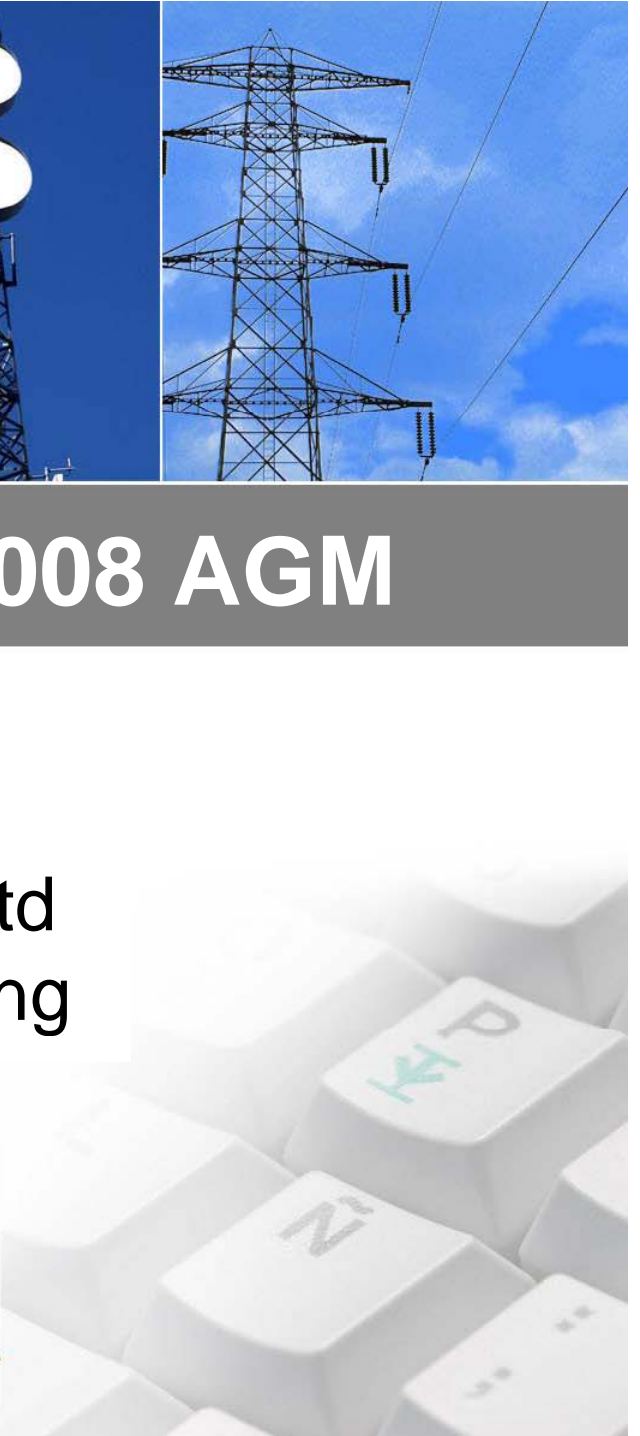


# CEO Address – 2008 AGM

June 17<sup>th</sup>, 2010  
Arasor International Ltd  
Annual General Meeting



# ARASOR



# Agenda – 2008 AGM



- Past
  - Status of the company going into the 2007 AGM
    - A reminder of stock price and trading volume
  - What did we say we would do? (last AGM May 15th, 2008)
    - What did the new CEO analysis determine?
  - Environment
  - What did we do?
  
- Present
  - Where are we now?
  
