Burger Fuel Worldwide Limited

Independent Adviser's Report

In Respect of the Buyback of 2,820,000 Shares from Franchise Brands, LLC

August 2018

Statement of Independence

Simmons Corporate Finance Limited confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report; and
- has no direct or indirect pecuniary or other interest in the proposed transaction considered in the report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Simmons Corporate Finance Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

Index

Section **Page**

1. Introduction

1.1 Background

Burger Fuel Worldwide Limited (**BurgerFuel** or the **Company**) owns and franchises 82 *Burger Fuel* gourmet burger restaurants in New Zealand, Australia, the Middle East and the United States of America (**USA**) and owns the intellectual property rights to the *Winner Winner* New Zealand based gourmet chicken concept.

The BurgerFuel business was founded by Chris Mason in 1995. Josef Roberts invested in the business in 2003.

The Company's shares were listed on the alternative market (**NZAX**) operated by NZX Limited (**NZX**) on 27 July 2007 following an initial public offering (**IPO**) that raised $8 million.

BurgerFuel's market capitalisation was $38 million as at 9 August 2018 and its audited shareholders' equity was $13 million as at 31 March 2018.

A profile of BurgerFuel is set out in section 3.

1.2 Buy Back of Shares from Franchise Brands, LLC

Franchise Brands, LLC

Franchise Brands, LLC (**Franchise Brands**) is a company incorporated in the United States of America which offers franchising services. It was created in 2005 with the support and guidance of the founders of SUBWAY® restaurants.

On 26 February 2014, BurgerFuel's shareholders approved the Company entering into a collaboration agreement with Franchise Brands and Franchise Brands acquiring 5,963,355 ordinary shares in BurgerFuel via:

- the issue of 4,357,298 ordinary shares at an issue price of $1.35 per share
- the acquisition of 1,606,057 ordinary shares from Mason Roberts Holdings Limited (**MRHL**) at a price of $1.35 per share.

Up to 17 July 2018, Franchise Brands' shareholding represented 10.00% of BurgerFuel's total shares on issue.

Termination of Collaboration Agreement

On 22 August 2016, following the sudden passing of SUBWAY® founder Fred Deluca, the collaboration agreement between BurgerFuel and Franchise Brands was terminated.

With the termination of the collaboration agreement, BurgerFuel entered into discussions with Franchise Brands in respect of the purchase of its BurgerFuel shares.

As a result of those discussions, Franchise Brands agreed to sell its shareholding in BurgerFuel for a total price of US$1.5 million (approximately US$0.25 per share, equating to approximately $0.37 per share at that time).

Initial FB Buyback

BurgerFuel bought back and cancelled 3,143,355 ordinary shares from Franchise Brands for US$790,667.75 (approximately US$0.25 per share / $0.37 per share) on 17 July 2018 (the **Initial FB Buyback**).

Second FB Buyback

BurgerFuel now intends to buy back and cancel the remaining 2,820,000 ordinary shares held by Franchise Brands for a total price of US$709,332.25 (approximately US$0.25 per share / $0.37 per share) (the **Second FB Buyback**), subject to shareholder approval.

1.3 JCR Associates

Mason Roberts Holdings Limited

MRHL is BurgerFuel's largest shareholder. It currently holds 39,809,782 ordinary shares, representing 70.47% of the Company's shares on issue.

MRHL was incorporated on 18 August 2011. It is a special purpose entity that was formed by Chris Mason and Josef Roberts for the purpose of holding their respective family trust's shareholdings in BurgerFuel under a bare trust, as nominee.

The shares in MRHL are owned equally by Mr Mason and Mr Roberts. Mr Roberts is the sole director of MRHL.

As a bare trustee, MRHL does not control the voting rights associated with the 39,809,782 shares. The voting rights are controlled by the beneficial owners of the shares who are set out below.

Beneficial Owners of the Shares Held by MRHL

	No. of Shares	Voting Rights[1]
JCR Investment Trust	30,480,573	53.96%
CMJR Trust	2,742,900	4.86%
Mason Family Trust	6,586,309	11.66%
	39,809,782	70.47%

1 % of total voting rights in the Company

Source: BurgerFuel

JCR Investment Trust

The JCR Investment Trust (the **JCR Trust**) is a discretionary trust whose trustees are JCR Capital Limited and 730 Trustee Limited. The sole director and shareholder of both trustees of the JCR Trust is Josef Roberts.

CMJR Trust

The CMJR Trust is a discretionary trust whose trustee is CMJR Trustee Limited (**CMJRTL**). The shares in CMJRTL are owned equally by Mr Mason and Mr Roberts, who are both directors of the company.

Mason Family Trust

The Mason Family Trust is a discretionary trust whose beneficiaries are Chris Mason's family members.

The trustees of the Mason Family Trust are Chris Mason and Christopher Mills.

E&P Foundation Trustee Limited

E&P Foundation Trustee Limited (**E&P**) currently holds 2,900,000 ordinary shares in BurgerFuel, representing 5.13% of the Company's shares on issue.

E&P is owned by Paul Devereux. Mr Devereux was the former consultant company secretary and corporate counsel for BurgerFuel.

E&P is the sole trustee of the E&P Foundation Trust (the **E&P Trust**). The E&P Trust is a discretionary trust whose beneficiaries are a range of persons and charitable organisations to which Mr Roberts, in settling the trust, wished to empower E&P to make dispositions from time to time at the trustee's sole and unfettered discretion.

The discretionary beneficiaries of the E&P Trust are not among the discretionary beneficiaries under the JCR Trust or the CMJR Trust (and vice versa).

JCR Associates

For the purposes of the Takeovers Code (the **Code**), it is assumed that the JCR Trust, the CMJR Trust and E&P are associates (as defined under the Code).

We refer to the JCR Trust, the CMJR Trust and E&P collectively as the **JCR Associates**.

The JCR Associates collectively beneficially own 36,123,473 ordinary shares in BurgerFuel at present, representing 63.95% of the Company's shares on issue.

The Mason Family Trust is not deemed to be an associate of the JCR Associates for the purposes of the Code.

Clause 5 Exemption Purchase

As discussed in section 1.5, the Code requires that the CMJR Trust and E&P reduce their control of voting rights by 0.26% and 0.27% respectively within 6 months of the Initial FB Buyback. This will be effected by the JCR Trust acquiring 144,582 shares from the CMJR Trust and 152,862 shares from E&P (the **Clause 5 Exemption Purchase**). The Clause 5 Exemption Purchase must be completed prior to the Second FB Buyback being completed.

