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21 October 2011

The Directors
FTD Corporation Limited
(To be renamed Centium Electric Limited)
PO Box 8281
SUBIACO WA 6008

Dear Sirs

RE: FTD CORPORATION LIMITED ("FTD" OR "COMPANY") (ACN 081 797 033) - MEETING OF SHAREHOLDERS PURSUANT TO SECTION 611 OF THE CORPORATIONS ACT 2001 ("TCA") ON THE PROPOSAL TO ACQUIRE THE EXCLUSIVE RIGHTS TO THE GLOBAL MASTER LICENSE FOR THE CONSIDERATION OF 62,100,000 POST CONSOLIDATED SHARES IN FTD

1. Introduction

1.1 We have been requested by the directors of FTD (soon to be renamed Centium Electric Limited) ("Centium") to prepare an Independent Expert's Report to determine the fairness and reasonableness relating to the proposals pursuant to Resolution 2 as detailed in the Notice of Meeting to FTD shareholders (the "Notice") and the Explanatory Memorandum to Shareholders ("ES") accompanying the Notice that is to be forwarded to shareholders in November 2011.

1.2 Under resolution 2 it is proposed that FTD will acquire the Exclusive Rights to the Global Master License as more fully described elsewhere in this report and the ES attached to the Notice for a purchase consideration of 62,100,000 post-consolidated ordinary shares in FTD. For the purposes of this report the 62,100,000 post consolidated shares to be issued by FTD are described as the Consideration Shares. It is expected that the Consideration Shares will be escrowed for a period of 24 months commencing on the date the Consideration Shares are issued. For the purpose of this report the proposed acquisition of all of the Exclusive Rights to the Global Master License is known as "the Transaction". The completion of the Transaction is subject to a number of conditions precedent; including FTD obtaining all necessary shareholder and regulatory approvals, including approval under Section 611 (Item 7) of TCA for the Transaction and FTD raising a minimum of $3,000,000 from a public issue at an issue price of 20 cents per share (15,000,000 post consolidated shares). The vendor of the Exclusive Rights to the Global Master License is Pacific Energy International Pty Ltd as trustee of the Hidro+ Foundation Trust ("HF Trust") is known as the Vendor. The sole beneficiary of the HF Trust is James Kwok, the primary inventor of the Hidro+ Technology.

1.3 It is planned as part of the recapitalisation of FTD to undertake the following:

- Undertake a 1 for 20 consolidation of capital so that the 36,474,593 pre consolidated shares on issue are reduced to approximately 1,823,730 shares post the 1 for 20 consolidation of capital (Resolution 1);
- Issue 200,000 post consolidated shares (equivalent to 4,000,000 pre consolidated shares) to an adviser, Bubbly Water Pty Ltd ACN 120 647 065 ("Adviser Shares") to the proposal to acquire the Exclusive Rights to the Global Master License (Resolution 4). Resolution 4 refers to a deemed issue price of $nil but under IFRS the deemed cost will be $8,000 (4 cents per post consolidate share) (equivalent to 0.2 cents per pre consolidated share);
- Issue of 20,000,000 shares at a deemed issue price of 1 cent each as consideration to convert a new loan of $200,000 made by a sophisticated investor, Periwinkle Investments Pty Ltd, ACN 103 915 251 (Resolution 5);
- Issue up to a maximum of 25,000,000 post consolidated shares at 20 cents each ("Capital Shares") to raise up to $5,000,000 via a Prospectus Issue (Resolution 3). The HOA refers to a minimum subscription under a capital raising of $3,000,000 (15,000,000 shares);
- Issue the 62,100,000 Consideration Shares to the Vendor of the Exclusive Rights to the Global Master License (Resolution 2);
- Appoint two new directors to the Board (KY Cao and David Ainsworth) (Resolutions 6 and 7 respectively);
- Change the name of the Company to Centium Electric Limited (Resolution 8); and
- Adoption of a new Constitution (Resolution 9).

There could be a total of approximately 109,123,730 post consolidated shares on issue if 25,000,000 Capital Shares issued to raise a gross $5,000,000 and 99,123,730 shares on issue if 15,000,000 Capital Shares were issued to raise a gross $3,000,000.

1.4 Under Section 606 of TCA, a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons or someone else's voting power in the company increases:

(a) from 20% or below to more than 20%; or
(b) from a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of TCA, Section 606 does not apply in relation to any acquisition of shares in a company approved by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. An independent expert is required to report on the fairness and reasonableness of the transaction pursuant to a Section 611 (Item 7) meeting.

