

23 September 2013

Arasor International Limited
C/- Benelong Capital Partners Pty Ltd
Level 2, 350 Kent Street
SYDNEY NSW 2000

Dear Sirs

RE: ARASOR INTERNATIONAL LIMITED (ACN 119 999 441 ("ARASOR" OR "THE COMPANY")) MEETING OF SHAREHOLDERS PURSUANT TO SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT 2001 ("TCA") AND AUSTRALIAN SECURITIES EXCHANGE ("ASX") LISTING RULE 7.1 RELATING TO THE PROPOSAL TO ISSUE UP TO 212,000,000 SHARES AND UP TO 154,000,000 PERFORMANCE BASED OPTIONS TO OVERSEAS EXEMPT INVESTORS AS NOTED BELOW AND IN RESOLUTION 2 TO THE NOTICE OF MEETING

1. Introduction

1.1 We have been requested by Steven Nicols of Benelong Capital Partners Pty Ltd ("Benelong" or "the Promoter") and also a director of Arasor to prepare an independent experts report to determine the fairness and reasonableness of the transactions referred to in Resolution 2 as detailed in the Notice of Meeting ("the Notice") and the accompanying Explanatory Statement to Shareholders ("ESS") that is expected to be mailed to shareholders of Arasor in late October 2013 for the meeting to be held in November 2013.

Resolution 2 relates to the proposal for the Company to allot and issue up to 212,000,000 fully paid post consolidation ordinary shares in the capital of the Company and 154,000,000 post consolidation performance based options to parties nominated by Benelong of which 212,000,000 are to be issued as noted below. It is proposed that Choon Keng Kho ("Mr Kho") and Patrick Kho Chuan Thye (Mr Kho) who are brothers (together referred to as "**Overseas Exempt Investors**") will each be issued 106 million post consolidation ordinary shares at an issue price of approximately \$0.001873 per share in the Company to raise a total amount of \$397,128 and 154,000,000 post consolidation performance based options at an issue price of \$0.00001 per option to raise a total of \$1,540. The options are exercisable at \$0.00002 each prior to 31 December 2014 (expiry date), provided the Exempt Overseas Investors, Mr Kho and Mr Kho successfully introduce a project to the Company that leads to the Company signing a Heads of Agreement adopting such a project. In this report the first noted Mr Kho is Choon Keng Kho and the second noted Mr Kho is Patrick Kho Chuan Thye.

It is also proposed that 25,000,000 post consolidation shares are issued to sophisticated, professional and other exempt investors ("Sophisticated, Professional and Other Exempt Investors"). Resolution 4 refers to the proposed issue of the 25,000,000 post consolidated shares. The parties to receive the combined total of 237,000,000 post consolidation shares are known in this report as the Overseas, Sophisticated, Professional and Other Exempt Investors. Resolutions 1 to 9 relate to the shareholders approving and authorising the Company to complete all transactions contemplated in the Notice. Further details are noted below and in the ESS attached to the Notice of Arasor. Mr Steve Nicols controls Benelong and is a director of the Company.

We are not reporting on the fairness and reasonableness of Resolutions 1 and 3 to 9 but note that they are all part of the part recapitalisation of the Company.

1.2 The Company was incorporated on 1 June 2006 and was admitted to the Official List of the ASX on 25 October 2006 (ASX Code "ARR"). Arasor was a developer and manufacturer of

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optical and wireless solutions along with components for the consumer opto-electronics. The Company's major business units were optical networking, wireless communications and consumer electronics components. The latest audited financial statements for the year ended 31 December 2009 show that Arasor and its subsidiaries ("Arasor Group") incurred a loss for the year of \$5,385,783 in 2009 and a loss for the year of \$147,464,961 in 2008.