1.4 Impact on Voting Rights

Initial FB Buyback

The Initial FB Buyback resulted in:

- the Company's total shares on issue decreasing from 59,633,550 shares to 56,490,195 shares
- the 60.58% of the voting rights held or controlled (as applicable) by the JCR Associates increasing by 3.37% to 63.95%

- the 29.42% of the voting rights collectively controlled by the Company's shareholders not associated with Franchise Brands or the JCR Associates (the **Non-associated Shareholders**) increasing by 1.64% to 31.06%
- Franchise Brands decreasing its control of voting rights in BurgerFuel from 10.00% to 4.99%.

Impact of Initial FB Buyback on Voting Rights Levels

	Pre Initial FB Buyback		Initial FB Buyback	Current[2]	
	No. of Shares	%	No. of Shares	No. of Shares	%
JCR Trust	30,480,573	51.11%	297,444[1]	30,778,017	54.48%
CMJR Trust	2,742,900	4.60%	(144,582)[1]	2,598,318	4.60%
E&P[2]	2,900,000	4.86%	(152,862)[1]	2,747,138	4.86%
JCR Associates	36,123,473	60.58%	-	36,123,473	63.95%
Non-associated Shareholders	17,546,722	29.42%		17,546,722	31.06%
Franchise Brands	5,963,355	10.00%	(3,143,355)	2,820,000	4.99%
Total	59,633,550	100.00%	(3,143,355)	56,490,195	100.00%

1 Clause 5 Exemption Purchase
2 After the Clause 5 Exemption Purchase

Second FB Buyback

The Second FB Buyback will result in:

- the Company's total shares on issue decreasing from 56,490,195 shares to 53,670,195 shares
- the 63.95% of the voting rights held or controlled (as applicable) by the JCR Associates increasing by 3.36% to 67.31%
- the 31.06% of the voting rights collectively controlled by the Non-associated Shareholders increasing by 1.63% to 32.69%
- Franchise Brands holding no shares in the Company.

Impact of Second FB Buyback on Voting Rights Levels

	Current[1]		Second FB Buyback	Post Second FB Buyback	
	No. of Shares	%	No. of Shares	No. of Shares	%
JCR Trust	30,778,017	54.48%		30,778,017	57.35%
CMJR Trust	2,598,318	4.60%		2,598,318	4.84%
E&P	2,747,138	4.86%		2,747,138	5.12%
JCR Associates	36,123,473	63.95%		36,123,473	67.31%
Non-associated Shareholders	17,546,722	31.06%		17,546,722	32.69%
Franchise Brands	2,820,000	4.99%	(2,820,000)	-	-
Total	56,490,195	100.00%	(2,820,000)	53,670,195	100.00%

1 After the Clause 5 Exemption Purchase

1.5 Regulatory Requirements

BurgerFuel is a code company as defined by the Code and is subject to the provisions of the Code.

Rule 6 of the Code prohibits a person who holds or controls:

- no voting rights, or less than 20% of the voting rights, in a code company from becoming the holder or controller of an increased percentage of the voting rights in the code company unless, after that event, that person and that person's associates hold or control in total not more than 20% of the voting rights in the code company
- 20% or more of the voting rights in a code company from becoming the holder or controller of an increased percentage of the voting rights in the code company

unless the person and that person's associates comply with exceptions to this fundamental rule.

When a company buys back and cancels its shares, the percentage holding of any shareholder that does not participate in the buyback will increase. Consequently, if a company with a shareholder holding or controlling in excess of 20% of the voting rights (or a shareholder holding or controlling near to 20% of the voting rights) wishes to undertake a share buyback, the shareholder needs to rely upon an exemption to the Code.

The Takeovers Code (Class Exemptions) Notice (No 2) 2001, as amended by the Takeovers Code (Class Exemptions – Buybacks and Rule 16(b)) Amendment Notice 2010 (the **Buyback Exemptions**), sets out a general exemption for share buybacks.

Clause 4 of the Buyback Exemptions provides an exemption for a shareholder holding or controlling (alone or with their associates):

- less than 20% of the voting rights in a code company to increase its holding or control of voting rights beyond 20%
- 20% or more of the voting rights in a code company to increase its holding or control of voting rights

via a share buyback, provided the buyback has been approved by an ordinary resolution of shareholders (excluding shareholders who will rely on clause 4 of the Buyback Exemptions (and their associates)).

Clause 5 of the Buyback Exemptions provides an exemption that does not require shareholder approval, provided the shareholder reduces its percentage holding to the lower of 20% or its pre-buyback levels within 6 months.

As set out in section 1.4, the Initial FB Buyback resulted in the JCR Associates increasing their collective voting rights by 3.37% from 60.58% to their current level of 63.95%. This included the JCR Trust increasing its control of voting rights by 2.84% from 51.11% to 53.96%.

The JCR Trust was permitted to increase its voting rights to 53.96% without shareholder approval under Rule 7(e) of the Code (the **Creep Provisions**). The Creep Provisions permit a shareholder who holds or controls more than 50% but less than 90% of the voting rights in a code company to increase their voting rights by a maximum of 5% over a 12 month period without the need for shareholder approval.

The Creep Provisions do not apply to that shareholder's associates. Therefore, the CMJR Trust and E&P cannot increase their control of voting rights utilising the Creep Provisions. As the Initial FB Buyback resulted in the CMJR Trust and E&P increasing their control of voting rights by 0.26% and 0.27% respectively, they need to apply the exemption under Clause 5 of the Buyback Exemptions. This will be effected via the Clause 5 Exemption Purchase whereby the JCR Trust will acquire 144,582 shares from the CMJR Trust and 152,862 shares from E&P prior to the Second FB Buyback being completed.

The JCR Trust is permitted to undertake the Clause 5 Exemption Purchase under the Creep Provisions without the need for shareholder approval.

The Second FB Buyback will result in the JCR Associates increasing their collective voting rights by a further 3.36% from 63.95% to 67.31%.

The cumulative impact of the Initial FB Buyback and the Second FB Buyback is a 6.73% increase in the JCR Associates' control of voting rights from 60.58% before the Initial FB Buyback to 67.31% after the Second FB Buyback. The JCR Trust's control of voting rights will increase by 6.24% from 51.11% before the Initial FB Buyback to 57.35% after the Clause 5 Exemption Purchase and the Second FB Buyback. This exceeds the maximum 5% increase permitted under the Creep Provisions.

Accordingly, the Non-associated Shareholders will vote on an ordinary resolution at the Company's annual meeting on 30 August 2018 in respect of the Second FB Buyback and permitting the JCR Associates to retain the increase in their voting rights in the Company as a result of the Second FB Buyback up to 67.31% (resolution 3 – the **Buyback Resolution**). This means that the CMJR Trust and E&P will not be required to sell down the increase in their voting rights arising from the Second FB Buyback.