- Future
  - Company - Arasor International Ltd
  - Product - Laser lighting
    - Performance, Environmental and Lower Cost of Ownership
  
- Questions and Answers

# Status of the company going into the 2007 AGM



- Financial (4C) - March 31, 2008
  - Cash \$4.088m
  - **Decrease** in cash in March 2008 quarter - \$3.163m
    - Implies only a few MONTHS left of life
  - Secured debt of AUD\$24.5m
    - US and China
  - Wireless receivables in doubt
    - Small percentage collected in previous 12 months



AGM - May 15, 2008

- Raising Capital – Dilutions
  - Constant dilutions raising money from the market, buying companies with stock...AOFR, Novalux...
  - No appetite from shareholders to buy more
- Stock price
  - Fallen by 5X in previous 5 months and 17X in previous 15 months
  - Over a years worth of shares traded after the 4C came out before the AGM
- Every business unit loosing money
  - Wireless, Consumer Optics, Optical Communications

# Did we do what we said we would?



- Objective and “clinical” analysis of the business
  - Technology/Products, Financials, Management
  - Involves - Employees, Customers and Suppliers
  
- Try to collect on Indian Accounts Receivables
  - Executive Chairman apply pressure to;
    - End Customer – BSNL, UTStarcom
    - Intermediate customer - ITI
    - Our customer Xalted, Silk Tele Networks (ATPL), Sem India
  - Use Australia government officials
    - Austrade - Trade Commissioner
  
- Cut costs – Terminations Employee and Consultants
  - Short term reductions - 25% of cost reduction
  - Medium term close down some locations and exit some businesses
    - The sum of the parts may be worth more than the whole

# What did new CEO determine?

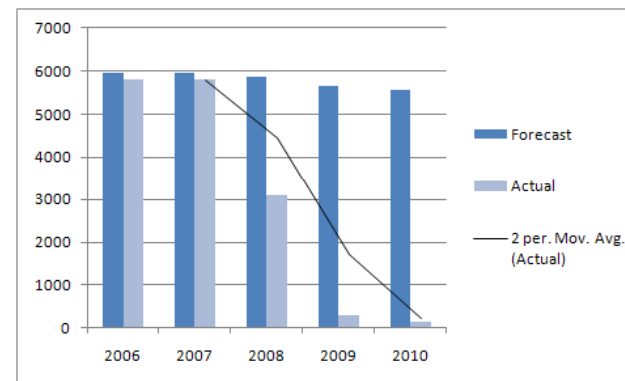


- Need to raise money or we are insolvent
  - No chance of raising money from the market
  
- Cost Cutting
  - Need to work with secured creditor to postpone loan payments
  - Need to work with employees and ask them to defer salary
  - Cease/defer all board and senior management salaries
  - Need to work with suppliers and delay payments
  - Need to accelerate sell off of businesses
    - Laser portion - can't run reactors or pay IP maintenance
    - BFI - still at research phase and can't match government funds
    - Nansha - loss making , capital intensive and we don't have the capital
    - Japan - no money to fix equipment, no money to run equipment
    - Nansha JV – Modulators still in R&D mode
    - Tainjin JV - Great potential but still at very early stage...years away
  
- India worse than expected
  - Customer is arguing there is a tender process - customers are “very slippery”

# Environment



- Global Financial Crisis (GFC)
  - US depression – worst since the great depression
    - Dow Jones May 2008 (13,000) - Mar 2009 (6,700) – 50% decrease
- Flat panel TV & LED destroyed the potential laser TV and near term laser pico projector market (cell phone)



- India
  - Multiple addresses for the same company and one changed their names
- 80% of board members changed
  - 8 left (leaving 2 original) and 2 joined (Reg Bancroft and Edward Li)
- Employees
  - Board and Executive Management postponed salary for >1 year
  - Almost all employees in US suspend salary for months – No lawsuits filed
  - China employees went on minimum wage

# What action did we take?



- Cash infusion and guarantee
  - Convertible note
    - Raised USD \$1.35m of the USD \$5m committed (Investor panicked and has not completed note)
  - Exec Chairman provided an ongoing solvency guarantee (\$4m) and committed to purchased a receivable (\$10m) if a specific customer did not pay
  
- Divide and conquer
  - Exec chairman focused on India and China
  - CEO focused on “Rest of World” – USA, Australia, Japan
  