1.5 If the acquisition of the Exclusive Rights to the Global Master License by FTD proceeds, the Vendor will be issued with a total of 62,100,000 post consolidated Consideration Shares in FTD as consideration for the sale of the Exclusive Rights to the Global Master License, representing approximately 62.65% of the expanded post consolidated ordinary issued capital of FTD (approximately 99,123,730 post consolidated shares will be on issue on a Capital Raising of $3,000,000 (approximately 56.91% if the maximum subscription of $5,000,000 is raised under the Capital Raising).

1.6 Therefore a notice prepared in relation to a meeting of shareholders convened for the purposes of Section 611 (Item 7) of TCA must be accompanied by an Independent Expert's Report stating whether the Transaction noted under resolution 2 is fair and reasonable. To assist shareholders in making a decision on the Transaction, the directors have requested that Stantons International Securities prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the Transaction is fair and reasonable to the non-associated shareholders of FTD (not associated with the Vendor).

1.7 We have not undertaken any due diligence on the Hidro+ Technology and the validity and strength of the patents and patent applications. We are also not reporting on the fairness and reasonableness of the other proposals (resolutions 1 and 3 to 11) but do note that the passing of all resolutions are interdependent on each other as all form part of the recapitalisation of FTD.

1.8 In determining the fairness and reasonableness of the proposed acquisition of the Exclusive Rights to the Global Master License, we have had regard to the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming full ownership of the "target" and irrespective of whether the consideration is script or cash. An offer is "reasonable" if it is fair. An offer may also be reasonable, if despite not being "fair", there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. It also states that, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to Section 611 (Item 7) of TCA, it is desirable to commission a report by an independent expert stating whether or not the proposal is fair and reasonable, having regards to the proposed allottee(s) (in this case, the Vendor) and whether a premium for potential control is being paid by the allottees.

Accordingly, our report relating to the issue of the Consideration Shares to the Vendor is concerned with the fairness and reasonableness of the proposals with respect to the existing non-associated shareholders of FTD and whether the Vendor is paying a premium for control.

1.9 Apart from this introduction, this report considers the following:

(a) Summary of opinion;
(b) Implications of the proposals;
(c) Corporate history and nature of business of FTD and Hidro+ Technology;
(d) Future directions of FTD;
(e) Basis of valuation of FTD shares as consideration;
(f) Basis of valuation of the Exclusive Rights to the Hidro+ Technology Global Master License;
(g) Conclusion as to fairness;
(h) Reasonableness of the proposals under resolution 2;
(i) Conclusion as to reasonableness;
(j) Sources of information; and
(k) Appendix A and our Financial Services Guide

1.10 In our opinion, the proposal as outlined in resolution 2 on a market-based approach is **on balance, reasonable** to the shareholders of FTD not associated with the Vendor. Owing to the nature of the Hidro+ Generators, valuations depend on the values placed on the technology interests and in this case the Exclusive Rights to the Hidro + Generator Global Master License. The valuation of technology interests and the valuation of future profitability and cash flows are extremely subjective as they involve assumptions regarding future events that are not capable of independent substantiation. Since we cannot determine a fair value for the, Exclusive Rights to the Hidro+ Generators Global Master License, we have concluded **that the proposals are not fair.**

The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report.

2. Implications of the Proposals

2.1 As at 18 October 2011, there are 36,474,593 fully paid shares on issue in FTD. The major shareholders at 18 October 2011 as noted in the share register are as follows:

	No. of shares	% of issued shares
Sim George Calder and SE Elm Super Fund	8,592,337	23.56
Anthony Stephen Crimmins	8,592,337	23.56
Sinbad Pty Ltd	8,592,337	23.56
Bubbly Water Pty Ltd	3,000,000	8.22
Young Village Estates Pty Ltd	1,594,780	4.37
	30,371,791	83.27

The Top 20 shareholders at 18 October 2011 owned approximately 91.11% of the ordinary issued capital of the Company.

2.2 The current Board of Directors comprises Harry Fung, Athan Lekkas and Nathan Taylor. If resolution 2 is passed and consummated, it is contemplated to change the Board and appoint KY Cao and David Ainsworth to the Board (resolutions 6 and 7 refer). Further directors may be appointed later as needs dictate.

2.3 The Company would own the Exclusive Rights over the Hidro+ Generator Global Master License and a pro-forma consolidated statement of financial position is disclosed elsewhere in this report.

2.4 If the acquisition of the Exclusive Rights to the Global Master License proceeds, the Vendor will be issued with a total of 62,100,000 post consolidated Consideration Shares representing approximately 62.65% of the expanded ordinary issued capital of FTD (99,123,730 shares will be on issue before any other share issues other than for the minimum issue of the Capital Shares). The percentage interest of the Vendor could be approximately 56.91% if 25,000,000 Capital Shares issued – there would be 109,123,730 shares on issue.

