capital, payment of dividends or the price at which the Shares will trade on ASX. If investors are in doubt as to whether to invest in GTN, they should consult with their stockbroker, accountant or other financial adviser.

11. Material Documents

11.1 Key documents

The Board considers that certain agreements relating to GTN are significant to the Offer, the operations of GTN and ZBB or may be relevant to ZBB Shareholders. A description of material agreements or arrangements, together with a summary of the more important details of each of these agreements is set out below.

11.2 Constitution

GTN's current constitution was adopted in 1992 and last amended on 11 June 1998. Following is a summary of the major provisions.

Shares

The Shares in the capital of GTN can be issued with preferred, deferred or other special rights, obligations or restrictions in relation to dividends, voting, return of share capital, payment of calls or other matters, as determined by the Board from time to time. All unissued shares are under the control of the Board which may grant options on the shares, issue option certificates, allot or dispose of the Shares on the terms and conditions and for consideration it thinks fit. This power is subject to contract or any contrary rules in the constitution. The Listing Rules impose limits on the number of Shares that the Board can issue without approval from shareholders.

The constitution permits the issue of preference shares on terms determined by the Board.

Alteration of rights

The rights and restrictions attaching to any class of Shares (unless provided by the terms of issue of the Shares of that class), can only be varied with the consent in writing of members with at least 75% of the votes in that class, or with the sanction of a special resolution passed at a separate meeting of the holders of Shares of that class.

Calls

The Board may from time to time call upon shareholders for unpaid monies on their Shares. If such a call is made, shareholders are liable to pay the amount of each call in the manner and at the time and place specified by the Board. Such calls may be payable by instalments.

When a resolution of the Board authorising the call is passed, the call will be deemed to have been made. It may be revoked or postponed at the discretion of the Board.

Forfeiture and lien

GTN is empowered to forfeit Shares in relation to any part of allotment monies, calls, instalments, interest and expenses which remain unpaid following any notice sent to a shareholder. Such forfeiture must occur in accordance with the constitution, the Corporations Act and the Listing Rules.

GTN has a first lien or charge for unpaid calls, instalments and related interest and any amount it is legally required to pay in relation to a shareholder's Shares. The lien or charge extends to all bonuses and dividends declared in respect of the Shares provided that, if GTN registers a transfer of any Shares subject to this lien or

charge without giving the transferee notice of the claim it may have at that time, the Shares are freed and discharged from GTN's lien or charge in respect of that claim.

Share transfers

Shares may be transferred in any manner required or permitted by the Listing Rules or the SCH Business Rules and by any instrument in writing in any usual or common form or in any other form that the Board approves. The Board may only refuse to register a transfer of securities of GTN as permitted by the Listing Rules or the SCH Business Rules.

Directors need not issue share certificates

Subject to the requirements of the Listing Rules and the Corporations Act, GTN need not issue share certificates.

Meeting procedures

The ASX and each shareholder and director of GTN is entitled to receive 28 days' notice of and attend any general meeting of GTN. Three shareholders must be present (in person or by proxy) to constitute a quorum for a general meeting and no business may be transacted at any meeting except the election of a chairman and an adjournment, unless the quorum required is present at the start of the business. GTN is obliged to convene and hold an annual general meeting.

Voting rights

Each shareholder has the right to receive notices of, and to attend general meetings of GTN Resources.

Subject to restrictions on voting from time to time affecting any class of Shares in GTN, and any restrictions imposed by the Corporations Act, the Shares carry the right to cast one vote on a show of hands and, on a poll, one vote for each fully paid Share held, and for each partly paid Share held, a vote having the same proportionate value as the proportion to which the Shares have been paid up. Voting may be in person or by proxy, attorney or representative.

Remuneration of directors

Directors are to be paid out of funds of GTN as remuneration for their services, such sum as accrues on a daily basis as GTN in general meeting determines to be divided among them as agreed, or failing agreement, equally. Any portion of such fixed sum that is not divided among the directors in any financial year does not accrue to any succeeding financial year. The amount cannot be increased without the prior approval of shareholders in general meeting.

Directors' remuneration for their services is by a fixed sum and not a commission or percentage of profits or operating revenue. It may not be increased except at a general meeting in which particulars of the proposed increase have been provided in the notice convening the meeting to shareholders. This rule is subject to the provision regarding remuneration of the managing director (which is to be by way of salary or commission).

There is provision for directors who devote special attention to the business of GTN or who perform services which are regarded as being outside the scope of their ordinary duties as directors, or who at the request of the Board engage in any journey on business of GTN, to be paid extra remuneration determined by the Board. Directors are also entitled to their reasonable travel, accommodation and other expenses incurred in attending meetings of the shareholders or the Board, or meetings of any committee engaged in GTN's business.

Any director may be paid a retirement benefit as determined by the Board, consistent with the Corporations Act and the Listing Rules.

A director is disallowed from voting on any contract or arrangement in which he or she has directly or indirectly any material personal interest, if it will be contrary to the Corporations Act. If such a director does vote, his or her vote may not be counted, nor will his or her attendance be counted in the quorum present at the meeting. Either or both of these prohibitions may be relaxed or suspended to any extent by ordinary resolution passed at a general meeting if permitted by the Corporations Act.

Election of directors

There must be a minimum of three directors and a maximum number of 10 directors (not including alternate directors), which the Board may from time to time determine provided it may not reduce the number below the number of directors in office at the time of the reduction.

At every annual general meeting, subject to the constitution, one third of the directors (other than the managing director) must retire from office. If their number is not a multiple of three, then the number nearest to, but not less than one third will retire.

A director other than the managing director, must retire from office at the conclusion of the third annual general meeting after which he or she was elected or re-elected.

With respect to the retirement of directors, the director or directors longest in office since last being elected must retire. If a number of directors were elected on the same day, the directors to retire shall, in default of agreement between them, be determined by ballot.