On 26th February 2009, the shares of Arasor were suspended from trading on the Official List of the ASX. On 17 May 2011, Stephen Robert Dixon and Laurence Andrew Fitzgerald were appointed Joint and Several Administrators of the Company and a proposal for the recapitalisation of the company was put forward by RAK Capital on 21 July 2011 ("Original Proposal"). The Company entered into a Deed of Company Arrangement on 17 August 2011 ("DOCA"). Pursuant to the terms of the DOCA, Stephen Robert Dixon and Laurence Andrew Fitzgerald became deed administrators of the Company ("Deed Administrators"). The Company subsequently entered into an amended Deed of Company Arrangement ("Amended DOCA") on 9 September 2011. On 9 September 2011 the creditors of the Company resolved to terminate the Amended DOCA and entered into a Creditors Trust on the same day ("Creditors Trust"). Pursuant to the terms of the Creditors Trust, Stephen Robert Dixon and Laurence Andrew Fitzgerald became Joint and Several Trustees of the Creditors Trust ("Trustees"). On 12 April 2013, the Trustees notified the ASX that the Original Proposal was not able to be completed by the proponent and a new proposal from a different investment group, represented by Benelong for the restructure and recapitalisation of the Company was submitted to the Company on or about 30 April 2013 ("Recapitalisation Proposal"). The beneficiaries of the Creditors Trust are required to agree to the amendment of the terms of the Creditors Trust in line with the submitted Recapitalisation Proposal put forward by Benelong. The Original Proposal has been terminated replacing RAK with the Promoter now being instrumental in the Recapitalisation Proposal. On 15 May 2013 the current directors being Messrs Reginald Bancroft, Edward Li and George Sycip resigned and were replaced by Messrs Steve Nicols, Gregory Cornelsen and William Ross, being representatives of Benelong. Since then the Company has been actively seeking projects and funding that would enable the Company's shares to be requoted on the ASX and on 31 July 2013 announced that since the election of the new Board, six groups had approached the Board with the view to implementing a reverse takeover.

The amendment to the Creditors Trust incorporating the terms of the Recapitalisation Proposal is expected to be signed shortly. The Benelong Recapitalisation Proposal requires, and is subject to, various approvals being obtained from the shareholders of the Company.

1.3 The proposals from the Promoter and the details of the Resolutions to be put to Arasor shareholders can be summarised as follows:

- the Company be authorised, for the company's existing ordinary shares to be consolidated on a 1 for 10 basis, ("Consolidation"), with fractions rounded up so that post consolidation there would be 12,855,927 shares on issue pre the issue of the 237,000,000 shares to the Overseas, Sophisticated, Professional and Other Exempt Investors (Resolution 1);
- the Company be authorised, to allot and issue up to 237,000,000 ordinary shares to the Overseas, Sophisticated, Professional and Other Exempt Investors nominated by the Promoter at an issue price of approximately \$0.001873 as per Resolutions 2 (212,000,000 post consolidated shares) and Resolution 4 (25,000,000 post consolidated shares) as detailed in the Notice to raise a total of \$443,960 on the terms and conditions set out in the ESS;
- the Company be authorised, to allot and issue up to 154,000,000 performance based options to the Overseas Exempt Investors nominated by the Promoter at an issue price of \$0.00001 as per Resolution 2 as detailed in the Notice to raise a total of \$1,540 on the terms and conditions set out in the ESS;

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- the Company be authorised to allot and issue 7,706,055 post consolidation fully paid shares to the Trustee of the Creditors trust for nil consideration (Resolution 3);
- new directors representing the Overseas Exempt Investors are to be appointed, effective from the date of the general meeting along with the resignation or removal of all of the existing directors. Messrs Nicols, Cornelsen and Ross will resign as directors. Ms (Jamie) Khoo Gee Choo, Mr Chan Kun Leong and Ms Lee Kwee Jee are proposed to become the new directors of Arasor pursuant to Resolutions 5, 6 and 7 respectively;
- Approval for a new Company Constitution (Resolution 8); and
- that the name of the company be changed to LionHub Group Limited and the Constitution be amended accordingly (Resolution 9).

Upon passing of the Resolutions 1 to 9 and in terms of the Recapitalisation Proposal, the Company will pay \$110,000 of the funds raised to the Trustee of the Creditors Trust and \$265,560 will be applied to various costs including corporate and advisory fees, GST, ASX fees, costs incurred by Benelong and costs of holding the meeting of shareholders.