3. Corporate History and Nature of Business

FTD

3.1 The shares of the Company were suspended from trading by ASX on 3 March 2009 and on 30 July 2009 the Company's shareholders approved for the Company to enter into Voluntary Liquidation (voluntary wind up) and approved the appointment of Peter J Lucas of PA Lucas & Co Chartered Accountants and Dr Gary J Hamilton of Minter Ellison Lawyers as Joint and Several Liquidators. The entering into the voluntary liquidation was approved by shareholders after protracted disputes and/or litigation involving the ATO, claims by shareholders, represented by Slater & Gordon and funded by IMF, sale of 87 management rights and a FTD (then called Fig Tree Developments Limited) challenge (unsuccessful) in the Federal Court on some management right issues involving the Prime Retirement Aged Care Property Trust. As part of a recapitalisation proposal put forward by an Investment Group in April 2010, the shareholders approved the following:

(a) the Investment Group subscribed for or procured the subscription for up to 88,000,000 fully paid ordinary shares in the Company at an issue price of 0.001 cent each to raise $88,000 and 400,000 fully paid ordinary shares in the Company at 2 cents each, to raise $8,000 for a total capital raising of $96,000;

(b) the Investment Group offered all then existing shareholders (of approximately 12 million) 1.2 cents cash for every share held. The said cash came from the Investment Group, not the Company.

The Investment Group comprised of three (3) parties, two (2) of the then current Directors – Mr Tony Crimmins and Mr Steve Nicols and an Associate Winning Corporate Services Pty Ltd. The Liquidation was terminated on 28 June 2010. A 1 for 3 consolidation of capital was approved by shareholders in January 2011 and as at 13 June 2011 there were 36,474,594 shares on issue. In January 2011, the existing Board members were appointed to the Board. The statement of financial position (balance sheet) of the Company as at 30 September 2011 is outlined elsewhere in this report.

3.2 The Hidro+ Generators (Extract from a draft business plan provided to us in June 2011). We have not undertaken any due diligence on the technological interests.

"HOW IT WORKS"

"This patented innovative technology is commonly referred to as hydrodynamic-cycle technology for energy generation based on hydrostatic pressure gradients and buoyancy. Through the use of four (4) natural energies of gravity, buoyancy, pressure and gas density gradients are collectively engineered in a system to cause a free-fall velocity of a large weight to ascend and descend in a continuous cycle to produce electricity.

Hidro+ Generators can be constructed any where in the world, adjoining existing substations as Distributed Power System (DPS) and have been designed to be used for isolated, remote and regional areas having no electricity grids. Hidro+ Generators are not affected by fluctuations in the weather and lost energy due to transmission, whilst providing low cost energy production, zero-fuel, zero-emissions and smallest ecological impacts.

Hidro+ Group completed and concluded testing in December 2010 on the world's first Hidro+ pre-commercial Generated located at Mitchell Eco Industrial Estate at Quinn Hills Rd East, Stapylton, Queensland, Australia. The testing was on a generating capacity of 1MW of electricity out of a total generating capacity of 10MW.

The first Hidro+ commercial Generator is on track to begin construction in November 2011 and ready for commercial use in March 2012. The Generator is being constructed in Karawang Jakarta. FTD will have access to the commercial Hidro+ Generator as a sample for potential customers and other interested groups – media, academia and investors to inspect.

Access to the test and commercial Hidro+ Generator will be through a contractual agreement at commercial rental rates.

FTD will have an option to acquire the test generator at the expiration of the twenty (20) year lease term based on an independent market appraisal for a test plant.

Ownership of the pre-commercial test Hidro+ Generator and commercial Hidro+ Generator will not be vested with FTD Corporation Limited.

The Hidro+ Generators have been exhibited at UN COP15 in Copenhagen, Patents published by WIPO in Geneva, and featured in the Queensland University of Technology (QUT) Cleantech Newsletter.

World patents protection numbers are:

PCT-AU2007/906961; AU2008/902488; AU2008/001888; AUS- PATENT2008/338258
Hidro+ Patents are published by World Intellectual Property Organisation [WIPO-Geneva]
Publication number WO2009/0876727; and
World-wide national-phase stated in Section 7

ADVANTAGES

The Hidro+ Generators are installed and can be connected directly onto the existing switchboard fixed electrical wiring system, as an embedded generator for industry or factory. The approach saves the need for further expansion of the high tensile transmission lines and networks where much of the electricity losses are encountered.

A Hidro+ Generator is a modular system with precise fabrication and installation procedures, allowing procurement, construction and commissioning within four (4) months. Hidro+ Generators do not use fuel for combustion and thus no emissions which significantly abates greenhouse gases, no water is consumed for cooling or in its process thereby significantly saving this valuable natural resource. Hidro+ Generators as a combustion-free system creates no dust particulates emission to the atmosphere.

