

ASSOB Shareholder Update - May 2009

Dear Shareholder,

Since late last year ASSOB has been undergoing a great deal of change as a result of the global financial crisis.

After three years of solid and consistent growth, and enjoying revenues of between \$150,000 and \$450,000 per month up until November 2008, those revenues dropped from \$217,547 in October to \$64,442 the following month.

That's a drop from one month to the next of about 70 percent - a sign of the global financial crisis which no one has been immune to. This took us back to revenue levels we were seeing in mid-to-late 2006. Through December 2008 and January and February 2009 we saw an average income of \$62,000 per month. That compares against an average of \$238,321 per month for the same three-month period in the preceding year or a 74 percent decline.

From our recently published half yearly results, which are available on the NSX, you will see we declared a loss for the first half of 2008/2009. This loss includes the significant costs associated with retrenching more than 50 percent of our workforce, moving offices and restructuring the business on many levels to weather the financial storm. These costs have all been represented in these results. Further, this loss includes a significant writing down of our goodwill as well as writing off assets that no longer represented the value they originally had in our books.

However we have been busy over the past few months to protect your company from this global economic downturn by adding value and making sure that we survive this difficult period.

Our first call to action was to reduce our overheads by approximately 75 percent to ensure ASSOB's ongoing viability. This was achieved mainly by:

- Reducing our employee base from around twenty full-time staff plus several contractors to five full-time staff plus three contractors
- Relocating our administration office to smaller premises
- Closing the Start Securities office in Sydney
- Ceasing to offer national serviced office access to ASSOB members

- Restructuring the board and their remuneration (no Directors fees are currently being paid in cash or shares). The board has been reduced from five members to three
- Upgrading our website to enable full in-house control (significantly reducing IT management costs)

Today, ASSOBS is a very lean and efficient organisation with operating overhead now running at around \$15,000/week down from approximately \$60,000/week for the six months leading up to November 2008.

Despite this reduction in our cost structure by this extent, we have managed to create significant value by establishing a number of new revenue streams and upgrading key areas of our business - all within a limited budget. What follows is a summary of these key initiatives and upgrades.

New website launched

The first major initiative we undertook was the upgrading of the [ASSOB website/platform](#). The website is central to our business and the feedback from users was that it needed a makeover. What follows is a brief description of how the changes have impacted (or will impact) on our business:

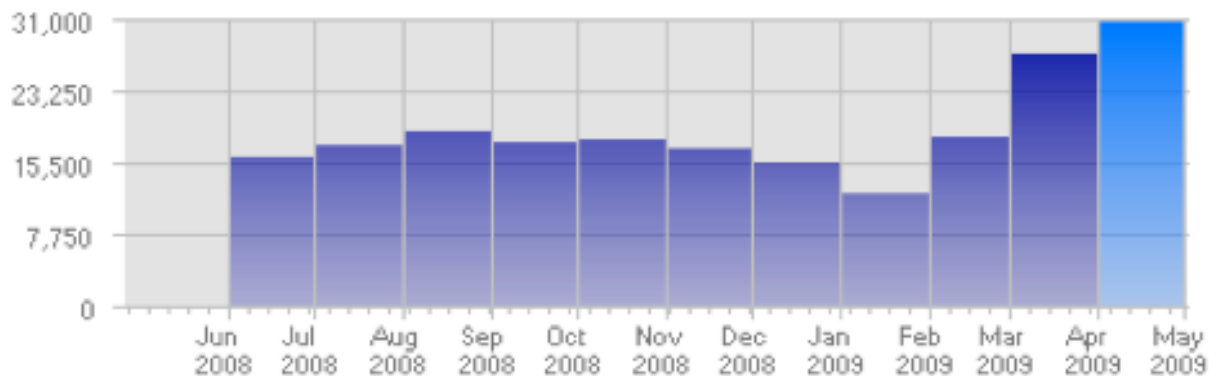
- 1) We changed the site so that *every* visitor has to sign in before visiting the home page. Many people were skeptical about this change saying that it would drive visitors away however this has not occurred with traffic numbers actually increasing by almost double since the change. This also ensures our compliance (and those of potential investors) with ASIC regulations through Class Order conversion. Through this initiative our investor list has experienced phenomenal growth because you 'must' provide your name and email to get into the site.
- 2) We also made the home page default to the Primary Issues Board. In other words rather than visitors having to search our site for the investment opportunities, it is now the first thing you see when you log into the site. This has had a massive impact on the platform in respect to the number of pages being viewed, the time visitors are now staying on the platform, and the importance of the information they are looking at in relation to our clients raising capital.