Company seal

GTN may, but need not, adopt a company seal and if it does adopt a seal, the seal can only be used with the authority of the Board. Every instrument to which the seal is affixed, is to be signed by a director and countersigned by the secretary, or by a second director, or by another person appointed by the Board for the purpose. GTN may execute a document, including a deed, without a seal, provided the execution complies with the constitution or any relevant law.

Dividends

If the Board determines that a dividend is payable, it will be paid on all Shares proportionate to the total amount for the time being paid on each Share unless otherwise determined by the Board. Such dividend payment is subject to the rights and restrictions on the holders of Shares created or raised under any special dividend arrangements, and subject to the Listing Rules.

The Board may establish and maintain one or more dividend plans, to which shareholders may elect to take up with some or all their Shares subject to the rules of the plan.

Subject to the Listing Rules, the Board has the power to capitalise and distribute the whole or part of the undivided profits of GTN or standing to the credit of any reserve or other account and which is available for distribution. Such capitalisation and distribution must be in the same proportions which the shareholders would be entitled to receive if distributed by way of dividend or in accordance with the terms of issue of any Shares or terms of any plan for the issue of securities for the benefit of officers or employees.

The Board has the power to decide whether to pay shareholders an interim dividend on account of the next forthcoming dividend. Any distribution may be paid otherwise than in cash as specified in the constitution.

No dividend is payable except out of the profits of GTN and no dividend or other monies paid in relation to a Share will carry interest as against GTN.

Indemnities and insurance

GTN must indemnify current and past directors, secretaries and executive officers of GTN against any liability incurred by them by virtue of their holding office as, and acting in the capacity of, director, secretary or executive officer, other than a liability owed to GTN or a related body corporate of GTN or a pecuniary penalty order or compensation order or where the liability does not arise out of conduct in good faith. Indemnities also apply to employees in circumstances designated under the constitution.

Insurance

GTN may also pay insurance premiums for officers and employees in certain designated circumstances but not where the liability arises out of a wilful breach of duty to GTN or an improper use of position or inside information, as prohibited by the Corporations Act.

11.3 GTN Options

Following completion of the Merger and assuming full acceptance by holders of all ZBB Options, the Company will grant the following GTN Options to former holders of ZBB Options and ZBB Notes as replacement securities on the same terms and conditions:

Options exercisable at \$0.46 expiring between 1 January 2004 and 1 January 2008	1,000,000
Options exercisable at \$0.46 expiring between 18 September 2003 and 30 June 2007	812,500
Options exercisable at \$0.62 expiring on 30 April 2004	312,500
Options exercisable at \$0.92 expiring between 15 March 2005 and 15 March 2008	652,500
Options exercisable at \$0.62 expiring between 4 February 2007 and 4 February 2011*	3,756,378
Options exercisable at \$1.00 expiring 5 years from the closing of the Offer**	2,625,000
Options exercisable at \$0.30 expiring on 31 January 2004	5,995,480
Options exercisable at \$1.00 expiring on 31 January 2005	625,000
Sub-Total	15,779,358
Options exercisable at \$1.00 expiring on 31 January 2005***	725,000
Total	16,504,358

* 930,230 of these GTN Options vest on various dates between 31 December 2003 and 4 February 2006.

** these GTN Options only vest on closing of the Offer. If the Offer is not fully subscribed only a pro rata number of these Options vest.

*** these GTN Options are those 725,000 GTN Options (approximately) to be issued upon completion of the Merger to holders of GTN Shares immediately prior to the Merger, on the basis of 1 option for every 6 Shares held after the consolidation of GTN's share capital.

The terms of the GTN Options are as follows:

- the GTN Options expire on the relevant date specified above;
- each option entitles the GTN Option holder to subscribe for one Share. Shares issued on the exercise of the GTN Options rank equally in all respects with the then existing issued Shares in the capital of GTN. From the date of issue, Shares are subject to the provisions of the constitution of the Company;
- the GTN Options are exercisable at the amount per Share specified above;
- the GTN Options are exercisable wholly or in part by execution and lodgement with the Company of a notice of exercise of option and payment of the exercise price during the relevant exercise period;
- the notice of exercise of option must set out the number of GTN Options which the option holder wishes to exercise;
- the GTN Options may be transferred at any time in accordance with the Corporations Act, the ASX Listing Rules and the SCH Business Rules;
- a holding statement will be issued for the options and a copy of the terms and conditions will be forwarded to the option holder. On the reverse side of the terms and conditions there will be endorsed a notice that is to be completed when exercising the GTN Options. If there is more than one GTN Option on a holding statement and prior to the expiry date those GTN Options are exercised in part, the Company will issue another holding statement for the balance of the options held and not yet exercised;
- an option holder does not have the right to participate in new issues of securities offered to Shareholders of the Company prior to the exercise of the GTN Options;
- in the event of any reconstruction of the issued capital of the Company the number of GTN Options or the exercise price of the GTN Options or both are to be reconstructed (as appropriate) in a manner which does not result in any benefits being conferred on option holders which are not conferred on shareholders of the Company and (subject to the provisions with respect to rounding of entitlements as sanctioned by the meeting of the shareholders of the Company approving the reconstruction of capital) in all other respects the terms for the exercise of options will remain unchanged. The GTN Options will be treated in the manner set out in Listing Rule 7.22 as is appropriate to the type of reconstruction proposed; and
- the Company is entitled to treat the registered holder of GTN Option as the absolute holder of that GTN Option and is not bound to recognise any equitable or other claim to, or interest in, that Option on the part of any person other than the registered holder, except as ordered by a Court of competent jurisdiction or as required by statute.

The Company will not be seeking quotation of the GTN Options on ASX.