In accordance with Clause 2(2) of Schedule 1 of the Buyback Exemptions, the JCR Associates are not permitted to vote on the Buyback Resolution.

Clause 3(g) of Schedule 1 of the Buyback Exemptions requires that the notice of meeting containing the resolution in respect of the Second FB Buyback must include or be accompanied by an Independent Adviser's Report that complies with Rule 18 of the Code as if:

- references in that rule to an acquisition under Rule 7(c) of the Code were references to the buyback by the code company made in accordance with the buyback exemption and
- the references to a notice of meeting were references to the notice of meeting referred to in this clause.

1.6 Purpose of the Report

The directors of BurgerFuel not associated with the JCR Associates, being Peter Brook and Alan Dunn (the **Non-associated Directors**), have engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Independent Adviser's Report on the merits of the Second FB Buyback and of the JCR Associates retaining the increase in their voting rights in the Company.

Simmons Corporate Finance was approved by the Takeovers Panel on 25 July 2018 to prepare the Independent Adviser's Report.

Simmons Corporate Finance issues this Independent Adviser's Report to the Non-associated Directors for the benefit of the Non-associated Shareholders and to assist them in forming their own opinion on voting on the Buyback Resolution.

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits of the Second FB Buyback and of the JCR Associates retaining the increase in their voting rights in relation to each shareholder. Our advice and opinions are necessarily general in nature.

This Independent Adviser's Report is not to be used for any other purpose without our prior written consent.

1.7 Currency References

All references to $ are references to New Zealand dollars unless specified as a foreign currency (eg US$).

2. Evaluation of the Merits of the Second FB Buyback

2.1 Basis of Evaluation

Clause 3(g) of Schedule 1 of the Buyback Exemptions requires an evaluation of the merits of the Second FB Buyback and of MRHL retaining the increase in its voting rights in the Company, having regard to the interests of the Non-associated Shareholders.

There is no legal definition of the term *merits* in either the Code or in any statute dealing with securities or commercial law in New Zealand.

In the absence of an explicit definition of *merits*, guidance can be taken from:

- the Takeovers Panel *Guidance Note on Independent Advisers and the Takeovers Code* dated 1 March 2018
- definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transaction
- overseas precedents
- the ordinary meaning of the term *merits*.

We are of the view that an assessment of the merits of the Second FB Buyback and of MRHL retaining the increase in its voting rights in the Company should focus on:

- the rationale for the Second FB Buyback
- the terms and conditions of the Second FB Buyback
- the financial impact of the Second FB Buyback
- the impact of the Second FB Buyback on the control of the Company
- the impact of the Second FB Buyback on BurgerFuel's share price
- the benefits and disadvantages to the Non-associated Shareholders of the Second FB Buyback
- the implications if the Buyback Resolution is not approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

2.2 Summary of the Evaluation of the Merits of the Second FB Buyback

In our opinion, after having regard to all relevant factors, the positive aspects of the Second FB Buyback outweigh the negative aspects of the JCR Associates retaining the increase in their voting rights as a result of the Second FB Buyback from the perspective of the Non-associated Shareholders.

Our evaluation of the merits is set out in detail in sections 2.3 to 2.9. In summary, the key factors leading to our opinion are:

- the rationale for the Second FB Buyback is sound. It arises as a consequence of BurgerFuel and Franchise Brands terminating the collaboration agreement and follows the Initial FB Buyback on 17 July 2018

- the Initial FB Buyback did not require shareholder approval. The Second FB Buyback requires shareholder approval because the increase in the JCR Associates' level of voting rights exceeds the limit permitted under the Creep Provisions

- the Second FB Buyback will result in all of the Company's shareholders' interests in BurgerFuel increasing by 5.25% in proportionate terms (eg a shareholder who currently holds a 10.00% shareholding will hold a 10.525% shareholding after the Second FB Buyback)

- the terms of the Second FB Buyback are reasonable:

  - the Second FB Buyback is at a price of approximately US$0.25 per share / $0.37 per share, which is the same price as the Initial FB Buyback and is at a significant discount to BurgerFuel's current share price

  - the consideration will be paid to Franchise Brands in 4 instalments over a period of 8 months up to 28 April 2019

- the financial impact of the Second FB Buyback is moderate. Total equity will reduce by approximately $1.0 million, with an equivalent decrease in cash on hand. Earnings per share (**EPS**) will decrease by 7% and net tangible assets (**NTA**) per share will decrease by 6%

- the Second FB Buyback will not increase the JCR Associates' ability to influence the outcome of shareholder voting to any significant degree. The JCR Associates already hold a significant level of influence over the outcome of shareholder voting. The Second FB Buyback will increase the JCR Associates' control of voting rights by 3.36%

- as the Second FB Buyback is at a price significantly lower than BurgerFuel's current share price, it should have a positive impact on the Company's share price. In theory, the Second FB Buyback should increase the Company's share price by approximately 3% (all other things being equal)

- the Second FB Buyback is unlikely to have any significant impact on the liquidity of the shares held by the Non-associated Shareholders

- the Second FB Buyback is unlikely to reduce the attraction of BurgerFuel as a takeover target

- in the event of the Buyback Resolution not being approved, the Second FB Buyback will not proceed. Franchise Brands has not indicated what it would do with its shares in such circumstances. The Non-associated Directors could subsequently decide to proceed with the Second FB Buyback without seeking shareholder approval but the JCR Associates would be required to collectively sell down 928,838 shares to return their percentage holding to the maximum level of 65.58% permitted under the Creep Provisions within 6 months of the increase. The forced sale of 1.73% of the Company's shares in a relatively short timeframe would likely place downward pressure on the Company's share price.

2.3 Rationale for the Second FB Buyback

Directors' Rationale

The Initial FB Buyback and the Second FB Buyback have arisen due to the termination of the collaboration agreement between BurgerFuel and Franchise Brands in August 2016 and the resulting agreement for Franchise Brands to sell its shareholding in BurgerFuel for a total price of US$1.5 million (approximately US$0.25 per share, equating to approximately $0.37 per share).

BurgerFuel bought back and cancelled 3,143,355 ordinary shares from Franchise Brands for a total price of US$790,667.75 under the Initial FB Buyback on 17 July 2018.

BurgerFuel now intends to buy back and cancel the remaining 2,820,000 ordinary shares held by Franchise Brands for a total price of US$709,332.25, subject to shareholder approval. The Second FB Buyback would take place within 10 days of shareholder approval.

The Company's directors are of the view that the Second FB Buyback (as well as the Initial FB Buyback) presents an opportunity to deliver a benefit to all shareholders through the purchase of the shares at a discount to the current market price, the cancellation of the shares, a reduction in the total number of shares on issue and the increase in each remaining shareholder's proportionate shareholding that will follow. In addition, the negotiated payment terms for the Second FB Buyback are attractive for the Company.