As you can see from the graphs, despite this being the quietest time in ASSOB's recent history, page views and traffic is higher now (by a long way) than at any other time.

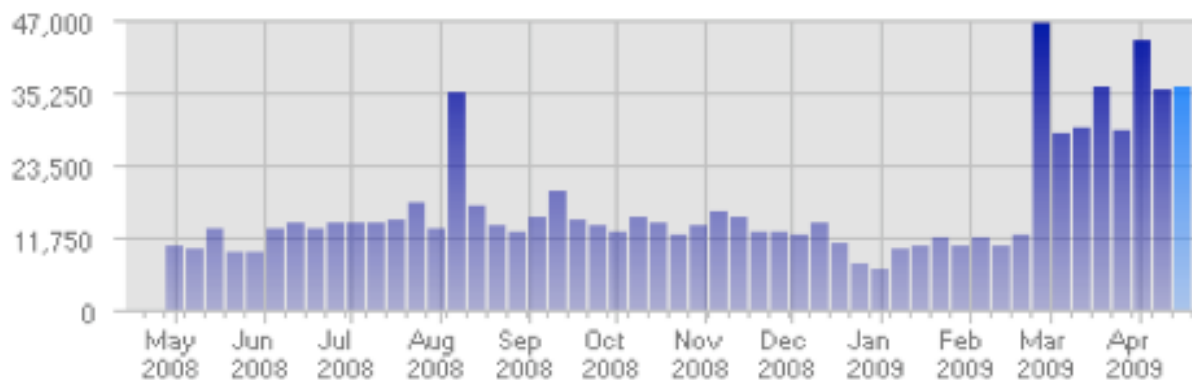
Considering the recent economic times and the drop in activity we have experienced in capital raising, the graphs show that the site is now more user friendly, that people stay longer and look at more pages than before.

The new website was launched in March 2009.

Visitors (weekly)



Page views (weekly)



ASSOB TV

A new enhancement to the website is “ASSOB TV” - a prominent area of the site where investors can browse investment opportunities by video rather than by text based pages and links to offer documents. The reason we launched this channel was as a result of a study we did on successful ASSOB capital raisings. The ASSOB platform has been capable of accepting and displaying video submissions to support a client’s capital raising offer for some time, however those videos were only seen by investors who found that issuer buried within the main capital raising area. The interesting thing we discovered through the study was that despite the videos being hard to find, the issuers who had them were on average 62 percent more successful in raising their capital. ASSOB TV now provides those issuers with a video stand-out forum to set themselves apart from the main investment opportunity board. Investors appreciate the new channel because the video is a quick and easy way to assess whether or not they want to spend half an hour reading the offer document. Already we have received a significant amount of positive feedback in relation to this initiative.

A secondary benefit has been the additional revenue that is being earned through the client hiring ASSOB Media Services, another new initiative outlined further in the update, to create the videos. In time it is envisioned that issuers will pay for inclusion in the ASSOB TV channel but it is free for now until the channel is well established. Visit ASSOB TV - www.assob.com.au/tv to view what we have on offer.

Board Status Open
Adam Hudson logged in [my account](#) | [logout](#)

ASSOB Australian Small Scale Offerings Board

Offers ASSOB TV Investors Announcements About Contact Companies

ASSOB TV

Featured Video

Humanitee Ltd
Humanitee is a sexy, stylish, organic and innovative clothing brand.

