

Letter from the CEO

To the shareholders

Tuesday, 22 July 14

THE FUTURE OF A1 INVESTMENTS & RESOURCES

It is with much pleasure that I enclose a Notice of a Special General Meeting of the Company on 26 August 2014.

I welcome your attendance but if you cannot attend please complete the proxy and return it to the company before 10 am on Friday 22 August 2014.

New SuperSorghum Business

The Company has secured a major opportunity to be involved at an early stage in a new agricultural business for Australia, the sale and distribution of hybrid sorghum seeds known as SuperSorghum.

The Meeting agenda contains a number of resolutions that all relate directly and indirectly to the new business venture. Our Japanese partners, Sol Holdings have the worldwide rights to over 1000 hybrid varieties of sorghum and the continuing development of these hybrids.

Most sorghum is known as sweet sorghum and is grown primarily as feed stock. SuperSorghum has been developed over many years to include highly developed sorghum varieties with high sugar or biomass content. The sugar varieties are designed to provide a replacement crop for sugar cane and the biomass varieties are designed for ethanol production although the sugar varieties can also be used for ethanol production. Our primary focus is on highly developed technical farming that produces either sugar or biomass. In the short term the focus in Australia is upon those varieties that are capable of replacing or supplementing;

1. Sugar cane for sugar production or
2. Grain sorghum for ethanol production.

Test planting of SuperSorghum by Sol Holdings in Indonesia indicated SuperSorghum can produce triple the output of sugar per hectare as compared to sugar cane on the same land. SuperSorghum is also a hardy plant capable of producing excellent yields on more marginal land than has traditionally been used for sugar cane. Farming techniques to maximise production yields are in essence the same as sugar cane, with farming equipment available for use by either crop. Best sorghum yields take place on irrigated lands and the focus of A1 for the future in northern Queensland is the replacement of sugar cane with SuperSorghum. In southern central Queensland particularly on the Darling Downs we are focused upon substituting SuperSorghum for existing grain sorghum on non irrigated land in relation to the production of ethanol.

Our initial target is 1000 hectares under cultivation within 12 months and 2-3,000 hectares within 2 years. Our initial target represents less than 1% of the total area under sorghum cultivation supplying grain sorghum to the Dalby ethanol plant.

Our stage 1 plan sees A1 operating as a seed wholesaler and business support company. Within a short period Stage 2 includes A1 acting as a contract principal engaging farmers on a contract farming basis, with A1 owning the crop and participating in the sugar, ethanol and stock feed production directly.

Long Term Ethanol Production

The long term strategy is to create a biomass industry with ethanol production. Australia's dependence on imported oil will continue to rise and alternative hydrocarbon fuels need to be identified and developed locally, if we are to manage our external trade debt. Sugar production has been a declining industry for many years but has enjoyed some resurgence in recent years as the world price of sugar has recovered. The reason for this recovery can primarily

be traced to the growth of a biomass/ethanol economy in Brazil which has converted the vast amount of its previous sugar producing areas to biomass/ethanol production. Brazil also suffered a significant drought over the past two years which saw yields and production fall by up to 20%. In the longer term it is likely that third world countries will assume further production of sugar and there is some likelihood the long term price of sugar will be under threat. However Australia enjoys the most efficient sugar production in the world with significant infrastructure already in place. As A1 promotes and encourages SuperSorghum we expect to see larger and larger areas converted to production. SuperSorghum also has an advantage over sugar cane plants in ethanol production in that production costs are less.

The potential to make Australia a world leader in the supply of ethanol is both reasonable and possible. An ethanol production industry in Australia using SuperSorghum is our eventual aim, but some further government (both State and Federal) regulation particularly mandatory percentages for renewable fuel may be necessary to achieve sustainable levels and encourage further capital investment in ethanol production. All short and medium term targets are based on the current regulatory regime and do not require any changes. However favourable regulatory changes will enhance the bio fuel industry and encourage further additional capital commitments for production facilities.

Sol Holdings Strategic Alliance

In order for Sol Holdings to proceed it is necessary to have the existing convertible note convert to equity, so that the injected cash is all used to fund the new business. We note that the noteholders have accepted this change and we welcome this decision as evidence of their commitment to the new A1. We are looking forward to these noteholders being new shareholders of A1 from September.

I ask all our shareholders to vote in favour of each motion. Although we are requesting the shareholders approve a further note it is a converting note and when the conversion of this note takes place on 31 December 2014 A1 will be debt free.

Existing Investments

A1 will continue to maintain and manage its existing investment portfolio. We have recommended the sale of Jinji Resources which will eliminate some potential liabilities and place the company in a good financial position with the new funding. We will continue to examine other opportunities but we will have an immediate focus on the new SuperSorghum business.

Change to the Board

As part of the re-structure we have invited a nominee from Ocean Pacific Management Pte Limited to join our board and it is likely Mr Dan Kao will resign. I would like to take this opportunity of thanking Dan for all his efforts over many years. Dan will continue to liaise with us and keep us abreast of all developments with PAFtec. I wish Dan and PAFtec all the success for the future.

I would like to thank Peter Ashcroft for his significant help and assistance with this new business and I confirm that Peter and I will remain directors.

There are no doubt significant challenges for A1 but we again have a solid foundation to build a prosperous and exciting future after the new funding and the approval of all the resolutions.

I look forward to your continued support.

Yours faithfully



Charlie Nakamura
Chief Executive Officer

ABN 44 109 330 949

**NOTICE OF
SPECIAL GENERAL MEETING
EXPLANATORY STATEMENT
AND PROXY FORM**

Date

Tuesday 26 August 2014

Time

10.00 am

Venue

SUITE 606, Level 6, 37 Bligh Street, Sydney NSW 2000.

Your vote is important

The business of the Special General Meeting affects your shareholding and your vote is important.

Voting in person

To vote in person, attend the Special General Meeting on the date and at the place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

www.a1investments.com.au

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NOTICE OF SPECIAL GENERAL MEETING

Notice is given that a Special General Meeting of Shareholders of A1 Investments & Resources Limited will be held at 10:00 am on Tuesday 26 August 2014 at Suite 606, Level 6, 37 Bligh Street, Sydney NSW 2000 for the purpose of transacting the business of the meeting.

I direct you to the letter from the Managing Director included with this agenda, which sets out the proposal for the company over the next two years.

IMPORTANT

The meeting and the proposed resolutions set out in the agenda are very important matters for your Company. If all resolutions are approved the control of the Company will change in so far as the new shareholders will have the ability to change the board and management of the Company and further change the Company's direction. Set out below is the board's current change of focus but not change of strategy. However at the conclusion of the possible issues of all shares to new shareholders there could be thereafter further changes to your Company. The board has sought and received assurances from Sol Holdings and Ocean Pacific Management ("OPM") that it is their respective intention to adhere to the proposed structures set out below, but there can be no guarantees this position will continue for the future.

This disadvantage should be weighed against the substantial business opportunity presented by the SuperSorghum business and the immediate investments by Sol Holdings, Marvel Seeds and OPM and the conversion of these initial investments into shares in the Company at the end of this year, thus leaving the Company with no substantial liabilities and the ability to carry on business for the benefit of all shareholders in the future. The board has determined that the disadvantages of control being vested in OPM is far out weighed by the benefits that OPM brings to the Company including the structure of the funding and its conversion to shares.

We have set out in each resolution that involves the issue of shares tables indicating the percentage interests of each class of shareholder so that you may understand the dilution of your interests as the transaction proceeds to a conclusion. We have divided the current shareholding into two classes for the benefit of non associated shareholders, that is shareholders who have no association with the current board. To ensure that you can understand how your interests are affected we recommend that you look to that part of the table that deals with "non associated shareholders" interests.

SUPERSORGHUM AND SOL HOLDINGS d

Your current board has obtained assurances from the managing director of Sol Holdings that the proposed new direction is fully supported by Sol Holdings and that there is no further proposal for further changes.

The proposed new investors in A1 of Sol Holdings, Marvel Seeds and OPM are unrelated to each other and only Sol Holdings has a contract with A1 beyond financing and that is the licence the subject of Resolution 7.

OCEAN PACIFIC MANAGEMENT

I direct you to the possible position of Ocean Pacific Management ("OPM") which could have up to 50% of the issued capital of the Company at the conclusion of the recommended funding package (see Resolution 5). I confirm that OPM is an independent Singaporean corporate lender and investor and not associated with any current shareholders or directors of your Company, or is it in any way associated or a related to Sol Holdings, except that it provides finance to Sol Holdings projects worldwide. We again direct you to our previous comments concerning the Board's opinion on the benefits of this transaction as against the disadvantages that this control position can impose on the Company. We are also of the opinion there is little likelihood of this position taking place. The Company notes that OPM will have more than 20% of the voting at the end of the proposed arrangements and it remains a matter for the shareholders to approve the proposal (see Resolution 5).

I advise that OPM has confirmed that it is a financing company that is prepared to accept equity as its security after 31 December 2014. The management of OPM has confirmed to your board that it has no intention of interfering in the management of the Company and that it has approved in principal the business plan for the expansion of SuperSorghum in Australia. OPM has also confirmed that it is satisfied with the existing board of your Company subject to the appointment of one new director upon the resignation of Mr Dan Kao.

CHANGE OF FOCUS

AYI has experienced a very difficult two years of trading, but the management and board have managed to continue to maintain the Company, examine numerous opportunities and develop the existing investments.

Whilst the Company will remain a general investment company the current market, particularly for junior resource stocks must be acknowledged by us as poor, and not an area in which capital can be wisely directed at this time. We will continue to examine opportunities and we intend to maintain and develop our existing portfolio (subject to the proposed sell down of PAFtec and the sale of Jinji if approved), however we have been looking for some time for a key investment with adequate funding to underpin the further development of the company for the medium term. The board of the Company undertook a strategic review of the Company and its investment philosophy and we have determined not to alter either. We have however changed our industry focus and we examined two specific areas of the economy, health and

food. As a result of this process the board examined various opportunities and has determined to recommend to the shareholders the SuperSorghum project. The new project will constitute a major new opportunity but it does not represent a change in our investment philosophy or practices or any change in the attention to detail we give to all of our investments. We will maintain some management role with the new venture in the same way as we do with PAFtec and Capricorn Minerals. SOL Holdings is the exclusive world distributor of 1000 hybrid varieties of sorghum developed by Earthnote Japan Ltd and the University of Tokyo. Earthnote Japan has received substantial development funding directly from Sol Holdings and although Earthnote retains the ownership of the intellectual property in the hybrid varieties of the plants, Sol has the exclusive worldwide licence to use and commercialise that intellectual property and these rights together with the significant intellectual rights of Sol in developing SuperSorghum particularly in Indonesia and Vietnam are the subject of the exclusive licence for A1 (see resolution 7). Sol and Earthnote continue to work closely in Japan, Australia, Uruguay and Mexico where Earthnote maintains operations, primarily of an experimental nature. Earthnote is a specialist seed company and has incorporated in Australia a wholly owned subsidiary Earthnote (Australia) Pty Limited which company is solely responsible for contracting the growing of seeds. Earthnote Japan, Earthnote (Australia) and Sol Holdings are not related companies to the Company, have no common directors or management but each will work closely with the Company for the benefit of the Company's SuperSorghum business in Australia in the future. Sol, Earthnote and A1 directors and senior management have met on several occasions at various locations throughout Australia over the past months examining the sugar and ethanol industries and developing personal business relationships to enhance the SuperSorghum business in Australia.

The primary focus of the business will be those varieties of sorghum that produce sugar and biomass for ethanol. The product is known as SuperSorghum. Our immediate investment is limited to the supply of SuperSorghum seeds to end user farmers for the production of sugar or ethanol producing sorghum. This business is neither capital intensive nor requiring a large workforce. There is no need to build up seed reserves, as adequate product is available when required for sale. The existing structure of AYI is adequate to manage the initial business model and all existing and further investments obtained by the Company in the short and medium term.

