

**ON Q GROUP LIMITED (IN LIQUIDATION) (SUBJECT
TO DEED OF COMPANY ARRANGEMENT)**

ACN 009 104 330

**NOTICE OF EXTRAORDINARY GENERAL
MEETING OF SHAREHOLDERS AND
EXPLANATORY STATEMENT**

**For an Extraordinary General Meeting of Shareholders to be held on Wednesday 3
September 2014 at 11.00am (AEST) at Nicols and Brien, Level 2, 350 Kent Street,
Sydney, New South Wales, Australia**

LETTER TO SHAREHOLDERS

Dear Shareholder

30th July 2014

As you may be aware, on 5 May 2008, the shares of On Q Group Limited (the "**Company**") were suspended from trading on the official list of the Australian Stock Exchange ("**ASX**").

On 28 July 2008, Paul Andrew Burness and Matthew James Jess from Worrells Melbourne were appointed Joint and Several administrators of the Company. On 23 December 2008, Paul Andrew Burness and Matthew James Jess ceased to act as Joint and Several administrators of the Company and became the appointed Joint and Several liquidators of the Company ("**Liquidators**").

On 23 January 2014, Danny Tony Vrkic was appointed administrator of the Company ("**Administrator**") by the Liquidators, for the purposes of recapitalisation of the company. The Liquidation of the company continues despite the appointment of the administrator.

A proposal was put forward by Benelong Capital Partners Pty Ltd ("**Benelong**") for the restructure and recapitalisation of the Company which was formalised in the terms of the Deed of Company Arrangement ("**Recapitalisation Proposal**").

The Creditors of the Company agreed to the terms of the Deed of Company Arrangement in line with the submitted Recapitalisation Proposal on 28 February 2014.

The Company entered into a deed of company arrangement on 12th March 2014 ("**DOCA**"). Pursuant to the terms of the DOCA, Danny Tony Vrkic was appointed deed administrator of the Company ("**Deed Administrator**").

The Recapitalisation Proposal requires, and is subject to, various approvals being obtained from the shareholders of the Company ("**Shareholders**") (such approvals being the "**Resolutions**"). A summary of the Resolutions being put forward at the meeting of Shareholders are as follows:

- (1) The Company to allot and issue to creditors, advisors, and sophisticated, professional and exempt investors 153.5 million shares at an issue price of \$0.00284894272 per share to raise a total of \$405,000.00 (minimum subscription).
- (2) Existing directors and company secretary of the Company be removed;
- (3) New directors and a new company secretary be appointed to the Company;
- (4) Consolidation of the existing shares of the Company, immediately prior to the proposed issue in Resolution 1, on the basis of one share for each twenty two shares held. An application will then be made to the Supreme Court to terminate the Liquidation; and
- (5) The company to allot and issue to sophisticated, professional and exempt investors 175,503,704 shares at an issue price of \$0.00284894272 per share to raise a further \$500,000.00.

Accordingly, I have called an Extraordinary General Meeting of the Company to consider the Resolutions ("**Meeting**"). The Meeting will be held at 11am (Sydney Time) at the premises of Nicols and Brien, Level 2, 350 Kent Street, Sydney NSW on Wednesday 3rd September 2014.

Enclosed with this letter are the Notice of Extraordinary General Meeting ("**Notice**"), the Explanatory Statement and an Independent Expert's Report prepared by Stantons International Securities ("**Report**").

The Recapitalisation Proposal is also subject to the following conditions ("**Conditions**"), summarised as follows:

- (a) the Resolutions 1,2,4,5,6,7,9,10 and 11 being approved by shareholders without amendment;

- (b) Benelong paying the Promoter Contributions (as defined in the DOCA) to the Deed Administrator and Liquidator; and
- (c) the Administrator effectuating the DOCA in accordance with the terms of the DOCA and the company having no further obligations or commitments to the DOCA;
- (d) the Deed Administrator taking steps to procure that any creditors with a security interest with respect to the Company registered on the personal property securities register established by the *Personal Property Securities Act 2009* (Cth) ("**PPSR**") removes the registration of such security interest from the PPSR; and
- (e) the Supreme Court terminates the Liquidation.

If all resolutions are passed and all performance options are exercised, the investment group will have 55.86% of the company and existing shareholders will be consolidated and diluted to less than 1%.

If the capital raising of \$500,000.00 under Resolution 8 does not occur, the respective percentages will be 93.91% and 1.3%.

In considering the Resolutions, Shareholders should bear in mind the Company is currently in Liquidation. As mentioned above, the Company's Shares have been suspended from trading on the ASX since 5 May 2008 and the Company requires recapitalisation in order to continue its operations and to seek reinstatement of its Shares to official quotation on the ASX.

Ultimately, if the Resolutions are approved and implemented, the Company will be debt free, and in a position to seek opportunities to create Shareholder wealth.

If the Resolutions are not approved and the Conditions have not been met by the time stated in the DOCA, the DOCA may terminate in which case the Company will remain in liquidation. It is expected that there will be no return to Shareholders in liquidation.

Based on the information available and having regard to the Report, it would appear that the Recapitalisation Proposal is in the best interests of the Shareholders. On that basis, I consider that the Recapitalisation Proposal should be accepted by the Shareholders and that the Resolutions be approved.

However, I make no representation or warranty whatsoever that the Recapitalisation Proposal will enhance Shareholder value. As the company is in liquidation and subject to Deed of Company Arrangement, directors do not make any recommendations. I have not considered the situation of any particular Shareholder. To the maximum extent permitted by law, I accept no personal responsibility whatsoever for the contents of this letter, the Notice, the Explanatory Statement, the Report and any other accompanying documentation or the Recapitalisation Proposal itself. The documents are prepared based on information provided by a third party. Each and every Shareholder should make their own enquiries to satisfy themselves on all aspects of the Recapitalisation Proposal. Details contained in this letter, the Notice, Explanatory Statement or Report do not constitute any representation by me.

Before voting on the Resolutions, Shareholders should consider the appropriateness of the Recapitalisation Proposal having regard to their own objectives, financial situation and needs including any taxation consequences, and carefully read the Independent Expert's Report.

Yours faithfully



Danny Tony Vrkic

Deed Administrator
On Q Group Limited (In Liquidation) (Subject to Deed of Company Arrangement)
ACN 009 104 330

ON Q GROUP LIMITED (IN LIQUIDATION) (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 009 104 330

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that an Extraordinary General Meeting of Shareholders of On Q Group Limited (**Company**) will be held at Nicols and Brien, Level 2, 350 Kent Street, Sydney, New South Wales at 11.00 a.m. (AEST) on Wednesday 3rd September 2014 (**Meeting**).

For the purpose of regulation 7.11.37 of the Corporations Regulations 2001, the Deed Administrator has determined that the shareholding of each Shareholder for the purposes of ascertaining their voting entitlements for the Meeting will be as it appears on the Company's share register at 7.00pm (Sydney Time) on 1st September 2014 (**the Entitlement Time**). Accordingly, only those persons registered as holders of Shares at the Entitlement Time will be entitled to attend and vote at the Meeting. Transactions registered after that time will be disregarded in determining Shareholders entitled to attend and vote at the Meeting.

The Explanatory Statement that accompanies and forms part of this Notice of Extraordinary General Meeting (**the Notice**) describes in more detail the matters to be considered at the Meeting (**Explanatory Statement**). In addition, the Explanatory Statement should be read in conjunction with the Independent Expert's Report prepared by Stantons International Securities Ltd that is contained in Annexure A to the Explanatory Statement.

The Deed Administrator has the authority to convene the Meeting to give effect to the Recapitalisation Proposal (as described in the letter to Shareholders). To the extent permitted by law, the Deed Administrator does not take any responsibility whatsoever for the contents of the Notice and Explanatory Statement.

Unless otherwise stated, all references to sums of money, '\$' and 'dollars' are references to Australian currency. Please refer to the glossary at the end of the Explanatory Statement accompanying this Notice for a glossary of terms and abbreviations used in this Notice.

AGENDA

Resolution 1 – Approval for Consolidation

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

"That subject to passing of Resolution 2, for the purposes of Section 254H of the Corporations Act and Listing Rule 7.20 and for all other purposes, approval is given for the Company's existing ordinary shares be consolidated on a one for twenty two basis, ("**Consolidation**"), with any fractions rounded up".

Resolution 2 – Approval for Allotment and Issue of Shares

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

"That, subject to the passing of Resolution 1 for the purposes of Listing Rule 7.1 of the Listing Rules of the ASX, and Item 7 of Section 611 of the Corporations Act and for all other purposes, approval is given to the Company to allot and issue 3,500,000 fully paid ordinary shares in the capital (post Consolidation) of the Company to the Trustee of the Share Trust for Creditors for \$Nil consideration; and

and otherwise on the terms set out in the Explanatory Statement accompanying this Notice."

Voting Exclusion: The Company will disregard any votes cast on this resolution by a person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a security holder if the resolution is passed, and any associates of those persons

Resolution 3 – Approval for Allotment and Issue of Shares

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

“That, subject to the passing of Resolution 1 for the purposes of Listing Rule 7.1 of the Listing Rules of the ASX, and Item 7 of Section 611 of the Corporations Act and for all other purposes, approval is given to the Company to allot and issue 8,830,820 fully paid ordinary shares in the capital (post Consolidation) of the Company to Benelong Capital Partners Pty Ltd for \$Nil consideration; and

and otherwise on the terms set out in the Explanatory Statement accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this resolution by a person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a security holder if the resolution is passed, and any associates of those persons.

Resolution 4 – Approval for Allotment and Issue of Shares

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

“That, subject to the passing of Resolution 1 for the purposes of Listing Rule 7.1 of the Listing Rules of the ASX, and Item 7 of Section 611 of the Corporations Act and for all other purposes, approval is given to the Company to allot and issue 3,553,950 fully paid ordinary shares in the capital (post Consolidation) of the Company to Mr Choon Keng Kho, and or his nominees, at an issue price of \$0.00284894272, to raise \$10,125.00;

and otherwise on the terms set out in the Explanatory Statement accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this resolution by a person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a security holder if the resolution is passed, and any associates of those persons

Resolution 5 – Approval for Allotment and Issue of Shares

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

“That, subject to the passing of Resolution 1 for the purposes of Listing Rule 7.1 of the Listing Rules of the ASX, and for all other purposes, approval is given to the Company to allot and issue 3,553,950 fully paid ordinary shares in the capital (post Consolidation) of the Company to Mr Patrick Kho Chuan Thye, and / or his nominees, at an issue price of \$0.00284894272, to raise \$10,125.00;

and otherwise on the terms set out in the Explanatory Statement accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this resolution by a person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a security holder if the resolution is passed, and any associates of those persons

Resolution 6 – Approval for Allotment and Issue of Performance Options

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

“That, subject to the passing of Resolution 1 for the purposes of Listing Rule 7.1 of the Listing Rules of the ASX, and Item 7 of Section 611 of the Corporations Act and for all other purposes, approval is given to the Company to allot and issue 100 million performance based options in the capital (post Consolidation) of the Company to the investment group, at an issue price of \$0.00001 to raise \$1,000.00;

and otherwise on the terms set out in the Explanatory Statement accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this resolution by a person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a security holder if the resolution is passed, and any associates of those persons

Resolution 7 – Approval for Allotment and Issue of Shares

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

“That, subject to the passing of Resolution 1 for the purposes of Listing Rule 7.1 of the Listing Rules of the ASX, and Item 7 of Section 611 of the Corporations Act and for all other purposes, approval is given to the Company to allot and issue 127,942,200 fully paid ordinary shares in the capital (post Consolidation) of the Company to Danny Kong Sang Lai and/ or his nominees, at an issue price of \$0.00284894272, to raise \$364,500.00;

and otherwise on the terms set out in the Explanatory Statement accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this resolution by a person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a security holder if the resolution is passed, and any associates of those persons

Resolution 8 – Approval for Allotment and Issue of Shares

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

“That, subject to the passing of Resolution 1 for the purposes of Listing Rule 7.1 of the Listing Rules of the ASX, and for all other purposes, approval is given to the Company to allot and issue 175,503,704 fully paid ordinary shares in the capital (post Consolidation) of the Company to unrelated, sophisticated, professional or other exempt investors, at an issue price of not lower than \$0.00284894272 to raise \$500,000.00;

and otherwise on the terms set out in the Explanatory Statement accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this resolution by a person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a security holder if the resolution is passed, and any associates of those persons

Resolution 9 – Approval for Allotment and Issue of Shares

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

“That, subject to the passing of Resolution 1 for the purposes of Listing Rule 7.1 and 10.11 of the Listing Rules of the ASX, and Section 195(4), Section 208, and Item 7 of Section 611 of the Corporations Act and for all other purposes, approval is given to the Company to allot and issue 7,107,900 fully paid ordinary shares in the capital (post Consolidation) of the Company to Equinex Investments Limited, and/ or their nominees, at an issue price of \$0.00284894272, to raise \$20,250.00;

and otherwise on the terms set out in the Explanatory Statement accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this resolution by Ms (Jamie) Khoo Gee Choo, and her associates who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a security holder if the resolution is passed, and any associates of those persons

Resolution 10 – Approval for Removal of directors and company secretary

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

“That, subject to the passing of Resolution 1 to 9 inclusive and 11 and 12 all of the current directors and the company secretary of the company as at the date of this Meeting be removed as officers of the company, effective from the date of termination of liquidation.”