Expressions of interest have been received in relation to the purchase of Hidro+ Generators as a co-generation unit, and requests have also been received for the 1MW Hidro+ Generator from various major industries including Artas Steel Co, Jakarta Indonesia, Anika Pharmaceutical, Queensland and George City Council South Africa. Hidro+ Generators are capable of being operated remotely, thus the operational costs are reduced and there is the potential to be able to provide cheaper electricity for the community in the future.

This proposed transaction provides FTD with the World-Wide exclusive right to grant the Global Licenses countries internationally. Ten (10) Global Master Licences have previously been granted during the early stages of research and development (including United Kingdom and Ireland, Africa, Canada, New Zealand, Indonesia/East Timor, PNG, Philippines, Melenesia, Netherland and Singapore).

END OF EDITED EXTRACT FROM THE DRAFT BUSINESS PLAN

4. Future Directions of FTD (to be renamed Centium Electric Limited)

4.1 We have been advised by the directors and management of FTD that:

(a) There are no proposals currently contemplated whereby FTD will acquire any further property or assets from the Vendor (however FTD will issue Consideration Shares to the Vendor as outlined in resolution 2 and above to acquire the Exclusive Rights to the Hidro+ Generator Global Master License) or where FTD would transfer any of its property or assets to the Vendor;
(b) The composition of the Board will change in the immediate future as noted in paragraph 2.2 above;
(c) As a result of acquiring the Exclusive Rights to the Global Master License (if approved by shareholders), the Company may consider raising further working capital in 2012 and thereafter. The Acquisition is subject to the Company raising a minimum of $3,000,000 (and a maximum of $5,000,000) via the Capital Raising. The Company will seek re-quotation of its securities on the ASX;
(d) No dividend policy has been set and it is not proposed to be set until such time as the Company is profitable and has a positive cash flow;
(e) The Company will endeavour to enhance the value of the Global Licensing Rights to the Hidro+ Generators; and
(f) The Company plans to change its name to Centium Electric Limited.

<u>Edited Extract from a draft business plan prepared by FTD</u>

"FTD will be an integrated renewable energy organisation having exclusive access to a unique Hidro+ Generator for clean power generation, as well as an electricity generating system for remote areas. FTD's principle activities will be focused on selling the Master Licence on an international global basis and providing high-level technical services for the Licensees.

FTD will have high level in-house capabilities in technology licensing and management, power generation developments, technical and power engineering systems, operation and maintenance, high voltage transmission and distribution. This eill be achieved through the Board restructure and appointments of Mr Cao and Mr Ainsworth who have knowledge and experience in every aspect of the power industry. FTD will also have access to twelve (12) volumes of technical manuals covering engineering, procurement and construction.

FTD revenues will be derived from a one-off Territory License Fee based on generating capacity, Technology Licence Fee based on MW capacity and an on-going Annual Royalty based on kWhrs produced and applicable credits such as carbon reduction units (CRU), emission reduction unit (ERU) and Renewable Energy Certificate (REC).

Given the interest in Hidro+ Generators from various industries and potential Licensees, there is the opportunity for revenue commencement within six (6) months of ASX re-listing.

End of Edited Extract from Draft Business Plan

5. Basis of Valuation of FTD Shares

5.1 Shares

5.1.1 In considering the proposals outlined in resolution 2, we have sought to determine if the consideration payable by FTD to the Associated Vendor is fair and reasonable to the existing non-associated shareholders of FTD.

5.1.2 The offer pursuant to resolution 2 would be fair to the existing non-associated shareholders if the value of the assets (Exclusive Rights to the Hidro+ Technology Global Master License) being acquired by FTD is greater than the implicit value of the Consideration Shares being offered as consideration. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on FTD ordinary shares for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining a theoretical value of an FTD ordinary share are:

(g) Capitalise maintainable earnings/discounted cash flow;
(h) Takeover bid—the price at which an alternative acquirer might be willing to offer;
(i) Adjusted net backing and windup values; and
(j) The market price of FTD shares.

5.2 Capitalise maintainable earnings and discounted cash flows.

5.2.1 Owing to FTD's current operations, a lack of profit history arising from business undertakings and the lack of a reliable future cash flow from an existing current business activity, we have considered these methods of valuation not to be relevant for the purpose of this report. The Company to 30 September 2011 has estimated trading losses of approximately $10,868,859.

5.3 Takeover Bid

5.3.1 It is possible that a potential bidder for FTD could purchase all or part of the existing shares; however, no certainty can be attached to this occurrence. To our knowledge, there are no current bids in the market place and the directors of FTD have formed the view (that we concur with) that there is unlikely to be any takeover bids made for FTD in the immediate future. However following the completion of the proposals under

Resolution 2, the Vendor will own between 56.91% to 62.65% depending on the extent of the Capital Raising.