\$3 MILLION OF FUNDING

On 24 March the Company announced it had entered a heads of agreement with Sol Holdings that included funding to \$3 million. Sol has already advanced \$200,000 and subject to the approval of shareholders this will be converted to shares after the SGM (see Resolutions 3), a new investor, Marvel Seeds introduced by Sol Holding but not associated with Sol Holdings will provide a placement of \$300,000 (see Resolution 4) and a Singaporean company, Ocean Pacific Management Ltd, will provide the balance

of \$2,500,000 by way of a converting note (see Resolution 5). OPM has made small advance of \$100,000 to the Company in advance of the proposed shareholders' approval.

The opportunity to expand the business model will be undertaken over time if justified. The potential is significant particularly if AYI was to undertake the role of a sorghum producer and arrange contract farming of SuperSorghum. Depending on the success of getting large areas under SuperSorghum farming the longer term strategy is to examine the opportunities available to create a bio ethanol industry in northern and southern Queensland. Any expansion beyond the initial model will be dependent on the availability of capital, probable government incentives and increased production facilities.

The current Federal government's position is less than encouraging to the bio fuel industry and we note in this year's Federal government's budget the government introduced an excise on locally produced ethanol for the first time to commence in 2015. Although quite small and only escalating to 12.5 cents per litre over the next 7 years this new tax is an added financial factor to be taken into consideration in relation to future large capital commitments to ethanol production in Australia. The ethanol production industry has been promoting for some time the institution of mandatory levels of production of ethanol and the Queensland and NSW governments both have non binding targets but no government including the Federal government have on their immediate agenda a mandatory requirement. The US and the EU both have statutory mandatory requirements and this has underpinned the continued development of bio fuel industries in North America and Europe. The bio fuel industry in Australia continues to promote mandatory requirements and A1 supports such a position.

RATIONALISE OF EXISTING ASSETS

Included on the agenda are resolutions seeking the shareholders approval to an effective sell down or indeed sell off of the company's investments in PAFtec (Resolution 2) and Jinji Resources (Resolution 8). The company has taken the opportunity to act as a professional investment manager in relation to the recommendations for both these resolutions and this is not the Company seeking to withdraw from a general investment strategy for the company but to keep shareholders fully informed of the investments and directions of the Company. A sale of PAFtec shares at 30 cents per share in our opinion is an appropriate price upon which to sell and this proposal is nothing more than a recognition that as compared to the overall capitalisation of the Company this is a significant asset and in the board's opinion requires shareholders' consent.

INDEPENDENT EXPERT REPORT INCLUDED

Included with this notice is an independent expert report ("IER") which considers each of the resolutions and concludes that each resolution and the transaction as a whole is fair and reasonable to the shareholders.

We have set out the agenda to reflect the order of how each matter would take place rather than where the substance of the issue fits within the new proposals.

READ ALL THIS NOTICE AND THE EXPLANATIONS THOROUGHLY

It is important that you look carefully at each resolution but also to review all the resolutions together as this makes up the total project package. There are numerous tables included in the explanatory statements for the various resolutions and we note that all issues are undertaken on the assumption that there will be no movement in the share price of the Company over the months to 31 December 2014. If the share price of the Company increases in this period the issue price will increase in respect to shares issued under resolutions 1 and 5, and the percentage interest of the parties to whom such shares are being issued will be reduced, whilst the existing shareholders will have an increase in their percentages. The tables have been included as an indication only of the eventual percentage interests of the various classes of shareholders.

If all resolutions are passed the Company will be able to secure an important new investment, with significant funding and after the final conversion on 31 December 2014 all funding liabilities currently noted in the accounts (existing AYIG Notes) and the funding the subject of approval at the meeting will have been converted to shares in the Company. The major risk and disadvantage to the current shareholders is that the final result will see the current shareholders proportion of the company substantially diluted and the new funders with a large portion of the company with capacity to control the Company, although OPM has stated that it has no intention to interfere with management, but of course there can be no guarantee this position will continue into the future. This disadvantage and risk must be balanced against the enormous benefits the SuperSorghum business and funding brings to the Company. The SuperSorghum business and funding will provide the Company with a strong balance sheet for the future and allow the management and board to focus on the business of the Company without the immediate concern to ensure its ability to carry on business and remain solvent.

AGENDA

1. APPROVE THE CHANGE TO THE AYIG CONVERTIBLE NOTES AND THE ISSUE OF SHARES TO NOTEHOLDERS ON CONVERSION

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“To approve the change in the AYIG Convertible Note Trust Deed dated 17 July 2007 to provide that the Noteholders shall convert all their Notes on or before 30 September 2014 to ordinary shares in the company at an issue price of VWAP less 10% for the 15 trading days prior to the conversion.”

No Voting Exclusion: The company has considered that Noteholders who are also shareholders have an interest in this resolution but the interest is not in conflict with other shareholders of the company and therefore such shareholders will not be excluded from voting on this resolution.

EXPLANATORY STATEMENT RESOLUTION 1

The change to the AYIG convertible note to converting notes has been an item that the board required addressed for sometime. The Notes have been in recent years a significant disincentive to investors and this change provides an immediate boost to the balance sheet. It has been difficult to secure a new investment with new investors whilst the Notes existed and the Noteholders have been reluctant to change until a new investment and new investors were available to the Company. So this change is very important for the future.

Resolutions 3, 4, 5 and 7 represent a substantial new opportunity to the Company which is all fully supported by the Board. It is a condition of the licensor for SuperSorghum and the new proposed funders of the Company that the terms of the AYIG Notes be changed to make them converting notes in order for the new business and funding to proceed. The AYIG Noteholders approved this change to the Convertible Notes Trust Deed on 31 March 2014, and the approval of the shareholders is required to confirm the eventual issue of the shares of the Company to the Noteholders at Conversion on 30 September 2014. The approval by the Company of this change will have an immediate impact on the balance sheet of the Company as the existing debt to the Noteholders will no longer be considered current, and in any event, the entire amount outstanding will convert to equity on 30 September 2014 at the conversion price in the Deed, which remains unchanged.

Assuming VWAP for the 15 days prior to 30 September 2014 remains, as it is today then the conversion price for the Noteholders will be \$0.0009 per share. The current outstanding debt due under the Notes is \$2,292,354 which means if conversion took place today a further 2,547,060,000 shares would issue making a total of 3,503,201,262 shares on issue.

We have inserted a number of tables to assist all shareholders to better understand the likely or proposed positions that each class of shareholder will have after each resolution is passed and the shares issued in accordance with such resolution.

The tables are designed and intended to set out the likely affect of the dilution of the current shareholders interest in the Company as the proposed issues take place.

We have divided the current shareholding into two groups, the first we have described as “Non-aligned” and therefore independent and the second group as “Aligned” meaning that the board has an expectation that those shareholders will vote in favour of each resolution. The Aligned group of shareholders that include related parties of the directors and potentially associated parties to the directors.

We have also included a reference in all tables to the prospect and indeed likelihood of some noteholders accepting PAFtec shares instead of shares in your Company (see resolution 2).

There is a substantial dilution of the percentage interest of the current shareholders in the Company if all resolutions are passed. Control of the Company will effectively pass to other classes of shareholder if all resolutions are passed. We direct your attention to the statements of Sol Holdings and OPM in relation to their position on changes to the Company. Part of the change will be a change in focus but not a change in philosophy. The board will change but the majority of the existing board will remain and Mesrres Nakamura and Ashcroft will remain in control of the board. The new shareholders will have the ability to change these matters by calling a general meeting but this must be weighed against the significant advantage to all shareholders that the SuperSorghum project and its financing brings to the Company.

TABLE A

**COMPARISON OF CLASSES OF SHAREHOLDERS INTERESTS AFTER THE CONVERSION OF THE AYIG CONVERTING NOTES
(No notes converted to PAFtec shares and all Noteholders electing to take shares in the Company)**

		Percentage of Total
Current Non-aligned Shareholders *** (Non aligned with directors and for the purposes of this table referred to as independent non-aligned shareholders)	831,877,823	23%
Current Aligned Shareholders **** (Aligned or possibly aligned with directors as to be defined for the purposes of the table as aligned shareholders)	124,263,439	4%
New shares issued after conversion at estimated \$0.0009 issue price on 30 Sept 2014	2,547,060,000	73%
Total shares	3,503,201,263	100%

We also direct your attention to Resolution 2 which seeks your approval to allow noteholders to take PAFtec shares held by the company instead of shares in the company. We have estimated that approximately \$500,000 in value of noteholders may accept this option if available and we have prepared the following table showing the alternatives. If \$500,000 of Notes were converted to PAFtec shares and if the whole \$905,054 of Notes by value was converted PAFtec shares at the agreed price of 30 cent.

TABLE B

COMPARISON OF CLASSES OF SHAREHOLDERS INTERESTS AFTER THE CONVERSION OF THE AYIG CONVERTING NOTES (\$500,000 of notes converted to PAFtec shares)

		Percentage of Total
Current Non Aligned Shareholders *** (See definitions in Table A)	831,877,823	28.2%
Current Aligned Shareholders **** (See definitions in Table A)	124,263,439	4.2%
New shares issued after conversion at estimated \$0.0009 issue price after \$500,000 converted to PAFtec shares	1,991,504,444	67.6%
Total shares	2,947,645,706	100%

TABLE C

COMPARISON OF CLASSES OF SHAREHOLDERS INTERESTS AFTER THE CONVERSION OF THE AYIG CONVERTING NOTES (\$905,054 of notes converted to PAFtec shares)

		Percentage of Total
Current Non Aligned Shareholders *** (See definitions in Table A)	831,877,823	33.3%
Current Aligned Shareholders **** (See definitions in Table A)	124,263,439	5%
New shares issued after conversion at estimated \$0.0009 issue price after \$905,054 converted to PAFtec shares	1,541,444,444	61.7%
Total shares	2,497,586,706	100%

You are also directed to the relevant part of the independent Expert Report on this resolution.

The Board recommends this resolution to the shareholders.

- APPROVE A FURTHER CHANGE IN THE AYIG CONVERTIBLE NOTE TRUST DEED TO PROVIDE THAT NOTEHOLDERS SHALL BE ENTITLED TO ELECT TO RECEIVE SHARES IN PAFTEC AUSTRALIA PTY LTD (PAFTEC) AT A PRICE OF 30 CENTS PER PAFTEC SHARE INSTEAD OF SHARES IN THE COMPANY AT CONVERSION**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“To approve a proposed change in the AYIG Convertible Note Trust Deed dated 17 July 2007 to provide that the Noteholders shall be entitled to elect to convert all their Notes on or before 20 September 2014 and such conversion to be effective on the Maturity Date to the PAFtec shares on a pro rata basis to the number of notes held by the Noteholder as compared to the total Noteholders in value who elected to accept PAFtec shares and the balance of the amount due to the Noteholder shall be converted to shares in the Company at the issue price set out above. .”

No Voting Exclusion: The Company has considered that Noteholders who are also shareholders have an interest in this resolution but the interest is not in conflict with other shareholders of the company and therefore such shareholders will not be excluded from voting on this resolution.

EXPLANATORY STATEMENT RESOLUTION 2

The Company has had a long term investment in PAFtec which has proceeded to undertake extensive and impressive R&D into personal respirators which are required in many industrial applications. We have monitored PAFtec closely and participated in management assessments when PAFtec was reviewing its business plans and strategies. We have been disappointed in the performance of PAFtec in so far as there has been a delay in bringing the company to a position of listing or sale to a larger entity, thus allowing early investors such as AYI, to realise their investment. We remain confident in the design strength of PAFtec, but we have encouraged the company to pursue revenue and sales which have been disappointing. AYI intends to maintain its investment but we view PAFtec like any investment and if the opportunity arises to sell at a favourable price we would do so. We are of the opinion that a sale price of 30 cents per share is an appropriate price for AYI to sell down all or part of its investment

in PAFtec. In order for the company to transfer shares in PAFtec to noteholders who elected to take such stock the noteholders must also vary the trust deed for the Notes to provide for such an outcome. It will remain a matter for any noteholder accepting such option and AYI will not be making any recommendation one way or the other in relation to accepting such shares instead of shares in the Company. We are of the opinion that an investment in AYI is a medium and long term investment. The Company intends to remain a general investment company and the sale of all or part of the company’s PAFtec shares is simply the Company managing its investment portfolio in a professional manner in the best interests of the shareholders.