Finance Theory

The benefits of share buybacks have long been the focus of academic research and practitioners' debate. It is generally accepted that share buybacks can affect value as follows:

- by supporting the share price
- by being an efficient use of capital
- by creating a more efficient capital structure.

In reality however, the impacts can be difficult to quantify.

Supporting the Share Price

There is some evidence to suggest that a share buyback has a signalling effect to the market. A share buyback could indicate to the market that a company's management is so confident of the company's prospects that it believes the best investment the company can make is in its own shares. On the other hand, the announcement of a share buyback has in instances been deemed an admission that the company cannot identify any other value creating opportunities in which to invest its capital.

A share buyback can also act to support a company's share price by creating buy-side demand.

Efficient use of Capital

Companies often undertake share buybacks when they are of the view that the market is undervaluing their shares, therefore buying back those shares at the market price is an efficient use of the company's capital.

Capital Structure

The share buyback is effectively an exchange of equity for debt, thereby increasing a company's leverage. In finance theory, increasing leverage can provide several benefits, such as:

- interest payments on debt are tax deductible, which means that the after-tax cost of debt is generally below shareholders' expected return on equity, hence reducing the company's average cost of capital
- debt supposedly serves as a discipline for a company's managers. Unlike equity, the need to pay cash to bondholders and banks prevents managers from investing in projects that earn returns below the company's cost of capital.

Conclusion

Having considered all of the above, we are of the view that the rationale for the Second FB Buyback is sound.

2.4 Terms of the Second FB Buyback

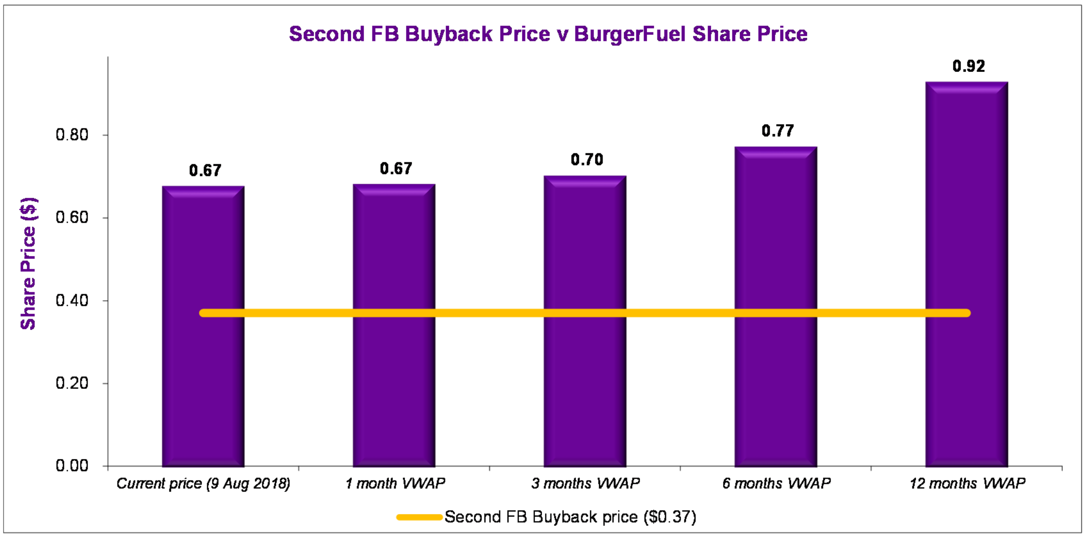
The key terms of the Second FB Buyback are:

- the Company will acquire 2,820,000 shares from Franchise Brands
- the buy back will occur within 10 days of shareholder approval
- the Company will pay US$709,332.25 in total for the shares (representing a price of approximately US$0.25 per share / $0.37 per share), paid in 4 instalments:
  - 10 September 2018: US$235,000.25
  - 5 December 2018: US$115,000.00
  - 28 February 2019: US$180,000.00
  - 28 April 2019: US$179,332.00
- the Company will cancel the shares acquired under the Second FB Buyback.

We consider the terms of the Second FB Buyback to be reasonable:

- the buyback price is the same price as under the Initial FB Buyback
- the buyback price is significantly lower than the Company's current share price
- all shareholders will benefit equally from the cancellation of the shares.

The Second FB Buyback New Zealand dollar equivalent price of $0.37 per share is at a 45% discount to the Company's current share price and is at a discount of between 45% and 60% to the Company's volume weighted average share price (**VWAP**) over the past year (measured over different periods of between one month and one year).



The Second FB Buyback will result in all of the Company's shareholders' (ie the Non-associated Shareholders' and the JCR Associates') interests in BurgerFuel increasing by 5.25% in proportionate terms. By way of example, a shareholder who currently holds a 10.00% shareholding will hold a 10.525% shareholding after the Second FB Buyback).

2.5 Financial Impact of the Second FB Buyback

A summary of BurgerFuel's recent financial performance and financial position is set out in sections 3.7 and section 3.8.

The illustrative financial impact of the Second FB Buyback on the Company's financial results for the year ended 31 March 2018 is set out below, based on the following assumptions:

- the Initial FB Buyback was completed at a cost of $1,163,775
- BurgerFuel repurchases 2,820,000 shares at a price of $0.37 per share, amounting to $1,043,400
- the Initial FB Buyback and the Second FB Buyback are funded from BurgerFuel's cash on hand
- the 2 buy backs effectively occurred on 1 April 2017, so that BurgerFuel did not receive interest on the consideration paid to Franchise Brands for the full year ended 31 March 2018
- an interest rate of 1.25% on the consideration paid to Franchise Brands, resulting in decreased annual interest received of approximately $10,000 (post tax) in respect of the Initial FB Buyback and $9,000 (post-tax) in respect of the Second FB Buyback.

Illustrative Financial Impact of the Second FB Buyback

	Year to 31 Mar 18 (Audited)	Initial FB Buyback	Illustrative Post Initial FB Buyback	Second FB Buyback	Illustrative Post Second FB Buyback
Net (loss) attributable to shareholders ($000)	(463)	(10)	(473)	(9)	(483)
EPS ($)	($0.008)		($0.008)		($0.009)
Total equity ($000)	13,203	(1,164)	12,039	(1,043)	10,996
NTA per share ($)	$0.18		$0.17		$0.16
Shareholders' equity / total assets	84%		83%		82%

The illustrative analysis shows that the Second FB Buyback would result in:

- EPS decreasing by 7% from negative $0.008 to negative $0.009
- NTA per share reducing by 6% from $0.17 to $0.16
- shareholders' equity / total assets decreasing from 83% to 82%.