- 1.4 In the event that the Recapitalisation Proposal proposed by Benelong is consummated, the Company would have approximately \$70,000 net cash funds and will be in a position to seek opportunities to enable the reinstatement of its securities to official quotation of the ASX. This reinstatement is subject to the discretion of the ASX who may impose further conditions such as compliance with Chapters 1 and 2 of the Listing Rules of ASX. No assurances can be made as to whether or in what time frame this may occur.
- 1.5 For the purposes of Chapter 2E of TCA, it is noted that the Overseas Exempt Investors (Mr Kho and Mr Kho) and the Sophisticated, Professional and Other Exempt Investors nominated by Benelong are not deemed associated to each other pursuant to Resolution 2.
- 1.6 In addition to Resolution 2, there are eight other resolutions (Resolutions 1 and 3 to 9) being put to the shareholders' of Arasor. We are not reporting on the fairness and reasonableness of such proposals. This report specifically addresses Resolution 2 only. However, we note that Resolution 2 is dependent upon the passing of Resolution 1, 3, 4, 5, 6 and 7.
- 1.7 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 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 respective associates. An independent expert is required to report on fairness and reasonableness of the transaction pursuant to a section 611 (Item 7) meeting.

- 1.8 Following the consummation of the resolutions relating to the share structure of the Company, the following table depicts the new share structure of the Company assuming the Overseas, Sophisticated, Professional and Other Exempt Investors nominated by the Promoter receive 237,000,000 post consolidation shares described in Resolutions 2 and 4 (including 106,000,000 post consolidation shares each to Mr Kho and Mr Kho (the Exempt Overseas Investors) as noted in Resolution 2). In addition Section 1.1.3 of the ESS refers to the shareholding details if all resolutions are passed and consummated. The total number of shares on issue (post consolidation) would be 257,561,982. The shareholding interests of the Overseas, Sophisticated, Professional and Other Exempt Investors would be as follows:

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Proposed Capital Structure

	Existing shareholders	Issue to Creditors Trust (Resolution 3)	Maximum No. of Shares and Options to be issued pursuant to (Resolution 2 (a), (b), (c) and (d))	Maximum No. of Shares to be issued pursuant to Resolution 4	Total
Existing shareholders pre consolidation	128,559,267	-	-	-	128,559,267
1:10 Consolidation	(115,703,340)	-	-	-	(115,703,340)
Post consolidation	12,855,927	-	-	-	12,855,927
Issue to Creditors Trust	-	7,706,055	-	-	7,706,055
Existing shareholders and Creditors Trust	12,855,927	7,706,055	-	-	20,561,982
Mr Kho	-	-	106,000,000	-	106,000,000
Mr Kho	-	-	106,000,000	-	106,000,000
	-	-	212,000,000	-	212,000,000
Unrelated sophisticated exempt investors nominated by Benelong	-	-	-	25,000,000	25,000,000
Total before issue of options	12,855,927	7,706,055	212,000,000	25,000,000	257,561,982
Issue of Options to Mr Kho	-	-	77,000,000	-	77,000,000
Issue of options to Mr Kho	-	-	77,000,000	-	77,000,000
TOTAL POTENTIAL SHARES	12,855,927	7,706,055	366,000,000	25,000,000	411,561,982

Whom	Shares	Percentage (Approx)
Existing Shareholders (after 1:10 Consolidation)	12,855,927	4.99
Issue to Creditors Trust	7,706,055	2.99
Issue to Exempt Overseas Investors	212,000,000	82.32
Issue to Sophisticated, Professional and Other Exempt Investors	25,000,000	9.70
TOTAL	257,561,982	100.00

Maximum number of Shares which the relevant allottees will hold after the allotment but before the conversion of any options

Column 1	Column 2	Column 3
Name	Maximum number of Shares to be issued under Resolutions 2 and 4 to each allottee	Maximum Voting Percentage of the relevant allottee in the Company
Mr Kho	106,000,000	41.16
Mr Kho	106,000,000	41.16
Sophisticated, Professional, and Other Exempt investors	25,000,000	9.70
TOTAL	237,000,000	92.02

The maximum number of shares that the Exempt Overseas Investors (Mr Kho and Mr Kho) could hold assuming that they exercise all their options will be 183,000,000 shares each representing 44.46% each of the expanded shares in issue of 411,561,982.

Mr Kho on his own will own approximately 41.16% of the issued share capital before the conversion of any options and Mr Kho will also own approximately 41.16% of the issued share capital before the conversion of any options. Combined they will own approximately 82.32% of the shares on issue prior to the conversion of any options. Therefore, an independent expert's report pursuant to the section 611 (Item 7) of TCA is required to report on the fairness and reasonableness of the transactions pursuant to Resolution 2. The Company has requested Stantons International Audit and Consulting Pty Ltd (trading as Stantons International Securities) to prepare an independent expert's report to assist the shareholders of Arasor in determining as to whether they vote for or against Resolution 2 as outlined in the Notice. Mr Kho and Mr Kho on their own will exceed 20% of the expanded issued capital of Arasor and thus Section 611 (Item 7) approval is required specifically on issuing shares to such parties.