[Play Video](#)

Video Archive [RSS](#)

Cream Surf Company Limited
Cream has acquired the exclusive rights to produce and distribute Hydroflex-based products in Australia, NZ and Asia-Pacific - areas that boast a billion people living near 400,000kms of coastline.

[Play Video](#)

Biofuel Partnership Limited 2
The Biofuel Partnership Limited (BFP) has constructed the 'bioCube', a processing unit that converts commonly-available, oil-bearing fruits like jatropa, palm and rapeseed, into high quality biodiesel.

[Play Video](#)

Humanitee Ltd
Humanitee is a sexy, stylish, organic and innovative clothing brand.

INTRODUCING SMART CAPITAL MAGAZINE
for Highly Creative People
081
MAKING WAVES
Paul Rice is Helping Business Make Profits and Do Good
Old-Style Capital Never Recovers
FREE 6 MONTH SUBSCRIPTION
[CLICK HERE](#)

Executive Equity

For some time ASSOBS clients have been asking the question, “How do I find experienced board members to help with raising capital and growing my business?” Executive Equity is the answer.

These days there are tens of thousands of highly experienced professionals and successful business people who are financially established, not in need of a day-to-day income and looking for opportunities to invest their money *and* their know-how. Executive Equity is designed to be a matching service in a similar vein to other well-known employment matching websites. The main difference is that professionals who advertise their services on Executive Equity are willing to receive most (if not all) of their salaries or fees in equity or other non-cash payment.



Already the response has been phenomenal with some very well known executives uploading their profiles including:

- The founder of i-Select, the well known online health insurance broker. “You would have to be puffin muffins to buy your health insurance anywhere else”.
- Former Cisco, Deloitte, Brambles, SingTel Optus, Siemens, PWC, Telstra, ANZ and NAB senior managers and executives.
- A number of former CEO's of ASX listed companies

At present it is free for executives to upload a profile however this will be soon changing to an annual subscription fee. In time we expect this be a strong business for the group.

You can visit Executive Equity at <http://www.assob.com.au/executiveequity>

ASSOB Private

ASSOB Private is a new division of ASSOB that provides corporate advisory services to established companies that have revenue and profit. Generally speaking these companies will be seeking to raise larger sums of money or they will have founders and shareholders that are looking to facilitate a strategic exit - whether it be an IPO, trade sale or any number of transactions.

Operating in a very similar fashion to our existing member model, ASSOB Private certifies experienced corporate advisers under the ASSOB Private brand providing them marketing support and access to deal flow from the ASSOB pipeline. Revenue is generated through training fees, retainers, success fees and sometimes equity positions taken in companies using the ASSOB platform. These fees and equity positions are shared between the ASSOB Private member, the ASSOB member who initially generated the deal and ASSOB itself.

This area of our business is extremely exciting and one that over time we expect will generate significant value for the ASSOB group. So far we have appointed two corporate advisers under the ASSOB Private brand and you can read more about them and how ASSOB Private works in the first edition of Smart Capital magazine.

ASSOB Media Services (AMS)

ASSOB Media Services is a wholly owned subsidiary of ASSOB and it was formed to capitalise on the demand from our clients for PR and marketing assistance in relation to their capital raising drives.

We have known for some time that a well-crafted professional image and a suite of marketing and promotional tools invariably creates a better result for capital seeking companies and now we can provide those services in-house and share in the revenue.

Services include:

- Public Relations
- ASSOB TV
- Graphic Design
- Social Media Marketing
- Web Design & Optimisation
- Advertising, Media Planning & Buying

This division is headed up by long-time industry professional Bruce Nelson, who has worked with some of the largest corporate organisations in Australia. It is too early to tell what income this division will generate for the group directly, however indirectly we are starting to see an impact in respect to the success of clients who engage AMS.