Resolution 11 – Approval for Election of Ms Khoo Gee Choo, (Jamie)

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

“That, subject to the passing of Resolutions 1 to 10 inclusive and 12, Ms Khoo Gee Choo, being eligible and having consented to act, be appointed as a director of the Company, effective from the date of liquidation termination.”

Resolution 12 – Approval for Election of Mr Ko Chun Way (Wayne)

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

“That, subject to the passing of Resolutions 1 to 11 (inclusive), Mr Ko Chun Way being eligible and having consented to act, be appointed as a director and Company Secretary of the Company, effective from the date of liquidation termination.”

Resolution 13 – Approval for Election of Ms Chow-Yee Koh

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

"That, subject to the passing of Resolutions 1 to 12 (inclusive) Ms Chow-Yee Koh , being eligible and having consented to act, be appointed as a director of the Company, effective from the date of liquidation termination."

Dated 30th July 2014



Danny Tony Vrkic
Deed Administrator

NOTES:

1. A Shareholder of the Company who is entitled to attend and vote at an extraordinary general meeting of Shareholders is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. For the purposes of Regulation 7.11.37 of the Corporations Act, the Deed Administrator has determined that the shareholding of each Shareholder for the purposes of ascertaining their voting entitlements for the Meeting will be as it appears on the Company's share register at 7.00pm (Sydney Time) on 1st September 2014 (**the Entitlement Time**). Accordingly, only those persons registered as holders of Shares at the Entitlement Time will be entitled to attend and vote at the Meeting. Transactions registered after that time will be disregarded in determining Shareholders entitled to attend and vote at the Meeting.

EXPLANATORY STATEMENT

1. GENERAL INFORMATION

This Explanatory Statement has been prepared for the Shareholders of On Q Group Limited (In Liquidation) (Subject to Deed of Company Arrangement) (**Company**) in connection with the Resolutions 1-13 (inclusive) to be considered at the Extraordinary General Meeting of the Company's Shareholders to be held Nicols and Brien, Level 2, 350 Kent Street, Sydney, New South Wales at 11.00 a.m. (Sydney Time) on Wednesday 3rd September 2014 ("**Meeting**").

The purpose of this Explanatory Statement is to provide information to Shareholders which is considered to be material to them in deciding whether or not to pass the Resolutions in the Notice of Extraordinary General Meeting of the Company ("**Notice**").

Shareholders should read this Explanatory Statement in full because individual sections do not give a comprehensive review of the Resolutions. In addition, this Explanatory Statement should be read in conjunction with the accompanying Notice and the Independent Expert's Report prepared by Stantons International Securities a copy of which is attached to Annexure A of the Explanatory Statement ("**IER**").

In considering the Resolutions, Shareholders must bear in mind the current financial circumstances of the Company. In this regard, Shareholders should note that reports have been made by the Company and its appointed Liquidators and Administrators in accordance with the Corporations Act. The reports set out in detail the financial position of the Company, the actions and investigations taken by the Liquidators and Administrator and the reasons for the current status of the Company.

If all of the Resolutions are passed and the Recapitalisation Proposal proposed by Benelong is completed, the Company will be in a position to seek opportunities to enable the reinstatement of its securities to official quotation on ASX. This reinstatement is, of course, subject to the discretion of ASX. The ASX may impose further conditions; for example compliance with Chapters 1 & 2 of the Listing Rules. No assurances are made as to whether or in what time frame this may occur.

If Shareholders do not approve the Resolutions and consequently and as a consequence the Recapitalisation Proposal is rejected, the Company will likely stay in liquidation and it is likely that there will be no return to Shareholders.

1.1 Overview

1.1.1 Background

A general background in respect of the appointment of the Administrator is set out in the preceding letter by the Deed Administrator to Shareholders accompanying the Notice ("**Letter**") and in the IER.

1.1.2 Past and future business of the Company

Past Business

The Company was incorporated on 25 July 1984, and was admitted to the Official List of the ASX in June 2000 (at that time known as Australian Pure Fruits Limited). The Company's business changed from food and beverages to the development of software infrastructure to support the buying and selling of transactions. That is, similar to the "Bill Paying" functionality on most bills such as rates, phone bills, utilities.

During its latter periods of operations the company's principle source of income came from royalty payments from the entity Bill Express Limited. Bill Express Limited was placed into administration in mid 2008. This meant a cessation of royalties and a demand from Bill Express for the repayment of loans. The Board of the Company appointed Worrells Melbourne as Administrators on 28 July 2008, whereupon they became Liquidators on 23 December 2008.

Future Business

The proposed new Directors ("**New Directors**") will undertake a thorough assessment of the Company's business, and all ventures still remaining, if any, to ascertain if a viable business exists. If not, the New Directors will seek out opportunities in other industries with a view to enhancing Shareholder value. Any significant change in the nature of Company's activities may require Shareholder approval under Listing Rule 11.

1.1.3 Purpose of funds to be raised under the Recapitalisation Proposal

The Recapitalisation Proposal seeks to raise the minimum sum of \$405,000.00 through the issue of Shares to sophisticated, professional or other exempt investors who do not require a disclosure document under section 708 of the Corporations Act. The purpose of these capital raisings are to:

- (a) pay for the Deed of Company Arrangement ("**DOCA**"), so as to remove the Company from any DOCA obligations and liquidation and to extinguish all liabilities;
- (b) provide funds for the assessment of the Company's business;
- (c) provide funds for the assessment of additional opportunities, as identified by the Company;
- (d) meet the legal costs terminating the Liquidation of the Company .

A further sum of \$500,000 is also proposed to be raised within 3 months of the meeting.

An estimated budget is set out below.

Use of Funds – Expenditure Budget

	Minimum \$	Maximum \$
Total funds raised \$	405,000	905,000
Utilised as follows:		
Review of existing business	18,000	18,000
Review of new projects & due diligence	48,000	88,000
Total budget for projects	66,000	106,000
Payment in accordance with DOCA & Liquidation termination	168,000	168,000
Recapitalisation costs, ASX yearly listing fees	78,000	78,000
Working capital	93,000	553,000
Total funds utilised (\$)	405,000	905,000

Costs and expenses already paid to third parties, or incurred by Benelong Capital Partners Pty Ltd and Nicols + Brien will be reimbursed at normal commercial rates by the company if the recapitalisation proposal is consummated. To date \$75,465 has been paid by Benelong Capital Partners Pty Ltd, and \$302.90 by Nicols + Brien.

Current Capital Structure

	Shares	Performance Options Resolution 6	Total Shares/Options if Converted
Current Shares on issue	73,950,146	-	-

Proposed Capital Structure

	Shares	Performance Options Resolution 6	Total Shares/Options if Converted
Consolidation on 1:22 basis	3,361,371	-	3,361,371
Resolution 2 Issue of Shares to Shareholders Trust	3,500,000	-	3,500,000
Resolution 3 Issue of Shares	8,830,820	-	8,830,820
Resolution 4 Issue of Shares	3,553,950	2,500,000	6,053,950
Resolution 5 Issue of Shares	3,553,950	2,500,000	6,053,950
Resolution 7 Issue of Shares	127,942,200	90,000,000	217,942,200
Resolution 8 Issue of Shares	175,503,704	0	175,503,704
Resolution 9 Issue of Shares	7,107,900	5,000,000	12,107,900
TOTALS	333,353,895	100,000,000	433,353,695

1.1.4 Investment Group

The Investment Group is made up of the parties set out in section 1.2.1 below. Members of the Investment Group have experience in the management and recapitalisation of public companies.

1.1.5 Benelong Capital Partners Pty Ltd

Benelong Capital Partners Pty Ltd ("**Benelong**") is co-ordinating the completion of the proposal, the shareholders meeting, the DOCA effectuation and the termination of the Liquidation.

Benelong is a Sydney based firm specialising in recapitalising ASX listed, and suspended, companies. Its managing director, Steve Nicols, has assisted in the capitalisation of 14 companies in the last 10 years.

1.2 Summary of the terms of the Recapitalisation Proposal

Set out below is a detailed summary of the Recapitalisation Proposal.

The Investment Group wishes to confirm that the Recapitalisation Proposal provides for the appointment of the New Directors and does not in any way provide for the continuing involvement of the existing Directors in any capacity.

The essential terms of the Recapitalisation Proposal are as follows:

- (a) Consolidation of existing Company Shares, on a one for twenty two basis leaving existing Shareholders with approximately 1% of the company on a fully diluted basis, and leaving creditors also with approximately 1%. If the additional capital raising of \$500,000.00 does not occur, existing shareholders would have approximately 1.3% of the share capital and creditors approximately 1.3% of the share capital;
- (b) Sophisticated, professional and other exempt investors, as selected by the New Directors at their discretion, will subscribe for 142,158,000 shares at an issue price of \$0.00284894272 each to raise \$405,000. Benelong is to receive 8,830,820 fully paid ordinary shares for nil consideration if the proposal is consummated, and likewise the Trustee of the Share Trust for creditors will receive 3,500,000 shares for nil consideration.
- (c) New Directors and a new company secretary for the Company will be appointed together with a change of company name of the Company.
- (d) All costs and expenses incurred in relation to the recapitalisation proposal will be reimbursed by the company if the proposal is consummated.

1.2.1 Details of Recapitalisation Proposal

The Recapitalisation Proposal was submitted to the Deed Administrator by Benelong on 30 January 2014 and accepted by the Company's Creditors on 27 February 2014. The DOCA, incorporating the Recapitalisation Proposal was signed on 12 March 2014. The Resolutions put forward in the Meeting are for the purposes of implementing the Recapitalisation Proposal.

Investment Group and New Directors

By way of background, the Investment Group comprises Mr Choon Keng Kho and Mr Patrick Ho Chuang Thye, "The Kho Brothers" Equinex Investments Limited and Danny Kong Sang Lai. Detailed information in respect of these persons is set out below.

Mr Choon Keng Kho, B.Science (Hons) University of London

Mr Choon Keng Kho is Group Executive Chairman of a large privately owned Singapore based hotel property development group with operations in Singapore, China and Australia. Mr Choon Keng Kho is a Council Member of Singapore Chinese Chamber of Commerce & Industry.

Mr Patrick Kho Chuan Thye, Master of Arts (Engineering Trips) University of Cambridge, and Chartered Financial Analyst.

Mr Patrick Kho Chuan Thye is Group Managing Director of the same large privately owned Singapore based hotel property and development group with operations in Singapore, China and Australia.

Mr Choon Keng Kho and Mr Patrick Kho Chuan Thye are brothers.

Equinex Investments Limited

Equinex Investments Limited is a private investment company based in Singapore. The Office was established in 2009 with the objective to add value from diversified investing and successfully realising investment opportunities. Their portfolio includes investments into Funds Management, interests in property, securities, private equity, investments and ownership in operating businesses. They look to continue building successful, professional relationships across a broad range of interests in the investment community. The proposed director, Ms (Jamie) Khoo Gee Choo is a related party of this company.

Danny Kong Sang Lai

Mr Lai is a British National, and a private investor. Mr Lai has extensive experience in various sectors including, but not limited to, telecommunications, retail operations and financial services. Recently, Mr. Lai specialises in investment in small cap listed entities and add values to restructure or improve performance of these companies.

1.2.2 ASX Listing

The Company is admitted to the Official List of ASX. However trading in the Company's Shares was suspended on 5 May 2008. Trading in the Shares will probably not recommence until all Resolutions are passed and probably not until the Company complies with Chapters 1 and 2 of the Listing Rules, or until ASX advises otherwise.