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

- summary of opinion
- implications of the proposals
- future directions of Arasor
- basis of technical valuation of Arasor
- premium for control
- fairness and reasonableness of the proposals
- conclusion as to fairness and reasonableness
- sources of information
- Appendix A and Financial Service Guide

2. Summary of Opinion

2.1 In determining the fairness and reasonableness of the transactions pursuant to Resolution 2 we have had regard to the guidelines set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111. It 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 100% ownership of the "target" and irrespective of whether the consideration is scrip 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 regard to the interests of shareholders other than the proposed allottee (in this case, collectively the Sophisticated Investors) and whether a premium for potential control is being paid by the allottee(s). Although in this case the potential issue of new shares in Arasor are not takeover offers, we have considered the general principles noted above to determine our opinion in the fairness and reasonableness pertaining to the proposals under Resolution 2.

Accordingly, our report relating to Resolution 2 is concerned firstly with the fairness and reasonableness of the proposals with respect to the existing non associated shareholders of Arasor and secondly whether the price payable for a potential control includes a premium for control.

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2.2 In our opinion:

The proposals as outlined in Resolution 2 that would allow the Overseas Exempt Investors as nominated by the Promoter to acquire up to 212,000,000 shares in Arasor and up to 154,000,000 options in Arasor are on balance fair and reasonable to the non associated shareholders of Arasor as at the date of this report.

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

3. Implications of the Proposals

3.1 As at 20 September 2013, it is believed that the number of ordinary shares on issue in Arasor prior to consolidation of capital is 128,559,267 (and post consolidation will be 12,855,927). If all the Resolutions are consummated, the Overseas, Sophisticated, Professional and Other Exempt Investors as nominated by the Promoter will collectively own up to approximately 92.02% of the expanded (post consolidated but before the exercise of options) share capital of the Company (as depicted in paragraph 1.8). The actual holding of the capital of the Company by existing shareholders will be 4.99%. Mr Kho and Mr Kho will each own approximately 41.16% of the expanded post consolidated capital of the Company. Assuming the exercise of the options, the percentage shareholding of Mr Kho and Mr Kho in the Company could each increase to 44.46% and collectively the Overseas, Sophisticated, Professional and Other Exempt Investors as nominated by the Promoter will collectively own up to approximately 95.01% of the expanded capital of the Company.

3.2 The estimated costs of the Notice for the meeting of shareholders and other costs including corporate and advisory fees, GST, ASX listing fees and other costs will be around \$265,500. Under the Recapitalisation Proposal the Company will also pay \$110,000 to the Creditors Trust.

3.3 Set out below is a statement of financial position of the Company based on the Administrators records as at May 2011 adjusted to exclude \$2,114,000 of creditors which would have been transferred to the Creditors Trust when the Company came out of the DOCA on 9 September 2011, together with the pro-forma balance sheet (statement of financial position) if all resolutions are passed and consummated.

	Estimated Statement of Financial Position \$	Statement of Financial Position after Resolutions passed \$
Current Assets		
Cash Assets	-	70,000
	-	70,000
Non Current Assets		
Interests in Subsidiaries	-	
Intellectual Property-Website	-	-
Total Assets	-	70,000
Liabilities		
Trade Creditors and Accruals	-	
Total Current Liabilities	-	
Net Deficiency/Surplus	-	70,000

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	Estimated Statement of Financial Position \$	Statement of Financial Position after Resolutions passed \$
Equity		
Issued Capital	157,066,028	157,134,488
Reserves	5,160,475	5,162,015
Accumulated Losses	(162,226,503)	(162,226,503)
Total Equity	-	70,000

Note 1

The movement in the cash assets is reconciled as follows:

Cash Assets:	
Opening Balance	-
Placement of Shares at approximately \$0.001873 each	443,960
Issue of 154,000,000 options at \$0.00001	1,540
Payment to the Creditors Trust	(110,000)
Costs of the Notice, Listing fees and other costs	(265,500)
Net cash on hand	<u>70,000</u>

Thus estimated net cash after the capital raisings and payment for costs of the Notice and other costs and the payment to the Creditors Trust will be \$70,000 and no other material liabilities.