5.4 Net Asset Backing

5.4.1 Set out below is a pro-forma unaudited statement of financial position of FTD as at 30 September 2011 – provided by the Company's management. It ignores any further losses incurred by FTD post 30 September 2011. In addition, we disclose a pro-forma statement of financial position that assumes the following:

- The consolidation of the Company's securities on a 1 for 20 basis so that there are 1,823,730 post consolidated shares on issue before the issue of any other shares;
- The issue of 200,000 post consolidated Adviser Shares at a deemed cost of $8,000;
- The raising of $200,000 cash by way of a converting loan and converting the loan to 20,000,000 post consolidated shares at a deemed issue price of 1 cent each;
- The issue of 15,000,000 Capital Shares (via a Prospectus Issue) at a 20 cents each to raise a gross $3,000,000 (the Company may raise a gross up to $5,000,000);
- The payment of capital raising costs and other costs pertaining to the acquisition of the Exclusive Rights to the Hidro+ Global Master License estimated at $160,000;
- The issue of 62,100,000 Consideration Shares at a deemed 20 cents each to acquire the Global Rights to the Hidro+ Technology (deemed share cost of $12,420,000); and
- The payment of 30 September 2011 accounts payable of $95,954 and loans totaling $1,013,495.

	FTD Unaudited 30 September 2011 (as adjusted) $	FTD Pro-forma Unaudited 30 September 2011 (as adjusted) $
Current Assets		
Cash	2,594	2,150,759
Receivables	-	-
	2,594	2,150,759
Non Current Assets		
Intangibles	160,000	12,580,000
Plant and equipment	-	-
		12,580,000
Total Assets		14,730,759
Current Liabilities		
Trade and other payables	95,954	-
Other Loans	1,013,495	-
Total Current Liabilities	1,109,449	-
Net Assets (Liabilities)	(946,855)	14,730,759
Equity		
Issued capital	9,113,561	24,791,175
Reserves	808,443	808,443
Accumulated losses	(10,868,859)	(10,868,859)
Net Equity (Deficiency)	(946,855)	14,730,759

5.4.2 Based on the adjusted pro-forma book values as at 30 September 2011 this equates to a value per fully paid ordinary share (pre consolidated) of approximately nil cents (ignoring the value, if any, of non-booked tax benefits and losses that may have been incurred post 30 September 2011) and assuming 36,474,593 pre consolidated fully paid ordinary shares are on issue. Post the Acquisition and assuming the issue of the minimum Capital Raising of $3,000,000, the net assets may total approximately $14,730,759 or approximately 14.86 cents (99,123,730 shares on issue) (approximately 2.17 cents cash asset backing). In the event that the maximum capital raising of a gross $5,000,000 was raised, the net asset backing would increase to approximately $16,570,759 after allowing for further capital raising costs of $160,000 and the net asset backing per post consolidated share would approximate 15.18 cents (109,123,730 shares on issue). The cash asset backing would lie in the range of approximately 2.17 cents and 15.18 cents depending on whether the maximum or minimum Capital Raising was achieved. All of the above figures exclude losses incurred post 30 September 2011.

5.4.3 No detailed review was made by us on the assets and liabilities disclosed in the unaudited adjusted balance sheet as at 30 September 2011. We have been assured by the management of FTD that they believe the carrying value of all current assets and liabilities at 30 September 2011 are fair and not materially misstated.

5.4.4 We also note it is not the present intention of the directors of FTD to liquidate the Company and therefore any theoretical value based on wind-up value or even net book value, is just that, theoretical. Currently the shares in the Company are virtually worthless and have a negative book value. However, the Transaction (acquiring the Exclusive Rights to the Global Master License) is subject to the reconstruction of the Company and the raising of a minimum of $3,000,000 by the issue of 15,000,000 post-consolidated shares at 20 cents each. The shareholders, existing and future, must acquire shares in FTD based on the market perceptions of what the market considers an FTD share to be worth. It would not be unreasonable to ascribe the post consolidated issue price of the Capital Shares to the Consideration Shares proposed to be issued. Furthermore, for accounting purposes under Australian Equivalents to International Financial Reporting Standards ("IFRS"), the consideration for the issue of shares in FTD to acquire the Exclusive Rights to the Hidro + Technology Global Master License will be booked at the share price of a FTD share at the date of completion of the Transaction (presumed to be the date the Consideration Shares are issued to the Associated Vendors). Accordingly, for the reasons outlined above, we believe that for the purpose of this report, it is not appropriate to use any technical value of an FTD share in assessing whether the proposal to acquire the Exclusive Rights to the Hidro + Technology Global Master License is fair and reasonable. We believe the post consolidated issue price relating to the Capital Shares of 20 cents each is appropriated for this case. We believe a market-based approach is a more suitable basis of assessing whether the proposed Transaction is fair and/or reasonable.