The Company has received an indication from one large Noteholder that he would prefer to accept PAFtec shares rather than A1 shares if the option was available to him. We have therefore included two categories in each table seeking to explain

the effect of each part of the transaction upon current shareholders if some Noteholders accepted the option, or indeed all Noteholders elected to take PAFtec shares. The Company expects at least some Noteholders to accept the option to take PAFtec shares.

The Company currently has 3,016,845 PAFtec shares with a book value of \$603,369, which equates to \$0.20 per PAFtec share. PAFtec remains an unlisted Company with significant intellectual property, but remains in the Board's opinion an unrealisable asset in the short or medium term. The most recent capital raising by PAFtec however was at a placement price of \$0.14 per share. PAFtec will in our opinion continue to require further capital to continue with its current business plan and in our assessment it is unlikely that there will be a listing of the company or sale to a third party in the immediate future. Some Noteholders have expressed a desire to acquire shares in PAFtec rather than to convert to shares in the Company, at a price of \$0.30 per PAFtec share. There is in our opinion no ready market for PAFtec shares at this time and a reasonable offer from a buyer of the Company's shares should always be considered. The Board has determined that subject to the approval of the shareholders and Noteholders that it approves such an option being available to Noteholders on such terms. Subject to approval by shareholders, Noteholders shall be given the option to wholly or partially redeem their Notes for the Company's shares in PAFtec on a pro rata basis.

The Company also notes;

- a) that any option to accept PAFtec shares will also be dependent on the consent of PAFtec and its shareholders who will need to waive their pre-emptive rights; and
- b) the Company having PAFtec shares at the date of the conversion; and
- c) if the amount of Noteholder redemptions exceeds the value of the Company's shares in PAFtec then Noteholders will receive a pro rata amount of PAFtec shares and the balance due in ordinary shares in the Company at the issue price set out in the Trust Deed, being a price of VWAP less 10% for the 15 trading days prior to the conversion.

The resolution provides that Noteholders must advise the Company of their intention to accept PAFtec shares in lieu of Company shares on the Maturity Date on or before 20 September 2014. A notional sale of PAFtec shares to a Noteholder will then take place on 30 September 2014 subject to the pre-emptive rights of the PAFtec. If PAFtec shareholders exercise their pre-emptive rights then such PAFtec shares will be sold to the existing shareholders of PAFtec and the Noteholders will be issued shares in the Company as if they had of been issued on the Maturity Date. If the shareholders pass this resolution and the Noteholders agree to accept PAFtec shares then the number of ordinary shares in the Company to be issued at the Conversion Date will be reduced. Please see the tables in the explanatory note to Resolution 1 above.

You are also directed to the relevant part of the independent Expert Report on this resolution.

The Board recommends this resolution to the shareholders.

3. APPROVAL OF SHARE FOR LOAN CONVERSION

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"Subject to the passing of the resolution in Item 1, that, for the purpose of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the issue on or about 31 August 2014 of ordinary shares in the Company at an issue price of VWAP less 20% for the 15 trading days prior to 24 March 2014 to Sol Holdings Corporation (Sol Holdings) or its nominee on the terms and conditions as set out in the accompanying Explanatory Statement."

Voting Exclusion: The Company will, in accordance with the Listing Rules of ASX, disregard any votes cast on Item 3 by Sol Holdings, any of its associates and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

EXPLANATORY STATEMENT RESOLUTION 3

On 24 March 2014, the Company announced that it had entered into a Heads of Agreement with SOL Holdings to commence a new business including the provision of \$3 million of funding. On 1 April 2014, the Company entered into a loan agreement with SOL Holdings in the principal sum of \$200,000, and subject to the approval of the shareholders, such sum shall be converted to ordinary shares in the Company at a conversion price of \$0.0008

The terms of the loan are as follows;

per share being VWAP less 20% for the 15 trading days prior to the announcement and this equates to 250,000,000 ordinary shares. Such shares will rank equally with all other ordinary shares of the Company currently on issue. The Company received an amount of \$200,000 on 5 April 2014. The funds are been used for general working capital, including the first stages of developing the SuperSorghum business for the Company.

1.	Principal	\$200,000
2.	Interest rate	2.5% pa but if the Principal is converted to ordinary shares in the Company on or before 31 August 2014 the rate shall be zero percent.
3.	Payment of Interest	If the Principal is not converted on or about 31 August 2014 interest shall accrue and be paid in full when the Principal is re-paid
4.	Term	12 months

After the conversion of the AYIG Convertible Notes to shares on 30 September 2014, (including a partial conversion to PAFtec shares) assuming the current VWAP price, the proportion of shares to be issued to SOL Holdings pursuant to this resolution is 7.8%. If all the PAFtec shares are converted the percentage would be 9.1%.

TABLE D

COMPARISON OF CLASSES OF SHAREHOLDERS INTERESTS AFTER THE CONVERSION OF THE AYIG CONVERTING NOTES AND THE INITIAL LOAN OF \$200,000

(\$500,000 of notes converted to PAFtec shares)

		Percentage of Total
Current Non Aligned Shareholders *** (See definitions in Table A)	831,877,823	26%
Current Aligned Shareholders **** (See definitions in Table A)	124,263,439	3.9
AYIG redemption. New shares issued after conversion at estimated \$0.0009 issue price after \$500,000 converted to PAFtec shares	1,991,504,444	62.3%
Shares to be issued to SOL Holding for \$200,000 loan to be converted to shares at an issue price of \$0.0008 per share	250,000,000	7.8%
Total shares	3,197,645,706	100%

TABLE E

COMPARISON OF CLASSES OF SHAREHOLDERS INTERESTS AFTER THE CONVERSION OF THE AYIG CONVERTING NOTES AND THE INITIAL LOAN OF \$200,000

(\$905,054 of notes converted to PAFtec shares)

		Percentage of Total
Current Non Aligned Shareholders *** (See definitions in Table A)	831,877,823	30.3%

Current Aligned Shareholders **** (See definitions in Table A)	124,263,439	4.5%
AYIG redemption. New shares issued after conversion at estimated \$0.0009 issue price after \$905,054 converted to PAFtec shares	1,541,444,444	56.1%
Shares to be issued to SOL Holding for \$200,000 loan to be converted to shares at an issue price of \$0.0008 per share	250,000,000	9.1%
Total shares	2,747,586,706	100%

You are also directed to the relevant part of the independent Expert Report on this resolution.

The Board recommends this resolution to the shareholders.

4. PLACEMENT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“Subject to the passing of the resolution in Item 1, that, for the purpose of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve a placement of \$300,000 and the allotment and issue of ordinary shares in the Company on or about 31 August 2014 at an issue price of VWAP less 20% for the 15 trading days prior to the date of this notice to Marvel Seeds Pte Limited on the terms and conditions as summarised in the accompanying Explanatory Statement.”

Voting Exclusion: The Company will, in accordance with the Listing Rules of ASX, disregard any votes cast on Item 4 by Marvel Seeds, any of its associates and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

EXPLANATORY STATEMENT RESOLUTION 4

On 24 March 2014, the Company announced that it entered into a Heads of Agreement with SOL Holdings to commence a new business including the provision of \$3 million of funding. This arrangement was in substitution of a previously announced proposal involving Marvel Seeds Pte Limited which is a Singapore company the principal of whom is Mr Chong Koh Wah a long time investor in agricultural projects throughout Asia. Marvel Seeds is a sophisticated investor and fully independent of Sol Holdings and OPM and is neither a related company or aligned with Sol Holdings or OPM. When further discussions took place between Sol Holdings and Marvel in relation to the proposed arrangements with A1 for SuperSorghum, Marvel Seeds agreed to withdraw and allow Sol Holding to deal directly with A1. Marvel is however interested in SuperSorghum and indicated it was prepared to continue to be involved as an investor in A1 and the SuperSorghum project in Australia.

Subject to the approval of the Company the proposed funding is to be as follows;

1.	Sol Holdings Loan to be converted to ordinary shares (Resolution 3)	\$200,000
2.	Placement by a sophisticated investor Marvel Seeds Pte Limited (Resolution 4)	\$300,000
3.	Converting note in favour of Ocean Pacific Management (Resolution 5)	\$2,500,000

	Total	\$3,000,000
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The Company seeks approval for a placement of \$300,000 and the allotment and issue of ordinary shares in the Company at an issue price of \$0.0008 per share being VWAP less 20% for the 15 trading days prior to the date of this notice to Marvel Seeds Pte Limited which is a sophisticated investor.

Marvel Seeds Pte Limited is a professional investor and not an associate of Sol Holdings or OPM.

The funds will be used for the development of the SuperSorghum business including the wholesale purchase of SuperSorghum seeds for sale to Australian farmers. The initial business plan of the new business is seeking to have 2,000 hectares under SuperSorghum cultivation within 2 years, with projected revenue of \$2-2.5 million dollars. There are currently over 100,000 hectares under grain sorghum cultivation on the Darling Downs all supplying the Dalby ethanol plant. The plant owners and the farmers are both keen to trial SuperSorghum and the conversion of only 2% of the total crop over the next 2 years is a very conservative target. Seed sale

revenue for SuperSorghum will be approximately \$1.2 million per 1000 hectares of planted crop. A1 is reasonably targeting the current grain sorghum cost of the Dalby plant of \$33 million.

The Company is projecting a positive cash flow in the calendar year 2015-6 but any projection is subject to the general sugar and ethanol markets, the weather, international markets and a variety of other matters outside of the control of the Company.

The shares will be issued at \$0.0008, which equates to 375,000,000 ordinary shares. Such shares will rank equally with all other ordinary shares of the Company currently on issue. After the conversion of the AYIG Convertible Notes to shares on September 2014 and the issue of the shares in resolution 3 above, the proportion of shares after such issue held by Marvel Seeds pursuant to this resolution will be 10.5% and if all PAFtec shares are converted then the portion held by Marvel Seeds will be 11.7%.

TABLE F

COMPARISON OF CLASSES OF SHAREHOLDERS INTERESTS AFTER THE CONVERSION OF THE AYIG CONVERTING NOTES AND THE INITIAL LOAN OF \$200,000 & \$300,000 PLACEMENT

(\$500,000 of notes converted to PAFtec shares)

		Percentage of Total
Current Non Aligned Shareholders *** (See definitions in Table A)	831,877,823	23.4%
Current Aligned Shareholders **** (See definitions in Table A)	124,263,439	3.5%
AYIG redemption. New shares issued after conversion and after \$500,000 converted to PAFtec shares	1,991,504,444	55.7%
Shares to be issued to SOL Holding for \$200,000 loan to be converted to shares at an issue price of \$0.0008 per share	250,000,000	7%
Shares to be issued for \$300,000 placement to Marvel Seeds, a sophisticated investor at an issue price of \$0.0008 per share	375,000,000	10.5%
Total shares	3,572,645,706	100%

TABLE G

COMPARISON OF CLASSES OF SHAREHOLDERS INTERESTS AFTER THE CONVERSION OF THE AYIG CONVERTING NOTES AND THE INITIAL LOAN OF \$200,000 & \$300,000 PLACEMENT

(\$905,054 of notes converted to PAFtec shares)

		Percentage of Total
Current Non Aligned Shareholders *** (See definitions in Table A)	831,877,823	26.7%
Current Aligned Shareholders **** (See definitions in Table A)	124,263,439	4.0%
AYIG redemption. New shares issued after conversion and after \$905,054 converted to PAFtec shares	1,541,444,444	49.6%
Shares to be issued to SOL Holding for \$200,000 loan to be converted to shares at an issue price of \$0.0008 per share	250,000,000	8%
Shares to be issued to xxx for \$300,000 placement to Marvel Seeds, a sophisticated investor at an issue price of \$0.0008 per share	375,000,000	11.7%
Total shares	3,122,585,706	100%

You are also directed to the relevant part of the independent Expert Report on this resolution.