The intention of the Investment Group with regard to the business of the Company is to use the working capital to be injected into the Company via the Recapitalisation Proposal for the purposes described in Section 1.1.3 of this Statement. The New Directors' plan is to seek out opportunities that might enable the Company's Shares to be reinstated to quotation on the ASX. There is no certain timeframe given by the Investment Group as to when this may occur. The Investment Group has no present intention to inject further capital into the Company apart from that already stated in the Recapitalisation Proposal.

1.2.3 Deed of Company Arrangement (DOCA) & Termination of Liquidation

The Recapitalisation Proposal involves the completion or "effectuation" of the DOCA. The Company will also be released from all Creditors Claims estimated at \$76 million and will have nil liabilities once Completion occurs.

The DOCA has been signed, and is awaiting receipt of funds from the Recapitalisation Proposal if shareholders approve resolutions 1, 2, 4, 5, 6, 7, 9, 10, and 11.

When shareholders approve these resolutions, an application will be made to the Supreme Court to terminate the liquidation.

1.2.4 Conclusion

The Resolutions set out in the Notice are important and affect the future of the Company. All of the Resolutions need to be approved in order to implement the Recapitalisation Proposal. Shareholders are therefore urged to give careful consideration to the Notice the contents of this Statement and the IER.

2. THE RESOLUTIONS

2.1 Resolutions 1– Consolidation of existing Shares

Background

Section 254(H) of the Corporations Act states that a company may convert all or any of its shares into a larger or smaller number by resolution passed at a general meeting. The conversion takes effect on the day the resolution is passed or a later date specified in the resolution.

The Company presently has 73,950,146 of Shares on issue ("**Existing Shares**").

The Investment Group requires that the Existing Shares be consolidated one for twenty two ("**Consolidation**"). The Consolidation will not change the rights and obligations of existing Shareholders. The Consolidation is part of the Recapitalisation Proposal.

The purpose of the Consolidation is to provide the Company with a more appropriate capital structure for a company of its size and nature. It is also desired to facilitate the implementation of the Recapitalisation Proposal

Immediately upon Consolidation the number of Existing Shares shall be reduced to 3,361,371 .

Fractional Entitlements

The Consolidation may result in Shareholders receiving a fraction of a Share. These fractional entitlements will be rounded up as part of the Consolidation, so that the consolidated holding will be rounded up to the nearest whole number.

Taxation

It is not considered that any taxation consequences will exist for Shareholders arising from the Consolidation. However, Shareholders are advised to seek individual tax advice on the effect of the Consolidation. The Company, Investment Group and the Deed Administrator do not accept any responsibility for the individual taxation consequences arising from the Consolidation.

Holding Statements

From the date of the Consolidation, all holding statements for Shares will cease to have any effect, except as evidence of entitlement to a certain number of Shares on a post-Consolidation basis. After the Consolidation becomes effective, the New Directors will arrange for new holding statements to be issued to Shareholders. It is the responsibility of each Shareholder to check the number of Shares held prior to any sale or transaction.

Timetable

The Consolidation will take effect on the day the resolution is passed. In accordance with section 254H(4) of the Corporations Act, a copy of this Resolution, if passed by this Meeting, will be lodged with ASIC within one month.

Description	Date
Date of dispatch of Notice of Meeting	1 August 2014

Shareholder Meeting	3 September 2014
Company announces the capital consolidation by way of consolidating one (1) for twenty two (22) shares and fractions of securities will be rounded up	3 September 2014
Last day for entity to register transfer on a pre-organisation basis	10 September 2014
Registration Date Registration of securities on a post-consolidation basis	11 September 2014
Despatch Date	12 September 2014

Please Note – The Company’s Securities will remain suspended during the consolidation process.

2.2 Resolutions 2 to 7 Allotment and Issue of new Shares and Options

Approval is sought for the issue of 329,992,524 shares and 100 million performance options to be issued under the recapitalisation proposal. These Resolutions are required to be approved by Shareholders in accordance with ASX Listing Rule 7.1 and Item 7 of section 611 of the Corporations Act.

ASX Listing Rules

ASX Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during any 12 month period any equity securities, or other securities with rights of conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of ordinary shares on issue at the commencement of that 12 month period.

One circumstance where an issue is not taken into account in the calculation of this 15% threshold is where the issuer has the prior approval of Shareholders in general meeting.

The issue of new Shares and Options contemplated by Resolutions 2 to 9 will exceed the 15% threshold in respect of the Shares presently on issue. The following information is provided to Shareholders in accordance with Listing Rule 7.3 for the purposes of obtaining Shareholder approval under Listing Rule 7.1 for Resolution 2 to 9:

- (a) The number of Shares to be issued by the Company to the shareholders trust for creditors is 3,500,000 for \$Nil consideration, and 8,830,820 to Benelong Capital Partners Pty Ltd for \$Nil consideration. The number of shares and options to be issued by the company to professional sophisticated or other exempt investors who do not require a disclosure document under section 708 of the Corporations Act, is 142,158,100 Shares at an issue price of \$0.00284894272 each, to raise \$405,000 (“**New Shares**”) and 100 million performance options at an issue price of \$0.00001 to raise \$1,000.00, (under the minimum subscription level).
- (b) It is anticipated that the issue of the New Shares will occur on one date and will not be later than 1 month after the date of the Meeting;
- (c) It is proposed to issue 142,158,000 shares to the Kho Brothers, Equinex Investments Limited, and Danny KS Lai (including their nominees) for \$405,000.00. This is the minimum capital raising. A further issue of up to

175,503,704 is also sought to be approved, raising a further \$500,000 from unrelated parties within 3 months after the shareholders meeting .

- (d) The New Shares will rank equally with the Existing Shares;
- (e) The funds raised from the issue of the New Shares will be used in accordance with the Recapitalisation Proposal and for the purposes set out in Section 1.1.3 of this Statement;
- (f) The date of allotment of the New Shares under the minimum capital raising will be all done on the same day; and
- (g) The performance options material conditions are as follows:

(i)	Mr Choon Keng Kho must pay	\$25.00; and
	Mr Patrick Kho Chuan Thye must pay	\$25.00; and
	Equinex Investments Ltd must pay	\$50.00; and
	Mr Danny Kong Sang Lai must pay	\$900.00

	Total	\$1,000.00

Each to obtain the right to performance options;

- (ii) The options are exercisable at any time prior to 5.00 p.m. 31 December 2015 (expiry date), provided one of these abovementioned 4 core investors successfully introduce a project to the company that leads to the company signing a Heads of Agreement adopting such a project.
- (iii) The exercise price of each option is \$0.00002;
- (iv) The options may be exercised by completing an application form for shares (Notice of Exercise) delivered to the company's Share Registry, before the expiry date;
- (v) Upon the exercise of an option, and receipt of funds applicable, Mr Choon Keng Kho, Mr Patrick Kho Chuan Thye, Equinex Investments Ltd and Danny Kong Sang Lai will be allotted and issued ordinary shares in the company, ranking pari passu with the then issued shares;
- (vi) The unexercised options will not be entitled to any bonus issue of shares, nor any rights entitlements, if any, are issued prior to exercise;
- (vii) The options have been valued at \$1,000.00 as the shares have no marked value and it is uncertain if the performance hurdle will be achieved.

Section 611 of the Corporations Act

Shareholder approval of Resolutions 2 to 4 and 6, 7 and 9 to 9 is also required under Item 7 of section 611 of the Corporations Act given Resolutions 2 to 4 and 6,7 and 9 to 9 involves the issue of more than 20% of all Shares then on issue.

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's 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 above 20% and below 90%.

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

The "associate" reference includes a reference to a person in concert with whom a primary person is acting or proposes to act.

A person has a relevant interest in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to securities; or
- (c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

The following information is required to be under the Corporations Act and ASIC Regulatory Guide 74 when seeking Shareholder approval under Item 7 of section 611 of the Corporations Act.

Other Information – Unrelated Sophisticated, Professional and Exempt Investors

- (a) *the identity of the person proposing to make the acquisition and their associates:*

The identities of the persons is disclosed in Paragraph 1.2.1 above.

- (b) *the maximum extent of the increase in that person's voting power in the company that would result from the acquisition:*

If Resolutions 4, 5, 7 and 9 are passed, the Investor Group's voting power in the Company will increase from 0% to 55.86% on a fully diluted basis, and from 0% to 93.92% if the \$500,000.00 additional capital is not raised.

- (c) *the voting power that the relevant allottees would have as a result of the acquisition:*

If Resolutions 4, 5, 7 and 9 are passed their voting power in the Company will be 55.86% on a fully diluted basis, and 93.92% if the \$500,000.00 additional capital is not raised.

- (d) *the maximum extent of the increase in the voting power of each of the allottee's associates that would result from the acquisition.*

Because no associates will be holding any relevant interest in existing Shares there is no increase in its voting power in the Company as a result of the acquisition. No allottee will have 20% or more apart from Mr Danny Lai.

- (e) *the voting power that each of the allottee's associates would have as a result of the acquisition:*

The answer is nil.

The proposed sophisticated, professional, exempt investors do not have any associates holding any relevant interest in existing Shares.

Other Required Information - ASIC regulatory Guide 74

The following further information is disclosed:

- (a) The Company will review its current business activities and any remaining ventures. As part of this process, it is proposed that New Directors will be appointed to the Board. These appointments form the subject of separate Resolutions. The existing Directors and company secretary will be removed;
- (b) In accordance with the Recapitalisation Proposal, the Company intends to raise capital to:
- (i) pay for the DOCA so as to extinguish all debt of the Company;
 - (ii) pay for the recapitalisation costs and legal costs of terminating the Liquidation;

- (iii) provide funds for the assessment of the Company's business;
- (iv) provide funds for the assessment of additional opportunities, as identified by the Company; and
- (v) meet the administration costs of the Company .

The Company will have sufficient funds if all Resolutions are passed and share capital raised in order to meet the aims of the Recapitalisation Proposal;

- (c) the Company will be required to raise sufficient capital to satisfy the requirement of Chapters 1 and 2 of the Listing Rules. To this end, the Company may be seeking shareholder approval to proceed with a further capital raising in the near future depending on the nature of the acquisition;
- (d) there is no current intention to redeploy any other fixed assets of the company or to change the company's existing policies in relation to financial matters or dividends. At present, the company does not pay a dividend. The dividend policy of the company will be assessed in accordance with the future profitability of the business;
- (e) the identity of persons intending to become directors comprises Mr (Wayne) Ko Chun Way, Ms (Jamie) Khoo Gee Choo, and Ms Chow-Yee Koh. Information on these 3 directors is contained in paragraph 2.4 below.
- (f) The reason for the proposed acquisition is to recapitalise the company. It can then seek our opportunities to add shareholder wealth;
- (g) The material terms of the acquisition are set out in paragraph 1.2.1. The company intends to raise \$905,000 in capital for the purposes set out in paragraph 1.1.3;
- (h) The acquirer intends to change the company's business if it is discovered that it is not viable. Further injection of capital is intended as it is an ASX requirement before requotation of shares. The company will not have any employees in the foreseeable future;
- (i) The current directors do not have an interest in the acquisition. The proposed incoming directors do not own shares in the company.

Independent Expert's Report or IER

The Listing Rules and the Corporations Act provide that an independent expert's report on the transaction must be provided to Shareholders. The IER provides an opinion as to whether the acquisition of the voting power referred to in the Resolutions and this section, is fair and reasonable to the non-associated Shareholders of the Company.

Accordingly, Benelong has commissioned Stantons International Securities to produce the IER as an independent expert. The IER is enclosed with the Notice and is attached to Annexure A.

Stantons International Securities has concluded that the acquisition of the voting power by the Kho Brothers, Equinex Investments Ltd, Mr Danny Lai, and sophisticated professional and exempt investors from South East Asia and Australia as contemplated by Resolutions 2 to 9 ("**Acquisition**") **is fair and reasonable to the Shareholders of the Company.**

The advantages of the Acquisition are outlined in the IER and are provided to enable non-associated Shareholders of the Company to determine whether they are better off if the Acquisition proceeds than if not.

Shareholders are urged to carefully read the IER in deciding how to vote on the Resolutions.

General

Pursuant to the terms of the Recapitalisation Proposal, under the minimum capital raising, the Company proposes to allot and issue a total of 142,158,000 shares to sophisticated, professional or other exempt investors who do not require a disclosure document under section 708 of the Corporations Act to raise \$405,000.

The company is also seeking approval to allot and issue a further 175,503,704 shares to unrelated sophisticated, professional or other exempt investors to raise a further \$500,000.