- To do this effectively, the company voluntarily suspended trading
  - It was only reasonable to trade again once (1) Financials were up to date (2) The future picture could be presented with clarity
  
- India receivables
  - Exec chairman pressure, debt collector, Australia govt – no success
  - Regrouped in August 2009 and formed new team spearheaded by new chairman
    - Working legal route – Sustained progress
  
- Cost Cutting
  - Secured creditor agreed to plan (has been very supportive) and delayed loan payments
  - Massive Burn rate down from AUD \$2.2m/month to AUD \$0.040m/month
    - US in non-operational, Australia administrative
    - Operations remaining are the two joint ventures (Nansha and Tainjin)
  - Sold off business five separate transactions to allow company to stay solvent and focus on China
    - Allowed the Tainjin JV the ability to have access to the technology

# Where are we now?



- Financial
  - Some money in the bank (Approximately AUD \$500 K)
  - All debts are paid when they come due (exception US with one secured creditor)
  - Low burn rate < AUD \$40K per month
  - Capital financing secured in the Tainjin JV via partner
  
- Company
  - Small functional board and few employees
  
- In early June
  - Chairman, CEO and accountant visited JV's in China to assess the situation
  
- Operational
  - India – Making progress and New team and strategy having an effect
    - The court has ordered the BoD of the customers to be present in court on the next date of hearing
  - Tainjin JV (see future)
    - CEO starting to take a more active role in China





## Future – Laser Lighting

Performance, Environmental and  
Lower Cost of Ownership



**ARASOR**



# Lighting Technologies: Value of the Laser



Metric	Laser	Lamp	LED	Value for Laser
Polarized Output?	Yes	No	No	Great for 3D Cinema
System Optical Efficiency	~ 90%	~ 15%	~ 30%	Less components, saves cost
Power Consumption (projected lumens/W)	~ 15	~ 5	~ 3	Green, saves power
Lifetime (hours)	>30,000 @ 50% output	< 2,000 @ 50% output	>20,000 @ 50% output	Cinema, high-end FP, illumination
Emits IR & UV	No	Yes	No	Safer medical use
Spectral Width (nm)	~ 1	~ 30 (with filter)	~ 20	Allows true color displays
Color Range (% of colors eye can see)	90%	~ 40%	~ 60%	Military, cinema, TV, lighting
Color Shift?	No	Yes	Yes	No calibrations: TV, cinema, lighting
Catastrophic Failure?	No	Yes	No	No expensive refurb: cinema
Brightness (W/mm <sup>2</sup> Str)	> 10 <sup>5</sup>	~ 1	~ 0.5	Fiber-coupling, remote lighting

# Lighting Segments: Laser Neon



Target high value, large scale installations initially

## Laser Neon

**Laser advantages:** any color, change colors with time, longer lifetime, more durable, easier to install & maintain, lower insurance costs



# Lighting Segments: Distributed Lighting



Laser light sources can be easily transported far away

## Distributed Lighting

**Laser advantages:** efficient coupling, efficient transport, long life, simple redundancy, change colors, increased safety, small sized light emitters, no IR and UV