2.6 Impact on Control

Capital Structure and Shareholders

BurgerFuel currently has 56,490,195 fully paid ordinary shares on issue held by 2,558 shareholders.

The names, number of shares and percentage holding of the 10 largest shareholders as at 31 July 2018 are set out in section 3.6.

The Second FB Buyback will result in an increase in the JCR Associates' and the Non-associated Shareholders' respective percentage of votes held or controlled, even though they will not increase the actual number of shares they hold. All shareholders' interests in the Company will increase by 5.25% in proportionate terms after the Second FB Buyback.

Impact of Second FB Buyback on Voting Rights Levels

	Current[1]		Second FB Buyback	Post Second FB Buyback	
	No. of Shares	%	No. of Shares	No. of Shares	%
JCR Trust	30,778,017	54.48%		30,778,017	57.35%
CMJR Trust	2,598,318	4.60%		2,598,318	4.84%
E&P	2,747,138	4.86%		2,747,138	5.12%
JCR Associates	36,123,473	63.95%	-	36,123,473	67.31%
Non-associated Shareholders	17,546,722	31.06%		17,546,722	32.69%
Franchise Brands	2,820,000	4.99%	(2,820,000)	-	-
Total	56,490,195	100.00%	(2,820,000)	53,670,195	100.00%

1 After the Clause 5 Exemption Purchase

Shareholder Voting

The JCR Associates can currently determine the outcome of any ordinary resolutions (which require the approval of more than 50% of the votes cast by shareholders) and block any special resolutions (which require the approval of 75% of the votes cast by shareholders) with their 63.95% shareholding, subject always to applicable voting restrictions under the Code, the NZAX Listing Rules and the Companies Act 1993.

We note that while a 63.95% interest is technically not sufficient to singlehandedly pass a special resolution, in reality, it most probably can due to the fact that a number of shareholders in widely held companies (such as BurgerFuel with over 2,500 shareholders) tend not to vote on resolutions and hence the relative weight of the 63.95% interest increases.

In our view, the 3.36% increase in voting rights for the JCR Associates from 63.95% to 67.31% under the Second FB Buyback will not enhance its ability to control the outcome of an ordinary resolution or special resolution to any significant degree.

Board of Directors

The Company has 3 directors as set out in section 3.5, one of whom (Mr Roberts) is associated with the JCR Associates.

We are advised by the Non-associated Directors that the Second FB Buyback will not have any impact on the composition of the board of directors.

Operations

We are advised by the Non-associated Directors that the Second FB Buyback will not have any impact on the level of influence of the JCR Associates over the Company's operations.

2.7 Impact on Share Price and Liquidity

Set out in section 3.10 is a summary of BurgerFuel's daily closing share price and monthly volumes of shares traded from 5 January 2016 to 9 August 2018.

During the period, the Company's shares have traded between $0.65 and $2.78 at a VWAP of $1.37. However, trading in the Company's shares is extremely thin, reflecting that over 75% of the shares are held by MRHL and Franchise Brands.

In the past year, only 1.5% of the Company's shares traded on the NZAX between $0.65 and $1.34 at a VWAP of $0.92.

Impact on Share Price

The Second FB Buyback New Zealand dollar equivalent price of $0.37 per share is at a discount of between 45% and 60% to the VWAP over the past year (measured over different periods of between one month and one year).

In theory, the market should react favourably to the Second FB Buyback on the basis that the shares are being purchased at a significant discount to the prevailing market price and are then being cancelled.

Based on the one month VWAP of $0.67, the theoretical impact of the Second FB Buyback on the Company's share price is a 3% increase of $0.02 to $0.69 (all other things being equal).

Theoretical Impact of the Second FB Buyback on the Company's Share Price

	Share Price	No. of Shares	Market Capitalisation ($000)
Current	$0.67[1]	56,490,195	37,848
Second FB Buyback	($0.37)	(2,820,000)	(1,043)
Theoretical share price	$0.69[2]	53,670,195	36,805

1 Based on the one month VWAP
2 Post Second FB Buyback market capitalisation ÷ no. of shares

However, the limited liquidity in the Company's shares means that there is no certainty that the theoretical increase in the Company's share price will arise. We note that there was no uplift in the Company's share price when the completion of the Initial FB Buyback was announced on 17 July 2018. In fact, BurgerFuel's share price has decreased from $0.68 on 17 July 2018 to $0.67 on 9 August 2018.

Impact on Liquidity

The number of shares held by the JCR Associates and the Non-associated Shareholders will not change under the Second FB Buyback. Therefore, the Second FB Buyback is unlikely to have a positive or negative effect on the liquidity of BurgerFuel's shares in the near term.

2.8 Benefits and Disadvantages to Non-associated Shareholders

Key Benefits

The key benefit of the Second FB Buyback to the Non-associated Shareholders is that it should, in theory, improve the Company's share price.

Main Disadvantage

The main disadvantage is that the Second FB Buyback will increase the JCR Associates' voting rights from 63.95% to 67.31%, thereby marginally increasing their ability to control the outcome of shareholder voting.

However, we do not consider the increased level of control to be of any significance. Furthermore, we note that the Second FB Buyback will result in all shareholders' proportionate interests in the Company increasing by 5.25%. The Non-associated Shareholders' interests in BurgerFuel will increase by the same proportion as the JCR Associates' increase.

Unlikely to Change the Likelihood of a Takeover Offer from the JCR Associates

We are not aware of any intention on the JCR Associates' part to make a takeover offer. However, if they did have such intent, an increase in the JCR Associates' voting rights from 63.95% to 67.31% is unlikely to change the likelihood of a takeover offer from them as the increase in their level of voting rights is not significant from a control perspective.

Likelihood of Other Takeover Offers Does not Change

We are of the view that the increase in the JCR Associates' voting rights arising from the Second FB Buyback is unlikely to reduce the attraction of BurgerFuel as a takeover target to other parties.

Ability for the JCR Trust to Creep

If the Second FB Buyback is approved, the JCR Trust will still be able to utilise the Creep Provisions to purchase up to 1.63% of the Company's shares within 12 months of the completion of the Initial FB Buyback. Following that 12 month period, (provided the JCR Trust has not utilised any of its remaining entitlements under the Creep Provisions), the JCR Trust would be permitted to acquire up to a further 5% of the Company's shares under the Creep Provisions.

2.9 Implications of the Buyback Resolution not Being Approved

If the Buyback Resolution is not approved, then the Second FB Buyback will not proceed. Franchise Brands will retain ownership of its 2,820,000 shares in the Company. The JCR Trust will still need to undertake the Clause 5 Exemption Purchase.

