16 December 2015

Dear Simon,

Thank you for writing to me.

Your letter deserves a detailed response. My response to your comments are as follow.

- The board of Assets Resolution Limited ("ARL") changed on 11th September 2015. The new board was elected on a platform of continuing ARL as an investment company. The previous board made it very clear that, if they won the vote, they intended to wind up ARL. While many shareholders voted against our election, shareholders were given a clear choice about the future of ARL, and the majority voted for us and our strategy. Having been elected on a mandate to rebuild ARL, we are working hard to achieve what we said we'd do. You can read about us, what we've done and what we are planning for ARL in our AGM presentation, which you can read here: http://n.b5z.net/i/u/10179838/f/2015_11_24_ARL_AGM_presentation.pdf
- Neither the current board, nor the previous board (to the best of my knowledge) ever stated that its intention was to keep ARL going until we "receive the settlement from Bentleys Liquidation". I assume you are referring to settlement of the Fortress proceedings by Bentleys on behalf of Octaviar. The settlement of the Fortress litigation by Octaviar occurred before we became directors. We are legally limited in what we can say about this, but I can tell you that ARL has not received any of that money, and I am not sure when (or if) we will ever see any of it.
- ARL's interest in the Octaviar liquidation is a very complex asset. After spending a lot of time studying it, all I can say with certainty is that the Octaviar liquidation is likely to last for at least several more years, and could possibly take many years to complete. It is impossible to estimate with any confidence how much ARL will eventually receive from Octaviar. The previous board told me that their intention was to sell the Octaviar asset as soon as all of the other assets had been sold. The high degree of uncertainty and risk around that asset, plus the long time it could take to complete, mean that if ARL attempted to sell Octaviar, it might receive a very low price for the asset. This is one argument against winding up ARL.
- The ARL board shares your dislike of "further bleeding of our funds by extracting the fees, charges and the like." This is why we have made substantial cuts to ARL's operating costs, starting by halving directors' fees. You can read more about this in the AGM presentation.
- As previously stated, the current board has no current plans to distribute any money to shareholders either before Christmas 2015, or at any other time. This does not mean that we won't ever distribute cash to shareholders, it just means that we have no current plans to do so.
- If we do distribute any cash to shareholders, it will go to ARL shareholders at that time, not to PIF unitholders.
- We recognise that some shareholders wish to sell their ARL shares, which is why we intend to apply to list ARL shares on the Australian Securities Exchange in 2016. Listing is subject to approval by ASX and there is no certainty that ARL's application will be approved by ASX.

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- I don't know where you got the idea that listing on the Stock Exchange will cost $20m. We do not know how much it will cost to list, but believe it will cost about $50-100,000 in legal fees, stock exchange fees and other costs for ARL to become listed.
- We may offer to buy back some shares, provided that such purchases benefit those shareholders who are not selling as well as those who are selling.
- Premium Income Fund is entirely separate from ARL. Wellington Capital, the Responsible Entity of PIF, recently announced its intention to wind up PIF in 2016.
- You asked about a clause in the new Constitution that imposes a potential liability to contribute money to the company in the event that ARL is wound up. We were asked about this at the recent AGM. We told shareholders that the new Constitution is a "plain vanilla" Constitution that was selected to be compliant with the ASX Listing Rules. The old Constitution was not compliant with the ASX Listing Rules and needed to be changed before we could apply for listing. The clause you refer to is, I believe, found in the Constitutions of many ASX-listed companies. The liability only arises in respect of partly-paid shares, i.e. shares issued when a shareholder buys new shares from ARL, paying part of the money up-front and committing to pay the remainder at a future date. All ARL shares are fully-paid. ARL has never had partly-paid shares on issue, and it is extremely unlikely that we will ever issue them. Partly-paid shares are very rare, and ASX discourages companies from issuing them. In short, this is not a clause that you need worry about.
- We are very aware that you and many other PIF unitholders have suffered serious losses as a result of your PIF investment. We were not responsible for those losses but are determined to generate decent returns for ARL shareholders that will recover some of the losses you have suffered.

As you have placed your letter to me on HotCopper, I propose to do the same with my response. We also intend to place your letter and this response on the ARL website, but we will not include your name and personal details on the website (unless you want them published).

Feel free to call me on 08 8423 0170 if you wish to discuss this further.

Regards,

Fred Woollard
Director
Asset Resolution Ltd