11.4 ZBB Notes

Prior to the issue of this Prospectus, ZBB had on issue 2,000,000 unsecured convertible notes at a price of \$1.00 per note. ZBB pays interest at the rate of 8% per annum on the ZBB Notes until the date of conversion. The ZBB Notes have a principal amount of \$1.00 each and carry an 8% coupon rate, with the interest payable on 31 July 2003 and 31 January 2004. On completion of the Merger, the ZBB Notes will be converted into 2.5 million GTN Shares (at an effective price of \$0.80 per share), together with 625,000 GTN Options exercisable at \$1.00 expiring on 31 January 2005 and otherwise on the terms set out in section 11.3 of this Prospectus.

11.5 Merger Agreement

Pursuant to a merger agreement dated 1 August 2003 between GTN, GTN Acquisition Corp. (a wholly owned subsidiary of GTN) and ZBB, the parties agreed that ZBB will become a wholly owned subsidiary of GTN and GTN will issue GTN Shares and GTN Options to the shareholders and optionholders of ZBB in exchange for their shares and options in ZBB. Completion of the Merger is anticipated to take place in September 2003.

The Merger is conditional on, amongst other things, the following:

- approval of the Merger by GTN's Shareholders;
- approval of the Merger by ZBB's shareholders;
- approval by ASX of quotation of Shares on ASX;
- GTN having \$3,350,000 in cash and assets as at the completion of the Merger (excluding certain permitted liabilities);
- GTN having divested itself of its existing operations;
- GTN having completed a 1 for 4.52637 share capital consolidation;
- GTN having received commitments from subscribers, in a form reasonably acceptable to GTN and ZBB for a minimum amount of \$10,000,000 under the Offer; and
- a change of name of GTN to ZBB Energy Limited.

Pursuant to the terms of the Merger Agreement and in accordance with Wisconsin law, GTN Acquisition Corp. will merge with and into ZBB. The separate legal existence of GTN Acquisition Corp. will cease and ZBB will continue to exist as the surviving corporation as a wholly owned subsidiary of GTN.

As consideration for the Merger:

- (a) ZBB shareholders will exchange each of their ZBB shares for 2.5 GTN Shares (after the consolidation of GTN's share capital), other than those ZBB shareholders who utilise their rights under Wisconsin law to have their shares bought for cash ("dissenters' rights"). For the Merger to proceed, the holders of not more than 2% of ZBB shares may require their shares be bought for cash for fair value). Only whole ordinary Shares of GTN will be issued in connection with the Merger. In lieu of fractional shares, the total number of ordinary Shares of GTN that each holder of ZBB shares is entitled to receive will be rounded up to the nearest whole number.
- (b) holders of ZBB Options will exchange each of their ZBB Options for 2.5 GTN Options with an exercise price 2.5 times less than the exercise price of the ZBB Options and otherwise on the terms and conditions specified in section 11.3 of this Prospectus.

Each Share of GTN on issue prior to the Merger will remain issued (subject to the consolidation). The GTN Shares will be consolidated, as part of the Merger, on a 1 for 4.52637 basis following shareholder approval. It is on the basis of this post consolidation shareholding that Shareholders' entitlement to the 725,000 Options referred to in section 11.3 of this Prospectus (and the subject of a separate Prospectus for the grant of Options) will be calculated.

The Merger will result in a change in control of the Company.

11.6 Distribution agreement with Power Plus

By a distribution agreement dated 31 March 2003 between ZBB and Power Plus, a California Corporation, Power Plus was appointed ZBB's distributor of ZBB's flowing battery products other than for power utility applications. The material terms of the agreement are as follows:

- the appointment of Power Plus as distributor is for a term expiring 31 December 2006 and on expiration of the term, the term is automatically renewed for further periods each of 12 months unless either party gives not less than 60 days notice prior to the expiration of the term or any renewal that it does not wish to renew the agreement.
- an exclusive distribution arrangement only applies to ZBB's battery modules in California, Arizona and Nevada.
- Power Plus has agreed to sell 500 kWh of modules by 30 June 2004, 6 MWh of modules before 30 June 2005, 12 MWh of modules before 30 June 2006 and 24 MWh of modules before 30 June 2007, a total of 42.5 MWh of ZBB's battery modules representing approximately US\$18,000,000 of sales to ZBB. Failure to meet such sales objective entitles ZBB to terminate the agreement.
- ZBB establishes the prices for its modules based on its then current list prices.
- the agreement contains usual commercial terms requiring Power Plus as the distributor to market, install and repair ZBB's products in the territory.
- the agreement contains appropriate provisions to protect the integrity of ZBB's confidential information.

11.7 Lease of premises in Wisconsin, USA

By a lease dated 1 February 2000 ("Lease") between Thor Technology Corporation ("Thor") and Bando McGlocklin Small Business Lending Corporation ("Landlord"), Thor leased 53,305 ft² of space in a building at N93 W14475 Whittaker Way, Menomonee Falls, Wisconsin, USA ("Building").

By an Assignment of all Rights and Obligations of Thor Technology Corporation Lease with Bando McGlocklin Small Business Lending Corporation dated 17 July 2001, the receiver of Thor assigned to Witech Corporation ("Witech"), the secured creditor of Thor and guarantor of the Lease, all rights and obligations under the Lease to Witech.

By an option agreement dated 1 February 2000 ("Option Agreement") between the Landlord and Thor, the Landlord granted Thor an option to purchase the property (which includes the Building) at N93 W14475 Whittaker Way, Menomonee Falls, Wisconsin, USA ("Property") at any time prior to 30 June 2006 for a price equivalent to the aggregate of Landlord's costs of the land, building and improvements comprising the Property in 2000 and the Landlord's out of pocket expenses in relation to such purchase and the construction of the Building, as increased by the Consumer Price Index of all Urban Consumers, United States City Average, major groups from 1 January 2000.