ASSOB Easy Governance

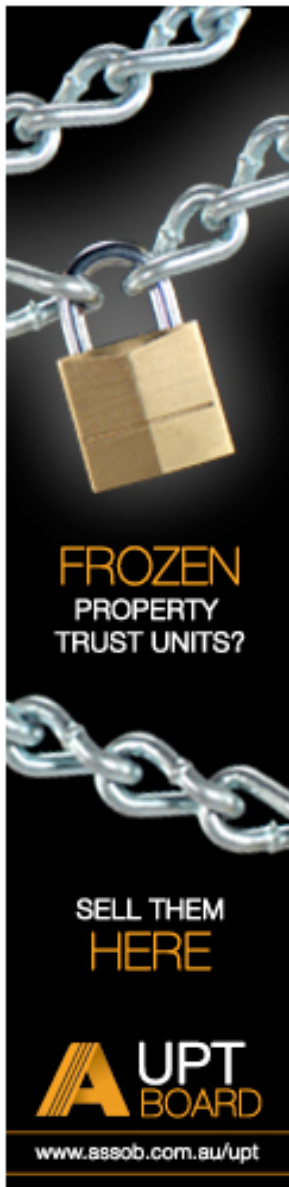


Some ASSOB clients are new to running a public company and as such, corporate governance is something they need help with. Creating agendas, running board meetings in accordance with best practice and properly minuting the dialogue and decisions of their board so that it forms a cohesive and valuable history are features that this new service is designed to teach and enhance.

ASSOB Easy Governance is a simple, affordable service which runs for three months after which the client can take over, or they can retain our services on an ongoing basis. After three months of ASSOB's involvement in overseeing and documenting their meetings they will have been taught the basics of good governance.

This division is being run by our company secretary Sue Williams on a profit share basis between ASSOB and Ms Williams. At this stage it is too early to tell whether or not this will generate any significant revenue for the group however we believe it is a valuable service that will ultimately cause better governance practices within ASSOB listed companies.

ASSOB Unlisted Property Trust (UPT) Board



Everyone now understands that ASSOB is a matching service that brings together investors looking to buy securities and entities looking to sell them. Until now, those securities have primarily been ordinary shares in unlisted companies, however the platform can be used to sell a range of securities including bonds, property units, convertible notes and so forth. Now that we have built the platform, we are planning to expand its application and the first test is our Unlisted Property Trust (UPT) board.

As we all know, the fallout from the US sub-prime crisis has resulted in tightening liquidity and credit worldwide. This has caused a fall in global share and real estate markets and many UPT fund operators have put a temporary freeze on redemptions. In total, there are currently in excess of \$20 billion dollars worth of frozen units in Australia. Although in many cases the underlying assets owned by the funds are of the highest quality with a history of dividends, many Australians are now in a position where they cannot sell their unlisted property trust units when they want or need to.

The ASSOB UPT Board is designed to enable those people who want to sell their unlisted property trust units to advertise them on the UPT Board. Generally speaking, most sellers will list their units on the board at a discount to the latest valuation provided by the Fund Manager creating a potentially good buying opportunity for someone else.

How ASSOB generates income from this process is through listing fees paid by the seller to list their units on the platform, and then success fees, also paid by the seller, in the event of a successful sale. After consultation with the financial planning community, we have settled on a \$395 listing fee and commission of 4.4 percent on the successful sale of units. With \$20 billion worth of frozen securities and ASSOB having the only platform to create liquidity, we feel that this board may become a strong business unit for ASSOB and bring a whole different type of investor to the platform. It also changes the profile of the types of securities sold through ASSOB. We no longer handle securities in largely unknown companies, but we now match buyers and sellers for securities offered by Orchard, Macquarie Bank, Zurich and so on.

You can read more about the UPT board in article that will be appearing in the first edition of Smart capital Magazine. You can also visit the UPT board at www.assob.com.au/upt

Smart Capital Magazine

Smart Capital Magazine is probably the single biggest addition to ASSOB's value proposition since the company's inception.