The Board recommends this resolution to the shareholders.

5. CONVERTING NOTES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“Subject to the passing of the resolution in Item 1 that, for the purpose of ASX Listing Rule 7.1 and item 7, s.611 of the Corporations Act, approval is given for the Company to enter a converting note on or about 31 August 2014 in favour of Ocean Pacific Management Pte Limited (“OPM”) in a total sum of \$2.5 million on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will, in accordance with the Listing Rules of ASX, disregard any votes cast on Item 5 by OPM and any of its associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

EXPLANATORY STATEMENT RESOLUTION 5

On 24 March 2014, the Company announced that it entered into a Heads of Agreement with SOL Holdings to commence a new business including the provision of \$3 million of funding. \$2.5 million of such funding is proposed to be provided by OPM pursuant to a converting note, the terms of which are set out below. OPM is not a related party to any existing shareholder of the Company or Sol Holdings. . If the resolution is approved, the note will be converted into ordinary shares in the Company on 31 December 2014. Such shares will rank equally with all other ordinary shares of the Company currently on issue.

OPM has provided the Company with an advance of \$100,000 on

27 June 2014 which shall be part of the proposed \$2.5 million.

We direct you to the tables below which set out the possible likely interest of OPM in your company upon conversion of the proposed Note. We note that OPM will have in excess of 20% (and potentially up to 50%) of the ordinary shares in the Company after the conversion of the Note on 31 December 2014.

I direct you to the possible position of OPM which could have up to 50% of the issued capital of the Company at the conclusion of the recommended funding package. I confirm that OPM is an independent Singaporean corporate lender and not associated

with any current shareholders or directors of your Company, or is it in any way associated or a related to Sol Holdings, except that it provides finance to Sol Holdings projects worldwide.

The major risk and disadvantage to the current shareholders is that the final result will see the current shareholders proportion of the company substantially diluted and the new funders with a large portion of the company with capacity to control the Company, although OPM has stated that it has no intention to interfere with management, but of course there can be no guarantee this position will continue into the future. This disadvantage and risk must be balanced against the enormous benefits the SuperSorghum business and funding brings to the Company. The SuperSorghum business and funding will provide the Company with a strong balance sheet for the future and allow the management and board to focus on the business of the Company without the immediate concern to ensure its ability to carry on business and remain solvent.

I advise that OPM has confirmed that it is a financing company that is prepared to accept equity as its security after 31 December 2014.

OPM directors are Vaneesh Prameshwarlal Jhunjhunwala and Yuji Tachibana who is the managing director. The company maintains an office in Singapore and representative offices in Tokyo. Mr Tachibana is an experienced corporate manager having managed and operated various security trading and broking companies

The funds will be used to further develop the SuperSorghum business in Australia. The Company will be examining various SuperSorghum hybrids to determine the best return for its customers and the Company. The Company will be examining the opportunity presented for contract farming and the ability of the Company to act as the principal in respect of the product, particularly sugar. The Company is also examining in detail the opportunity presented to replace grain sorghum as the primary input plant for ethanol production on the Darling Downs in southern central Queensland. Testing of SuperSorghum syrup by the Dalby ethanol plant is currently taking place. The Company will continue to develop test farms in association with SOL Holdings to expand the market for SuperSorghum in Australia.

The terms of the notes are as follows:

1.	Principal	\$2,500,000
2.	Instalments of Principal	Ocean Pacific shall make the following payments of the Principal; 1 September 2014 \$500,000 1 October 2014 \$600,000 1 November 2014 \$600,000 30 December 2014 \$700,000 (noted receipt of \$100,000 on 27 June 2014)
3.	Interest rate	5% pa but if the Principal is converted to ordinary shares in the company on or before 31 December 2014 the rate shall be zero percent.
4.	Payment of Interest	If the Principal is not converted on 31 December 2014 interest shall accrue and be paid in full when the Principal is re-paid
5.	Term	Redemption Date 31 December 2014
6.	Conversion Price	VWAP less 20% for the 15 trading days prior to 31 December 2014

primarily in Japan including Citigroup Global and Mitsubishi Morgan Stanley Securities. Mr Tachibana is familiar with the problems and financing of early stage agricultural companies.

The management of OPM has confirmed to your board that it has no intention of interfering in the management of the Company and that it has approved in principal the business plan for the expansion of SuperSorghum in Australia. OPM has also confirmed that;

- it is satisfied with the existing board of your Company subject to the appointment of one new director the identity of whom has no as yet been determined. It is likely that Mr Dan Kao will resign at the time of this new appointment;
- it has no intention of changing the strategies of focus of the Company;
- does not intend to direct the Company in respect to future employees or consultants;
- has no intention of seeking to transfer assets of the Company to it or any other shareholder including Sol Holdings;
- has no intention to significantly change the financial or dividend policy of the Company;
- no director of the company has any interest in OPM.

TABLE H

COMPARISON OF CLASSES OF SHAREHOLDERS INTERESTS AFTER THE CONVERSION OF THE AYIG CONVERTING NOTES AND THE INITIAL LOAN OF \$200,000, \$300,000 PLACEMENT & \$2,500,000 CONVERTING LOAN

(\$500,000 of notes converted to PAFtec shares)

		Percentage of Total
Current Non Aligned Shareholders *** (See definitions in Table A)	831,877,823	12.4%
Current Aligned Shareholders **** (See definitions in Table A)	124,263,439	1.9%
AYIG redemption. New shares issued after conversion and after \$500,000 converted to PAFtec shares	1,991,504,444	29.7%
Shares to be issued to SOL Holding for \$200,000 loan	250,000,000	3.7%
Shares to be issued for \$300,000 placement to a sophisticated investor, Marvel Seeds	375,000,000	5.4%
Shares to be issued on 31 Dec to OPM as conversion of \$2,500,000 converting note at 80% of VWAP. Assuming the price of the shares remains the issue price will be \$0.0008 per share	3,125,000,000 This is the maximum number of shares that could be issued to Ocean Pacific Management on the basis of the price of the Company's shares at the date of the Notice.	46.8%
Total shares	6,697,645,706	100%

TABLE I

COMPARISON OF CLASSES OF SHAREHOLDERS INTERESTS AFTER THE CONVERSION OF THE AYIG CONVERTING NOTES AND THE INITIAL LOAN OF \$200,000, \$300,000 PLACEMENT & \$2,500,000 CONVERTING LOAN

(\$905,054 of notes converted to PAFtec shares)

		Percentage of Total
Current Non Aligned Shareholders *** (See definitions in Table A)	831,877,823	13.3%
Current Aligned Shareholders **** (See definitions in Table A)	124,263,439	2%
AYIG redemption. New shares issued after conversion and after \$905,054 converted to PAFtec shares	1,541,444,444	24.7%

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Shares to be issued to SOL Holding for \$200,000 loan to be converted to shares at an issue price of \$0.0008 per share	250,000,000	4%
Shares to be issued for \$300,000 placement to a sophisticated investor, Marvel Seeds at an issue price of \$0.0008 per share	375,000,000	6%
Shares to be issued on 31 Dec to OPM as conversion of \$2,500,000 converting note at 80% of VWAP. Assuming the price of the shares remains the issue price will be \$0.0008 per share	3,125,000,000 This is the maximum number of shares that could be issued to Ocean Pacific Management on the basis of the price of the Company's shares at the date of the Notice.	50%
Total shares	6,247,585,706	100%

You are also directed to the relevant part of the independent Expert Report on this resolution.

The Board and each director recommend this resolution to the shareholders.

6. OPTIONS TO KING FAME GROUP LTD (KING FAME)

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"Subject to the passing of the resolutions in Item 3, 4 and 5 that, for the purpose of ASX Listing Rule 7.1 that the company issue unlisted options to King Fame on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will, in accordance with the Listing Rules of ASX, disregard any votes cast on Item 6 by King Fame, any of its associates and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

EXPLANATORY STATEMENT RESOLUTION 6

Subject to passing resolutions 3, 4 and 5, the Company seeks approval to issue on 1 August 2014 of 375,000,000 unlisted and unquoted options to King Fame in a sum of \$300,000 at an exercise price of 0.0008 per share and at an exercise date on or before 31 December 2014. The further terms of such options are as follows:

- Such rights are subject to Listing Rules including the rules applicable to a reorganisation of capital (Listing Rule 6.16);
- The optionholder shall be entitled to exercise any full number of options on or before the exercise date (Listing Rule 6.18); and
- Such options do not entitle the optionholder to participate in any new issue without exercising the option (Listing Rule 6.20).

King Fame is a British Virgin Islands company but carries on business solely in Singapore as a foreign company. King Fame is a specialist investment company in private equity and consulting and primarily provides investment advice to Japanese and Australian companies in relation to investments throughout Asia. The principal of King Fame is Ms Chiaki Sekine who has a long professional association with Mr Nakamura. King Fame is not an associate of Mr Nakamura, Sol Holdings, Marvel Sees or OPM.

The Company acknowledges that King Fame provided significant assistance to the Company in securing the proposed new business and funding, and the options are in payment for such services.

The funds will be used if the options are exercised for general working capital requirements of the Company.

Assuming King Fame exercise all the options the effect on the total issued shares and the percentage interest of particular groups would be as follows;

TABLE J

COMPARISON OF CLASSES OF SHAREHOLDERS INTERESTS AFTER THE CONVERSION OF THE AYIG CONVERTING NOTES AND THE INITIAL LOAN OF \$200,000, \$300,000 PLACEMENT \$2,500,000 CONVERTING LOAN & OPTIONS EXERCISED

(\$500,000 of notes converted to PAFtec shares)

		Percentage of Total
Current Non Aligned Shareholders *** (See definitions in Table A)	831,877,823	11.8%
Current Aligned Shareholders **** (See definitions in Table A)	124,263,439	1.8%
AYIG redemption. New shares issued after conversion and after \$500,000 converted to PAFtec shares	1,991,504,444	28.2%
Shares to be issued to SOL Holding for \$200,000 loan	250,000,000	3.5%
Shares to be issued for \$300,000 placement to a sophisticated investor, Marvel Seeds	375,000,000	5.3%
Shares to be issued on 31 Dec to OPM as conversion of \$2,500,000 converting note at 80% of VWAP. Assuming the price of the shares remains the issue price will be \$0.0008 per share	3,125,000,000	44.2%
Shares issued to King Fame after the exercise of the options at an exercise price of \$0.0008 per share	375,000,000	5.3%
Total shares	7,072,645,706	100%

TABLE K

COMPARISON OF CLASSES OF SHAREHOLDERS INTERESTS AFTER THE CONVERSION OF THE AYIG CONVERTING NOTES AND THE INITIAL LOAN OF \$200,000, \$300,000 PLACEMENT, \$2,500,000 CONVERTING LOAN & OPTIONS EXERCISED

(\$905,054 of notes converted to PAFtec shares)

		Percentage of Total
Current Non Aligned Shareholders *** (See definitions in Table A)	831,877,823	12.6%
Current Aligned Shareholders **** (See definitions in Table A)	124,263,439	1.9%
AYIG redemption. New shares issued after conversion and after \$905,054 converted to PAFtec shares	1,541,444,444	23.3%

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Shares to be issued to SOL Holding for \$200,000 loan to be converted to shares at an issue price of \$0.0008 per share	250,000,000	3.8%
Shares to be issued for \$300,000 placement to a sophisticated investor, Marvel Seeds at an issue price of \$0.0008 per share	375,000,000	5.7%
Shares to be issued on 31 Dec to OPM as conversion of \$2,510,000 converting note at 80% of VWAP. Assuming the price of the shares remains the issue price will be \$0.0008 per share	3,125,000,000	47.2
Shares issued to King Fame after the exercise of the options at an exercise price of \$0.0008 per share	375,000,000	5.7%
Total shares	6,622,585,706	100%

You are also directed to the relevant part of the independent Expert Report on this resolution.