5.5 Market Price of FTD fully paid shares

5.5.1 The shares in FTD have been suspended from trading for some time and will not be re-quoted until the $3,000,000 capital raising is completed and the Transaction occurs. As discussed above, we believe that it would be appropriate to ascribe 20 cents (on a post consolidated basis) to each of the Consideration Shares that is the same as the share price to be attributable to the Capital Shares to raise a gross $3,000,000.

5.5.2 The future value of a FTD ordinary share after the Exclusive Rights to the Global Master License acquisition of will depend on, inter-alia:

(a) The future commercialisation of the Exclusive Rights to the Global Master License;
(b) The state of Australian and overseas stock markets;
(c) Membership, control and quality of the Board and management;
(d) The cash position of the Company;
(e) General economic conditions; and
(f) Liquidity of shares in the Company

6. Basis of Valuation of the Exclusive Rights to the Hidro+ Technology Global Master License

6.1 The usual approach to the valuation of an asset is to seek to determine what an informed, willing but not anxious buyer would pay to an informed, willing but not anxious seller in an open market. To estimate the fair market value of the Exclusive Rights to the Global Master License we have considered valuation methodologies recommended by ASIC Regulatory Guideline 111 regarding valuation reports of independent experts and common market practice. These are discussed below.

6.2 Market based methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its shares or market value of comparable companies. Market based methods include:

(a) Capitalisation of maintainable earnings;
(b) Analysis of a company's recent share trading history; and
(c) Industry specific methods.

The capitalisation of maintainable earnings methods estimates fair market value based on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings is appropriate where the company's earnings are relatively stable. The most recent share trading history provides evidence on the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. Industry-specific methods estimate market value using rules of thumb for a particular industry. Generally, rules of thumb provide less persuasive evidence on market value of a company, since they may not account for company-specific factors.

6.3 Discounted cash flow method

The discounted cash flow method estimates market value by discounting a company's future cash flows to their present value. This method is appropriate where a projection or forecast of future cash flows can be made with a reasonable degree of confidence. The discounted cash flow method is commonly used to value early stage companies or projects with a finite life.

6.4 Asset-based methods

Asset-based methods estimate the market value of a company's shares based on the realisable value of its identifiable net assets. Asset-based methods include:

(a) Orderly realisation of assets method;
(b) Liquidation of assets method; and
(c) Net asset on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter timeframe. Since winding up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis, estimates the market values of the net assets of the company but does not take account of realisation costs.

These approaches ignore the possibility that the company's value could exceed the realisable value of its assets. Asset-based methods are appropriate when companies are not profitable or a significant proportion of a company's assets are liquid.

6.5 Selection of Valuation Methodologies

All of the valuation methodologies considered above have significant limitations or restrictions in their application to the Exclusive Rights to the Global Master License.

Capitalisation of maintainable earnings and discounted cash flow methodologies are not appropriate because no reliable prospective financial information is available (refer below). An asset-based method and market based method is also not suitable as the Exclusive Rights to the Global Master License is limited by the fact that the Rights that have yet to be commercially exploited. There have been limited sales of licensing rights to some countries however such licensing rights sold to date will not form part of the Exclusive Rights to the Global Master License and not provide a cash flow to FTD.

6.6 In this section we consider the valuation of the Exclusive Rights to the Global Master License. We have considered the valuation of the Exclusive Rights to the Global Master License in assessing whether or not the proposal outlined in resolution 2 is fair and reasonable for FTD's non-associated shareholders. In forming our opinion on the value of the Exclusive Rights to the Global Master License we have:

(a) Considered the stage of development of the Exclusive Rights to the Global Master License and the prospective financial information available;
(b) Considered the appropriateness of the valuation methodologies available; and
(c) Considered the ability to commercialise the Exclusive Rights to the Global Master License without funding.

6.7 Valuation of the Exclusive Rights to the Global Master License

As discussed, the capitalisation of maintainable earnings, discounted cash flow and asset-based methodologies have limitations in their application to the Global Rights to the Hidro+ Generator. It is noted that there are no internal valuations prepared and no formal adoption of cash flow and profit and loss forecasts.

6.8 Summary of valuation methodology and conclusion

We are unable to conclude upon a meaningful valuation range for the Exclusive Rights to the Hidro+ Technology Global Master License due to the lack of readily available and reliable financial projections and information.

6.9 We have relied on FTD undertaking the necessary due diligence to satisfy themselves on:

(a) Ownership of the Exclusive Rights to the Global Master License; and
(b) Other factors that may affect the ultimate ownership and value of the Exclusive
(c) Rights to the Global Master License.