By a sub-lease dated 26 July 2001 ("Sub-Lease") between Witech as tenant and ZBB Technologies, Inc. ("ZBBT") as sub-tenant, ZBBT sub-leased 35,090 ft² in the Building for a period expiring 31 January 2007. The relevant terms of the Sub-Lease are:

- the current rent is US\$140,360.00 per annum (US\$4.00 per square foot). The rent escalates at US\$0.10 per square foot per annum on each 1 August of the term.
- ZBBT also pays a proportionate share of building expenses (outgoings).
- ZBBT has a right of first refusal to sub-lease the balance of the Building (approximately 37,000ft²) on the same terms as the Sub-Lease except that the base rent is to be mutually agreed and shall not in any event exceed US\$6.00 per square foot.
- it is a condition of the Sub-Lease that the benefit of the option to purchase the Property in the Option Agreement was assigned to ZBBT.
- other usual commercial sub-lease terms.

By an Assignment of all Rights and Obligations of Thor Technology Corporation Option Agreement with Bando McGlocklin Small Business Lending Corporation dated 1 August 2001, the receiver of Thor assigned to ZBBT all rights and obligations under the Option Agreement.

11.8 Restriction agreements

It is expected that pursuant to the ASX Listing Rules the Proposed Directors and/or their related entities, and certain other persons who have been issued with ZBB securities in the 12 months period prior to the re-commencement of trading of GTN Shares on ASX after completion of the Merger, will enter into restriction agreements under which they are restricted from dealing in a specified number of GTN securities held by them for 24 months from the quotation of Shares in GTN on ASX or such other period as ASX may specify.

Restriction agreements will be in the form required by the ASX Listing Rules and restrict the ability of the restricted Shareholders to dispose of, create any security interest in or transfer effective ownership or control of, the restricted Shares.

11.9 Divestiture Agreements

A. Sale of Great Northern Mining Pty Ltd

By a share sale deed dated 12 May 2003 between GTN as vendor, Mosley Mining Pty Ltd ("Mosley") as purchaser and Great Northern Mining Pty Ltd ("GNM"), Mosley agreed to buy from GTN all the issued shares in GNM for the sum of \$1,000,000.

Completion of this purchase took place on 6 June 2003. Under the terms of the share sale deed:

- GTN gave Mosley certain warranties in relation to the assets, affairs and financial position of GNM and has indemnified Mosley in respect of any liability or loss arising directly or indirectly from any claims costs, demands and expenses which Mosley may sustain or incur in connection with any inaccuracy in or breach of such representations and warranties. GTN's liability under this indemnity is limited to the purchase price (\$1,000,000), the claim being notified within 12 months from completion and the amount or aggregate amount of the claim exceeding \$15,000.
- GTN has also agreed to indemnify Mosley in respect of any further taxation liability that GTN may suffer or incur in respect of any period prior to the completion.

B. Sale of remaining assets to Excel Gems Pty Ltd

By a share sale agreement dated 14 August 2003 ("Sale Agreement") between GTN as vendor, Excel Gems Pty Ltd ("Excel Gems") as purchaser and Excel Mining Ltd ("Excel"), Excel Gems has agreed to buy from GTN:

- a) 1 fully paid ordinary share in the capital of Eastern Feeder Holdings Pty Ltd (which holds all of the Company's interest in the Eastern Feeder (Exploration and Production) Joint Venture);
- (b) 1 fully paid ordinary share in Great Northern NSW Pty Ltd (which holds the Company's interest in the Weean Joint Venture and holds the tenements and certain plant and equipment in relation to that joint venture);
- (c) 2 fully paid ordinary shares in GTN Tanzania Pty Ltd (a company incorporated in Tanzania and which is not currently operational); and
- (d) 732,937 fully paid ordinary shares in GTN Copper Technology Limited (which holds 1 sub licence and options to acquire a further 5 sub licences for the use of the Intec hydrometallurgical process).

Excel Gems is a related party of GTN and the sale therefore requires the approval of Shareholders pursuant to the Listing Rules and the Corporations Act. 2001.

By virtue of the sale of Eastern Feeder Holdings Pty Ltd, Seraph Sapphires Pty Ltd which is a wholly owned a subsidiary of Eastern Feeder Holdings Pty Ltd and GTN Operations Pty Ltd (a company incorporated in Tanzania) which is 65% owned by GTN Tanzania will also be divested from GTN.

The purchase price under the Sale Agreement is \$750,000. The Sale Agreement is conditional on:

- a) GTN obtaining approval from its shareholders with respect to the transaction;
- (b) completion of a restructure of GTN's interest in the Eastern Feeder (Exploration & Production) Joint Venture, such that all of GTN's interest in that joint venture will be held by Eastern Feeder Holdings Pty Ltd;
- (c) approval of the Foreign Investment Review Board; and
- (d) completion taking place contemporaneously with closing under the Merger Agreement referred to in section 11.5 of this Prospectus.

Under the Sale Agreement GTN has given Excel Gems certain warranties and will indemnify Excel Gems against any loss suffered as a result of breach of any of those warranties. Liability under the indemnity is limited to any claim being notified by Excel Gems to GTN within 24 months of the completion date, the total liability of GTN for claims not exceeding \$50,000 and only relates to a claim made where the damage or loss suffered exceeds \$10,000 or the aggregate of all claims exceeds \$10,000.

GTN has also given an indemnity in relation to any further taxation liability of the companies whose shares are being sold in respect of any period prior to the completion. The liability under this indemnity is limited to \$50,000.

As part of the Sale Agreement, Excel has agreed to indemnify GTN from the completion date for any loss, claim or liabilities GTN incurs arising from a claim made by a third party against GTN in connection with the companies being sold to Excel Gems, whether the basis for that claim arose before or after the completion date. This indemnity is limited to any claim being notified by GTN to Excel within 24 months of the completion date, the total liability of Excel Mining not exceeding \$100,000 and only relates to a claim made where the damages or loss suffered exceeds \$10,000 or the aggregate of all claims exceeds \$10,000.