The Board recommends this resolution to the shareholders.

7. LICENSE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“Subject to the passing of the resolutions in Item 3, 4 and 5 that, the Company enters a Distribution License on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will, in accordance with the Listing Rules of ASX, disregard any votes cast on Item 7 by Sol Holdings and any of its associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

EXPLANATORY STATEMENT RESOLUTION 7

The Company is seeking approval to enter an exclusive license distribution agreement for a product known as SuperSorghum seeds in Australia for \$500,000. Payment of the license fee will be made from the advances provided by Ocean Pacific Management and referred to in resolution 5. The Company intends to develop the business with the assistance of the Japanese licensor and Earthnote, the owner of the intellectual property in SuperSorghum.

The licensor has the exclusive worldwide license to over 1,000 hybrid variations of sorghum, including specific variations designed for sugar or ethanol production.

A number of these hybrid varieties have been developed as quick growing and high yield. The commercialisation of this agricultural technology is now underway and A1 has the opportunity to exploit this significant opportunity in Australia. An initial focus is on the hybrid variety that produces high sugar, which has the capacity to double or triple sugar production as compared to sugar cane in northern Australia. As production acreage for SuperSorghum increases in Australia, a significant opportunity will develop to change the hybrid sorghum to an ethanol producing variety and to develop a bioethanol industry in Australia. SuperSorghum will grow on more marginal land than sugar cane and can triple production per hectare per year as compared to sugar cane. The company is also examining the opportunity to substitute SuperSorghum for grain sorghum at the Dalby ethanol plant in southern central Queensland.

Sol Holdings has proposed an exclusive licence for 10 years and no further costs are payable beyond the initial fee.

You are also directed to the relevant part of the independent Expert Report on this resolution.

The Board recommends this resolution to the shareholders.

8. SALE OF JINJI RESOURCES PTY LTD (JINJI)

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“that the Company approve the sale of Jinji to an independent third party purchaser, CFG Consulting Pte Ltd of Singapore for value on the terms and conditions set out in the Explanatory Statement including an obligation that such purchaser shall assume all the liabilities of Jinji..”

No Voting Exclusion: The Company has considered that Noteholders who are also shareholders have an interest in this resolution but the interest is not in conflict with other shareholders of the company and therefore such shareholders will not be excluded from voting on this resolution.

The Directors of the company have determined to abstain from voting on this resolution.

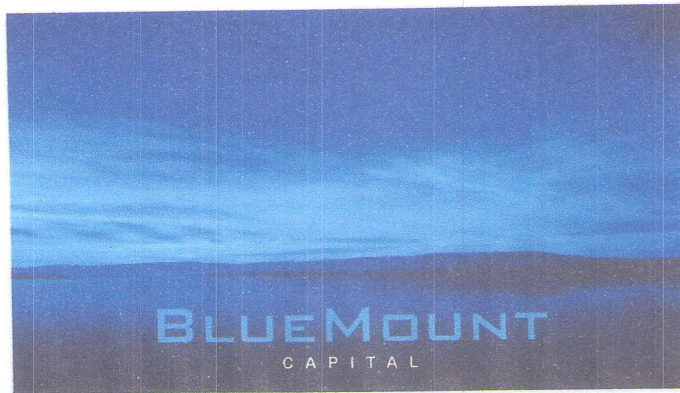
EXPLANATORY STATEMENT RESOLUTION 8

Jinji has a number of intangible assets including an interest in a litigation partnership. The outstanding litigation matter under this partnership is difficult to assess and in any event will not at best realise any return until after December 2014. The obligations of the partnership are both positive and negative and the Company must bear its portion of any costs order if the litigation was not successful. Jinji also has a major liability to defend in Japan and the potential liability exceeds \$800,000. The Company is not guaranteeing the obligations of Jinji but on a group accounting basis the liabilities must be recorded and taken into consideration. The Board has determined that CFG Consulting, which is a unrelated entity to the Company is the best group to manage this liability and they are prepared to do so by acquiring Jinji for a nominal amount of \$10,000. CFG Consulting will pay the Company \$10,000 in cash for Jinji. All Jijni obligations will therefore be removed from the balance sheet of the Company. A1 will have no further obligation to Jinji or the creditors of Jinji after the sale.

You are also directed to the relevant part of the independent Expert Report on this resolution.

The Board recommends this resolution to the shareholders.

INDEPENDENT EXPERT’S REPORT FOLLOWING



11 June 2014

The Directors
A1 Investments & Resources Limited
Suite 503, 37 Bligh Street
SYDNEY NSW 2000

Dear Sirs,

INDEPENDENT EXPERT'S REPORT

1.0 INTRODUCTION

1.1 Background

A1 Investments & Resources Limited ("AYI") announced to the Australian Securities Exchange ("ASX") on 24 March 2014, that it has entered into a heads of agreement to acquire the exclusive distribution rights for SuperSorghum seeds in Australia from SOL Holdings (SOL") in Japan.

The Transactions are conditional on shareholder approval at a General Meeting scheduled to be held in August 2014.

The Notice of Special General Meeting outlines AYI's change of focus, intended business acquisition, related funding strategy and business rationale. I summarise these as follows:

AYI has experienced a very difficult two years of trading and has reported substantial net losses in the two financial years ended 30 June 2014.

AYI sees the current market for junior resource stocks as poor and unattractive for investment. It has been seeking a key investment with adequate funding to underpin its medium term development.

It has identified a new project (SuperSorghum Business) which it is now recommending to shareholders. We understand that SOL is the exclusive world distributor of 1,000 hybrid varieties of sorghum, developed by Earthnote Co Ltd (Japan) in association with the University of Tokyo.

The main focus of the business will be those varieties which produce sugar and biomass for ethanol.

The product is known as SuperSorghum and AYI's immediate investment is limited to the supply of SuperSorghum seeds to farmers for the production of sugar or ethanol-producing sorghum. Directors are of the opinion that the existing structure of AYI is

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adequate to manage the initial business model together with all existing and future investments by the company in the short to medium term.

The Directors have also contemplated expansion of the business model to embrace the role of sorghum producer, arranging contract farming of SuperSorghum and evaluating the opportunities to establish a bio ethanol industry in northern and southern Queensland. The Directors have noted in the accompanying Explanatory Statement that any expansion beyond the initial SuperSorghum business model will be dependent on the availability of capital, likelihood of government incentives and increased production facilities.

Whilst considerable research and analysis has already been carried out by AYI, in the interests of conservatism, we have chosen to exclude any forecast of revenues or costs from the bio ethanol expansion opportunity in assessing the fair value of the SuperSorghum business

On 24 March 2014 AYI announced it had entered into a heads of agreement with SOL for an exclusive SuperSorghum Licence that included funding up to \$3 million. Full details of these proposals are set out in Resolutions 1 to 7 and Tables A to I of the Explanatory Statement.

In summary, they are interdependent and comprise:

1. Resolution 1 - Change to existing AYI convertible notes to converting notes. (this was approved by the Note holders on 14 March 2014 with converting notes to be converted into ordinary shares on 30 September 2014 at a conversion ratio of 1/90% times VWAP).

On conversion, this will create 2,547,060,000 new shares, assuming no change from the current share price of \$0.0009

2. Resolution 2 seeks to allow note holders to take PAFtec shares held by AYI instead of AYI shares at an agreed price of 30 cents. If all the \$905,054 of Notes by value was converted on this basis, this would reduce the number of shares created under Resolution 2 to create 1,541,444,444 additional new shares.
3. Resolution 3 - On 1 April 2014, as part of the \$3 million funding package referred to above, AYI entered into a loan agreement with SOL in the principal sum of \$200,000, to be convertible into ordinary shares at \$0.0008 being VWAP less 20%. On conversion, this infers the creation of 250,000,000 new shares.

AYI received this amount of \$200,000 on 5 April 2014. The funds are being used for working capital, including developing the first stages of the SuperSorghum business.

4. Resolution 4 - Included in the \$3 million funding, is a share placement to a sophisticated investor, Marvel Seeds Pte Ltd of \$300,000, comprising 375,500,000 shares at \$0.0008.
5. Resolution 5 - Included in the \$3 million funding, is a converting note to Ocean Pacific Management Lte ("OPM", a Singapore company, of \$2,500,000, payable

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in 4 instalments from 1 September 2014 to 30 December 2014. The maximum number of shares that could be issued to OPM, assuming an issue price of \$0.0008, is 3,125,000,000. The highest theoretical percentage holding which OPM could achieve under the various scenarios, is 50% of the issued ordinary shares.

We draw your attention to the explanatory notes accompanying the resolution, wherein the Directors advise that OPM has confirmed that it has no intention of interfering with the management of the company, and that it is supportive of the business plan for the expansion of the SuperSorghum business in Australia.

OPM has also confirmed that, subject to the appointment of a new Director, it is satisfied with the existing board, staffing, company strategies and focus.

6. Resolution 6 – King Fame, a company which facilitated the new business and funding, has been granted 375,000,000 unlisted options exercisable at \$0.0008 per share on or before 31 December 2014.
7. Resolution 7 – Approval is sought to enter into an exclusive licence distribution agreement for the SuperSorghum seeds in Australia, for \$500,000. AYI intends to develop this business with the support of the Japanese licensor and Earthnote the ultimate owner of the intellectual property in SuperSorghum.

The licensor has the exclusive worldwide license to over 1000 hybrid variations of sorghum, including specific varieties designed for sugar and ethanol production, with fast growing and high yield attributes. AYI is positioned to exploit this significant commercialization opportunity in the Australian market.

The directors have advised that the initial focus is on the hybrid varieties which produce high sugar and which have the capacity to dramatically increase sugar production as compared to sugar cane in northern Australia, and a biomass variety suitable for ethanol production which will be the focus on the Darling Downs in central southern Queensland. They also comment that, as production acreage of SuperSorghum increases, a significant opportunity will develop to change the sugar hybrid to an ethanol-producing variety and to develop a bio ethanol industry in that area.

Under the Heads of Agreement entered into between AYI and SOL on 24 March 2014, SOL has proposed an exclusive license for 10 years, with no further costs payable beyond the initial \$500,000 fee.

The parties also entered into a supplementary Memorandum of Understanding dated 4 June 2014, which clarifies the SuperSorghum seed supply terms and conditions. These include criteria for determination of the seed price from time to time, prospects for future supply of SuperSorghum to the existing Dalby bio ethanol plant in Queensland, and an acknowledgement that SOL and AYI will jointly work towards the outcomes set out in AYI's recently prepared five year plan for the SuperSorghum business in Australia.

8. Resolution 8 – Approval for the sale of Jinji Resources Pty Ltd (“Jinji”). Jinji is a 100% owned subsidiary of AYI. Whilst not directly related to the decision to invest in the SuperSorghum business, this divestment is viewed as a risk mitigation strategy which strengthens AYI going forward. Jinji, amongst other intangible assets, has an interest in a litigation funding partnership. We understand that the obligations of the partnership in respect of the only outstanding litigation matter, are both positive and negative and that if the relevant litigation is unsuccessful, Jinji will have a potential liability in excess of \$800,000 which will need to be included in AYI group liabilities. To avoid this exposure, AYI has negotiated to sell Jinji to an unrelated third party for a nominal amount of \$10,000.

