



## NEWS – November 2010

### GENERAL INFORMATION / INDUSTRY OVERVIEW

200 years after the first official race meeting was conducted at Hyde Park in Sydney NSW, the thoroughbred industry has formed to some extent part of the Australian culture and way of life for many of us!

Apart from this, the thoroughbred industry plays a major part in our employment and economic landscape, which governments are now ready to acknowledge!

New opportunities for growth in the industry are emerging and KBS would like to benefit from these positive developments.

Racing is booming in every state of Australia with the exception of NSW at present, with some \$100,000,000 of it's finances locked away until the legal dispute over the the race fields legislation (copyright) can be settled between Racing NSW and the corporate bookmakers.

However NSW racing is about to receive an additional grant of \$175,000,000 from TABCORP and the NSW Govt, subject to the merger of the two major racing clubs, being the AJC and the STC, which have now agreed to this in principle.

This money, will be in addition to the money yet to be released by Racing NSW, once injected into the industry, will have enormous flow on benefits for all industry participants including the breeding industry!

In order for us to best benefit we need to increase our investment in at least another one or two black type mares, as well as some quality weanlings.

The mares must also be in foal to commercial stallions.

We expect to do this in partnership with Widden Stud through purchases at sales in 2011 or by private acquisition.

The directors believe that KBS would be prudent to seek additional funding through a capital raising to increase our stock levels, ensuring future growth.

Mares purchased in 2011 become productive through their progeny at sale in 2013. We believe that to supplement income from the proposed sale of our homebred Dylan Thomas colt another purchase of one or two additional weanlings (pin hooking) for 2012 is necessary!

In 2011 we will be supported by the sale of our two yearlings, a Snitzel colt and a Fastnet Rock filly.

We believe that income from our stallion share will increase based on an increase in his service fee and mare numbers he is to receive this season.

There is also a possibility of another shuttle to Japan, which the Stud owner of Arrowfield, John Messara is negotiating at present!

To make an investment in KBS is not much different to taking an investment in a junior mining company as an example, speculative, high risk/high reward if all goes well!

However the returns are not realised until the resource is mined and sold.

With horses the results come after the hard work of breeding, rearing and planning for the best sale in which to gain maximum return for investors!

The directors believe our best chance to succeed in this industry is by managing risk through a diversification strategy.

This is no guarantee but assists in insulating us through diversity in Stallion share, breeding, pin hooking and racing investments!

In addition we should not lose sight of the fact that this investment provides an entertainment factor and enjoyment, with a prospect of a return on your investment without having to continually make regular payment contributions as in racehorse syndications.

KBS also have a well balanced group of experienced business persons as directors who are all shareholders in the company and are passionate about making the company a success!



The directors have fostered industry relationships at the elite level over the past five years and have had opportunities presented to us that other small breeders rarely have access to, and we intend to build on these in the future!

It is intended that we undertake this fund raising exercise without diluting any current shareholder value, as we believe the company is trading close to the original par value of \$1.00 per ordinary share.

One dollar per share will be the offer price and new investors are required to take up a minimum of 10,000 shares!

All existing shareholders can increase their holding should they wish with an additional minimum take up of 2,500 shares!

The offer opens from 15th November 2010 and closes on the 28th February 2011.

An application will be sent to current shareholders with the 2009/2010 financial reports in early November.

An updated report on all our equine investments and the progress of the web site will be sent before the end of the month.

In closing the directors encourage any of you that have friends or associates with a genuine interest in either racing or breeding to consider an investment opportunity in our company!

Any queries can be directed to any of the directors, the following contact details are provided:

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Kind Regards  
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