Fiber-coupled lasers transport light to assorted luminaries





**Lasers allow for lighting of hazardous environments**

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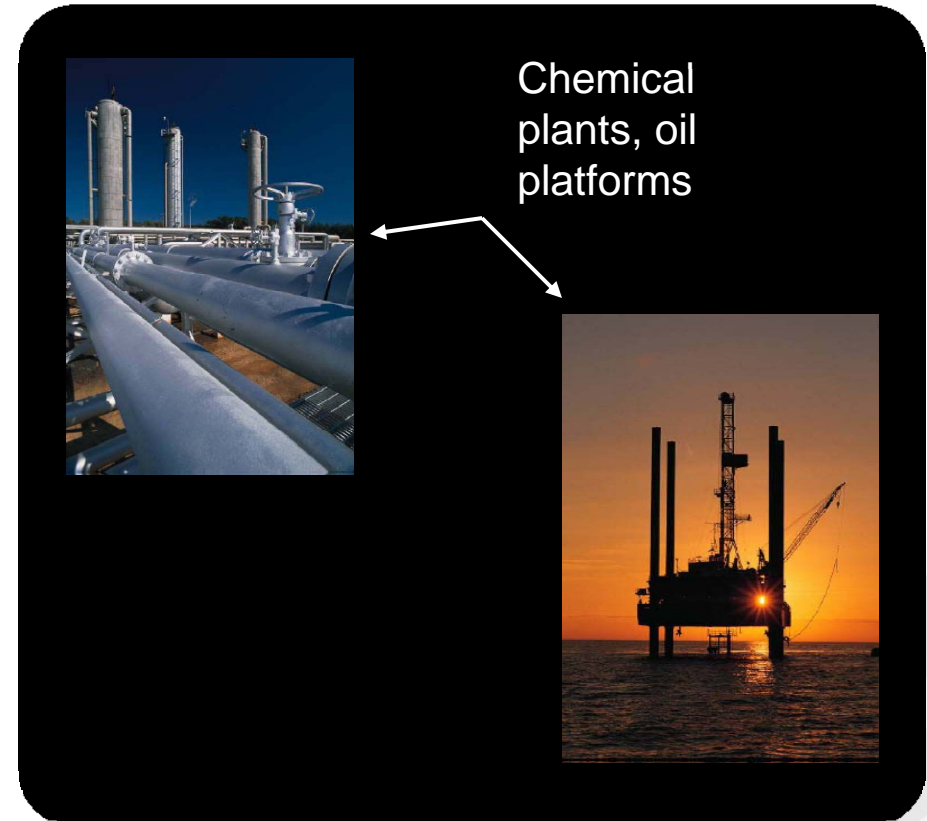
## Hazardous Lighting

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**Areas where you do not want humans, electricity, hardware ...**

**Areas where you need lighting in harsh environments**

**Laser advantages:** solid state, reliable, easily stored, ease of service/repair, high light output





## **FIRE HAZARD – INSURANCE COST**



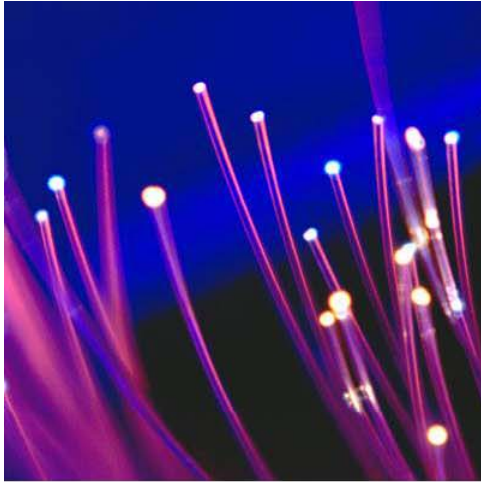
**March 13, 2008: Sydney, Australia**

Staff at accounting and law firm PricewaterhouseCoopers were forced out of their Sussex St office after the neon sign on the top level burst into flames just before 9pm. Workers who converged on the footpath below were moved on as the letters began to melt and balls of fire rained down 27 stories. Firefighters unable to reach the blaze were forced to stand and watch as the fire burnt itself out.

**Laser Neon eliminates fire hazard and reduces insurance costs**



- Environmental and Cost Saving
  - Lower power consumption - Up to 75% less energy
  - No toxic materials (such as mercury ...)
  - Will not break or shatter
  - Less service & maintenance costs
  - Lower insurance costs
  - Cheaper installation
  
- Performance
  - Visually uniform illumination
  - Infinite colors with real-time color change
  - Remote light source: move the box to where you want it!
  - Easily spliced and connected
  - No height placement restrictions