As at the date of this Notice, neither Benelong, Trustee of the Share Trust, Mr Choon Keng Kho, Mr Patrick Kho Chuan Thye, Equinex Investments Limited, nor Mr Danny Lai have a relevant interest in any shares.

The calculation in Table 1 below assumes that the total number of post consolidation shares on issue is 157,849,991 under the minimum capital raising. Table 2 below assumes that the total number of post consolidation shares is 333,353,895 under the maximum capital raising.

Table 1 – Maximum number of Shares which the relevant allottees will hold after the allotment of the first proposed capital raising of \$405,000.00.

Column 1	Column 2	Column 3	Column 4
Name of allottee	Maximum number of Shares to be issued under Resolutions 2 to 9 to each allottee	Maximum Voting power of the relevant allottee in the Company	Funds
Mr Choon Keng Kho	3,553,950	2.25%	\$10,125
Mr Patrick Kho Chuan Thye	3,553,950	2.25%	\$10,125
Equinex Investments Limited	7,107,900	4.5%	\$20,250
Mr Danny Lai	127,942,200	81.00%	\$364,500
TOTAL	142,158,000	90%	\$405,000

Table 2 – Maximum number of Shares which the relevant allottees will hold after the additional proposed capital raising of \$500,000.00.

Column 1	Column 2	Column 3	Column 4
Name of allottee	Maximum number of Shares to be issued under Resolution 2 to 9 to each allottee	Maximum Voting power of the relevant allottee in the Company	Funds
Mr Choon Keng Kho	3,553,950	1.07%	\$10,125
Mr Patrick Kho Chuan Thye	3,553,950	1.07%	\$10,125
Equinex Investments Limited	7,107,900	2.13%	\$20,250
Danny Lai	127,942,200	38.38%	\$364,500
SUB TOTAL	142,158,000	42.65%	\$405,000
Sophisticated Professional, other exempt investors	175,503,704	52.65%	\$500,000
Existing Shareholders	3,361,371	1.01%	0
Advisers	8,830,820	2.62%	0
Shareholders Trust	3,500,000	1.07%	0

TOTAL	333,353,895	100%	\$905,000
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Table 3 – Maximum number of Shares which the relevant allottees will hold after the additional proposed capital raising of \$500,000.00 and performance options exercised.

Column 1	Column 2	Column 3	Column 4	Column 5
Name of Allottee	Maximum number of shares to be issued under Resolution 2 to 9 allottee	Extra number of shares if performance options exercised	Maximum Voting power of the relevant allottee in the company (approx)	Funds
Mr Choon Keng Kho	3,553,950	2,500,000	1.39%	\$10,200
Mr Patrick Kho Chuan Thye	3,553,950	2,500,000	1.39%	\$10,200
Equinex Investments Ltd	7,107,900	5,000,000	2.79%	\$20,400
Danny Lai	127,942,200	90,000,000	50.29%	\$367,200
SUB TOTAL	142,158,000	100,000,000	55.86%	\$408,000
Sophisticated Professional, other exempt investors	175,503,704	-	40.52%	\$500,000
Existing Shareholders	3,361,371	-	0.78%	0
Advisers	8,830,820	-	2.03%	0
Shareholders Trust	3,500,000	-	0.81%	0
TOTAL	333,353,895	100,000,000	100%	\$908,000

Table 4 – Maximum number of Shares which the relevant allottees will hold after the first proposed capital raising of \$405,000, no additional \$500,000 capital is raised and performance options exercised.

Column 1	Column 2	Column 3	Column 4	Column 5
Name of Allottee	Maximum number of shares to be issued under Resolution 2 to	Extra number of shares if performance options	Maximum Voting power of the relevant allottee in the company	Funds

	9 allottee	exercised	(approx)	
Mr Choon Keng Kho	3,553,950	2,500,000	2.34%	\$10,200
Mr Patrick Kho Chuan Thye	3,553,950	2,500,000	2.34%	\$10,200
Equinex Investments Ltd	7,107,900	5,000,000	4.69%	\$20,400
Danny Lai	127,942,200	90,000,000	84.55%	\$367,200
SUB TOTAL	142,158,000	100,000,000	93.92%	\$408,000
Existing Shareholders	3,361,371	-	1.30%	0
Advisers	8,830,820	-	3.42%	0
Shareholders Trust	3,500,000	-	1.36%	0
TOTAL	157,850,191	100,000,000	100%	\$408,000

Other Information – Unrelated Sophisticated, Professional and Exempt Investors

Also set out below are the matters required to be disclosed in accordance with Item 7(b) of Section 611 of the Corporations Act being:

- (a) *the identity of the person proposing to make the acquisition and their associates:*

The identities of the persons is disclosed in Paragraph 1.2.1 above.

It is proposed that a further issue of 175,503,704 Shares be issued to unrelated sophisticated, professional and exempt investors from Australia and South East Asia as per Resolution 8. None of whom have relevant interests in any Shares existing as at the date of this Notice and none of whom will own 20% of the issued capital. The identity of the allottees is unknown, but they will not be associates of Benelong, The Kho Brothers, Equinex Investments Limited and Danny KS Lai, nor any proposed director.

- (b) *the maximum extent of the increase in that person's voting power in the company that would result from the acquisition:*

If Resolution 8 is passed, sophisticated, professional exempt investors voting power in the Company will increase from 0% to 40.52% on a fully diluted basis.

- (c) *the voting power that the relevant allottees would have as a result of the acquisition:*

If Resolution 8 is passed their voting power in the Company will be 40.52%.

- (d) *the maximum extent of the increase in the voting power of each of*

the allottee's associates that would result from the acquisition.

Because no associates will be holding any relevant interest in existing Shares there is no increase in its voting power in the Company as a result of the acquisition. No allottee will have 20% or more.

- (e) the voting power that each of the allottee's associates would have as a result of the acquisition:

The answer is nil.

The proposed sophisticated, professional, exempt investors do not have any associates holding any relevant interest in existing Shares.

Other Required Information - ASIC regulatory Guide 74

The following further information is disclosed:

- (a) The Company will review its current business activities and any remaining ventures. As part of this process, it is proposed that New Directors will be appointed to the Board. These appointments form the subject of separate Resolutions. The existing Directors and company secretary will be removed;
- (b) In accordance with the Recapitalisation Proposal, the Company intends to raise capital to:
- (i) pay for the DOCA so as to extinguish all debt of the Company;
 - (ii) pay for the recapitalisation costs and legal costs of terminating the Liquidation;
 - (iii) provide funds for the assessment of the Company's business;
 - (iv) provide funds for the assessment of additional opportunities, as identified by the Company; and
 - (v) meet the administration costs of the Company .

The Company will have sufficient funds if all Resolutions are passed and share capital raised in order to meet the aims of the Recapitalisation Proposal;

- (c) the Company will be required to raise sufficient capital to satisfy the requirement of Chapters 1 and 2 of the Listing Rules. To this end, the Company may be seeking shareholder approval to proceed with a further capital raising in the near future depending on the nature of the acquisition;
- (d) there is no current intention to redeploy any other fixed assets of the company or to change the company's existing policies in relation to financial matters or dividends. At present, the company does not pay a dividend. The dividend policy of the company will be assessed in accordance with the future profitability of the business;
- (e) the identity of persons intending to become directors comprises Mr (Wayne) Ko Chun Way, Ms (Jamie) Khoo Gee Choo, and Ms Chow-Yee Koh. Information on these 3 directors is contained in paragraph 2.4 below.
- (f) The reason for the proposed acquisition is to recapitalise the company. It can then seek our opportunities to add shareholder wealth;

- (g) The material terms of the acquisition are set out in paragraph 1.2.1. The company intends to raise \$905,000 in capital for the purposes set out in paragraph 1.1.3;
- (h) The acquirer intends to change the company's business if it is discovered that it is not viable. Further injection of capital is intended as it is an ASX requirement before requotation of shares. The company will not have any employees in the foreseeable future;
- (i) The current directors do not have an interest in the acquisition. The proposed incoming directors do not own shares in the company.

Independent Expert's Report or IER

The Listing Rules and the Corporations Act provide that an independent expert's report on the transaction must be provided to Shareholders. The IER provides an opinion as to whether the acquisition of the voting power referred to in the Resolutions and this section, is fair and reasonable to the non-associated Shareholders of the Company.

Accordingly, Benelong has commissioned Stantons International Securities to produce the IER as an independent expert. The IER is enclosed with the Notice and is attached to Annexure A.

Stantons International Securities has concluded that the acquisition of the voting power by the Kho Brothers, Equinex Investments Ltd, Mr Danny Lai, and sophisticated professional and exempt investors from South East Asia and Australia as contemplated by Resolutions 2 to 9 ("**Acquisition**") **is fair and reasonable to the Shareholders of the Company.**

The advantages of the Acquisition are outlined in the IER and are provided to enable non-associated Shareholders of the Company to determine whether they are better off if the Acquisition proceeds than if not.

Shareholders are urged to carefully read the IER in deciding how to vote on the Resolutions.

Directors' Recommendations

The existing Directors of the Company which is in liquidation and under Deed of Company Arrangement, do not make any recommendation in respect of the Recapitalisation proposal. Shareholders should read this Statement in full, including the Letter, and the IER, to form an opinion on the merits of the Recapitalisation Proposal.

Pro forma Consolidated Balance Sheet

Set out below is a statement of financial position of the Company based on the Administrators records as at January 2014, together with the pro forma balance sheet as at June 2014 date if all Resolutions are passed.

Following the completion of the Recapitalisation Proposal and assuming all Resolutions are implemented, the unaudited pro-forma Statement of Financial Position is expected to disclose:

	Unaudited	Pro-forma
	Estimated Statement of Financial Position As at January 2014 \$	Statement of Financial Position after resolutions are passed \$
Current Assets		
Cash assets	0	660,000 *See Note 1
Debtor	21,105	21,105
	-----	-----
	21,105	681,105
Non Current Assets		
Interests in Subsidiaries	0	0
Intellectual Property	0	0
	-----	-----
Total Assets	21,105	681,105
	-----	-----
Liabilities		
Trade creditors and Accruals & employees	(76,272,483)	0
	-----	-----
Total Current Liabilities	(76,272,483)	0
	-----	-----
Net Deficiency/Surplus	(76,251,378)	681,105
Equity		
Issued Capital	24,147,000	24,974,000**See Note 2
Reserves	0	1,060
Accumulated Losses	(100,398,378)	(24,293,895)**See Note 3
	-----	-----
Total Equity	(76,251,378)	681,105
	=====	=====

Note 1

The movement in the cash assets is reconciled as follows:

Cash assets:	\$
Opening Balance	0
Placement of shares at 317,661,704 each @ \$0.00284894272	905,000
Placement of Options	1,000

DOCA & Termination of Liquidation costs review of projects, listing fees	(246,000)

Closing balance (estimated)	660,000

Note 2

The movement in the issued capital reconciled as follows:

Issued Capital:	\$
Opening Balance	24,147,000
Placement of 3,500,000 shares at \$0 each	0
Placement of 8,830,820 shares at \$0 each	0
Placement of 142,158,000 shares at \$0.00284894272	405,000
Placement of 175,503,704 shares at \$0.00284893272	500,000

Payment of Share issue costs	(78,000)

Closing balance (estimated)	24,974,000

Note 3

Creditors claims reduced via DOCA settlement.

2.3 Resolution 9 – Approval for Allotment and Issue of Shares to a Related Party

Approval is sought for the issue of 7,107,900 shares to Equinex Investments Ltd to be issued under the recapitalisation proposal. This Resolution is required to be approved by Shareholders in accordance with ASX Listing Rule 7.1 and 10.11 and Section 195(4), Section 208, and Item 7 of Section 611 of the Corporations Act. Resolution 9 seeks to achieve this objective.

2.3.1 General

Pursuant to Resolution 9, the company is seeking Shareholder approval for the issue of 7,107,900 Shares (on a post-Consolidation basis) at an issue price of \$0.00284894272 per Share to raise \$20,250.00 from Equinex Investments Ltd.

Ms (Jamie) Khoo Gee Choo, a proposed director, wishes to participate in the Capital Raising. She is a related party of Equinex Investments Ltd.

2.3.2 Chapter 2E of the Corporations Act and ASX Listing Rule 10.11

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval.

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

The participation will result in the issue of shares which constitutes giving financial benefit and the proposed director is a related party of the company by virtue of being a proposed director of the company.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

It is the view of the Company that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the participation.

