



ASX Announcement – Appendix 4C

Arasor International Limited (ARR ASX) today lodged its Appendix 4C Cash Flow Statement for the quarter and full year ended 31st December 2007.

The company has been tracking successfully toward its key milestones in growing the business rapidly including:

- high top line revenue growth
- becoming cashflow positive by Q1, 2008
- becoming self-sustaining via debt financing solutions

The company significantly increased its receipts from customers, from \$7.7 million in the prior quarter to \$15.3 million in the current quarter, and significantly narrowed net operating cash outflows from \$20 million in the prior quarter to less than \$1.0 M in the 4th quarter, and remains on track to be operationally cash flow positive in Q1 2008.

As disclosed to the ASX on 15 October 2007, the company issued 10,104,153 shares in connection with the acquisition of Verrillon Holdings Pty Ltd, the holding company for AOFR. This resulted in an increase in share capital of \$19,884,000, and increases of: \$1,964,000 in capital equipment, \$2,040,000 in cash, \$0.5 million in net current assets, and \$18,270,000 of intangibles.

As announced to the market on 9 January, 2008, the company completed its acquisition of the assets of Novalux Inc in order to leverage the USD\$300M joint venture with ZTE International in China.

At the end of December 2007, the Company's cash balance stood at \$7.5 million.

The company intends to release its FY 2007 financials the week commencing February 18th, 2008 and will provide an update at that time.

About Arasor International Limited

Arasor International Limited develops and markets optical chips, components, modules and subsystems to capitalize on the emergence of new applications for photonic technologies with the goal of global leadership in the consumer electronics and wireless and network transport industries. Arasor's worldwide headquarters are located in Mountain View & Sunnyvale, California, USA with operations in Guangzhou, Beijing and Shanghai China; Yokohama, Japan; Canberra and Sydney, Australia. For additional information: www.arasor.net.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

ARASOR INTERNATIONAL LTD

ABN

29 119 999 441

Quarter ended ("current quarter")

31ST DECEMBER 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	15,280	41,443
1.2 Payments for		
(a) staff costs	(2,667)	(10,053)
(b) purchases of inventory	(9,990)	(64,862)
(c) advertising and marketing	(105)	(1,135)
(d) research and development	(944)	(4,048)
(e) leased assets	(28)	(467)
(f) consultants and other professionals	(905)	(4,084)
(g) travel expenditure	(554)	(1,873)
(h) rent	(685)	(2,208)
(i) other working capital	(71)	(128)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	35	468
1.5 Interest and other costs of finance paid	(325)	(993)
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net operating cash flows	(959)	(47,940)

+ See chapter 19 for defined terms.

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Quarterly report for entities
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	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(959)	(47,940)
1.9 Cash flows related to investing activities		
Payment for acquisition of:		
(a) businesses and subsidiaries, net of cash acquired (item 5)	2,206	1,625
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	(1,014)	(3,695)
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1.11 Loans received by/(repaid to) other entities		(743)
1.12 Loans repaid by other entities		
1.13 Other (Notes receivable paid to/(repaid by) related parties)		
Net investing cash flows	1,192	(2,813)
1.14 Total operating and investing cash flows	233	(50,753)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.		46,413
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings	1,596	6,899
1.18 Repayment of borrowings	(2,009)	(2,644)
1.19 Dividends paid		
1.20 Other (Share issue costs)	(91)	(2,128)
Other (Minority equity contribution)		1,136
Net financing cash flows	(504)	49,676
Net increase (decrease) in cash held	(271)	(1,077)
1.21 Cash at beginning of quarter/year to date	7,592	10,237
1.22 Exchange rate adjustments to item 1.20	146	(1,693)
1.23 Cash at end of quarter	7,467	7,467

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	276
1.25	Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

Salary payments to Executive Directors' and Directors' fees.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

As disclosed to the ASX on 15 October 2007, Arasor International Ltd issued 10,104,153 Ordinary Fully Paid Shares in accordance with the Verrillon Share Agreement to acquire Verrillon Holdings Pty Ltd (the holding company for AOFR). The financial implication of the transaction was a 19.884 Million AUD increase in share capital and 2.224 Million AUD increase in current liabilities (reflecting the deferred consideration portion or 'retained amount'), as well as 667 K worth of transaction costs capitalised to an investment in Verrillon Holdings Pty Ltd. The consideration was apportioned over the fair values of the assets acquired and liabilities incurred, resulting in the recognition of 1.964 Million Plant and Equipment, 501k in current assets (net of liabilities incurred, including inventory, receivables and prepayments), 2.040 Million cash and 18.270 Million of intangibles.

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Not Applicable (All contributions from minority interest holders were made by way of cash)

+ See chapter 19 for defined terms.

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Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	12,320	12,320
3.2 Credit standby arrangements	1,982	1,982

The Agriculture Bank of China, Nansha Branch, has granted Arasor Guangzhou a loan facility. The total amount available under this facility is 80 Million RMB, of which 79 Million RMB are used at 31 December 2007. The loan is refundable in 5 years from 1 July 2007 and a total of 15 Million RMB must be refunded prior to 30 June 2008. The facility incurs interest at an annual rate of 8.613%.

Silicon Valley Bank of California has granted Arasor Corporation Inc. a revolving line of credit of \$1 Million USD which was fully utilised at 31 December 2007. The line of credit incurs interest at a rate of USD prime + 0.25%. In addition, a private investor has temporarily granted Arasor Guangzhou the amount of 8.8894 RMB as a short term loan (of which, 4.394 RMB was outstanding at the balance date), with the loan period being 1 year at the rate of Libor +1%. Finally, a short term loan of 1 Million RMB has been borrowed from China Construction Bank, Shanghai Branch. The loan incurs interest at a rate of 7.24% and must be repaid by 31 March 2008.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Curent quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	5,572	5,306
4.2 Deposits at call	1,895	2,286
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.23)	7,467	7,592

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	Verrillon Holdings Pty Ltd	
5.2 Place of incorporation or registration	ACT, Australia	
5.3 Consideration for acquisition or disposal	19.875 Million USD	
5.4 Total net assets	4.644 Million AUD (prior to acquisition).	

+ See chapter 19 for defined terms.

5.5 Nature of business

Manufacturer of optical couplers for fibre lasers and WDM.	
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 31 January 2008
(Company secretary)

Print name: DONALD STEPHENS

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.