C. Inventory Marketing Agreement

As a condition to completion of the Merger, GTN and Excel Mining Limited must enter into an agreement whereby Excel Mining will market and sell the inventory of GTN (that remains after completion of the transactions described above) on behalf of GTN for a minimum amount of A\$600,000, together with interest thereon at the prevailing National Australia Bank Limited business overdraft rate to the date of payment. This inventory is expected to consist primarily of uncut sapphires. Any shortfall in the minimum amount and interest will be payable by Excel if the proceeds of sale of the remaining inventory are not received by GTN within 12 months after the effective time of the Merger. Amounts in excess of the minimum amount and interest will be divided equally between GTN and Excel, after deducting Excel's reasonable costs incurred in connection with the sale.

11.10 Appointment of sponsoring broker

By proposal and mandate letter dated 18 May 2003, Findlay & Co Stockbrokers Limited was appointed to act as sponsoring broker to the Offer. The terms and conditions are as follows:

- A sponsoring broker's fee of \$50,000;
- A selling fee of 5% is payable on stamped applications lodged by Findlay & Co Stockbrokers Limited on applications up to an aggregate value of \$5,000,000;
- All expenses reasonably incurred by Findlay & Co Stockbrokers Limited relating to the Offer and marketing thereof are to be reimbursed.

It is a condition that the Company indemnifies and keeps Findlay & Co Stockbrokers Limited, its directors, employees and advisors, indemnified against all liabilities, obligations, losses, damages, penalties, actions, judgements, suits, costs, expenses, fees or disbursements of any kind or nature whatsoever in any way related to or arising out of the Offer pursuant to this Prospectus and any other incidental and related matters. Findlay & Co Stockbrokers Limited's appointment may be terminated for cause at any time by written notice.

11.11 Eskom Memorandum of Understanding

By a Memorandum of Understanding dated 23 June 2003 between Eskom Enterprises (Pty) Ltd and ZBB, the parties agreed to work together to produce optimised energy storage and power conversion solutions based upon a combination of each parties technologies and to co-operate in the field of electrochemical research and development and production technology. The Memorandum is valid for 24 months from the date of signing, but does not create any rights, obligations or expectations for the parties

11.12 Documents available for inspection

Copies of the following documents are available for inspection during normal office hours at the registered office of GTN for 13 months after the date of this Prospectus:

- (a) the material documents referred to in sections 11.2 to 11.11 of this Prospectus;
- (b) the Company's notice of meeting to shareholders to approve the Merger transaction;
- (c) the option prospectus issued by the Company;
- (d) the proxy statement/prospectus issued by ZBB;
- (e) the financial statements and reports of GTN for the past 3 financial years;
- (f) the financial statements and reports of ZBB for the past 3 financial years; and
- (g) the consents to the issue of this Prospectus.

12. Additional Information

12.1 Consents and disclaimers of responsibility

McCullough Robertson has given, and has not withdrawn, its written consent to be named as lawyers to the Company in the form and context in which it is named. McCullough Robertson has not caused or authorised the issue of the Prospectus.

KPMG has given, and has not withdrawn, its written consent to be named as Investigating Accountant and Auditor of the Company, in the form and context in which it is named and for the inclusion of its Investigating Accountants' Report in Section 8 of this Prospectus being included in the form and context in which it is included. KPMG takes no responsibility for any other part of the Prospectus. KPMG has not caused or authorised the issue of the Prospectus.

Counterpoint Group Pty Ltd has given, and has not withdrawn, its written consent to be named as the Independent Expert, in the form and context in which it is named and for the inclusion of its Independent Expert's Report in Section 9 of this Prospectus being included in the form and context in which it is included. Counterpoint Group Pty Ltd takes no responsibility for any other part of the Prospectus. Counterpoint Group Pty Ltd has not caused or authorised the issue of the Prospectus.

Computershare Investor Services Pty Limited has given, and not withdrawn, its written consent to be named as share registry in the form and context in which it is named. Computershare Investor Services Pty Limited has not caused or authorised the issue of this Prospectus and takes no responsibility for any part of the Prospectus.

Findlay & Co Stockbrokers Limited has given, and not withdrawn, its written consent to be named as sponsoring broker to the Offer in the form and context in which it is named. Findlay & Co Stockbrokers Limited has not caused or authorised the issue of this Prospectus and takes no responsibility for any part of the Prospectus.

The existing Directors have each given, and have not withdrawn their written consent to be named as Directors of the Company. Robert Parry, Geoffrey Hann, Richard Payne and Thomas Folliard have each given, and have not withdrawn, their written consent to be named as Proposed Directors of the Company.

12.2 Interests of experts and advisers

Other than set out below or elsewhere in this Prospectus, no expert or any firm in which any expert is a partner has, or has had in the two years before lodgement of this Prospectus, any interest in the promotion of, or in any property proposed to be acquired by, GTN and no amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid to any expert (or to any firm in which he or she is or was a partner) for services rendered by the expert or the firm in connection with the promotion, or was a director of GTN. No form of payment of any kind will be made or agreed to be made to any such expert or firm other than in cash.

McCullough Robertson has been involved in performing some work in relation to certain due diligence enquiries and providing certain legal advice in relation to the Offer. McCullough Robertson will be paid approximately \$55,000 (exclusive of GST) in respect of these services.

KPMG has acted as Investigating Accountant to the Offer and has prepared the Investigating Accountants' Report in section 8 of this Prospectus and performed work in relation to certain due diligence enquiries. KPMG

has also acted as Investigating Accountant in relation to the Merger transaction. For all services related to the Merger transaction, including the Offer, KPMG will be paid approximately \$117,000 (exclusive of GST) in respect of these services.

Counterpoint Group Pty Ltd has acted as the Independent Expert in this Prospectus. Counterpoint Group Pty Ltd will be paid approximately \$40,000 (exclusive of GST) in respect of these services.