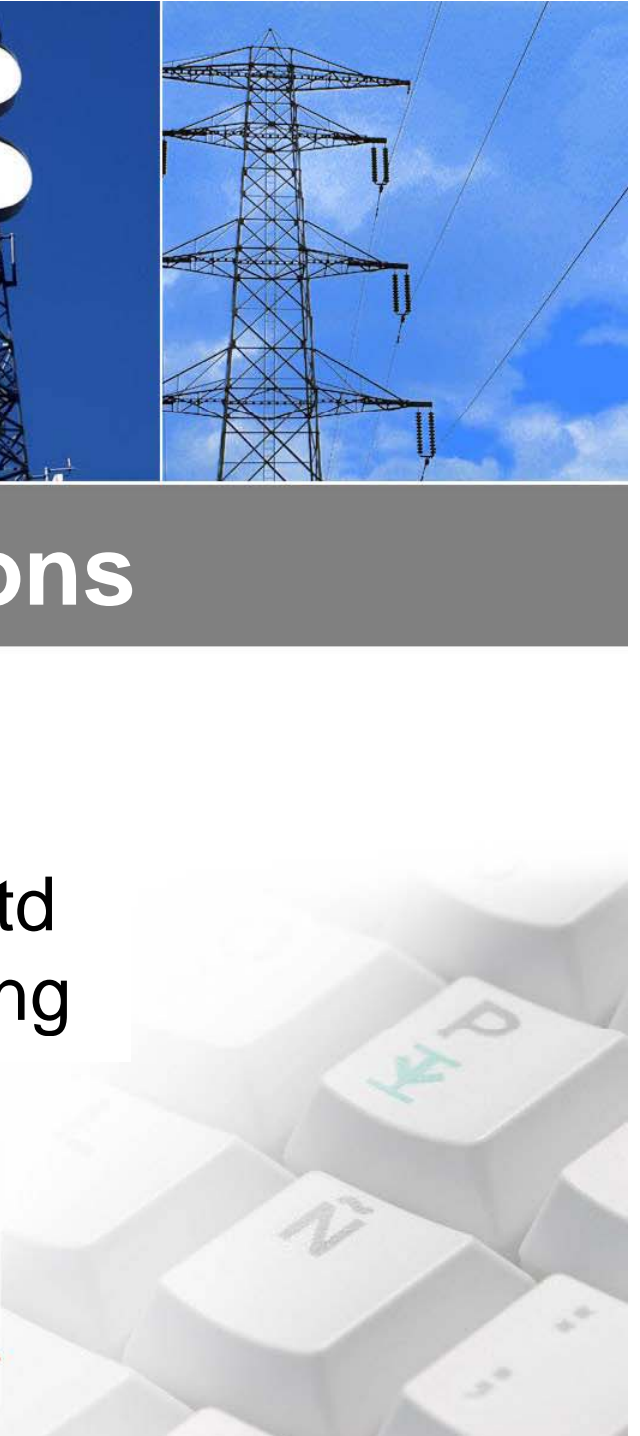


# Overall Conclusions

June 17<sup>th</sup>, 2010  
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**ARASOR**





# Input from a Shareholder...



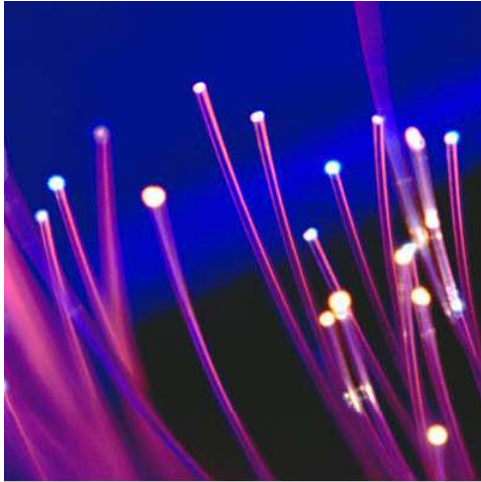
“Don’t spend long discussing the past, no-one cares, focus on the now and the future. I only want to know 4 things”...shareholder