6.10 We have been informed that all necessary due diligence has been completed to the best ability of the FTD directors. However, no guarantee can be given as to the long-term value of the Exclusive Rights to the Hidro+ Technology Global Master License (and FTD). This will depend on many factors, including inter-alia:

(a) Future commercial success or otherwise of the Exclusive Rights to the Hidro+ Technology Global Master License;
(b) Foreign and Australian stock exchange markets;
(c) Ability to raise capital to develop the businesses and commercialise the Exclusive
(d) Rights to the Hidro+ Technology Global Master License;
(e) Relationships with future customers, and
(f) Quality of the Board and management.

7. Conclusion as to Fairness

7.1 The proposal pursuant to resolution 2 is believed fair to FTD's non-associated shareholders if the value of the consideration offered is equal to or less than the value of the Exclusive Rights to the Hidro+ Technology Global Master License to be acquired.

7.2 Owing to the nature of the Exclusive Rights to the Global Master License, the valuation of technology interests and valuing future profitability and cash flows is extremely subjective because it involves assumptions regarding future events that are not capable of independent substantiation.

7.3 We have been unable to determine a fair value for the Exclusive Rights to the Hidro+ Generator Global Master License. In arriving at our view that we are unable to form an opinion on the value of the Exclusive Rights to the Global Master License, we have, inter-alia, referred to the following factors:

(a) The relative newness of the Hidro+ Generators and limited success to date on licensing agreements;
(b) The ability to produce positive cash flow and profits over a period of time is still uncertain;
(c) The need to obtain sufficient working capital to commercialise the Exclusive Rights to the Global Master License;
(d) The lack of reliable cash flow models;
(e) The risks associated with commercialisation.

7.4 **We have concluded that we are unable to ascribe a fair value to the Exclusive Rights to the Global Master License and therefore cannot form an opinion as to whether the proposal under Resolution 2 is fair. In the absence of a determination of fair value, we conclude that the proposal pursuant to resolution R is not fair.**

8. Reasonableness of the Proposals under Resolution 2

8.1 We set out below some of the advantages and disadvantages and other factors pertaining to the proposal pursuant to resolution 2.

Advantages

8.2 There may be significant upside potential to acquiring the Exclusive Rights to the Global Master License and there is a possibility that Hidro+ Generators may be more fully commercialised in the future and may become profitable and cash flow positive. However, there are always risks in investing in non- fully commercialised technology that still requires some further development. The Company is entering into a "green" industry in a world that is looking for solutions to produce power cheaply and without significant pollution. The Hidro+ Generators offers a low cost, low pollution system and if commercialised successfully will bring benefits to FTD.

8.3 Since the Vendor is receiving 62,100,000 Consideration Shares, there is every incentive to ensure commercialisation of the Exclusive Rights to the Global Master License and ensure FTD is a successful and profitable company.

Disadvantages

8.4 There is a risk that the Exclusive Rights to the Global Master License will not be commercially successful and that, in the event that losses are incurred by FTD, the share price of an ordinary share in FTD may fall below the 20 cent Capital Raising issue price noted above.

8.5 The acquisition of the Exclusive Rights to the Global Master License will result in the issue of shares to the Associated Vendors which will have a significant dilutionary effect on the current holding of shareholders of FTD. Refer section 2.4 of this report. However, it is noted that currently the shares in FTD are virtually worthless and in the absence of the Transaction and Capital Raising proceeding (or some other acquisition), the Company well be again placed into an Administration status and possibly placed into liquidation.

Other Factors and Information

8.6 There will be a significant non-associated shareholding in FTD after the passing of Resolution 2. In addition, shareholders are not required to sell or dispose of their shares but are given the opportunity to retain a shareholding in a company (FTD) that is obtaining an interest in the Exclusive Rights to the Global Master License that may have significant upside potential. Section 1.7 of the ES outlines some of the risks.

8.7 We cannot ascribe a fair value to the intangible interest, being the Exclusive Rights to the Global Master License. It may be that in time the investment in the Exclusive Rights to the Global Master License may need to be written down in the event of non commercialisation of the Exclusive Rights to the Global Master License.

8.8 It is expected that the Consideration Shares will be escrowed (treated as restricted securities) for a 24 month period.

8.9 It is the view of the Board of FTD that the investment in the Exclusive Rights to the Global Master License is in the best interests of all shareholders.

8.10 The proposed Acquisition provides the Company with a clear strategic direction as compared with the existing position of shareholders owning shares in a dormant company with no cash and no clear vision. The Company requires a business that will provide it with the opportunity to sustain a viable business and allow the company to be a going concern.

9. Conclusion as to Reasonableness

9.1 **After taking into account the factors referred to in 8 above and elsewhere in this report, we are of the opinion that the proposal as outlined in Resolution 2 may, on balance, be considered reasonable to the non-associated shareholders of FTD**.