Findlay & Co Stockbrokers Limited has agreed to act as sponsoring broker to the Offer. Findlay & Co Stockbrokers Limited will be paid approximately \$300,000 in respect of these services.

12.3 Interests of Directors and Proposed Directors

Shareholdings of Directors and Proposed Directors

The Directors and Proposed Directors of GTN or their associates have a beneficial interest in the following Shares and Options in GTN:

Director /Proposed Director	ZBB Shares	ZBB Options	GTN Shares before completion of Merger*	GTN Shares upon completion of Merger**	GTN Options upon completion of Merger***
Anthony James Haggarty ⁺⁺	167,500	-	434,151	514,666	15,986
Raymond John Soper	-	-	62,512	13,811	2,302
Kerry Peter Banney Heywood	-	-	-	-	-
Robert John Parry	1,917,750 ⁺	806,850	-	4,794,375	2,017,125
Richard Andrew Payne	399,500	220,000	12,500	1,001,512	550,461
Geoffrey David Hann	1,906,000 ⁺	537,900	110,000	4,789,303	1,348,801
Thomas George Folliard	-	220,000	-	-	550,000

* before the consolidation of GTN's share capital.

** after the consolidation of GTN's share capital.

*** this includes the GTN Options to be granted after the consolidation of GTN's share capital and upon completion of the Merger, to all holders of GTN Shares immediately prior to the Merger

⁺ Robert Parry and Geoffrey Hann each have a beneficial interest in 1,870,000 of these ZBB Shares prior to the Merger. This will become an interest in GTN Shares upon completion of the Merger.

⁺⁺ Anthony Haggarty is a director and substantial shareholder in Excel Mining Limited, a related party. Excel Mining Limited holds 145,000 ZBB Shares, which will become 362,500 GTN Shares on completion of the Merger.

Other than set out above or elsewhere in this Prospectus:

- a) No Director or proposed Director of GTN and no firm in which a Director or proposed Director of GTN is or was at the relevant time, a partner has, or has had in the two years before lodgement of this Prospectus, any interest in the promotion of, or in any property proposed to be acquired by, GTN.
- (b) No amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid to any Director or proposed Director of GTN (or to any firm in which he is or was a partner) either to induce him to become, or to qualify him as a Director, or otherwise for services rendered by him or by the firm in connection with the promotion or formation of GTN.

Transactions with related parties of GTN

Anthony Haggarty, a director of GTN, is also a director of MEM Consultants Pty Limited, a company which he controls. This company renders management consulting services and sublets office space at 1 York Street, Sydney, NSW to GTN in the ordinary course of business. The company was paid \$217,762 in fees for the year ended 30 June 2003 on normal terms and conditions.

Anthony Haggarty is a director and substantial shareholder of Excel Mining Ltd which has contracted with the Company on the terms set out in section 11.9 of this Prospectus.

Ipseity Pty Ltd, a company controlled by Raymond Soper, a director of GTN, rendered consulting services to GTN in the ordinary course of business and on normal commercial terms and conditions. Ipseity Pty Ltd was paid consulting fees of \$20,000 for the year ended 30 June 2003.

BBS Management Pty Ltd, a company controlled by Kerry Heywood, a director of GTN, provided consulting services to the Company during the year in the ordinary course of business. BBS Management Pty Ltd was paid \$71,600 for these services for the year ended 30 June 2003.

Some or all of the Directors and Proposed Directors may participate in the Offer on the same basis as other investors by way of subscription for New Shares.

Transactions with related parties of ZBB

Robert Parry has entered into an employment agreement with ZBB to act as Chief Executive Officer for a period expiring on 30 June 2005 on normal commercial terms and conditions and is paid a remuneration package totalling US\$187,620 exclusive of any options granted to him.

Geoffrey Hann has entered into an employment agreement with ZBB to act as Chief Financial Officer for a period expiring on 1 July 2005 at a salary of US\$160,000.00 on normal commercial terms and conditions and is paid a remuneration package totalling US\$160,000 exclusive of any options granted to him.

No directors' fees have been paid or are owed by ZBB to non-executive directors of ZBB at the date of this Prospectus, nor has any resolution been passed for the payment of such directors' fees.

Richard Payne & Associates, a legal firm associated with Mr Richard Payne has provided general legal services to ZBB on arms length normal commercial terms and conditions. ZBB paid or has agreed to pay approximately \$46,000 in fees (exclusive of GST) to Richard Payne & Associates for the year ended 30 June 2003.

By a lease dated 31 October 2001 between the Barrington Street Partnership (in respect of which Robert Parry, Geoffrey Hann and Richard Payne comprise 3 of the 4 partners) as landlord, ZBB Technologies, Ltd as tenant and

ZBB as guarantor, as varied by a deed of variation between such parties dated 15 June 2002, the premises at 240 Barrington Street, Bibra Lake, Western Australia are leased by ZBB Technologies, Ltd for a period of 5 years commencing 1 November 2001. The current rental is \$49,455 per annum based on an independent rental valuation in 2002. ZBB Technologies, Ltd has 2 options of renewal, each of 5 years and an option to buy the property at any time during the term or any extended term after 31 July 2006 at the then current market value.

By an agreement to purchase improvements dated 15 June 2002 between ZBB Technologies, Ltd as seller and Barrington Street Partnership as buyer, the Barrington Street Partnership purchased certain fixed improvements at 240 Barrington Street, Bibra Lake for the sum of \$144,854 and then included such improvements in the lease of the premises to ZBB Technologies, Ltd referred to above.

Payments to Directors

The constitution of GTN provides that the Directors may be paid, as remuneration for their services, a sum determined from time to time by GTN's shareholders in general meeting, with that sum to be divided amongst the Directors in such manner and proportion as they agree.

The maximum aggregate amount which has been approved by GTN Shareholders for payment to the Directors is \$210,000 per annum. No directors' fees have been paid or are owed by GTN to non-executive directors at the date of this Prospectus.