2.3.3 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Section 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the participation:

- (a) the related party is (Jamie) Khoo Gee Choo and she is a related party by virtue of being a proposed director of the company;

- (b) the maximum number of Shares (being the nature of the financial benefits being provided) to be issued to the proposed director will be 7,107,900 shares on a post consolidation basis;
- (c) the maximum number of performance options to be issued is 5,000,000 (all on post consolidation basis);
- (d) the shares will be issued to the proposed director no later than 1 month after the date of the meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) state;
- (e) the issue price will be:
 - (i) \$0.00284894272 per share (on a post consolidation basis) being the same price as all other shares issued under the Capital Raising;
 - (ii) \$0.00001 per performance option on post consolidation basis, being the same as all other options issued under the capital raising;
- (f) the funds raised will be used for the same purposes as all other funds raised under the capital raising as set out in Section 1.1.3 of this explanatory statement;
- (g) the shares issued under the capital raising will be fully paid ordinary shares in the capital of the company issued on the same terms and conditions as the company's existing shares;
- (h) the performance options will be issued on the same terms and conditions as all other options issued under the capital raising, being those set out in paragraph 2.2(g);
- (i) the value of the financial benefit provided to each proposed director is calculated by the number of securities being issued to that proposed director multiplied by the issue price under the General Placement and is set out below;

Securities	Value per Security	Financial Benefit
7,107,000 Shares	\$0.00284894272	\$20,500
5,000,000 Options	\$0.00284894272	\$14,245
TOTAL		\$34,495

The company has been suspended from trading since May 2008 with the last trading price of the company prior to going into administration being \$0.07.

However, the company will be issuing shares at \$0.00284894272 and the proposed directors therefore consider that \$0.00284894272 is a more appropriate valuation for the cost of the shares being issued, the subject of resolution 9.

- (j) the value of the performance options is \$14,245 maximum currently \$Nil.
- (k) the current relevant interests of the proposed director in the securities of the company are set out below;

Related Party	Shares	Options
(Jamie) Khoo Gee Choo	Nil	Nil

(l) the remuneration and emoluments from the company to the proposed director for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Financial Year ended 30 June 2015	Financial Year ended 30 June 2014
(Jamie) Khoo Gee Choo	\$36,000	Nil

(m) if the shares and performance options are issued to the proposed director and the options are exercised into shares, a total of 12,107,900 shares (on a post consolidation basis) would be issued. If the first proposed capital raising is completed, and the performance options are exercised, there will be 257,850,191 shares on issue, (see Table 4 earlier in this report). Therefore, the 12,107,900 shares will have the effect that they will represent 4.69% of 257,850,191, (see Table 4).

If the first and additional capital raising is completed, and the performance options are exercised, there will be 433,353,895 shares on issue, (see Table 3). Therefore, the 12,107,900 shares will have the effect that they will represent 2.79% of 433,353,895, (see Table 3).

The market price for shares during the term of the performance options would normally determine whether or not they are exercised, if, at any time any of the performance options are exercised and the shares are trading on ASX at a price that is higher than the exercise price of the performance options, there may be a perceived cost to the company.

(n) the trading history of the shares on ASX in the 12 months before the date of this notice is set out below:

	Price	Date
Highest	0	
Lowest	0	
Last	0	

Shareholders should note that the company's securities were suspended from quotation on 5 May 2008 and remain suspended.

- (o) the primary purpose of the issue of the shares and options is to allow the proposed directors to participate in the capital raising; and
- (p) none of the current directors have an interest in the outcome of resolution 9. The directors do not make a recommendation because the company is subject to Deed of Company Arrangement. However, it is noted that:

- (i) the issue of shares and performance options pursuant to resolution 9 are on the same terms as the issue of shares and performance options under the capital raising; and
 - (ii) the issue of shares and performance options to the proposed director might be regarded as aligning the interests of the proposed director with those of shareholders; and
- (a) the proposed directors and the Deed Administrator are not aware of any other information that would be reasonably required by shareholders to allow them to make a decision whether it is in the best interests of the company to pass resolution 9.

Approval pursuant to ASX Listing Rule 7.1 is not required for the participation as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of shares and performance options to the proposed director (or their respective nominees) will not be included in the use of the company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1

2.4 Resolution 10 – Removal of Directors and a Company Secretary

The Recapitalisation Proposal provides for the removal of the existing Directors and Company Secretary of the company. Resolution 10 seeks to achieve this objective.

2.5 Resolutions 11 – 13 – Election of New Directors and a New Company Secretary

The Recapitalisation Proposal provides for the appointment of a new Board consisting of Mr (Wayne) Ko Chun Way, Ms Khoo Gee Choo (Jamie), and Ms Chow-Yee Koh.

Resolutions 11 -13 seek to achieve this.

The curriculum vitae of each New Director is as follows:

Ms (Jamie) Khoo Gee Choo, MBS, University Hull, U.K. Institute of Singapore Chartered Accountants

Ms Khoo has over 20 years experience in accounting and corporate finance and extensive experience in company funding, investment evaluation, due diligence, and structuring. Ms Khoo was until recently an executive director of SGX listed Adventus Holdings Ltd, and is a current director of ASX listed Refresh Group Ltd, LionHub Group Ltd and MDS Financial Group Ltd. Ms Khoo is not associated with any businesses of Mr Choon Keng Kho and Mr Patrick Khoo Chuan Thye.

Mr (Wayne) Ko Chun Way, B.Com Griffith University Queensland, Masters Open University Hong Kong, Member of CPA Australia and Hong Kong Institute of C.A. Public Accountants

Wayne has over eighteen years experience with an international accounting firm. He had been involved in a number of assignments including initial public offerings, merger and acquisitions and audits in various industries including high technology, manufacturing, construction, strategic investment, entertainment, energy and resources, media and others.

Ms Chow-Yee Koh, B.Com Strathclyde University Scotland, Member of Association of Chartered Certified Accountants (UK)

Chow-Yee has over seventeen years experience with Malaysian listed companies as finance manager, as audit manager with Ernst & Young Singapore and Portfolio Manager with Grant Thornton Australia. She has more recently specialised in IPO financial advice and company secretarial matters.

The Investment Group believes the New Directors are best placed to maximise opportunities for the Company.

3. ENQUIRIES

Shareholders are invited to contact Mr Steven Nicols of Benelong Capital Partners Pty Ltd on phone +61 2 9299 2289 or Danny Vrkic on +61 2 4225 2545 if they have any queries in respect of the matters set out in these documents.

TIME AND PLACE OF MEETING AND HOW TO VOTE

Venue

An Extraordinary General Meeting of the shareholders of On Q Group Limited will be held at 11am(AEST) on Wednesday 3rd September 2014 at 11.00 a.m.

Nicols and Brien
Level 2
350 Kent Street
SYDNEY NSW 2000
AUSTRALIA
Phone +61 2 9299 2289

How to Vote

You may vote by attending the Meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the Meeting on the date and at the place set out above. The Meeting will commence at 11.00 a.m. (Sydney Time).

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of Extraordinary General Meeting as soon as possible and either:

- send the proxy by facsimile to the Company on facsimile number (International: + 61 2 9299 2239); or
- deliver the proxy to the Company at c/- Nicols and Brien, Level 2, 350 Kent Street, Sydney, New South Wales, Australia.

so that it is received not later than 7.00pm (Sydney Time) on 1st September 2014.

Your proxy form is enclosed.

GLOSSARY

Administrator means Danny Tony Vrkic of DV Recovery Management, Level 1, 76 Market Street, Wollongong, NSW, 2500.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market known as the Australian Securities Exchange, operated by ASX Limited, as the context requires

ASX Listing Rules or **Listing Rules** means the Listing Rules of ASX.

Benelong means Benelong Capital Partners Pty Ltd (ACN 145 496 233)

Board means the board of directors of the Company.

Company means On Q Group Limited (ACN 009 104 330).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Creditor means a creditor of the Company as at the date of the Notice.

Deed Administrator means Danny Tony Vrkic of DV Recovery Management, Level 1, 76 Market Street, Wollongong, NSW, 2500, so appointed under the DOCA.

Deed of Company Arrangement or DOCA means the Deed of Company Arrangement between Deed Administrator and the Company dated 12 March 2014 and includes any variation to such.

Director means a director of the Company.

Dollar or \$ means Australian dollars.

Explanatory Statement or **Statement** means the explanatory statement to the Notice of General Meeting.

Glossary means this glossary.

Independent Expert's Report or IER means the Independent Expert's Report prepared by Stantons International Securities and contained in Annexure A to the Notice.

Liquidators means Paul Andrew Burness and Matthew James Jess of Worrells Solvency, Level 5, 15-17 Queen Street, Melbourne, VIC, 3000.

Meeting means the extraordinary general meeting of the Shareholders convened by the Notice to be held on 3 September 2014.

New Directors means the Directors to be appointed under Resolutions 9, 10 and 11.

Notice means the notice of extraordinary general meeting of the Shareholders in respect of the Meeting dated 30 July 2014.

Recapitalisation Proposal means the Recapitalisation Proposal submitted by Benelong to the Deed Administrator dated 30 January 2014 relating to the restructure and recapitalisation of the Company.

Resolutions means the resolutions described in the Notice.

Shareholder means the holder of Shares.

Shares means ordinary class shares in the capital of the Company.

Sydney Time means time in Sydney NSW from time to time.

**PROXY FORM
 APPOINTMENT OF PROXY
 ON Q GROUP LIMITED (IN LIQUIDATION) (SUBJECT TO DEED TO COMPANY ARRANGEMENT)
 A.C.N 009 104 330**

EXTRAORDINARY GENERAL MEETING

I/We

_____ being a Member of On Q Group Limited entitled to attend and vote at the Meeting, hereby

Appoint

_____ Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the Extraordinary General Meeting to be held at Nicols and Brien, Level 2, 350 Kent Street, Sydney, New South Wales on Wednesday 3rd September 2014, at 11 am, and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of all of the resolutions.

Voting on Business of the Extraordinary General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 Consolidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Allotment and Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Allotment and Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Allotment and Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Allotment and Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 Allotment and Issue of Performance Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 Allotment and Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 Allotment and Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 Allotment and Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10 Removal of Directors & Company Secretary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11 Appointment of Ms (Jamie) Khoo Gee Choo as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12 Appointment of Mr (Wayne) Ko Chun Way as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 13 Appointment of Ms Chow-Yee Koh as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

OR

If you do **not** wish to direct your proxy how to vote, please mark this box

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. The Chairman will vote in favour of all of the resolutions if no directions are given.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____ %

Signed this _____ day of _____ 2014

Individuals and joint holders	Companies (affix common seal if appropriate)
SIGNATURE	Director
SIGNATURE	Director/Company Secretary
SIGNATURE	Sole Director and Sole Company Secretary

Instructions for Completing 'Appointment of Proxy' Form

1. A Shareholder entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a Shareholder of the Company. In the case of joint holders, all must sign.
3. Corporate Shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company;
 - a director and a company secretary of the company; or
 - For a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. You may fax the Proxy form to: Facsimile No. +61 2 9299 2239 or mail to Nicols and Brien, Level 2, 350 Kent Street, Sydney NSW 2000.
7. Any questions, please call Steve Nicols on phone +61 2 9299 2289, or email to steve@benelongcapitalpartners.com

Performance Options – Schedule 1

The performance options material conditions are as follows:

(i)	Mr Choon Keng Kho must pay	\$25.00; and
	Mr Patrick Kho Chuan Thye must pay	\$25.00; and
	Equinex Investments Ltd must pay	\$50.00; and
	Mr Danny Kong Sang Lai must pay	\$900.00

	Total	\$1,000.00

Each to obtain the right to performance options;

- (ii) The options are exercisable at any time prior to 5.00 p.m. 31 December 2015 (expiry date), provided one of these abovementioned 4 core investors successfully introduce a project to the company that leads to the company signing a Heads of Agreement adopting such a project.
- (iii) The exercise price of each option is \$0.000002;
- (iv) The options may be exercised by completing an application form for shares (Notice of Exercise) delivered to the company's Share Registry, before the expiry date;
- (v) Upon the exercise of an option, and receipt of funds applicable, Mr Choon Keng Kho, Mr Patrick Kho Chuan Thye, Equinex Investments Ltd and Danny Kong Sang Lai will be allotted and issued ordinary shares in the company, ranking pari passu with the then issued shares;
- (vi) The unexercised options will not be entitled to any bonus issue of shares, nor any rights entitlements, if any, are issued prior to exercise;
- (vii) The options have been valued at \$1,000.00 as the shares have no marked value and it is uncertain if the performance hurdle will be achieved.