1.2 Purpose of the Report

AYI is a public company listed on ASX.

ASX has confirmed that Listing Rule 11.1.1 does apply to the Transaction. Chapter 11 sets out the requirements that an entity must satisfy if it proposes a significant change to the nature or scale of its activities.

Specifically, Rule 11.1 states: “if an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable. It must do so in any event before making the change. The following rules apply in relation to the proposed change.”

11.1.1: The entity must give ASX information regarding the change and its effect on future potential earnings and any information ASX asks for.

ASX has advised that the announcement to be given to the ASX Market Announcements for release to the market should be in a form suitable for release and include detailed information about the Transaction, including, but not limited to:

- details of the assets or business being acquired;
- information about the likely effect of the transaction on the Company’s total assets, total equity interests, annual revenue and annual profit before tax and extraordinary items; and
- the timetable for implementing the Transaction.

Acquisitions approved by members under item 7 of s611 of the Corporations Act are one of the exceptions to the prohibitions in s106. Item 7 contains disclosure requirements to ensure that members are able to make an informed decision about whether or not to approve the acquisition. The voting restrictions ensure that only members who are not associated with the parties to the transaction are able to vote in favour of the proposal.

ASIC Regulatory Guide 74 indicates that AYI should submit an independent expert report with its application.

The Directors have engaged BlueMount Capital (Sydney) Pty Limited (“BlueMount”) to prepare an Independent Expert’s Report to determine whether the above described Transactions are fair and/or reasonable from the perspective of the non-associated shareholders of AYI.

This report is intended to assist shareholders in their consideration of the proposed resolutions relating to the Transactions, to be placed before them for approval at the forthcoming Special General Meeting.

1.3 Transaction Structure

The Transactions are summarized in paragraph 1.1 above (Resolutions 1 to 8).

2.0 SUMMARY AND OPINION

2.1 General

We have considered the terms of the transactions as outlined in this report and as a result of our review and consideration of all factors of which we are aware, including the advantages and disadvantages of proceeding or not proceeding with the Transactions, **we are of the view that the Transactions are fair and reasonable to the non-associated shareholders.**

3.0 Fairness of the Transactions

3.1 Fair Value of Purchase Consideration -

The value of the consideration has several components. In our opinion, these comprise:

- (i) The cash consideration of \$500,000 to SOL to acquire the exclusive license to distribute SuperSorghum seeds as described elsewhere in this report (Resolution 7). As this consideration is due to be paid in the short term under the present proposals, it is taken at its nominal value of \$500,000.
- (ii) The related funding (Resolutions 3, 4, and 5).
 - (a) As described in paragraph 1.1 above, Resolution 3 relates to the receipt of \$200,000 from SOL under a convertible loan agreement, which sum may be converted into ordinary shares at \$0.0008 per share, being volume weighted average price (VWAP) for the 15 trading days prior to the heads of Agreement announcement on 24 March 2014. This is effectively a six month call option, expiring on 1 October 2014 over 250,000,000 shares.

We have assessed that the best way to value this call option is under the accepted Black-Scholes valuation methodology which has regard for the stock's spot price, exercise price, volatility, time to maturity and the risk-free interest rate.

These are taken to be:

- Spot price \$0.001
- Exercise price \$0.0008
- Volatility .01
- Time to maturity 180 days
- Risk-free rate 3.77% (Aust Govt. Bond 10 year rate – June 2014)

This results in a call option value of $\$0.0002 \times 250,000,000 = \$50,000$

In determining the spot price, however, regard should be had for potential valuation dilution of that price, following the new issues of shares (250,000,000 per Resolution 3 and 375,000,000 shares per resolution 4 – see below).

Theoretical diluted price (TDP) can be calculated as follows:

$$\text{TDP} = O \times \text{OP} + (N \times \text{IP}) / O + N$$

Where:

- O = original number of shares
- OP= Current Share Price (Spot price)
- N= number of new shares to be issued
- IP=issue price of new shares

$$\begin{aligned} \text{Calculation: TDP} &= (956,141 \times 0.1) + (612,000 \times 0.08) / 956,141 + 612,000 \\ &= \$0.092 \end{aligned}$$

This results in a call option value of $\$0.000215 \times 250,000,000 = \underline{\$54,000}$

- (b) Resolution 4 relates to a share placement to a sophisticated investor, Marvel Seeds Pte Ltd, of \$300,000, comprising 375,000,000 ordinary shares at \$0.0008 per share. As this issue price is at a discount to AYI's last traded share price of \$.001, we consider this to be a funding cost related to AYI's entry into the SuperSorghum business, calculated as follows:

$$\begin{aligned} \text{Spot price: } \$0.001 \text{ less Issue price } \$0.0008 &= \$0.0002 \times 375,000,000 \\ &= \$75,000 \end{aligned}$$

In determining the spot price, however, regard should be had for potential valuation dilution of that price, following the new issues of shares (250,000,000 per Resolution 3 and 375,000,000 shares per resolution 4).

$$\begin{aligned} \text{Calculation :TDP} &= (956,141 \times 0.1) + (612,000 \times 0.08) / 956,141 + 612,000 \\ &= \$0.0092 \end{aligned}$$

$$\begin{aligned} \text{Spot price: } \$0.00092 \text{ less Issue price } \$0.0008 &= \$0.0012 \times 375,000,000 \\ &= \underline{\$45,000} \end{aligned}$$

- (c) Resolution 5 relates to the receipt of \$2,500,000 from OPM under a converting loan agreement, payable in four instalments from 1 August 2014 to 30 December 2014, which sum must be converted into ordinary shares at VWAP less 20% for the 15 trading days prior to 31 December 2014. This is effectively a six months call option, expiring on 31 December 2014.

$$\begin{aligned} \text{Calculation: TDP} &= (956,141 \times 0.1) + (612,000 \times 0.08) / 956,141 + 612,000 \\ &= \$0.0827 \end{aligned}$$

This results in a call option value of $\$0.000173 \times 3,125,000,000$ (maximum number of shares to be issued, assuming no change in VWAP) = \$540,625

- (iii) Resolution 6 – King Fame, a company which facilitated the new business and funding, has been granted 375,000,000 unlisted options exercisable at \$0.0008 per share on or before 31 December 2014. This is a six months call option which we consider to be a transaction cost of the SuperSorghum business acquisition. Therefore the option should be valued and included in the total fair value of the consideration payable by AYI.

We have assessed that the best way to value this call option is under the accepted Black-Scholes valuation methodology as outlined above:

This results in a call option value of $\$0.000135 \times 375,000,000$ options to be issued, assuming no change in VWAP) = **\$51,000**

The determined fair value of the consideration for the acquisition of the SuperSorghum business is:

Initial cash consideration for SuperSorghum license (Resolution 7)	<u>\$ 500,000</u>
Value of funding proposals:	
Resolution 3 – Convertible loan from SOL	\$ 54,000
Resolution 4 - Share placement to sophisticated investor	\$ 45,000
Resolution 5 - Convertible loan from OPM	\$ 540,625
Transaction cost (Resolution 6) – Options to King Fame	<u>\$ 51,000</u>
	<u>\$ 690,625</u>
Total Fair Value of consideration	<u>\$1,190,625</u>

Note: This determination of fair value of the consideration, excludes the benefit to AYI of \$3 million of new funding, plus \$2.1m of reduced borrowings under existing convertible notes, to be converted to equity, minus \$0.69 million (see above), totaling net increase in available equity of \$4.41million.

3.2 Fair Value of Assets to be acquired -

3.3 Methodology for Valuation of SuperSorghum Business

Appendix B to this report describes the generally accepted valuation methodologies and their appropriateness under different circumstances, attributes of the business in question, its stage of development and availability of relevant valuation data.

In light of all of the above, we have chosen the Discounted Cash Flow method as the most appropriate for establishing a value range for the SuperSorghum business for purposes of our report.

3.4 The cash flow analysis set out in Table 1 following, has been substantially based on AYI's internal five year operating plan.

AYI has identified two distinct target markets for growers in Queensland – sugar cane and grain sorghum, with its initial assessment focused on sugar cane.

There is over 450,000 hectares of sugar cane in Australia, with 95% located in Queensland. (Source: Department of Agriculture).

The targets would appear to be conservative, being less than 2% of the total area under cultivation and given the opportunity to grow SuperSorghum on more marginal land and to extend the milling season either side of the existing 6-8 month period.

We also note that AYI intends to focus its efforts on the Burdekin Valley in central northern Queensland which is known for its efficient farms. There is currently 70,000 hectares under cane in that area, feeding three local mills. AYI's target represents less than 8% of the total area under existing cultivation.

The second significant target market is the grain sorghum farmers on the Darling Downs in central southern Queensland where there are 100,000 hectares of land under grain sorghum producing feedstock for the Dalby bio-ethanol plant owned by United Petroleum. We are advised that test results of SuperSorghum production show yields far in excess of that currently achieved from grain sorghum. (Source: United Petroleum, Dalby Bio refinery websites)

As noted in AYI's recent ASX announcements, the company is confident that the Super Sorghum product has great potential to create a significant business for AYI in the supply of seed to farmers in Australia and that there are further opportunities to expand the business into stock feed, sugar wholesaling, and ethanol production.

AYI's Explanatory Statement notes that it is examining the opportunity to replace grain sorghum as the primary feedstock for ethanol production in the darling Downs and that testing of SuperSorghum syrup by the Dalby ethanol plant is currently taking place,

It also notes that AYI's medium and long term expansion plans will depend on the availability of further funding.

We have chosen to exclude any revenues or costs from these expansion plans, for purposes of the cash flow analysis

TABLE 1

DISCOUNTED CASH FLOW ANALYSIS (\$'000)

(\$000's)	Note	Year 1	Year 2	Year 3	Year 4	Year 5	Total \$
Sales Volume (Kg)	1	6400	24325	46725	72325	96250	
Total Revenue	1	512	1946	3738	5786	7700	
Cost of Revenue	2	-282	-1070	-2056	-3183	-4235	
Operating Expenses- fixed	3	-280	-280	-290	-290	-300	
-variable	4	-608	-672	-713	-750	-775	
Operating Profit		-658	-76	639	1523	2350	
Income tax	5						
Net Profit		-658	-76	639	1523	2350	
Depreciation	6						
Gross Cash Flow							

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Less: capital Expenditure/Additional Working Capital	7						
Net Cash Flow		-658	-76	639	1523	2350	3778
Discount Rate: 20%	8	.833	.694	.579	.482	.402	
Present Value		-548	-53	370	734	945	1448
Discount Rate: 25%	8	.800	.640	.512	.410	.328	
Present Value		-526	-49	327	624	771	1147

Total Net Present Value (years 1 to 4) @ Discount rate of 20%: \$1,448,000
Total Net Present Value (years 1 to 4) @ Discount rate of 25%: \$1,147,000

Adopt mid-point valuation \$1,297,500

Notes:

1. Once established (post Year 1), annual sales volumes have been projected at 24,000kg (Year 2), 47,000kg (Year 3), 72,000kg (Year 4), 96,000kg (Year 5) at a nominal average selling price of \$80/kg.
2. Cost of revenue includes costs directly associated with revenue generation including product cost, sales and customer support. Say 55% of \$ Sales
3. Fixed expenses include rent, listing and registry costs, office costs and other expenses which do not vary with output.
4. Variable expenses include certain salaries which are assumed to increase as the volume of business increases.
5. It is assumed that no income tax will be payable in the period under review, due to carried forward losses and potential research and development incentives
6. & 7. Depreciation is an accounting concept which does not represent a flow of cash and is excluded from the analysis and substituted with capital expenditure. In the early stages of the SuperSorghum business, capital expenditure and additions to working capital are assumed to be immaterial.
8. We consider that the discount rate range adopted is appropriate and realistic, having regard for the nature of the business, the research and development expenditure invested and available to AYI, the conservative assumptions adopted (e.g. exclusion of all earnings from future ethanol-related activities) and our assessment of the risks and uncertainties attaching to the business being developed.