12.4 Litigation

Except as specified below, neither the Company nor ZBB is involved in any litigation or arbitration proceedings, nor, so far as the Directors are aware, are any such proceedings pending or threatened against the Company or ZBB.

In proceedings in the Supreme Court of New South Wales No. 2942 of 2003 commenced in May 2003 between Junior Mining (Operations) Pty Ltd as first plaintiff and Elias Christianos as second plaintiff and GTN as first defendant and Great Northern Mines Pty Ltd ("GNM") as second defendant, the plaintiffs filed a notice of motion seeking an injunction to restrain GTN from selling its shares in GNM to Mosley Mining Pty Ltd pursuant to the share sale deed described in section 11.9 of this Prospectus. The plaintiffs' application for an injunction was dismissed and costs awarded against the plaintiffs.

At the date of this Prospectus no statement of claim has been filed and served by the plaintiffs, but the plaintiffs' solicitors provided a draft statement of claim to the defendants' solicitors on 15 August 2003. The draft statement of claim makes no claim for an injunction in respect of any sale of GNM or its assets and now seeks damages under the trade practices act 1974 (Cth). The company is confident the proceedings will be successfully defended.

12.5 Expenses of the Offer

Based on the full subscription of the Offer, the approximate expenses (net of GST) that have been or will be incurred with respect to the Offer are \$750,000.

It is estimated that the total expenses associated with the Merger and related transactions of the Merged Entities, including this Offer, the Company's notice of meeting to shareholders to approve the Merger transaction, the option prospectus issued by the Company and the proxy statement/prospectus issued by ZBB and associated financial information is estimated to be \$1,000,000 (including, where applicable, GST).

12.6 Electronic Prospectus

Prospectus availability

This Prospectus is available in electronic form at www.zbbenergy.com. Any person receiving this Prospectus electronically will on request be sent a paper copy of the Prospectus (and attached application form) by GTN free of charge during the period of the Offer.

Applications must be made by completing a paper copy of the application form. **GTN will not accept application forms electronically.**

Electronic Prospectus

The application form may only be distributed attached to a complete and unaltered copy of the Prospectus. The application form included with this Prospectus contains a declaration that the investor had personally received the complete and unaltered Prospectus prior to completing the Application form.

GTN will not accept a completed Application form if it has reason to believe that the Applicant has not received a complete paper copy or electronic copy of the Prospectus or if it has reason to believe that the application form or electronic copy of the Prospectus has been altered or tampered with in any way.

While GTN believes that it is extremely unlikely that during the period of the Offer the electronic version of the Prospectus will be tampered with or altered in any way, GTN can not give any absolute assurance that this will not occur. Any investor in doubt concerning the validity or integrity of an electronic copy of the Prospectus should immediately request a paper copy of the Prospectus directly from GTN.

12.7 Dividend Policy

The Directors have not fixed any policy on the payment of cash dividends on Shares. However, it is the intention of the Directors to pay cash dividends on Shares in the future when the Company's financial condition permits.

12.8 Directors' statement

The Directors report that after due enquiry by them, they have not become aware of any circumstances which in their opinion, will materially affect the assets and liabilities, financial position and performance, profits and losses or the prospects of GTN other than as disclosed in this Prospectus. The Directors have authorised the issue of this Prospectus.



Ray Soper

Chairman

GTN RESOURCES LIMITED

Dealer Identification	Share Registrars Use Only
Dealer No.	

Application Form

GTN Resources Limited ("GTN")

ABN 40 004 681 734

Public Share Offer Application Form

Please read all instructions on reverse of this form

To meet the requirements of the Corporations Act 2001, this Application Form must not be handed on unless attached to the prospectus

Write the number of Shares you are applying for here

A		x A\$1.00 =
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Minimum *2000* and then multiples of *1000* Shares
You may be allocated all of the Shares above or a lesser number.

B	A\$
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(Please make sure that the amount of your cheque(s) equals this amount).

Write your name here

C	
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Title, Given Name(s) (no initials) & Surname or Company Name

--

Joint Applicant 2 or (account name)

--

Joint Applicant 3 or (account name)

**Tax File Number(s) here
(or exemption category)**

D	
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Tax File Number(s)

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Tax File Number(s)

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Tax File Number(s)

Write your postal and email address here

E	
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Number/Street

--

Suburb/Town

State

Postcode

--

Email address

Write your contact details here

F			
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Contact Number (work)

Contact Number (home)

Contact Name (print)

Write your CHESS detail (if applicable) here

G	
----------	--

Enter your HIN

Write cheque details here

H					A\$
					A\$

Drawer

Bank

Branch

BSB No.

Total Amount of Cheque Attached

I Please Make Cheque(s) Payable to "GTN Share offer"

I/We declare that this application is completed according to the declaration/appropriate statements on the reverse of this form and agree to be bound by the constitution of GTN. The return of this Application Form with your cheque(s) for the Application Moneys will constitute your offer to subscribe for ordinary Shares in GTN.

No signature is required

You should read this Prospectus carefully before completing this Application Form.

Guide to the Public Share offer application form

Please complete all relevant sections of the Application Form using BLOCK LETTERS. These instructions are cross referenced to each section of the Application Form. Further particulars and the correct forms of registrable names to use on the Application Form are contained in the table below.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 2000 Shares and thereafter in multiples of 1000 Shares.
- B** Insert the relevant amount of Application monies. To calculate your Application monies, multiply the number of Shares applied for by the Application Price.
- C** Write the full name you wish to appear on the statement of shareholdings. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable name. Applications using the wrong form of name may be rejected. Clearing House Electronic Sub-Register System (CHES) participants should complete their name and address in the same format as that are presently registered in the CHES system.
- D** Enter your Tax File Number (TFN) or exemption category. Where applicable, please enter the TFN for each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application.
- E** Please enter your postal address for all correspondence. All communications to you from GTN's Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- G** GTN will apply to the ASX to participate in CHES, operated by the ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Stock Exchange Limited. In CHES, GTN will operate an electronic CHES subregister of securities holdings and an electronic issuer sponsored subregister of securities holdings. Together the 2 subregisters will make up GTN's principal register of securities. GTN will not be issuing certificates to applicants in respect of securities allotted.