10. Sources of Information

10.1 In making our assessment as to whether the proposal pursuant to Resolution 2 is fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company and the Hidro+ Generators that is relevant to the current circumstances. We have also held discussions with the management of FTD about the present and future operations of FTD. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and consultants of FTD and the major owner of the current Exclusive Rights to the Global Master License.

10.2 Information we have received includes, but is not limited to:

(a) Draft Notices of General Meeting of Shareholders of FTD and draft Explanatory
(b) Memorandum to Shareholders prepared in June 2011;
(c) Discussions and correspondence with management, directors or consultants of FTD and a major owner and principal developer of the Hidro+ Generators;

(d) Shareholding details of FTD as at 13, 22 June, 19 September and 18 October 2011;
(e) Unaudited pro-forma statement of financial position of FTD as at 30 September 2011 and a further pro-forma statement of financial position to reflect the acquisition of the Exclusive Rights to the Global Master License;
(f) Preliminary Explanatory Statement/Objectives and Global Business Plan relating to the Hidro+ Technology Licensing of May 2011;
(g) Expert' Review Journal pertaining to the Hidro+ Generators and other supporting papers;
(h) The Trust Deed between Pacific Energy International Pty Ltd and James Kwok dated 23 June 2010;
(i) The final draft of the HOA between FTD and Pacific Energy International Pty Ltd as trustee for the Hidro+ Foundation Trust; and
(j) Announcements made by FTD to ASX from 1 January 2010 to 18 October 2011.

10.3 Our report includes Appendix A and our Financial Services Guide attached to this report.

Yours faithfully
STANTONS INTERNATIONAL SECURITIES

J P Van Dieren – FCA
Director

APPENDIX A

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities dated 19 September 2011, relating to acquiring the Exclusive Rights to the Global Master License as outlined in paragraph 1.2 of the report and resolution 2 (only) in the Notice of Meeting to Shareholders to be distributed to shareholders in November 2011.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposal. There are no relationships with FTD and the Vendor other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at $12,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities nor John P Van Dieren have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities does not hold any securities in FTD or any interest in the Exclusive Rights to the Global Master License. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Securities is the holder of an Australian Financial Services Licensing (no 319600) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. A number of the directors of Stantons International Pty Ltd are the directors of Stantons International Securities and its affiliated company Stantons International Audit and Consulting Pty Ltd. Stantons International Securities has extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

DECLARATION

This report has been prepared at the request of the directors of FTD in order to assist non associated shareholders to assess the merits of the proposals to acquire the Exclusive Rights to the Global Master License as outlined in Resolution 2 and the Explanatory Memorandum to which this report relates. This report has been prepared for the benefit of FTD's shareholders and does not provide a general expression of Stantons International Securities opinion as to the longer term value of FTD, its assets and the Exclusive Rights to the Global Master License. Stantons International Securities does not imply, and it should not be construed, that is has carried out any form of audit on the accounting or other records of FTD and has not been involved in the due diligence process involving the Exclusive Rights to the Global Master License. Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stantons International Securities with due care and diligence. However, except for those responsibilities, which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons International Securities, Stantons International Pty Ltd, and Stantons International Audit and Consulting Pty Ltd, their directors, employees or consultants for the preparation of this report.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by FTD and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), FTD has agreed:

a) To make no claim by it or its officers against Stantons International Securities (and Stantons International Pty Ltd and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which FTD may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by FTD; and

(b) To indemnify Stantons International Securities (and Stantons International Pty Ltd) against any claim arising (wholly or in part) from FTD or any of its officers providing Stantons International Securities any false or misleading information or in the failure of FTD or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to FTD directors for a review of factual information contained in the report. Comments received relating to actual matters were taken into account, however the valuation methodologies and conclusions did not alter.

Stantons International Pty Ltd trading as
Stantons International Securities
ABN 41 103 088 697
AFS Licence No. 319600

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FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL PTY LTD
(Trading as Stantons International Securities)
Dated 19 September 2011

1. Stantons International Securities ACN 103 O88 697 ("SIS" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

(a) who we are and how we can be contacted;
(b) the services we are authorised to provide under our Australian Financial
(c) services Licensing, Licensing No: 319600;
(d) remuneration that we and/or our staff and any associated receive in
(e) connection with the general financial product advice;
(f) any relevant associations or relationships we have; and
(g) our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licensing which authorises us to provide financial product advice in relation to:

(a) Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

SIS is ultimately a wholly division of Stantons International Pty Ltd a professional advisory and accounting practice. Our directors may be directors in Stantons International Pty Ltd and Stantons International Audit and Consulting Pty Ltd ("SIAC"). SIAC charges management fees from time to time to SIS.

From time to time, SIS, Stantons International Pty Ltd and SIAC and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licensing, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities
Level 1
1 Havelock Street
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOSL"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.