ANNEXURE A

INDEPENDENT EXPERT'S REPORT BY STANTONS INTERNATIONAL SECURITIES

8 July 2014

On Q Group Limited (In Liquidation)
(Subject to Deed of Company Arrangement)
C/O Benelong Capital Partners Pty Limited
Level 2, 350 Kent Street
SYDNEY NSW 2000

Summary of Opinion

For the purposes of section 611 (item 7) of TCA, in relation to the approval to issue 329,992,524 Shares to the Investment Group and Other Investors and to issue 100,000,000 Options to the Investment Group, in our opinion taking into account the factors noted elsewhere in this report including the factors (positive, negative and other factors) noted in section 7 of this report, the proposal as outlined in paragraph 1.1 and Resolutions 2 to 9 may on balance collectively be considered to be fair and reasonable at the date of this report.

Dear Sirs

RE: ON Q GROUP LIMITED (IN LIQUIDATION) (SUBJECT TO A DEED OF COMPANY ARRANGEMENT) (ACN 009 104 330) ("ON Q" 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 10.11 RELATING TO THE PROPOSAL TO ISSUE 329,992,524 SHARES AND 100,000,000 PERFORMANCE OPTIONS TO THE INVESTMENT GROUP AND/OR OTHER INVESTORS. MEETING PURSUANT TO SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT 2001 ("TCA").

1. Introduction

1.1 We have been requested by Benelong Capital Partners Pty Ltd ("Benelong" or "the Promoter") on behalf of On Q Group Limited ("On Q" or "the Company") to prepare an Independent Expert's Report to determine the fairness and reasonableness relating to the proposals as set out in Resolutions 4 to 7 and 9 of the Notice of Meeting ("the Notice") to be disseminated to shareholders of On Q in July 2014.

Under the proposal put forward by Benelong and the Investment Group (refer below) the Investment Group would increase its shareholdings from a starting point that is nil to a shareholding in a recapitalised On Q Group of in excess of 20%.

1.2 The Investment Group comprises of Mr Choon Keng Kho ("Kho"), Mr Patrick Kho Chuan Thye ("Thye"), Equinex Investments Limited (Equinex") and Danny Kong Sang Lai ("Lai"). Messrs Choon Keng Kho and Patrick Kho Chuan Thye are brothers.

Benelong will receive 8,830,820 new post consolidated shares in On Q as a fee for acting as a promoter and advising the Investment Group members. Further details on the Investment Group are noted in Section 1.2.1 of the Explanatory Statement ("ES") attached to the Notice that outlines the resolutions being put to the shareholders of On Q.

- 1.3 Resolution 4 relates to issue a total of up to 3,553,950 ordinary shares in On Q at an issue price of \$0.00284894272 each to raise a gross \$10,125 to Kho; Resolution 5 relates to issue a total of up to 7,107,900 ordinary shares in On Q at an issue price of \$0.00284894272 each to raise a gross \$10,125 to Thye; Resolution 7 relates to issue a total of up to 127,942,200 ordinary shares in On Q at an issue price of \$0.00284894272 each to raise a gross \$364,500 to Lai and Resolution 9 relates to issue a total of up to 3,553,950 ordinary shares in On Q at an issue price of \$0.00284894272 each to raise a gross \$20,250 to Equinex.

These parties in total are subscribing for a total of 142,158,000 post consolidated shares by payment to On Q of a total of \$405,000.

In addition, Resolution 2 relates to the issue of 3,500,000 post consolidated shares to the Trustee of the Share Trust for Creditors ("Trustee") at no cost to the Trustee (refer details below and in the ES attached to the Notice). Resolution 3 relates to the issue of 8,830,820 post consolidated shares to Benelong at no cost to Benelong (in effect, Benelong is receiving shares in On Q as a fee for acting as Promoter for the members of the Investment Group).

Resolution 8 relates to the issue of 175,503,704 post consolidated shares in On Q at issue price of \$0.00284894272 each to raise a gross \$500,000. It is intended that such share will be issued to unrelated, sophisticated, professional or other exempt investors ("Other Investors") and none will be related to the Investment Group.

Resolution 6 relates to the issue of 100,000,000 post consolidated performance share options ("Options") in On Q at issue price of \$0.00001 each to raise a gross \$1,000. It is intended that Kho will receive 2,500,000 Options, Thye will receive 2,500,000 Options, Equinex will receive 5,000,000 Options and Lai will receive 90,000,000 Options. The Options are exercisable at \$0.00002 each by 31 December 2015 provided that one of the core investors (Kho, Thye, Equinex or Lai) successfully introduces a project to the Company that leads to the Company signing a Heads of Agreement adopting such a project (refer Section 1.2.1 of the ES).

- 1.4 We understand that the proposal with the Promoter and the remaining members of the Investment Group includes the following:

- The Company to allot and issue to the Investment Group 142,158,000 post consolidated shares ("Consideration Shares") at an issue price of \$0.00284894272 per share to raise a total of \$405,000.00 ("Minimum Subscription") and issue 3,500,000 post consolidated shares and 8,830,820 post consolidated shares to the Trustee and Benelong respectively at no cost;
- Existing directors and company secretary of the Company be removed;
- New directors and a new company secretary be appointed to the Company;
- Consolidation of the existing shares of the Company, immediately prior to the proposed issues pursuant to Resolutions 2 to 9 on the basis of 1 share for each 22 shares held. An application will then be made to the Supreme Court to terminate the Liquidation;
- The company to allot and issue to sophisticated, professional and exempt investors 175,503,704 shares at an issue price of \$0.00284894272 per share to raise a further \$500,000; and
- Pay a sum of \$168,000 to be used by the Trustee, Liquidator, and Deed Administrator to pay DOCA fees and expenses and some funds to pre DOCA creditors (employee claims).

- 1.5 The proposed issue of 142,158,000 Shares, is referred to in this report as the Minimum Subscription as part of a total \$405,000 capital raising as noted above and in the ES. The Minimum Subscription, which is included as part of the proposals as set out in Resolutions 4, 5 and 7 and the Issue of Options as per Resolution 6, are also individually voted upon by non-associated shareholders of On Q (that is shareholders not associated with the Investment Group), for each proposed new related party. Accordingly the proposed issue of On Q Shares and Options to each of Kho, Thye, Equinex and Lai are being dealt with

Stantons International Securities

individually under Resolutions 4 to 7 and 9 of the Notice as they are related parties to the Company.

- 1.6 The company is also seeking approval to allot and issue a further 175,503,704 shares to Other Investors to raise a further \$500,000.

As at the date of this Notice, Benelong, the Trustee, Kho, Thye, Equinex and Lai have no relevant interest in any shares in On Q.

- 1.7 The total number of shares on issue would be 333,353,895 on a post consolidation basis as detailed in the following tables.

The calculation in Table below assumes that the total number of post consolidation shares on issue is 142,158,000 under the minimum capital raising. It also assumes that the total number of post consolidation shares is 333,353,895 under the maximum capital raising.

	Existing shareholders	Issue to Trustee and Benelong pursuant to Resolutions 2 and 3	Maximum No. of Shares and Options to be issued pursuant to (Resolutions 3 to 7)	Maximum No. of Shares to be issued pursuant to Resolution 8	Total
Existing shareholders pre consolidation	73,950,146	-	-	-	73,950,146
1:22 Consolidation					
Post consolidation	3,361,371	-	-	-	3,361,371
Issue to Trustee	-	3,500,000	-	-	3,500,000
Issued to Benelong	-	8,830,820	-	-	8,830,820
Existing shareholders, Trustee and Benelong					15,692,191
Equinex			7,107,900		7,107,900
Thye			3,553,950		3,553,950
Kho			3,553,950		3,553,950
Lai			127,942,200		127,942,200
Investment Group			142,158,000		142,158,000
Sub Total					157,850,191
Unrelated sophisticated exempt investors				175,503,704	175,503,704
Total before issue of options					333,353,895
Issue of Options to Equinex (Resolution 6)					5,000,000
Issue of options to Thye (Resolution 6)					2,500,000
Issue of options to Kho(Resolution 6)					2,500,000
Issue of options to Lai (Resolution 6)					90,000,000
Total Options					100,000,000
Total Potential Shares if Options exercised					433,353,695

Whom	Shares	Percentage (Approx)
Existing Shareholders (after 1:22 Consolidation)	3,361,371	1.00
Trustee	3,500,000	1.05
Benelong	8,830,820	2.65
Equinex	7,107,900	2.13
Thye	3,553,950	1.07
Kho	3,553,950	1.07
Lai	127,942,200	38.38
Investment Group (excluding Benelong)	142,158,000	42.65
Issue to Other Investors	175,503,704	52.65
TOTAL	333,353,895	100.00

Maximum number of Shares which the relevant allottees will hold after the allotment and after the conversion of any Options

Whom	Shares	Percentage (Approx)
Existing Shareholders (after 1:22 Consolidation)	3,361,371	0.78
Trustee	3,500,000	0.81
Benelong	8,830,820	2.04
Equinex	12,107,900	2.79
Thye	6,053,950	1.40
Kho	6,053,950	1.40
Lai	217,942,200	50.29
Investment Group (excluding Benelong)	242,158,000	55.88
Issue to Other Investors	175,503,704	40.49
TOTAL	433,353,895	100.00

The ES refers to various Tables outlining the potential shareholdings (and percentages) of the various allottees.

The Options are exercisable at \$0.00002 each by 31 December 2015 provided that one the core investors (Kho, Thye, Equinex or Lai) successfully introduces a project to the Company that leads to the Company signing a Heads of Agreement adopting such a project (refer Section 1.2.1 of the ES). If the Options vest and are all exercised, the Company will receive a total of \$2,000.

- 1.8 On 28 July 2008, Paul Andrew Burness and Matthew James Jess from Worrells Melbourne were appointed Joint and Several Administrators of the Company. On 23 December 2008, such persons ceased to act as Joint and Several Administrators and were appointed Joint and Several Liquidators ("Liquidators"). On 23 January 2014, Danny Tony Vrkic was appointed administrator of the Company ("Administrator") by the Liquidators, for the purposes of recapitalisation of the company. The Liquidation of the company continues despite the appointment of the administrator. A proposal was put forward by Benelong for the restructure and recapitalisation of the Company which was formalised in the terms of the Deed of Company Arrangement ("Recapitalisation Proposal"). The Creditors of the

Company agreed to the terms of the Deed of Company Arrangement in line with the submitted Recapitalisation Proposal on 28 February 2014. The Company entered into a deed of company arrangement on 12 March 2014 ("DOCA"). Pursuant to the terms of the DOCA, Danny Tony Vrkic was appointed deed administrator of the Company ("Deed Administrator"). The Recapitalisation Proposal requires, and is subject to various approvals being obtained from the shareholders of the Company ("Shareholders") (such approvals being the "Resolutions").

- 1.9 The total value of the restructure and use of funds is set as below:

Use of Funds – Expenditure Budget

	Minimum \$	Maximum \$
Total funds raised	405,000	905,000
Utilised as follows:		
Review of existing business	18,000	18,000
Review of new projects & due diligence	48,000	88,000
Total budget for projects	66,000	106,000
Payment in accordance with DOCA and Liquidation termination	168,000	168,000
Recapitalisation costs, ASX yearly listing fees	78,000	78,000
Working capital	93,000	553,000
Total funds utilised (\$)	405,000	905,000

- 1.10 The above Restructure is subject to the Company obtaining necessary shareholder approvals and any ASX regulatory re-quotations, as well as On Q being released from all liabilities and long term commitments through the contemporaneous effectuation of the DOCA and payment of cash consideration. Inter alia, the Company's secured creditors must also vote to release security over assets, and all creditors will be required to be satisfied from the Creditors Trust.

- 1.11 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 person 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.

- 1.12 Following completion of the Restructure and the other proposals noted in paragraph 1.3 above and in the Notice, the Investment Group currently hold Nil shares in On Q and would own a total of 142,158,000 shares in ON Q (not including the potential issue and exercise of Options) representing approximately 42.65% of the then shares on issue (assuming no other shares are issued or options converted). There would be 333,353,895 On Q shares on issue. Lai on his own would own an initial approximate 38.38%.

Benelong would own approximately 2.65%, the Trustee approximately 1.05% and the Other Investors approximately 52.65%. Benelong is acting as Promoter.

Should the Performance Options be issued and exercised, the Investment Group could own approximately 242,158,000 shares in the expanded capital of On Q, and this would represent approximately 55.88% of the then expanded shares on issue in On Q (total shares on issue would increase to 433,353,895). Lai, on his own would own an initial approximate 50.29%.