Franchise Brands has not informed the Company of its intentions if the Second FB Buyback is not approved. Franchise Brands may decide to retain its shareholding or sell down some or all of its shares.

Alternatively, the Non-associated Directors could decide at a later date to undertake the Second FB Buyback without seeking shareholder approval, in which case the JCR Associates would be required to sell down their shareholdings to a level of 65.58% (which takes into account the maximum shareholding level that the JCR Trust could hold under the Creep Provisions) within 6 months in accordance with clause 5 of the Buyback Exemptions.

This would require the JCR Associates to sell 928,838 shares, which would represent 1.73% of the total shares on issue post the Second FB Buyback.

The sale of shares by either Franchise Brands or the JCR Associates would be potentially disadvantageous to Non-associated Shareholders as the sale of such a large parcel of shares would likely place downward pressure on the Company's share price, especially if it was undertaken within a relatively short timeframe.

2.10 Voting For or Against the Buyback Resolution

Voting for or against the Buyback Resolution is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

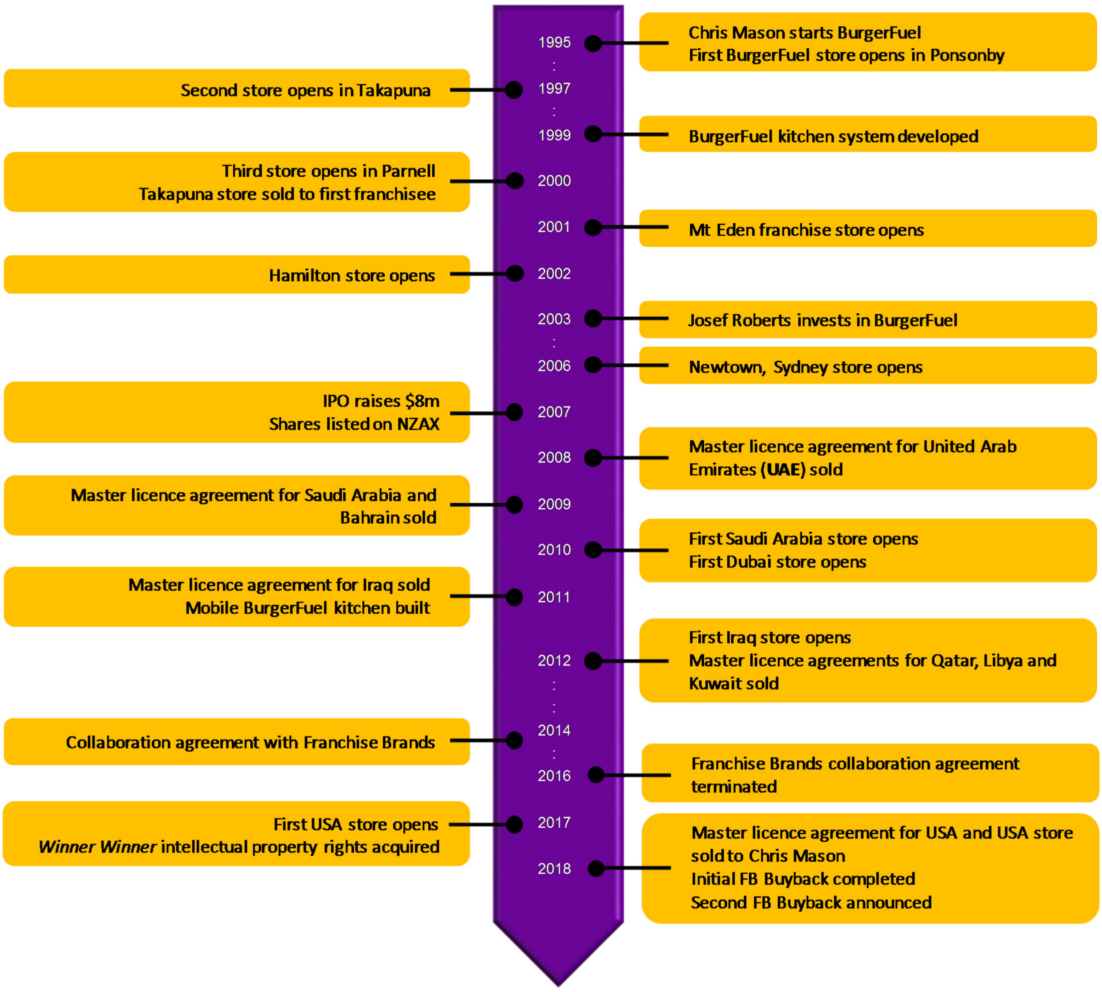
3. Profile of BurgerFuel

3.1 Background

The BurgerFuel business was founded by Mr Mason in 1995.

The Company listed its shares on the NZAX on 27 July 2007 following an IPO that raised $8 million, including approximately $2.74 million from Mr Roberts and his associates in order to meet the minimum subscription threshold.

The Company's key events are set out below.

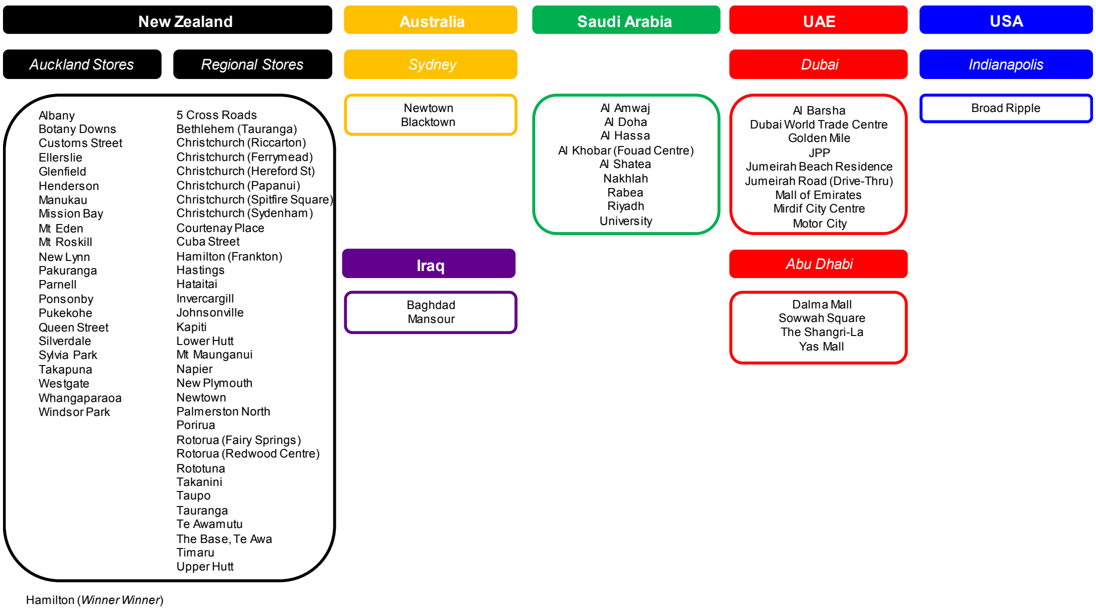


3.2 Nature of Operations

BurgerFuel owns and franchises *Burger Fuel* gourmet burger restaurants in New Zealand, Australia, the Middle East and the USA. It also owns the intellectual property rights to the *Winner Winner* brand – a New Zealand based gourmet chicken concept.