Note 2

The movement in the issued capital is reconciled as follows:

Issued Capital:	
Opening Balance	\$ 157,066,028
Placement of shares at approximately \$0.001873 each	443,960
Creditors Trust, costs of Notice, Listing fees and other expenses	(375,500)
Closing balance (estimated)	<u>157,134,488</u>

Note 3

The movement in reserves is reconciled as follows:

Reserves:	
Opening Balance	5,160,475
Issue of 154,000,000 options at \$0.00001	1,540
Closing balance	<u>5,162,015</u>

We have been advised, and as noted in Section 2.5 of the ESS, that there isn't any more recent financial information due to a lack of funds and the appointment of a Voluntary Administrator.

- 3.4 In addition to the three proposed new directors to be appointed on completion of the proposed recapitalisation process, additional directors may be appointed particularly if a new business is acquired.
- 3.5 Further details on the plans of Arasor post recapitalisation are outlined in sections 1.1.2 and 1.1.3 of the ESS accompanying the Notice.

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4. Future directions of Arasor

4.1 We have been advised by a representative of the Promoter that:

- the short term intention is to complete the recapitalisation process;
- at the time of preparation of this report they are not aware of any proposals currently contemplated whereby Arasor will acquire any property or assets from the Promoter or from the Overseas, Sophisticated, Professional and Other Exempt Investors or where Arasor is to transfer any of its property or assets to the Promoter, the Overseas, Sophisticated, Professional and Other Exempt Investor or third parties nominated by the proposed directors (however the Overseas, Sophisticated, Professional and Other Exempt Investor will subscribe for shares in Arasor as noted in Resolutions 2 and 4);
- no dividend policy has been set and is not proposed to be set until such time as the Company is profitable and has a positive cash flow;
- the Company's plans for the future are as outlined in section 1 of the ESS; and
- the proposal by Arasor is for the Company to undertake a thorough assessment of the Company's business still remaining, if any, to ascertain if a viable business exists. If not, the new directors will seek out opportunities in other industries that will enhance shareholder value, in particular, projects with a focus on real estate developments, hotel operations and land acquisition. The Company may seek new funds and new businesses in the future and subject to complying with Chapters 1 and 2 of the ASX Listing Rules may seek re-quotations of the Company's shares on the ASX. No major fund raising or new business acquisitions have yet been identified.

5. Basis of Technical Valuation of Arasor

5.1 Allotment of Shares

5.1.1 In considering the proposals as outlined in Resolution 2 we have sought to determine if the potential considerations payable by the Overseas Exempt Investors are fair and reasonable to the existing non-associated shareholders of Arasor.

5.1.2 The proposals pursuant to Resolution 2 would be fair to the existing non-associated shareholders if the value of the considerations being offered by the Overseas, Sophisticated, Professional and Other Exempt Investors (including Mr Kho and Mr Kho as the Overseas Exempt Investors, the subject of Resolution 2) are greater than the current implicit value of the shares and options of Arasor immediately prior to the transactions. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on Arasor shares for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining the current technical value of an Arasor share are:

- capitalised maintainable earnings/discounted cash flow
- takeover bid - the price which an alternative acquirer might be willing to offer
- adjusted net asset backing and windup value
- market value price of Arasor shares

5.2 Capitalised maintainable earnings/discounted cash flows

5.2.1 As noted above, Arasor has no cash and limited business undertakings. Due to Arasor's current state of affairs, the lack of a profit history arising from business undertakings and the immediate lack of a reliable future cash flow from a business activity, we have considered these methods of valuation not to be relevant for the purposes of this report (also refer 3.3 above).

5.3 Takeover bid

5.3.1 We have been advised by Steve Nicols a director of Arasor and a person closely associated with the recapitalisation proposal that he does not believe that there would be any existing shareholder or proposed shareholder that has an interest in taking over the

Company by way of a formal takeover bid. However, we note that under the recapitalisation process, the Overseas, Sophisticated, Professional and Other Exempt Investors collectively would own up to approximately 92.02% of the capital of the Company (Mr Kho and Mr Kho would each own up to approximately 41.16% or a total of approximately 82.32%) before the exercise of any options and potentially the Overseas, Sophisticated, Professional and Other Exempt Investors collectively would own up to approximately 95.01% of the capital of the Company after the exercise of the options (Mr Kho and Mr Kho would each own up to approximately 44.47% of the expanded capital in the Company).