3.5 As the fair value of the total purchase consideration offered is less than the fair value of the total assets to be acquired, the transactions are considered fair.

We are of the view that Directors are justified in “recommending that shareholders vote in favour of the resolutions to approve the Transactions”.

3.6 ASSESSMENT OF THE TRANSACTIONS FOR NON-ASSOCIATED SHAREHOLDERS

3.7 In assessing whether the Transactions are ‘fair and reasonable’, we have considered the overall effect of the Transactions and other guidelines set out in RG 111.

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3.8 Because our primary objective is to determine whether the transactions are fair and reasonable from the perspective of the AYI shareholders, it is only necessary to assess whether the total purchase consideration payable for the acquisition of the SuperSorghum business is less than the value of the economic benefits received. i.e. it is not necessary to determine a precise fair market value for the assets acquired (essentially the value of the SS business).

We have also had regard for the fact that AYI has reported negative Earnings Per Share (EPS) in prior years and therefore, any positive EPS is accretive. The purchase should be considered reasonable if total acquisition cost, including financing and transaction costs is exceeded by net earnings generated by the Supersorghum business (discounted for net present value and risk).

4.0 Reasonableness of the Transactions

In our opinion, the position of shareholders is more advantageous if the Transactions proceed than their position if the transactions do not proceed.

Accordingly, we believe the Transactions are reasonable for shareholders.

Table 1

Advantages	Disadvantages
The transactions are fair and reasonable	Shareholders will be exposed to 100% of the capital and funding risk of the acquisition
Shareholders will have certainty in the ownership and financial benefits of the SuperSorghum business	Shareholders will be exposed to 100% of the capital and funding risk of the SuperSorghum business
Shareholders will be able to participate in 100% of the exploitation and development of the SuperSorghum business (within the SOL agreement terms)	Shareholders will be exposed to 100% of the uncertainty that comes from acquiring the SuperSorghum business

We have compared the likely advantages and disadvantages to non-associated shareholders if the Transactions proceed, as opposed to the advantages and disadvantages to those shareholders if the transactions do not proceed.

The following factors have been considered when evaluating whether the Transactions are fair and reasonable to existing non-associated shareholders of AYI:

- The financial impact of the Transactions to those shareholders
- The alternatives available to AYI if the Transactions do not go ahead
- The value of the underlying assets compared to the value of the total consideration to be paid
- Any other factors or circumstances which may have a material impact

4.1 We consider it necessary to assess the potential change in control of AYI, following the investment and funding strategies contemplated.

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As pointed out in the Explanatory Memorandum, after the final conversion to shares on 31 December 2014, it is likely that the current shareholders' proportion of AYI will be substantially diluted and the new funders will hold a large proportion of the equity with capacity to control the Company. As noted, "OPM has stated that it has no intention to interfere with management, but of course there can be no guarantee this position will continue into the future. This disadvantage and risk must be balanced against the enormous benefits the SuperSorghum business brings to the Company".

Whilst these issues and the ultimate ownership percentages cannot be accurately quantified, we concur with the Board's assessment that the exposures and uncertainties at this point in time are outweighed by the funding advantages and commercial potential of the SuperSorghum business.

- 4.2** We have considered the liquidity and working capital position of AYI in the context of its ability to fund and optimize the opportunities presented by the SuperSorghum business to be acquired.

We note that the AYI 30 June 2013 Annual Report discloses a consolidated net loss for the year of \$2.99 million and total equity of \$229,000. This reflects the Convertible Notes payable of \$2.72 million included in non-current Liabilities at that date, which will convert to equity as set out Resolution 1 above.

4.3 Fairness Overview

An assessment of fairness is normally referable to price. It follows that, if the value of the total consideration to be paid is less than the value of the underlying assets of the SuperSorghum business to be acquired, then the Transactions can normally be considered fair.

- 4.4** Value, in general, is a measure of the benefits received from utilizing assets.

In valuing the SuperSorghum business, we have adopted a Discounted Cash Flow approach. This supports the fundamental definition of 'fair market value' being the price at which an asset changes hands between a willing buyer and a willing seller, when both have reasonable knowledge of all relevant facts and neither is under compulsion to act.

The underlying valuation philosophy is that of estimating the future economic benefits to flow from ownership, exploitation and development of the SS business.

Whilst all valuation approaches have their practical limitations, the 'Income Approach' addresses the ability of the assets to generate future cash flow. This approach is based on discounted cash flow theory and defines the value of the subject assets as the present value of the anticipated net economic benefits to be achieved over the duration of those assets' economic lives. The forecast cash flow is discounted via present value calculations to arrive at their current value.

As well as being able to accurately forecast revenue by period, it is also necessary to estimate an asset's economic life.

The discount rate used in the calculations must reflect all of the risks and uncertainties inherent in generating the future income or cash flow.

5.0 OTHER MATTERS

Voting for or against the resolutions which relate to the Transactions is a matter for individual shareholders based upon their own views of value, risk, liquidity preference, portfolio strategy and tax position. AYI shareholders who are in doubt as to the action they should take in relation to the resolutions should consult their professional advisor. This report should be read in conjunction with and not independent of the remainder of this report, which contains the following appendices:-

Appendix A – purpose and scope of the report
Appendix B – Valuation methodologies
Appendix C – Sources of information
Appendix D – Statement of qualifications
Appendix E - Financial Services Guide

6.0 CONCLUSION

We have considered the quantum and terms of the Transactions as outlined in the body of this report and have concluded that overall the proposed Transactions (taken as a whole) are both **Fair and Reasonable** to the non-associated shareholders of AYI.

Yours faithfully,

BlueMount Capital (Sydney) Pty Limited

Authorised Representative of Australian Financial Services License No. 288877



Norman A Hilton
Director

Appendix A

A. Purpose and Scope of Report

A.1 Purpose of Report

AYI is an ASX listed public company and ASX has confirmed that Listing Rule 11.1.1 applies to the Transaction. Chapter 11 sets out the requirements that an entity must satisfy if it proposes a significant change to the nature or scale of its activities.

Rule 11.1 requires an entity which proposes to make a significant change to the nature or scale of its activities, to provide full details to ASX .

Under Rule 1.1.1, the entity must give ASX information regarding the change and its effect on future potential earnings.

The purpose of this report is to assess whether the transactions, and specifically those set out in Resolutions 3,4,5, 6 and7, are fair and reasonable to the existing non-associated shareholders of AYI.

A.2 ASX Listing Rules and Corporations Act 2001

AYI is listed on the Australian Securities Exchange ("ASX"). ASX Listing Rule 11.1.1 provides that a company shall not acquire a significant asset from a related party, or substantial shareholder without prior approval of shareholders. The Listing Rule also provides that shareholders must be provided with information concerning the purchase including a report on the proposed acquisition from an independent expert providing an opinion whether the transaction is fair and/or reasonable.

Acquisitions approved by members under item 7 of s611 of the Corporations Act contain disclosure requirements to ensure that members are able to make an informed decision about whether or not to approve the acquisition. The voting restrictions ensure that only members who are not associated with the parties to the transaction are able to vote in favour of the proposal.

In order to comply with both the relevant ASX Listing Rules 10 and Corporations Act 2001 requirements, the directors of AYI have determined that an Independent Expert's report commenting on whether the Transactions are fair and reasonable to the non-associated shareholders of AYI, should be included with the Special General Meeting information documents in order for members to decide whether or not it is in the company's interest to pass the related resolutions.

A.3 ASIC Regulatory Guides

ASIC RG74 indicates that AYI should submit an independent expert report with its application.

ASIC has also issued RG 111 with respect to the meaning of 'fair and reasonable'. RG 111 states that the words 'fair and reasonable' establish two distinct criteria to analyse and that it is not to be regarded as a compound phrase.

RG 111 states, that in relation to a takeover transaction, an offer is 'fair' if the value of the offer price or consideration is equal to, or greater than the value of the securities the subject of the offer. This comparison should be made assuming 100% ownership of the 'target' and should be irrespective of whether the consideration is scrip or cash.

RG 111 states that an offer is 'reasonable' if it is fair. It might also be reasonable if, despite being 'not fair', the expert believes there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

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A.4 Limitations of Report

This report has been prepared at the request of the directors of AYI for the purposes of assisting the non-associated shareholders in their decision on which way to vote on the resolutions in respect of the Transactions.

This report is not intended to serve any other purpose and should not be relied upon by any other person or for any other purpose. In preparation of this report, BlueMount has relied upon financial and other information provided by AYI. We believe that the information provided was reliable, complete and not misleading and there is no reason to believe that any material facts have been withheld; however we have not conducted any due diligence of our own to assess the correctness or completeness of this information.

The opinion of BlueMount is based on economic, market and other conditions prevailing on the date of this report. Such conditions can change over a relatively short period of time.

Appendix B

B. Valuation methodologies

B.1 Discounted Cash Flow Based Analysis

This methodology recognizes the present value of the net cash flows expected to be derived from future operations and the estimated realizable value of any surplus assets. These future cash flows are discounted to current values by recognizing both the risk and uncertainty of their receipt, and the time value of money using a suitable discount rate. This methodology is normally considered to be the most appropriate in the determination of value where there is adequate information about likely future cash flows, usually over a finite term.

B.2 Capitalisation of Maintainable earnings

This requires consideration of the following factors:

- (a) Estimation of future maintainable earnings. The maintainable level of earnings is regarded as the level below which, in the absence of unforeseen circumstances, the income stream flowing from the assets is unlikely to fall. Maintainable earnings can be influenced by a number of factors including
 - Trend and history of historical performance
 - Stage of development of the business
 - Sensitivity to industry risk factors and general economic outlook
 - Extent to which one-off or non-recurring transactions are reflected in the financial records: and
- (b) Determination of an appropriate capitalization rate or earnings multiple which will reflect a buyer's required rate of return from the business. It should reflect
 - Operational risks of the business
 - Growth profile of the business
 - Working and long term capital requirements

- Nature of the specific business environment
- Alternative investment opportunities
- Separate assessment of surplus or non-essential assets and liabilities

This methodology is generally recognized as a surrogate for a discounted cash flow analysis. It is typically employed where a business (or asset) has mature operations with a history of profits and an expectation that these will be maintained at similar levels in the future.

B.3 Comparable Market Transactions

This methodology requires research to ascertain details of any comparable transactions in the same industry for a similar entity to that being valued. If such comparable transactions exist, then the asset, revenue or earnings multiples, or other measures employed in the actual transaction can be utilized in the valuation.

The difficulty with this methodology is the sourcing of sufficient information regarding the sale process to accurately analyse the consideration paid and to establish the comparability of the two entities.

B.4 Quoted Price of Listed Shares

This methodology can be used on some listed companies and other private companies that are comparable. It requires research on share prices, volumes, spreads, trading day and the company's capital. This data is analysed to determine whether the shares are reflective of market forces and other publicly available information. If so, the values are used as an indication of the fair value of the company within the operation of an efficient market such as ASX.

B.5 Net Assets or Cost Based Approach

In the absence of positive or very poor cash flow or earnings, the net asset value of an entity can be a reasonable indication of the minimum value for that entity. This involves determination of the net realizable value of the assets assuming their orderly realization. This value should include an allowance for the reasonable costs of carrying out the sale and in some cases, the time value of money. It is not a valuation on the basis of a forced sale, where assets may be sold at values materially less than their fair market value.

This approach is appropriate where the business or entity is predominately a property or liquid investment activity, is not generating adequate returns and in certain circumstances where there are surplus non-operating assets.

Appendix C

Sources of Information

In preparing this report, we have reviewed and/or relied upon the following sources of information:

- Relevant AYI releases to ASX.