The Company currently operates a total of 82 *Burger Fuel* stores and one *Winner Winner* store. Three of the New Zealand *Burger Fuel* stores in Auckland are owned. The remaining stores are franchised or operate under a master licence agreement:

- 55 stores in New Zealand
- 2 stores in Australia
- 9 stores in Saudi Arabia
- 13 stores in the UAE
- 2 stores in Iraq
- one store in the USA.



The *Winner Winner* store in Hamilton is franchised.

BurgerFuel owns and operates a satellite kitchen operation in Auckland.

The Company also exports all its beef as well as other BurgerFuel proprietary products to the Middle East. This both maintains quality and consistency and helps to promote BurgerFuel's story.

3.3 Corporate Strategy

The Company's strategy revolves around building scale and establishing the Company as a respected franchisor / licensor offering quality products, exciting brands and highly supportive systems.

The greatest growth potential for BurgerFuel is seen to be in New Zealand, where the Company has intimate knowledge of the market.

The Company is focused on profit and growth as well as development in new areas beyond the *Burger Fuel* brand.

3.4 Key Issues Affecting BurgerFuel

The main industry and specific business factors and risks that BurgerFuel faces include:

- general economic conditions in the territories that BurgerFuel operates in can affect the levels of demand for the Company's products
- the vagaries of the retail market
- competition from other fast food / fast-casual providers is significant and may impact on the Company's market share and profitability
- an increased public awareness of the potential negative health consequences of fast food
- an increased focus on the quality of food service in fast food outlets
- poor performance by franchisees may damage the Company's reputation and profitability
- being able to manage growth opportunities and ensuring the Company's operating systems and distribution networks keep pace with the growth demands
- fluctuations (and specifically increases) in commodity prices
- maintaining relationships with suppliers
- protection of the Company's trademarks and intellectual property
- product liability issues arising from non-compliance with food hygiene protocols
- dependence on key personnel
- the inability to adequately finance the Company's operations.

3.5 Directors and Executive Management

The directors of BurgerFuel are:

- Peter Brook, chair and independent director
- Alan Dunn, independent director
- Josef Roberts, executive director, Group CEO.

In addition to Mr Roberts, the Company's executive management team includes:

- Mark Piet, Chief Financial Officer / Company Secretary
- Tyrone Foley, Chief Operating Officer.

3.6 Capital Structure and Shareholders

The Company's IPO in July 2007 raised $8 million through the issue of 8,000,000 ordinary shares at $1.00 per share.

BurgerFuel currently has 56,490,195 ordinary shares on issue held by 2,558 shareholders.

The names, number of shares and percentage holding of the 10 largest shareholders as at 31 July 2018.

BurgerFuel's 10 Largest Shareholders

Shareholder	No. of Shares	%
MRHL[1]	39,809,782	70.47%
E&P[1]	2,900,000	5.13%
Franchise Brands	2,820,000	4.99%
New Zealand Central Securities Depository Limited	2,120,478	3.75%
Custodial Services Limited	683,433	1.21%
Cartallen Trustee Limited (**Cartallen**)	486,373	0.86%
JBWere (NZ) Nominees Limited	369,296	0.65%
Peter Brook	336,596	0.60%
Trumpeter Trustees (2007) Limited (**Trumpeter**)	324,656	0.57%
Sterling Nominees Limited	120,886	0.21%
Subtotal	49,971,500	88.46%
Others (2,548 shareholders)	6,518,695	11.54%
Total	56,490,195	100.00%

1 Prior to the Clause 5 Exemption Purchase

Source: NZX Company Research

Cartallen is a trustee company that holds the shares on behalf of Mr Mason's wife.

Trumpeter is wholly owned by interests associated with Mr Dunn.

Collectively, the Company's 3 directors control 33,884,725 shares (59.98%).

3.7 Financial Performance

A summary of BurgerFuel's recent financial performance is set out below.

Summary of BurgerFuel Financial Performance

	Year to 31 Mar 15 (Audited) $000	Year to 31 Mar 16 (Audited) $000	Year to 31 Mar 17 (Audited) $000	Year to 31 Mar 18 (Audited) $000
Revenue	18,414	20,130	22,217	24,689
Operating expenses	(17,349)	(20,637)	(20,520)	(24,153)
EBITDA	1,065	(507)	1,697	536
EBIT	556	(1,240)	995	(117)
Net profit / (loss) attributable to shareholders	532	(1,144)	889	(463)
EPS (cents)	$0.009	($0.019)	$0.015	($0.008)

EBITDA: Earnings before interest, taxation, depreciation and amortisation
EBIT: Earnings before interest and taxation

Source: BurgerFuel audited financial statements

The Company derives most of its revenue from 2 sources:

- sales of product
- royalties and various fees charged to franchisees and master licensees.

Total system sales have increased from $83 million in the 2015 financial year to $97 million in the 2016 financial year, $100 million in the 2017 financial year and $105 million in the 2018 financial year.

The Company recorded a $1.1 million loss in the 2016 financial year. While revenue increased by 9%, operating expenses increased by 19%, due mainly to costs incurred in exploring the USA market as well as higher costs in Australia.

Earnings improved in the 2017 financial year to a $0.9 million profit, due to a 10% increase in revenue while costs were maintained at 2016 levels.

Earnings deteriorated in the 2018 financial year to a $0.5 million loss, due primarily to the costs associated with the initial establishment and later exiting of the USA market. 85% of the Company's revenue was earned in New Zealand.

3.8 Financial Position

A summary of BurgerFuel's recent financial position is set out below.

Summary of BurgerFuel Financial Position

	As at 31 Mar 15 (Audited) $000	As at 31 Mar 16 (Audited) $000	As at 31 Mar 17 (Audited) $000	As at 31 Mar 18 (Audited) $000
Current assets	11,767	10,249	10,354	10,544
Non current assets	3,961	4,360	5,797	5,100
Total assets	15,728	14,609	16,151	15,644
Current liabilities	(1,835)	(1,835)	(2,483)	(2,404)
Non current liabilities	(33)	(34)	(36)	(37)
Total liabilities	(1,868)	(1,869)	(2,519)	(2,441)
Shareholders' equity	13,860	12,740	13,632	13,203
NTA per share	$0.22	$0.19	$0.19	$0.18

Source: BurgerFuel audited financial statements

The Company's main current assets are cash and cash equivalents ($6.3 million as at 31 March 2018) and trade and other receivables ($3.0 million as at 31 March 2018).