As a global standard, those seeking to raise capital have traditionally done so through writing and then attempting to distribute details of their offer through a Prospectus, Information Memorandum, Offer Information Statement or some other form of document or proposal. This works fine if you are a large institution seeking funds because everyone knows you and people will read such a document with the intention of investing based on years of dividends, a long term growth history and the recommendation of their adviser or stock broker. If you are a small relatively unknown company though, few people are going to spend the time to read a detailed offer document.



Until now investors in the areas where ASSOB primarily operates received information about investment opportunities in digital form. Our monthly email 'eNews' has limited space and often does not go into the depth required to entice investment. An email is not usually the best forum to deliver the quality of conversation required to tell the real story about the investment opportunity.

Smart Capital Magazine is a high quality investment publication, printed in full colour. Besides showcasing our client's investment opportunities, it also contains some of the biggest advertising brands in world and is supported by high profile journalists like Tony Featherstone (former editor of BRW).

From the start we adopted a premium brand only policy in regard to the advertisers who wanted to appear alongside our clients and that has paid huge dividends. In the first edition we have secured brands including: Mercedes Benz, Audi, Bentley Motorcars, BMW, Riviera Yachts, Watches of Switzerland, Bang & Olufsen, Maritimo Yachts, Moet Hennessy and a number of others.

The magazine has already signed up several thousand subscribers, most of them completely new to the ASSOB environment thereby swelling our Class Order converted investor list. By the time the magazine goes to print we expect there to be around 10,000 Smart Capital Magazine subscribers making it the largest and only publication of its kind in the country by a long way.

In addition to these individual subscribers, Smart Capital is being sent to more than 250 of Australia's leading venture capital firms, private equity groups, fund managers, government bodies and institutional investors including; Allen & Buckeridge, ABN AMRO Corporate, Macquarie Bank, AMP Capital, AON, Barclays, Baring Private Equity, BDO Kendalls, Champ Private Equity, Citigroup, Consolidated Press Holdings, Deloitte, Goldman Sachs JBWere, Gresham, ING Investment, Investec Wentworth Private Equity, Ironbridge Capital, Merrill Lynch Global Private Equity, Rothschild Australia and Terrain Capital.

This is a major step for ASSOB as a company. We believe it will pay strong dividends, particularly when the economic climate improves. Not only does it provide a distribution channel for ASSOB clients, it provides a distribution channel for ASSOB itself. We can use the magazine to sell our own products and services and have done so in the first edition. It is expected that the magazine will make a small profit from the 3rd edition on, approximately 6 months from now.

Corporate restructure

Since our last update the entire structure of the company has changed, as has our board. The departure of ASSOB's previous CEO in October 2008 coincided (almost to the day) with the October crash. The decision was taken that the "Start Securities" area of operations in the current climate was unsustainable nor was it strategically the best use of ASSOB's core assets. ASSOB was the only part of the group earning revenue so it was clear that all resources and focus needed to go back to the ASSOB business and away from other 'yet-to-be-proven' divisions within Start that were drawing from the cash flow generated by ASSOB.