Benelong would own approximately 2.04%, the Trustee approximately 0.81% and the Other Investors approximately 40.49%. The Other Investors will not be related to the Investment Group.

- 1.13 A notice prepared in relation to a meeting of shareholders convened for the purposes of section 611 (Item 7) of TCA should be accompanied by an independent expert's report stating whether it is fair and reasonable to approve the issue of 329,992,524 Shares, 100,000,000 Options and allow such Options to be exercised.

Technically, the Investment Group is acting in unison and the total of 142,158,000 Shares to be issued as noted above (Resolutions 4 to 7 and 9) and the issue and exercise of 100,000,000 Options (Resolution 6) only requires Section 611 approval. However, as the Restructure is one package, Section 611 approval is being obtained for the issue of Shares to the Trustee, Benelong and the Other Investors pursuant to Resolutions 2, 3 and 8.

To assist shareholders in making a decision on the proposals outlined in Resolutions 2 to 9 of the Notice, (and in particular Resolutions 4 to 7 and Resolution 9 relating to individual members of the Investment Group, namely Messer's Kho, Thye, Equinex and Lai respectively), 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 proposal under Resolutions 2 to 7 and 9 are fair and reasonable to the non-associated shareholders of On Q.

- 1.14 We are not reporting on the fairness and reasonableness of the other resolutions referred to in the Notice and ES, other than Resolutions 2 to 9 as outlined above.

- 1.15 Apart from this introduction, this report considers the following:

- Summary of opinion
- Implications of the proposals with the Investment Group
- Corporate history and nature of business
- Future direction of On Q
- Basis of valuation of On Q shares
- Premium for control
- Fairness of the Proposals
- Conclusion as to fairness
- Reasonableness of the Proposals
- Conclusion as to reasonableness
- Sources of information
- Appendix A and Financial Services Guide

- 1.16 In determining the fairness and reasonableness of the transactions pursuant to Resolutions 2 to 9 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". The 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 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 regards to the proposed allottees and whether a premium for potential control is being paid by the allottees. Regulatory Guide 111 also provides that such an allotment should involve a comparison of the advantages and disadvantages likely to accrue to non associated shareholders if the transactions proceed compared with if they do not.

- 1.17 Accordingly, our report in relation to Resolution 2 to 9 comprising the approval to issue a total of 329,992,524 Shares, 100,000,000 Options and allow the exercise of such Options to the Investment Group or their nominees and other parties as noted above is concerned with the fairness and reasonableness of the proposal with respect to the existing non-associated shareholders of On Q and whether the Investment Group and other parties are collectively paying a premium for control. Technically, the control is to lie with the Investment Group (excluding Benelong) and in particular, Lai that could own between 38.38% and 50.29% of the expanded post consolidated capital of the Company.

Summary of Opinions

- 1.18 **For the purposes of section 611 (item 7) of TCA, the proposals in relation to the approval to issue 329,992,524 Shares and 100,000,000 Options (and allowing such Options to be exercised) as set out in Resolutions 2 to 9 are in our opinion taking into account the factors noted elsewhere in this report including the factors (positive, negative and other factors) noted in section 7 of this report, collectively be considered to be fair and reasonable to the non associated shareholders at the date of this report.**
- 1.19 Each shareholder needs to examine the share price of On Q, market conditions and announcements made by On Q up to the date of the shareholders meeting at the time of exercise of vote to ascertain the impact, if any, on Resolutions 2 to 7 and 9. 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 7 July 2014, there are 73,950,146 pre-consolidated ordinary fully paid shares on issue in On Q. Post the implementation of all of the recapitalisation proposals, the number of shares may be:

Proposed Capital Structure

	Shares	Performance Options	Total Share if Options Converted
Current Shares on issue	73,950,146	-	-
Consolidation on 1:22 basis	3,361,371	-	3,361,371
Resolution 2 Issue of Shares to Shareholders Trust	3,500,000	-	3,500,000
Resolution 3 Issue of Shares	8,830,820	-	8,830,820
Resolution 4 Issue of Shares and Options (Resolution 6)	3,553,950	2,500,000	6,053,950

Resolution 5 Issue of Shares and Options (Resolution 6)	3,553,950	2,500,000	6,053,950
Resolution 9 Issue of Shares and Options (Resolution 6)	7,107,900	5,000,000	12,107,900
Resolution 7 Issue of Shares and Options (Resolution 6)	127,942,200	90,000,000	217,942,200
Resolution 8 Issue of Shares	175,503,704	-	175,503,704
TOTALS	333,353,895	100,000,000	433,353,695

Further details on the shares that could be on issue and the shareholding interests of the Investment Group and other parties are noted in Section 1 of this report and in Tables 1, 2 and 3 of the ES attached to the Notice.

2.3 Following completion of the Restructure and the other proposals noted in paragraph 1.3 above and in the Notice, the Investment Group who currently holds nil shares in On Q would own a total of 142,158,000 shares in On Q representing approximately 42.65% of the then shares on issue (assuming all other share issues as issued as described in the Notice and ES). There would be 333,353,895 On Q shares on issue. Following the exercise of the Options, the collective shareholding of the Investment group (excludes Benelong) would approximate 55.88%. The new shareholders collectively would own approximately 99% (and 99.22% if the Options are exercised).

Initially, the first tranche of shares to be issued will be the 3,500,000 shares to the Trustee (issued at no cost), 8,830,820 to Benelong (issued at no cost) and 142,158,000 shares to the Investment Group (excluding Benelong) to raise \$405,000 and 100,000,000 Options collectively will be issued to the Investment Group (excluding Benelong) and raise \$1,000. The percentage interests of the Investment Group (excluding Benelong) at that stage (before the issue of 175,503,704 shares to Other Investors within 3 months of the meeting of shareholders) would approximate 90.05%.

2.4 The Company will raise \$906,000 from the issue of Shares and Options as noted in Resolutions 2 to 9 of which \$406,000 will come from the Investment Group or their nominees (excluding Benelong). Should the Investment Group receive its full allotment of Options and these are exercised, a further \$2,000 would be raised. The Options are exercisable at \$0.00002 each by 31 December 2015 provided that one the core investors (Kho, Thye, Equinex or Lai) successfully introduces a project to the Company that leads to the Company signing a Heads of Agreement adopting such a project (refer Section 1.2.1 of the ES).

2.5 We understand that the monies raised will be used for working capital, development of the existing On Q business, payment to the Trustee, Deed Administrator and Liquidator and identifying new opportunities for On Q shareholders. Refer section 1.9 above and Section 1.1.3 of the ES.

2.6 The new Board of On Q (should all Resolutions as part of the Notice be consummated), would consist of Ms Kho Gee Choo, Mr (Wayne) Ko Chun Way and Ms Chow Yee Koh. Further new directors may be appointed in the future as the needs arise and subject to the Investment Group nominating any new directors.

Note 2

The movement in the issued capital is reconciled as follows:

Issued Capital:	
Opening Balance	24,147,000
Placement of Shares to the Investment Group	405,000
Placement of Shares to Other Investors	500,000
Payment of share issue costs	(78,000)
Closing balance (estimated)	<u>\$24,974,000</u>

Note 3

The movement in reserves is reconciled as follows:

Reserves:	
Opening Balance	-
Issue of 100,000,000 options at \$0.00001	1,000
Closing balance	<u>\$1,000</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. Corporate History and Nature of Business

3.1 On Q is currently suspended from its listing on the ASX and suspended its efforts on getting royalty income (refer Section 1.1.2 of the ES). The Company will possibly look to acquire opportunities in other industries to enhance shareholder value in the future.

3.2 A summarised unaudited consolidated balance sheet (statement of financial position) of the On Q Group post ratification of all Resolutions is outlined in paragraph 2.7 of this report.

4. Future Directions of On Q

4.1 We have been advised by Benelong on behalf of the Investment Group that the initial proposals are to:

- Complete all the proposals as noted in the Resolutions in the Notice and raise \$906,000 (not including the effect of any further funds from the exercise of Options) and such funds will be used for working capital, development of the existing On Q business, payment to the Trustee, Liquidator and Deed Administrator under the DOCA and identifying new opportunities for On Q shareholders;
- Composition of the Board of directors of On Q will change in the near future as outlined in paragraph 2.6; and
- 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.

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 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. The Company would need to find a new business and raise additional funds so that it could meet the Listing Rules.

5. Basis of Valuation of On Q

5.1 Shares

5.1.1 In considering the proposals as outlined individually and collectively in Resolutions 2 to 9, we have sought to determine whether the issue price of the Shares to the Investment Group (or their nominees) and Other Investors is in excess of the current fair value of the shares in On Q on issue and whether the proposed Investment Group and Other Investment subscriptions is at a price that On Q could make to unrelated third parties and then conclude whether the proposal is fair and reasonable to the existing non associated shareholders of On Q. It is noted that Shares to the Trustee and Benelong are being issued at no cost to the Trustee and Benelong.

5.1.2 The valuation methodologies we have considered in determining a theoretical value of an On Q share are:

- capitalised maintainable earnings/discounted cash flow;
- takeover bid - the price at which an alternative acquirer might be willing to offer;
- adjusted net asset backing and windup value; and
- the recent market prices of On Q shares.

5.2 Capitalised maintainable earnings and discounted cash flows

5.2.1 On Q currently does not have a reliable cash flow or profit history from a business undertaking and therefore this methodology is not considered to be appropriate, particularly given the fact that the Company entered into liquidation on 23 December 2008.

5.3 Takeover Bid

5.3.1 It is possible that a potential bidder for On Q could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. Currently the Company is in liquidation, and the Company has undertaken a DOCA with Benelong (a related entity to Steve Nicols), for the Company to emerge from Administration. In the view of the Administrator and On Q's creditors, the Benelong recapitalisation proposal is the most appropriate for all creditors of On Q. However, if all of the 142,158,000 Investment Group Shares are issued and the Investment Group Options are issued and exercised, the Investment Group (either individually or via nominees) would control approximately 55.88% of the expanded ordinary issued capital of the Company.

5.4 Adjusted Net Asset Backing

5.4.1 Net asset backing and windup value

5.4.1 As noted above prior to the recapitalisation process, On Q has no cash, or other assets (apart from an ascribed value of \$nil put to the existing On Q business by the proposed incoming Directors of On Q which may be a lower or greater value upon further evaluation and \$21,105 of receivables (GST)) and no business activities and the Administrators considers that on a windup basis, the return to shareholders would be nil (refer paragraph 2.7 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 (other than the Benelong proposal).

5.4.2 Purely based on the net cash value of a recapitalised On Q, the net assets would be disclosed at approximately \$681,105 (assuming the Company raises \$906,000 as noted above) which would be equivalent to approximately 0.204 cents per share, assuming 333,353,895 shares would be on issue after the recapitalisation process (but before the exercise of the Options). This compares with the estimated current net value of an On Q share of nil cents.

5.5 Market price of On Q shares

- 5.5.1 As the Company has been suspended from the ASX since May 2008, we do not believe it is appropriate to value a On Q share based on prior quoted prices of On Q shares on the ASX.

Summary conclusion on value of a share in On Q

- 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 an On Q share (prior to the recapitalisation process) is nil cents. As disclosed above the Company has no material assets with minimal business activities.
- 5.7 If the recapitalisation process is finalised, the net value of an On Q share immediately post recapitalisation would approximate 0.204 cents per share (assuming the \$906,000 is raised as noted in the Resolutions in the Notice) and accepting the unsubstantiated value of \$nil to the On Q Business.

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 Investment Group could hold up to approximately 55.88% of the expanded issued capital of On Q (the related parties individually namely, Kho, Thye, Equinex and Lai could individually own approximately 1.40%, 1.40%, 2.79% and 50.29% respectively of the expanded post consolidated capital Company). These percentages assume the exercise of the 100,000,000 Options (that has a vesting condition as noted above). In take-over offers, it is often the case that a premium for control falls in the normal range of 15% to 40% and it is often accepted that a 20% premium for control should be payable. The actual premium may be more or less. In this case, we assume a reasonable premium for control in the current circumstances should be 20%.
- 6.3 The On Q shares that are proposed to be issued to the Investment Group (the subject of Resolution 4, 5, 7 to 9), are deemed to be theoretically worth nil cents. After certain transaction costs, a net cash balance of approximately \$660,000 will remain in the Company (assuming the raising of the \$906,000 referred to above).