5.4 Net asset backing and windup value

5.4.1 As noted above prior to the recapitalisation process, Arasor has no cash, or other assets and minimal business activities and the Promoter considers that on a windup basis, the return to shareholders would be nil (refer paragraph 3.3 of this report). We have also been advised by the directors that no offers have been made to purchase the Company as a shell company and no value has been attributed to the Company as a shell company.

5.4.2 Purely based on the net cash value of a recapitalised Arasor, the net assets would be disclosed at approximately \$70,000 (assuming the Company raises \$445,500 as noted above) which would be equivalent to approximately \$0.00027 per share, assuming 257,561,982 shares would be on issue after the recapitalisation process. This compares with the estimated current net value of a Arasor share of nil cents.

5.5 Market price of Arasor shares

5.5.1 As the Company is suspended from the ASX, we do not believe it is appropriate to value the Arasor share based on prior quoted prices of Arasor shares on the ASX.

5.6 After taking into account the matters referred to in the preceding paragraphs, we are of the view that the current theoretical value of a Arasor share (prior to the recapitalisation process) is nil cents. As disclosed above the Company has no assets with minimal business activities.

5.7 If the recapitalisation process is finalised, the net cash value of an Arasor share immediately post recapitalisation would approximate \$0.00027 per share (assuming the \$445,500 is raised as noted in resolution 2).

6. Premium for Control

6.1 Premium for control for the purposes of this report has been defined as the difference between the price per share that a buyer would be prepared to pay to obtain a controlling interest in the Company and the price per share at which the same person would be required to pay per share which does not carry with it control of the Company.

6.2 Under TCA, control may be deemed to occur when a shareholder or group of associated shareholders' control more than 20% of the issued capital. In this case, the Overseas Exempt Investors could hold approximately 82.32% of the expanded issued capital of Arasor (the Overseas Exempt Investors, Mr Kho and Mr Kho would each own approximately 41.16%).

6.3 The Arasor shares that are proposed to be issued to the Overseas, Sophisticated, Professional and Other Exempt Investors (including Mr Kho and Mr Kho as the Overseas Exempt Investors, the subject of Resolution 2) are deemed to be theoretically worth nil cents. After certain transaction costs, a net cash balance of approximately \$70,000 will remain in the Company (assuming the raising of the \$445,500 referred to above). In our opinion, it is possible that the Overseas Exempt Investors are paying a premium for control, however, the non associated shareholders of Arasor are benefiting in that the theoretical value of an Arasor share rises from nil cents (with no assets and minimal business activities) to a company with a theoretical cash backed value of approximately

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\$0.00027 per share. If the recapitalisation proposal is completed the Company may be in a position to seek new funds and new businesses in the future and depending on whether it is required to comply with Chapters 1 and 2 of the ASX Listing Rules may seek re-quotations of the Company's shares on the ASX. No major fund raising or new business acquisitions have yet been identified.

7. Fairness of the Proposals

7.1 The concept of "fairness" is to be 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. As noted above the Arasor shares that are proposed to be issued to the Overseas, Sophisticated, Professional and Other Exempt Investors (including Mr Kho and Mr Kho as the Overseas Exempt Investors, the subject of Resolution 2) are deemed to be theoretically worth nil cents. Assuming a 20% premium for control, the deemed theoretical value is still nil. The 212,000,000 shares proposed to be issued to the Overseas Exempt Investors as per Resolution 2 of the Notice and the 25,000,000 shares to Sophisticated, Professional and Other Exempt Investors as per Resolution 4 of the Notice are to be issued at \$0.001873 per share. The value or consideration is therefore greater than the value of an Arasor share.

7.2 If the recapitalisation proposal is completed, the theoretical value of an Arasor share increases to approximately \$0.00027 before the potential exercise of any options. The theoretical value of a Arasor share post recapitalisation from a non associated shareholder's perspective, based on the estimated net assets of \$70,000 is \$0.00027 (before the potential exercise of any options) which is in excess of the theoretical value pre recapitalisation of nil cents per share. Based on a fully diluted basis (after the exercise of the 154,000,000 options at \$0.00002 cents each issued to Mr Kho and Mr Kho), the potential cash on hand increases by \$3,080, the net assets increase to \$73,080, and the theoretical value of a Arasor share increases from nil to \$0.00018 based on the potential shares on issue of 411,561,982 shares. The theoretical value of a Arasor share post recapitalisation from a non associated shareholder's perspective on a fully diluted basis, based on the estimated net assets of \$73,080 is \$0.00018 which is in excess of the theoretical value pre recapitalisation of nil cents per share.