If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold securities allotted to you under this Application in uncertificated form on the CHES subregister, complete Section G or forward Application Form to your sponsoring participant for completion of this section prior to lodgement.

Otherwise, leave Section G blank and on allotment, you will be sponsored by GTN and an SRN will be allocated to you.

For further information refer to the relevant section of the Prospectus.

- H** Please complete cheque details as requested:
 - Make your cheque payable to "GTN Share Offer" in Australian currency and cross it "Not Negotiable". Your cheque must be drawn on an Australian Bank.
 - The amount should agree with the amount shown in B.
 - Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.
 - Pin (do not staple) your cheque(s) to the Application Form where indicated.
- I** Before completing the Application Form the applicant(s) should read the Prospectus to which the application relates. By lodging the Application Form, the Applicant(s) agrees that this application is for shares in GTN upon and subject to the terms of the Prospectus, agrees to take any number of Shares equal to or less than the number of Shares indicated in Box A that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Applications

Return your completed Application Form with cheque(s) attached to:

Posted to: GTN Share Offer	Delivered to: or GTN Share Offer
c/- Computershare Investor Services Pty Limited	c/- Computershare Investor Services Pty Limited
GPO Box D182 PERTH, WA, 6840 AUSTRALIA	Level 2 45 St George's Terrace, PERTH, WA, 6000 AUSTRALIA

Application Forms must be received no later than 5.00pm (Perth, Western Australia time) on 26 September 2003

Correct Form of Registrable Title

Note that only legal entities are allowed to hold Shares. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to GTN. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:

Type of Investor	Correct form of registrable title	Incorrect form of registrable title
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Minor (a person under the age of 18) Use the name of a responsible adult, do not use the name of the minor.	John Alfred Smith <Peter Smith>	Peter Smith
Company Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts Use trustee(s) personal name(s), do not use the name of the trust	Mrs Sue Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use executor(s) personal name(s), do not use the name of the deceased	Ms Jane Smith <Est John Smith A/C>	Estate of late John Smith
Partnerships Use partners personal names, do not use the name of the partnership	Mr John Smith and Mr Michael Smith <John Smith and Son A/C>	John Smith and Son
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s), do not use the name of the club etc.	Mr Michael Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use name of trustee of the fund, do not use the name of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated space(s) at Section C on the Application Form.

Dealer Identification	Share Registrars Use Only
Dealer No.	

Application Form

GTN Resources Limited ("GTN")

ABN 40 004 681 734

Public Share Offer Application Form

Please read all instructions on reverse of this form

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A		x A\$1.00 =
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Minimum *2000* and then multiples of *1000* Shares
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B	A\$
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(Please make sure that the amount of your cheque(s) equals this amount).

Write your name here

C	
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Title, Given Name(s) (no initials) & Surname or Company Name

--

Joint Applicant 2 or (account name)

--

Joint Applicant 3 or (account name)

**Tax File Numbers(s) here
(or exemption category)**

D	
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Tax File Number(s)

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Tax File Number(s)

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Tax File Number(s)

Write your postal and email address here

E	
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Number/Street

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Suburb/Town

State

Postcode

--

Email address

Write your contact details here

F			
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Contact Number (work)

Contact Number (home)

Contact Name (print)

Write your CHESS detail (if applicable) here

G	
----------	--

Enter your HIN

Write cheque details here

H					A\$
					A\$

Drawer

Bank

Branch

BSB No.

Total Amount of Cheque Attached

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- D** Enter your Tax File Number (TFN) or exemption category. Where applicable, please enter the TFN for each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application.
- E** Please enter your postal address for all correspondence. All communications to you from GTN's Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- G** GTN will apply to the ASX to participate in CHES, operated by the ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Stock Exchange Limited. In CHES, GTN will operate an electronic CHES subregister of securities holdings and an electronic issuer sponsored subregister of securities holdings. Together the 2 subregisters will make up GTN's principal register of securities. GTN will not be issuing certificates to applicants in respect of securities allotted.

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 - Pin (do not staple) your cheque(s) to the Application Form where indicated.
- I** Before completing the Application Form the applicant(s) should read the Prospectus to which the application relates. By lodging the Application Form, the Applicant(s) agrees that this application is for shares in GTN upon and subject to the terms of the Prospectus, agrees to take any number of Shares equal to or less than the number of Shares indicated in Box A that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

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Posted to: GTN Share Offer	or	Delivered to: GTN Share Offer
c/- Computershare Investor Services Pty Limited		c/- Computershare Investor Services Pty Limited
GPO Box D182 PERTH, WA, 6840 AUSTRALIA		Level 2 45 St George's Terrace, PERTH, WA, 6000 AUSTRALIA

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Type of Investor	Correct form of registrable title	Incorrect form of registrable title
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Minor (a person under the age of 18) Use the name of a responsible adult, do not use the name of the minor.	John Alfred Smith <Peter Smith>	Peter Smith
Company Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts Use trustee(s) personal name(s), do not use the name of the trust	Mrs Sue Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use executor(s) personal name(s), do not use the name of the deceased	Ms Jane Smith <Est John Smith A/C>	Estate of late John Smith
Partnerships Use partners personal names, do not use the name of the partnership	Mr John Smith and Mr Michael Smith <John Smith and Son A/C>	John Smith and Son
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s), do not use the name of the club etc.	Mr Michael Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use name of trustee of the fund, do not use the name of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated space(s) at Section C on the Application Form.