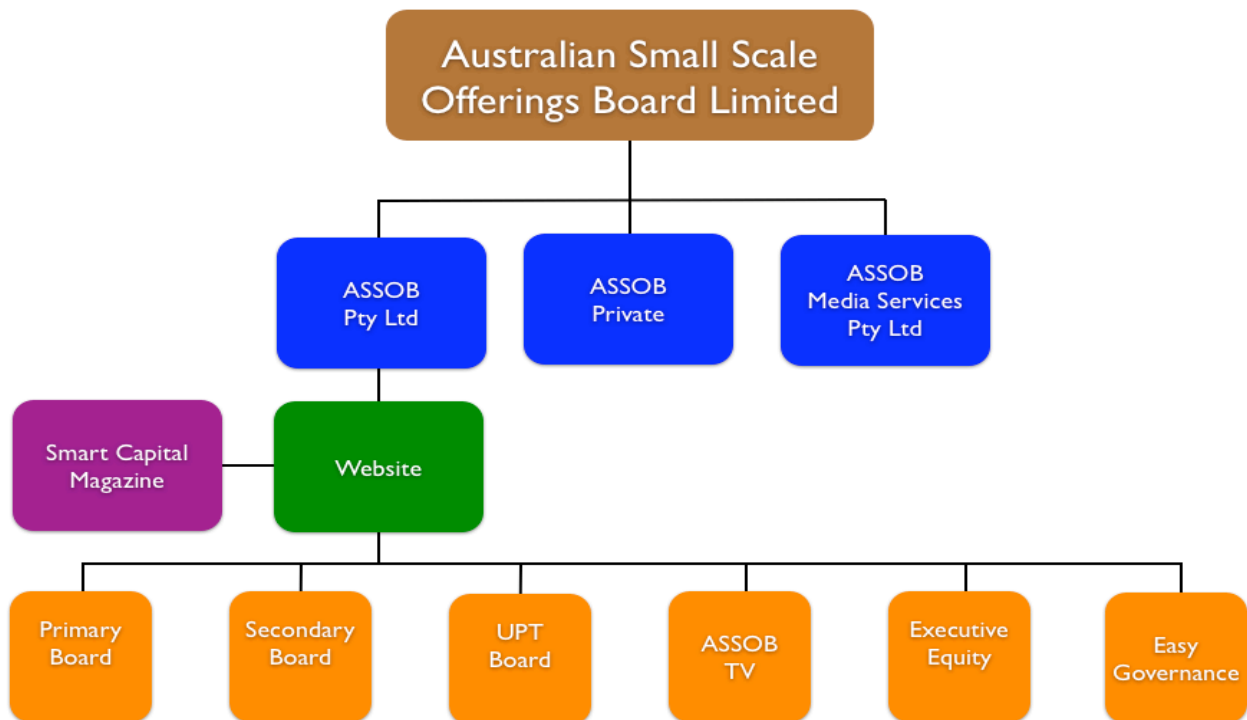
With ASSOB being the only trading entity within "Start" it made no sense to have four of the five directors based in Sydney. Nor did it make sense to have five directors. For these reasons we accepted the resignations of all Sydney based directors and we promptly closed the Sydney Start office. The new board consists of Paul Niederer, Tony Puls (founding Chairman), and Terrina Planincic (ASSOB's in-house legal counsel).

Another major decision was what to do with the Start Innovation Fund (SIF) - a fund formed under the Federal Government's "Early Stage Venture Capital Limited Partnership" (ESVCLP) scheme. Although SIF does have conditional approval from the Government (the second such approval in Australia), that approval is subject to \$10 million being secured from investors to start the fund. Given that SIF had already cost the company in excess of \$200,000 to establish, with no firm commitments from the investment community, and given that SIF was not projected to be in profit in the medium term we made the decision to cease funding the development of SIF. We also took a view that if SIF was ever to become profitable it required a highly experienced management team with Venture Capital experience. Within ASSOB we had neither the skill set, budget or patience for this.

Finally, the major change relating to our corporate structure was the change of name from "Start Securities Group Limited" to "Australian Small Scale Offerings Board Limited" which was voted through at our AGM in February. The reason for this name change was to

capitalise on the brand value of the entity for which ASSOB has become well known in the investment landscape and reflect the fact that we were primarily operating our core business.

Here is how the company looks now in terms of its organisational chart.



Finally we would like to thank you for your continued support as we set ourselves up to get through what has been called the greatest financial crisis in our lifetime. As you can probably see, our plate has been full with adding value and making sure that we survive this difficult period as a young company, and I apologise if we have not provided you with an update earlier. It is my belief that ASSOB is now extremely well positioned to capitalise on its assets, particularly when this market turns for the better.

If you have any questions about ASSOB or your investment please do not hesitate to contact Paul or Tony at any time. Both of our contact details are listed.

Kind regards,

Paul Niederer
CEO
paul@assob.com.au
1300 722 954

Tony Puls
Chairman
tp@assob.com.au
1300 722 954