7.3 Conclusion as to fairness

After taking into account the matters referred to in 7 above and elsewhere in this report, we are of the opinion that the proposals as outlined in Resolution 2 are on balance fair to the non-associated shareholders of Arasor as at the date of this report.

We have set out below some of the advantages, disadvantages and other factors pertaining to the proposals, pursuant to the Resolution 2 and the recapitalisation proposal generally.

8. Reasonableness of the Proposals

Advantages

8.1 The passing and consummation of Resolutions 1 to 9 in conjunction with the completion of the recapitalisation process would result in a net cash injection of approximately \$70,000 (assuming the capital raising of the \$445,500 referred to above) into the Company and having a company with minimal or no liabilities, compared with the current position whereby the Company has net assets of approximately \$nil.

8.2 If the proposals per Resolutions 1 to 9 are consummated along with the completion of the recapitalisation process, the net cash asset backing of an Arasor share rises from nil cents to approximately \$0.00027 (assumes \$445,500 worth of shares and options are issued).

8.3 If Resolutions 1 to 9 are passed together with the completion of the recapitalisation process, the Company's chances to seek re-quotations of its shares on the ASX are

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enhanced in that without the recapitalisation, it is likely that the Company would be dissolved and struck off. By obtaining re-quotations of the Company's shares, the existing shareholders are offered liquidity to sell their shares on the ASX. However, in the short term the re-quotations of the Company's shares on ASX is unlikely as the Company may need to meet Chapters 1 and 2 of the ASX Listing Rules (see paragraph 6.3 above). The Company would need to find a new business and raise additional funds so that it could meet the Listing Rules.

- 8.4 The proposed directors bring expertise to the Company in that Ms Khoo, Mr Chan and Ms Lee have either financial, accounting, marketing and corporate experience and/or experience as directors or managers of public listed companies or other trading entities. Section 2.5 of the ESS discloses the background of the proposed directors.

Disadvantages

- 8.5 A significant shareholding in the Company is being given to the Overseas, Sophisticated, Professional and Other Exempt Investors, and in particular Mr Kho and Mr Kho in that they combined would own approximately 92.02% of the expanded issued capital of the Company (the Exempt Overseas Investors, Mr Kho and Mr Kho will each own approximately 41.16% before the exercise of any options and Resolution 2 refers to the proposed issue of shares to them). However, we note that Arasor will be partly recapitalised with approximately \$70,000 in net cash (assuming the \$445,500 capital raising), will have no debt and will have the opportunity to consider the acquisition of other assets or businesses. The existing shareholders are diluted to approximately 4.99%. The unrelated Overseas, Sophisticated, Professional and Other Exempt Investors nominated by the Promoter are obtaining a material interest in Arasor of approximately 92.02% (of which Mr Kho and Mr Kho will each have an approximate 41.16% shareholding interest) and it is assumed that such investors will obtain a benefit particularly if the Company's shares can be re-quoted on ASX. As noted above, the Company may need to comply with Chapters 1 and 2 to obtain re-quotations of the Company's shares on ASX. The Company would need to find a new business and raise additional funds so that it could meet the Listing Rules.
- 8.6 Arasor would only have approximately net cash of \$70,000 (assuming the raising of \$445,500 as noted above) after the consummation of the recapitalisation process is complete. Further fundraisings would be required to be undertaken in the near future. If further shares are issued, the percentage share holding of the existing shareholders of Arasor may be diluted down even further. However as noted above, the shares in Arasor prior to the recapitalisation process is considered to be of nil value with the possibility of the Company being placed into liquidation.
- 8.7 If the Company seeks new business opportunities, there is no guarantee that such businesses will be profitable. Refer section 1.1.3 of the ESS on the proposed expenditure post the recapitalisation process.

8. Conclusion as to Reasonableness

- 8.1 After taking into account the matters referred to in 8 above and elsewhere in this report, we are of the opinion that the proposals as outlined in Resolution 2 are on balance reasonable to the non-associated shareholders of Arasor as at the date of this report.**

9. Sources of Information

- 9.1 In making our assessment as to whether the proposals pursuant to Resolution 2 are fair and reasonable, we have reviewed relevant published available information and other unpublished information of Arasor which is relevant in the current circumstances. In addition, we have held discussions with Steve Nicols a party associated with the Promoter about the present state of affairs of Arasor. 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

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information provided by the representative of the Promoter and publicly filed information on the financial position of the Company lodged via the ASX website.