1. How much time can the company run without bringing in more cash from India, operations or guarantee
  1. At current burn, over a year
2. What is the status of the US secured creditor
  1. They are supportive of the strategy and are kept informed
  2. They would like to get as much as possible and will then help with an ABC (Assignment for the Benefit of Creditors) in the US corporation
3. When will you release 2009 financials and more detailed financials on the Tainjin JV
  1. Depends of accountants and auditors but hopefully by 4<sup>th</sup> quarter
4. How much money do you need for the Tainjin Joint Venture
  1. The partner supplies the cash so only administrative costs

# Overall Conclusions



- We executed to the plan discussed at the 2007 AGM
- The last 2 years has been very difficult with little cash and resources in the Global Financial Crisis and tangible results have been achieved
  - Burn rate from \$2.2M/month to \$0.040M/month
  - Secured debt from \$24.5M to \$8.5M
  - Established a Joint Venture with a worldwide respected company
- The secured creditor, employees and suppliers have been very understanding - *This was a challenge*
- The new board has worked hard for little reward to get the company back on track – *approx. twenty six meetings (telephone) per year!*
- The fundamental strategy is set and the major restructuring is complete
  - The company is a lean Australian based company with a Joint Venture in China
- We have a long way to go, but;
  - The Joint Venture in Tainjin has great potential
  - We are seeing positive signs in India



## Questions from Shareholders

- I will attempt to answer these questions
- Then open it up to the shareholders for general questions
  - Board members or myself



**ARASOR**

# Q&A (1)



- Is the company solvent?
  - The company pays its debts when they come due with the exception of the US where we work with the secured creditor
  - Former Exec. Chairman agreed significant financial commitment

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- Will the company trade again?
  - We recognize that we have put the shareholders in a very difficult position by not trading
  - Once we get the 2009 financials out, we will evaluate the situation with the board and ASX and do what is in the best interests of the shareholders

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- Why doesn't the company tell us what is happening?
  - Incorrect, the company takes the listing rules very seriously in 2008 we issued 69 announcements totaling 502 pages – Check the ASX website

## Q&A (2)



- The 2008 annual report shows Directors and Executives making lots of money?
- How many of the Indian A/R's are collectable?
- Why did some ex-Novalux employees buy some IP from Arasor with regards to the laser technology?
- The report shows contractual not actual
- Senior management made less than 1/3 of contractual amounts
- Directors were paid \$0 (USD or AUD)
- This is in the hands of the courts, we believe we will get favorable judgments, however, it is too early to determine what cash collections will result from the court actions
- Arasor tried to spin out the laser business but was unable due to the GFC
- Arasor sold the significant assets of Novalux to a large US company
- Due to a lack of working capital Arasor could not maintain the IP and started losing it. Arasor sold the IP and was given a license to enable it to complete the Tainjin JV

## Q&A (3)



- Why did the Executive Chairman resign?

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  - Will the company stay public?

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  - If we trade again should I invest?

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  - Will Arasor Raise more capital?
- China, and in particularly the ZAT Joint Venture required more focus

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  - This is a decision between board and ASX. These groups will act in best interests of shareholders

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  - We have made tremendous progress during the GFC, however, we still have a long way to go
  - The Joint Venture in Tainjin has great potential (but it is still potential)

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  - Unlikely – Joint Venture partner will financially support the Tainjin Joint Venture

## Q&A (4)



- Number of directors reduced from 11 to 2, then 2 new directors joined. Why?
- Board meetings went from every 3 months to every 2 weeks – lots of time commitment
- Directors were not earning any money.

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- Why have you stayed with the company?
- There was still tremendous amount work to be done. The new board members worked very hard for little reward.
- I wanted to get the company into a situation where the business model was sustainable

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- Is the restructuring complete?
- The fundamental strategy is set and the major restructuring is complete



# Over to the formal Portion of the Meeting