- AYI Notices of Special General Meeting and accompanying Explanatory Statements.
- Heads of agreement with SOL dated 24 March 2014
- Other related agreements with funding and transaction participants
- Supplementary Memorandum of Understanding with SOL dated 4 June 2014
- AYI 2013 Annual Report.
- AYI internal five year operating plan and related cash flow forecasts
- Industry and internal research on benefits of SuperSorghum, sweet sorghum for bio-ethanol production.
- Research on energy and greenhouse gas emission results for fuel ethanol.
- Published Tables for Black-Scholes call option calculations.
- Relevant information in the public domain.

Appendix D

Statement of Qualifications, Independence, Declarations and Consents

Qualifications

BlueMount Capital (Sydney) Pty Limited ("BlueMount") is a corporate and capital markets advisory group. The directors regularly perform corporate and asset valuations and advise on company capital raisings, restructures, acquisitions and disposals.

The person responsible for the preparation of this report is Norman Hilton. He has had extensive experience in relevant corporate advisory matters including valuations and independent expert reports. His professional resume is set out below.

Norman Hilton graduated from the University of New South Wales in 1966 with a Bachelor of Commerce degree, majoring in Accountancy.

In that year he joined the international accounting firm of Touche Ross where he spent twenty years in Australian, Canadian and USA offices, including nine years as an audit partner in the Sydney office. He qualified as a Chartered Accountant in 1968 and is a fellow of the Institute of Chartered Accountants in Australia and a member of the Australian Society of Certified Public Accountants.

His relevant work experience at Touche Ross included audits and investigations into the accounting and financial affairs of companies in most business sectors. He also held senior responsibility for technical accounting and auditing issues.

From 1986 to 1988 he was Finance Director and then Managing Director of a substantial oil and gas exploration and production group with operations in Australia, UK and USA. He had overall responsibility for all financial, operational and personnel matters within the group.

For the last twenty four years he has been engaged as principal of his own advisory firm, Profin Consulting, providing consultancy in financial and forensic accounting services. He is also an executive director of BlueMount Capital (Sydney) Pty Limited, and has extensive experience in the areas of business valuation, preparation of independent expert's reports regulated by ASIC through Regulatory Guides RG 74, RG 76, RG 111

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and RG 112, ASX Listing Rules Chapter 10,11, due diligence reviews, economic loss and associated litigation support briefs.

His experience includes giving evidence and cross-examination as an expert witness in commercial, personal injury, family law, mediation and arbitration matters.

Independence

BlueMount considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC and has issued an opinion and report on an unbiased basis.

BlueMount or any of its directors have not held within the previous two years, any shareholding in the Company nor have they, within the previous two years provided professional services to the Company.

With the exception of the professional fees referred to below, received for the preparation of this report, no parties will receive any other benefits, either directly or indirectly, for or in connection with issuing this report and otherwise, have no interest in the opinion reached.

Disclaimers

This report should not be used or relied upon for any purpose other than as an expression of opinion of the fairness and reasonableness of the Transaction BlueMount expressly disclaims any liability to any who relies on this report, or seeks to rely on the report for any other purpose and to any other party who relies or purports to rely on this report for any purpose.

Appendix D identifies the sources of information upon which this report is based. Whilst BlueMount has no reason to believe that it is not reliable and accurate, it has not caused such information to be independently verified or audited in any way. Inquiry, analysis and review have not brought anything to our attention to indicate a material misstatement, omission or lack of reasonable grounds upon which to base our opinion.

The opinions expressed in this report are given in good faith and in the belief on reasonable grounds that such opinions are not misleading. This report has been prepared with care and diligence. However, no responsibility is accepted by BlueMount or any of its directors, officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve BlueMount from consequences related to an opinion expressed recklessly or in bad faith.

Advanced drafts of this report were provided to the directors of the company. Minor changes for factual content were made to this report. There were no alterations to the methodology or conclusions reached as a result of discussions related to drafts of the report.

BlueMount's opinion is based on prevailing conditions at the date of this report including market, economic and other relevant circumstances. These can change over a relatively short time period and subsequent changes in these conditions can have a material impact on values either positively or negatively.

Indemnity

The Company has agreed that it will indemnify BlueMount and officers and employees in respect to any losses, claims, damages and liabilities arising as a result of or in connection with the preparation of this report, except where the claim has arisen as a result of willful misconduct or negligence by BlueMount

Consent

This report has been prepared at the request of the Company and may accompany information to be given to shareholders.

BlueMount consents to the issuing of this report in the form and context to which it is to be issued. Other than this report, BlueMount has not been involved in the preparation of the documents or other aspects of the transaction or any Notice of Meeting to which this report may be attached. Accordingly, we take no responsibility for the content of any such Notice of meeting or for the Transaction as a whole. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without prior written consent of BlueMount as to the form and context to which it appears.

Appendix E

Financial Services Guide (FSG)

BlueMount Capital (Sydney) Pty Limited
Level 10, 8-10 Loftus Street
SYDNEY NSW 2000

Authorised Representative of AFSL 288877
Tel: +61 1300 70 70 10

Engagement of BlueMount

We are not acting for any person other than the party or parties who engaged us. We are required to give you a FSG because our report is being provided to you.

The financial product advice in our report is provided by BlueMount Capital (Sydney) Pty Limited and not by any other related or associated entities.

Information about Advice Provided

The financial product advice provided in our report is 'general advice' because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our report is appropriate for you, having regard for your own personal objectives, financial situation or needs.

Our fee for the preparation of this report is a fixed amount of \$18,000 plus GST. We may also seek reimbursement of out-of-pocket expenses necessarily incurred in providing our services.

For personal use only

Fee arrangements have been agreed with the party who engaged us and that remuneration has been confirmed in a written engagement letter with that party.

Neither BlueMount Capital (Sydney) Pty Limited nor its directors and officers, nor any related bodies corporate or associates and their directors and officers receives any commissions or other benefits , except for the fees for services rendered to the party who actually engaged us.

What should you do if you have a complaint?

If you have any concerns regarding our report, you may seek to advise us.

If you are not satisfied with the steps we have taken to resolve your complaint, you may contact the Financial Industry Complaints Service ("FICS"), FICS provides free advice and assistance to consumers to help them resolve complaints relating to members of the financial services industry. Complaints may be submitted to FICS at:

Financial Ombudsman Service
GPO Box 3, MELBOURNE VIC 8007
Tel: 1300 780 808
Email: [info@fos.org.au/](mailto:info@fos.org.au)
Internet: <http://www.fos.org.au/>

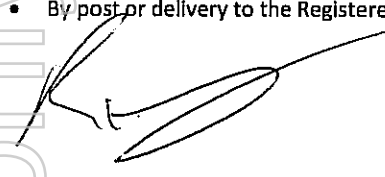
The Australian Securities and Investments Commission ("ASIC") regulates Australian companies, financial markets, financial services organizations and professionals who deal and advise in investments, superannuation, insurance, deposit taking and credit. Their website contains information on lodging complaints about companies and individual persons and sets out the types of complaints handled by ASIC. You may contact ASIC as follows:

Info line; 1300 300 630
Email: info@asic.gov.au
Internet: <http://www.asic.gov/asic/nsf>

A proxy form is attached.

To be valid, properly completed forms must be received by the Company no later than 10am (EST) on 22 August 2014:

- By email to info@a1investments.com.au
- By post to Suite 606, Level 6, 37 Bligh Street, Sydney, NSW, 2000
- By facsimile to 02 9232 8883
- By post or delivery to the Registered Office, being: Suite 606, Level 6, 37 Bligh Street, Sydney, NSW, 2000



By Order of the Board

Robert Kineavy

Company Secretary

22 July 2014

The Explanatory Statement provides additional information on matters to be considered at the Special General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

Entitlement to Vote

The Directors have determined that the persons eligible to vote at the Special General Meeting are those who are registered Shareholders of the Company at 10am (EST) on 22 August 2014.

A1 INVESTMENTS & RESOURCES LTD

ACN 109 330 949

PROXY FORM

FAX (02) 9232 8883

To: Company Secretary
 A1 Investments & Resources Ltd
 Suite 606, Level 6 37 Bligh St
 Sydney NSW 2000

Shareholder	_____
	<i>(full name of shareholder - please print)</i>

	<i>(address)</i>
Appoints	_____
	<i>(name, or office held, of Proxy - please print)</i>

	<i>(address)</i>

or failing such appointment or the absence of that person, **the Chair of the Meeting**, as my Proxy to vote for me on my behalf (with discretion as to any business not referred to below) at the Annual General Meeting of the Company to be held on 26 August 2014 at 10.00 am (Sydney time), and at any adjournment of that meeting.

(Voting instructions to be indicated by a **tick** in the appropriate box. If no instruction is given the Proxy may vote as that person thinks fit (other than in respect of item 3), or abstain. The Chairman of the Meeting intends to vote undirected proxies in favour of each resolution.)

I/We instruct my/our proxy to vote as follows:

	BUSINESS	FOR	AGAINST	ABSTAIN
1.	Approve the Change to Convertible Note and the Issue of Shares to Noteholders on conversion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	Approve a Further change in the Convertible Note Trust Deed to provide that Noteholders shall be entitled to elect to receive shares in PAFtec at a price of 30 cents per PAFtec share instead of shares in the Company at conversion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	Approval of Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	Converting Note	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	Options to King Fame	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	License	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	Sale of Jinji	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you do not wish to direct your Proxy how to vote, please place a mark in the following box:

By marking this box, you acknowledge that the Chair of the Meeting may exercise your proxy vote even if he has an interest in the outcome of the resolution and votes cast by him other than as a Proxy will be disregarded because of that interest. The Chairman of the Meeting intends to vote undirected proxies in favour of each resolution.

Note: Please read under "VOTING BY PROXY", of the Notice of Annual General Meeting, as to completion and lodgement of this Proxy Form.

SIGNATURE(S) / EXECUTION	
<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> <i>Individual/Sole director/Sole secretary</i>	<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> <i>Director/Secretary</i>

VOTING BY PROXY

- (a) (right to appoint): Each shareholder has the right to appoint a proxy to attend and vote for the shareholder at this meeting.
- (b) (two proxies): To enable a shareholder to divide their voting rights, a shareholder may appoint 2 proxies. Where 2 proxies are appointed:
 - (i) a separate Proxy Form should be used to appoint each proxy;
 - (ii) the Proxy Form may specify the proportion, or the number, of votes that the proxy may exercise, and if it does not do so the proxy may exercise half of the votes.
- (c) (who may be a proxy): A shareholder can appoint any other person to be their proxy. A proxy need not be a shareholder of the Company. The proxy appointed can be described in the Proxy Form by an office held, for example, "the Chair of the Meeting".
- (d) (signature(s) of individuals): In the case of shareholders who are individuals, the Proxy Form must be signed:
 - (i) if the shares are held by one individual, by that shareholder;
 - (ii) if the shares are held in joint names, by any one of them.
- (e) (signatures on behalf of companies): In the case of shareholders who are companies, the Proxy Form must be signed:
 - (i) if it has a sole director who is also sole company secretary, by that director (and stating that fact next to, or under, the signature on the Proxy Form);
 - (ii) in the case of any other company, by either 2 directors or a director and company secretary.

The use of the common seal of the company, in addition to those required signatures, is optional.
- (f) (other authorised persons): If the person signing the Proxy Form is doing so under power of attorney, or is an officer of a company outside of (e) above but authorised to sign the Proxy Form, the power of attorney or other authorisation (or a certified copy of it), as well as the Proxy Form, must be received by the Company by the time and at the place in (g) below.
- (g) (lodgement place and deadline): A Proxy Form accompanies this notice. To be effective, Proxy Forms (duly completed and signed) must be received by the Company:
 - (i) at Suite 606, Level 6, 37 Bligh St, Sydney, NSW, 2000; or
 - (ii) by facsimile on (02) 9232 8883,

(marked to the attention of the Company Secretary) no later than 10am (EST) on 22 August 2014