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

- drafts of the September 2013 and October 2013 Notice of General Meeting of Shareholders of Arasor (and draft of the ESS attached);
- discussions with a representative of the Promoter and director of Arasor;
- shareholding details of Arasor;
- announcements, if any, made by Arasor to the ASX to 20 September 2013;
- Information Memorandum dated 31 May 2011 and prepared by BDO Business Recovery & Insolvency (NSW-VIC) Pty Ltd;
- unaudited estimated statement of financial position of Arasor as disclosed in the draft February 2013 Notice of General Meeting of Shareholders of Arasor;
- the audited financial report of Arasor for the 12 months ended 31 December 2009; and
- the Creditors Trust Deed of 9 September 2011.

9.3 Our report includes Appendix A and Financial Services Guide, attached to this report.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International Securities)



J P Van Dieren - FCA
Director

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AUTHOR INDEPENDENCE

This annexure forms part of and should be read in conjunction with the report of Stantons International Audit and Consulting Pty Ltd trading as Stantons International Securities dated 23 September 2013, relating to Resolution 2 outlined in the Notice of Meeting of Shareholders and the accompanying ESS to be distributed to shareholders of Arasor in late October 2013.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposals. There are no relationships with Arasor 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 transactions 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 not to exceed \$5,500 (excluding GST). The fee is payable regardless of the outcome. With the exception of that 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 and Stantons International Audit and Consulting Pty Ltd or any directors of Stantons International Audit and Consulting Pty Ltd do not hold any securities in Arasor. 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. Stantons International Securities has prepared other independent expert reports for parties associated with the Promoter or its Nominees.

QUALIFICATIONS

We advise Stantons International Securities is the holder of an Investment Advisers Licence (No 418019) under the Corporations Act relating to advice and reporting on mergers, takeovers and acquisitions involving securities. A number of the directors of Stantons International Audit and Consulting Pty Ltd are the directors and authorised representatives of Stantons International Securities. Stantons International Securities and Stantons International Audit and Consulting Pty Ltd (also trading as Stantons International) have extensive experience in providing advice pertaining to mergers, acquisitions and strategic and financial planning 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 valuations 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 tasks they have performed.

DECLARATION

This report has been prepared at the request of the proposed Directors and the Promoter in order to assist the shareholders of Arasor to assess the merits of the proposals (Resolution 2 to which this report relates). This report has been prepared for the benefit of the Arasor shareholders and those persons only who are entitled to receive a copy for the purposes of Section 611 (Item 7) of the Corporations Act 2001 and does not provide a general expression of Stantons International Securities opinion as to the longer term value of Arasor. Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of Arasor or any of its subsidiaries. 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.

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DUE CARE AND DILEGENCE

This report has been prepared by Stantons International Securities with due care and diligence. The report is to assist shareholders in determining the fairness and reasonableness of the proposal set out in Resolution 2 to the Notice and each individual shareholder may make up their own opinion as to whether to vote for or against Resolution 2.

DECLARATION AND INDEMNITY

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

- (a) to make no claim by it or its officers against Stantons International Securities (Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which Arasor may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by the Promoter and Arasor's Deed Administrators; and
- (b) to indemnify Stantons International Securities (Stantons International Audit and Consulting Pty Ltd) against any claim arising (wholly or in part) from the Promoter or any of its officers and Arasor providing Stantons International Securities any false or misleading information or in the failure of the Promoter, Arasor and their 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 the proposed Directors and the Promoter for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

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**FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International Securities)
Dated 23 September 2013**

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
AFS Licence No: 418019
www.stantons.com.au

1. Stantons International Securities (ABN 84 144 581 519 and AFSL Licence No 418019) ("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:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 418019;
- remuneration that we and/or our staff and any associated entities receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

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

- 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.

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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 owned division of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. From time to time, SIS and Stantons International Audit and Consulting Pty Ltd (also trading as Stantons International) 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 Licence, 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 2
1 Walker Avenue
WEST PERTH WA 6005

Telephone: 08 9481 3188
Facsimile: 09 9321 1204

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.

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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

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