In our opinion, it is possible that the Investment Group are paying a premium for control, however, the non associated shareholders of On Q are benefiting in that the theoretical value of an On Q share rises from nil cents (with \$nil of net business assets and minimal business activities) to a company with a theoretical cash backed value of approximately \$0.204 per share.

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 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. The Company would need to find a new business and raise additional funds so that it could meet the Listing Rules.

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6.4 Our preferred methodology is to value On Q and an On Q share on a technical net asset basis which assumes a 100% interest in the Company. Therefore no adjustment is considered necessary to the technical asset value determined under paragraph 5.4.2 as this already represents the fair value of the Company or a share in the Company on a pre Proposed Transaction control basis.

6.5 We set out below the comparison of the low, preferred and high values of an On Q share compared to the issue price for the Subscription Shares.

	Para.	Low (cents)	Preferred (cents)	High (cents)
Estimated fair value of an On Q Share	5.6	0.00	0.00	0.00
Issue price of the Shares Investment Group and Other Investors, Trustee and Benelong (average price)		0.2742486	0.2742486	0.2742486
Excess between Subscription Price and fair value		<u>0.2742486</u>	<u>0.2742486</u>	<u>0.2742486</u>

6.6 On a pre Proposed Transaction control basis, the value of an On Q share is nil cents per share. The recapitalisation is expected to raise \$906,000 post consummation of all Resolutions. Based on the preferred value of nil cents per share, a premium for control of is being paid by the Investment Group.

6.7 We note that the Investment Group will not have Board control of On Q, and has a nil interest in On Q at the date of this report.

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 On Q shares that are proposed to be issued to the Investment Group, the subject of Resolution 4, 5, 7 and 9 are deemed to be theoretically worth nil cents. Assuming a 20% premium for control, the deemed theoretical value is still nil.

7.2 If the recapitalisation proposal is completed, the theoretical value of an On Q share increases to approximately 0.204 cents before the potential exercise of any Options. The theoretical value of a On Q share post recapitalisation from a non associated shareholder's perspective, based on the estimated net assets of \$681,105 is \$0.204 (prior to 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 100,000,000 Options to the Investment Group at \$0.00001 per option each, the potential cash on hand increases by \$2,000, the net assets increase to \$683,305 and the theoretical value of a On Q share increases from nil to 0.1576 cents based on the potential shares on issue of 433,353,895 shares. The theoretical value of a On Q share post recapitalisation from a non associated shareholder's perspective on a fully diluted basis, based on the estimated net assets of \$681,1500 is 0.204 cents which is in excess of the theoretical value pre recapitalisation of nil cents per share.

7.3 In arriving at our conclusion on fairness, we considered whether the transaction is "fair" by comparing:

- (a) the fair market value of an On Q share pre-transaction on a control basis; versus
- (b) the fair market value of an On Q share post-transaction on a minority basis, taking into account the additional cash raised and the associated dilution resulting from the issue of new shares and exercise of Options under the transaction.

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- 7.4 The low, preferred and high values of an On Q share pre the Proposed Transactions on a control basis is:

	Para.	Low (cents)	Preferred (cents)	High (cents)
Estimated fair value of an On Q Share	5.6	nil	nil	nil

- 7.5 The preferred fair market value of an On Q share has been estimated at nil cents on a pre Proposed Transaction control basis. The Investment Group and Other Investors subscriptions yields to an adjusted value of 0.204 cents per On Q share. As the preferred fair market value of an On Q share is greater on a post transaction basis, the proposed Investment Group Subscription is considered to be fair to the non associated shareholders.

- 7.6 We set out below the range of estimated technical net asset values of On Q based on the Pro-forma Balance Sheet as detailed in paragraph 2.8 and assuming the exercise of the Options to raise a gross \$2,000.

	\$
On Q Business Assets	nil
Cash	662,000
Other current assets	21,105
Other current liabilities	nil
Total net assets	<u>683,105</u>
Number of shares on issue (fully diluted basis)	433,353,695
Net asset value per share (cents)	0.1576
Minority interest discount	16.67%
Minority value per share (cents)	0.1313
Issue Price (Blended Rate) (see paragraph 6.5 above) (cents)	0.2742

- 7.7 In order to reflect the minority interest value we have applied a minority interest discount to the technical net asset value. The minority interest discount has been calculated as the inverse of the premium for control of 20% as discussed in paragraph 6.2.

- 7.8 As noted above the fair market value of an On Q share Post-Transaction on a minority basis, taking into account the additional cash raised and the associated dilution resulting from the issue of new shares (including the exercise of the Options) under the transactions has a preferred fair value of approximately 0.1313 cents.

- 7.9 We set out below a comparison of:

- (a) the fair market value of an On Q share pre-transaction on a control basis; versus
- (b) the fair market value of an On Q share post-transaction on a minority basis, taking into account the additional cash raised and the associated dilution resulting from the issue of new shares under the transactions (including the issue of shares from the exercise of the Options).

	Para.	Low (cents)	Preferred (cents)	High (cents)
Estimated fair value of an On Q Share Pre Transaction on a control basis	5.6	nil	nil	nil
Estimated fair value of an On Q Share Post Transaction on a minority basis	8.4	0.1313	0.1313	0.1313
Excess/(shortfall) between Pre transaction Price and Post transaction Price		<u>0.1313</u>	<u>0.1313</u>	<u>0.1313</u>

Using the preferred net asset fair values, the estimated fair value of an On Q share Pre Transaction on a control basis is less than the estimated fair value of an On Q share Post Transaction on a minority basis and on this basis the Investment Group subscription (and the Other Investors subscription) is considered fair to the non associated shareholders of On Q.

The Trustee and Benelong are paying nil for the 3,500,000 shares and 8,830,820 shares to be issued to them respectively. However, both parties are not obtaining control and are will not be deemed associated or related with the other members of the Investment Group or the Other Investors. We have taken a collective view of the Restructure and recapitalisation and considered Resolutions 2 to 9 on a collective basis. As noted elsewhere, technically, only the Investment Group (excluding Benelong) are obtaining control.

7.10 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 Resolutions 2 to 9 are collectively on balance fair to the non-associated shareholders of On Q as at the date of this report.

8. Reasonableness of the Proposals

Advantages

- 8.1 The passing and consummation of Resolutions 2 to 9 in conjunction with the completion of the recapitalisation process would result in a net cash injection of approximately \$660,000 (assuming the capital raising of the \$906,000 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 2 to 7 and 9 are consummated along with the completion of the recapitalisation process, the net cash asset backing of an On Q share rises from nil cents to approximately 0.204 cents (assumes \$906,000 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 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. The Company would need to find a new business and raise additional funds so that it could meet the Listing Rules. The Options are exercisable at \$0.00002 each by 31 December 2015 provided that one of the core investors (Kho, Thye, Equinex or Lai) successfully introduces a project to the Company that leads to the Company signing a Heads of Agreement adopting such a project. If this occurs, it may enhance the ability of the Company to obtain re-listing.

- 8.4 The proposed directors bring expertise to the Company in that such Directors have financial, accounting, marketing and corporate experience and/or experience as directors or managers of public listed companies or other trading entities. The ES discloses the background of the proposed directors.

Disadvantages

- 8.5 A significant shareholding in the Company is being given to the Investment Group in general combined could own up to approximately 55.88% of the expanded issued capital of the Company. However, we note that On Q will be partly recapitalised with approximately \$660,000 in net cash (assuming the \$906,000 capital raising before exercise of the Options), 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 1.0% (and approximately 0.78% if the Options are exercised). It is assumed that all Investment Group investors will obtain a benefit particularly if the Company's shares can re re-quoted on ASX.
- 8.6 On Q would only have approximately net cash of \$660,000 (assuming the raising of \$906,000 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 On Q may be diluted down even further. However as noted above, the shares in On Q prior to the recapitalisation process is considered to be of nil value with the possibility of the Company liquidation continuing and this would supply no value to the existing shareholders.
- 8.7 If the Company seeks new business opportunities, there is no guarantee that such businesses will be profitable. Refer to the Letter to Shareholders accompanying the Notice on the proposed expenditure post the recapitalisation process.

9. Conclusion as to Reasonableness

- 9.1 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 collectively in Resolutions 2 to 9 are on balance reasonable to the non-associated shareholders of On Q as at the date of this report.**

10. Sources of Information

- 10.1 In making our assessment as to whether the proposals pursuant to Resolutions 2 to 9 are fair and reasonable, we have reviewed relevant published available information and other unpublished information of On Q 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 On Q. 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 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 July 2014 Notice of General Meeting of Shareholders of On Q (and drafts of the ES attached);
 - discussions with a representative of the Promoter;
 - shareholding details of On Q ;
 - announcements, if any, made by On Q to the ASX from July 2007 and to 23 December 2008 and then to 6 July 2014 (by the Joint Administrators on behalf of On Q);
 - the DOCA;
 - the Restructure Proposal from Benelong;

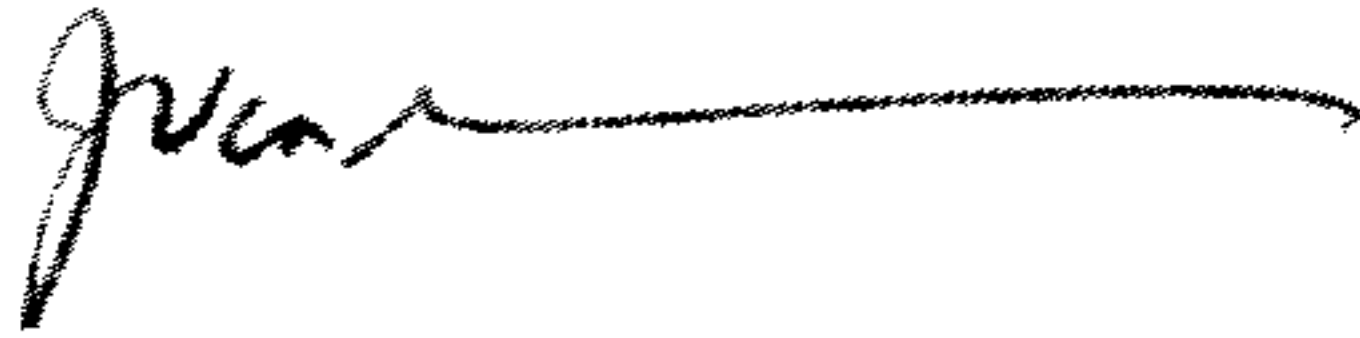
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- the Creditors Trust Deed of 12 March 2014; and
- Deed Administrators reports on On Q's financial affairs.

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

Yours faithfully

STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)

A handwritten signature in black ink, appearing to read 'John Van Dieren', followed by a long horizontal flourish.

John Van Dieren
Director

APPENDIX A

AUTHOR INDEPENDENCE

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd (trading as Stantons International Securities) dated 8 July 2014, relating to Resolutions 2 to 9 outlined in the Notice of Meeting of Shareholders and the accompanying ES to be distributed to shareholders of On Q in July 2014.

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 On Q 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 \$8,500 (excluding GST). The fee is payable regardless of the outcome. With the exception of that fee, neither Stantons International Securities nor John Van Dieren or Martin Michalik 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 Securities and Stantons International Audit and Consulting Pty Ltd do not hold any securities in On Q. 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 has 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 448697) 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 (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 Van Dieren FCA and Martin Michalik CA the persons responsible for the preparation of this report, have 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 On Q to assess the merits of the proposals (Resolutions 2 to 9) to which this report relates. This report has been prepared for the benefit of the On Q 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 On Q. 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 On Q 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.

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 proposals set out in Resolutions 2 to 9 to the Notice and each individual shareholder may make up their own opinion as to whether to vote for or against Resolutions 2 to 9.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by the Promoter, Benelong (represented by Steve Nicols on behalf of Benelong), 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 (on behalf of On Q) has agreed:

- (a) to make no claim by it or its officers against Stantons International Securities (and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which On Q may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by the Promoter and On Q's Deed Administrators; and
- (b) to indemnify Stantons International Securities (and Stantons International Audit and Consulting Pty Ltd) against any claim arising (wholly or in part) from the Promoter or any of its officers and On Q providing Stantons International Securities any false or misleading information or in the failure of the Promoter, On Q 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.

**FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)
Dated 8 July 2014**

1. Stantons International Securities Pty Ltd (ABN 42 128 908 289 and AFSL Licence No 448697) ("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: 448697;
- 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.

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

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. All Stantons International Audit and Consulting Pty Ltd employees receive a salary. Stantons International Audit and Consulting Pty Ltd 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 subsidiary 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 (that trades 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 Pty Ltd
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.

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