Non current assets consist mainly of property, plant and equipment ($2.4 million as at 31 March 2018) and intangible assets (mainly in the form of goodwill and trademarks) ($2.5 million as at 31 March 2018).

BurgerFuel's liabilities consist mainly of trade and other payables ($1.7 million as at 31 March 2018).

The Company has no interest bearing debt.

3.9 Cash Flows

A summary of BurgerFuel's recent cash flows is set out below.

Summary of BurgerFuel Cash Flows				
	Year to 31 Mar 15 (Audited) $000	Year to 31 Mar 16 (Audited) $000	Year to 31 Mar 17 (Audited) $000	Year to 31 Mar 18 (Audited) $000
Net cash flow from / (used in) operating activities	1,687	(725)	2,580	831
Net cash (used in) investing activities	(2,617)	(1,096)	(2,254)	(942)
Net increase/(decrease) in cash held	(930)	(1,821)	326	(111)
Net foreign exchange differences	85	178	9	(1)
Opening cash balance	8,566	7,721	6,078	6,413
Closing cash balance	7,721	6,078	6,413	6,301

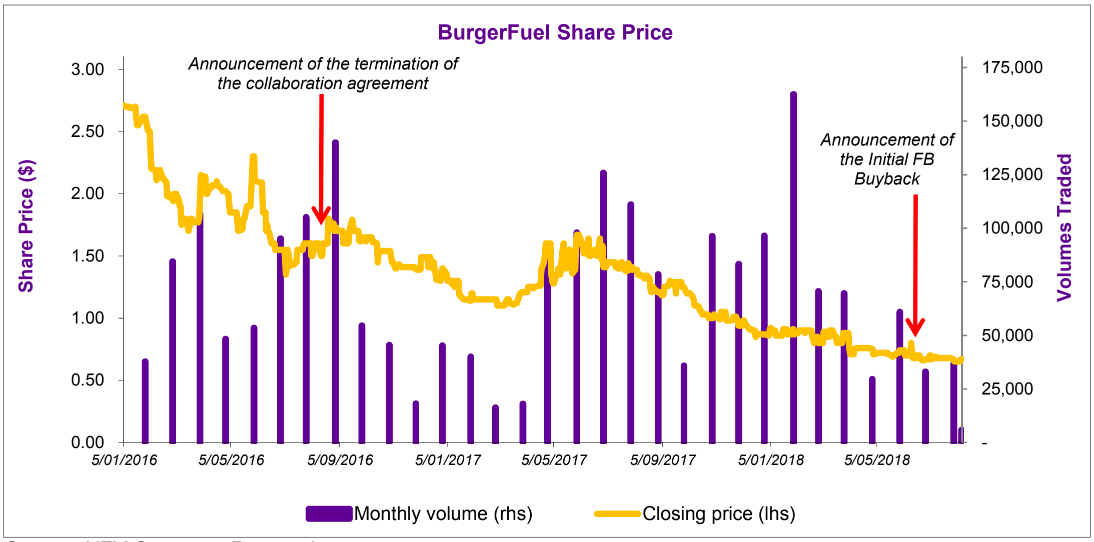
Source: BurgerFuel audited financial statements

BurgerFuel's cash flows from its operating activities have generally trended in line with EBITDA each year.

Net cash used in investing activities have mainly been in respect of the purchase of property, plant and equipment and store-owing subsidiaries.

3.10 Share Price History

Set out below is a summary of BurgerFuel's daily closing share price and monthly volumes of shares traded from 5 January 2016 to 9 August 2018.



Source: NZX Company Research

During the period, BurgerFuel's shares have traded between $0.65 and $2.78 at a VWAP of $1.37.

An analysis of the Company's recent VWAP, traded volumes and liquidity (measured as traded volumes as a percentage of shares outstanding) is set out below.

BurgerFuel Share Trading to 9 August 2018					
Period	**Low [1] ($)**	**High [1] ($)**	**VWAP [1] ($)**	**Volume Traded [1] (000)**	**Liquidity**
1 month	0.65	0.69	0.67	23	0.0%
3 months	0.65	0.80	0.70	126	0.2%
6 months	0.65	0.90	0.77	292	0.5%
12 months	0.65	1.34	0.92	838	1.5%

1 To 9 August 2018

Source: NZX Company Research

Trading in the Company's shares is extremely thin, reflecting that over 75% of the shares are held by MRHL and Franchise Brands. Only 1.5% of the Company's shares traded in the year to 9 August 2018 on 172 days.

4. Sources of Information, Reliance on Information, Disclaimer and Indemnity

4.1 Sources of Information

The statements and opinions expressed in this report are based on the following main sources of information:

- the draft BurgerFuel notice of special meeting
- the Initial FB Buyback Agreement
- the Second FB Buyback Agreement
- the BurgerFuel annual reports for the years ended 31 March, 2015 to 2018
- data in respect of BurgerFuel from NZX Company Research and S&P Capital IQ.

During the course of preparing this report, we have had discussions with and / or received information from the Non-associated Directors and executive management of BurgerFuel and BurgerFuel's legal advisers.

The Non-associated Directors have confirmed that we have been provided for the purpose of this Independent Adviser's Report with all information relevant to the Second FB Buyback that is known to them and that all the information is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is desirable for the purpose of preparing this Independent Adviser's Report.

In our opinion, the information to be provided by BurgerFuel to the Non-associated Shareholders is sufficient to enable the Non-associated Directors and the Non-associated Shareholders to understand all the relevant factors and to make an informed decision in respect of the Second FB Buyback.

4.2 Reliance on Information

In preparing this report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by BurgerFuel and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this report but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of BurgerFuel. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

4.3 Disclaimer

We have prepared this report with care and diligence and the statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of BurgerFuel will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of BurgerFuel and its directors and management. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit, provided that this shall not absolve Simmons Corporate Finance from liability arising from an opinion expressed recklessly or in bad faith or which cannot be disclaimed by law.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. We have no obligation or undertaking to advise any person of any change in circumstances which comes to our attention after the date of this report or to review, revise or update our report.

We have had no involvement in the preparation of the notice of annual meeting issued by BurgerFuel and have not verified or approved the contents of the notice of annual meeting. We do not accept any responsibility for the contents of the notice of annual meeting except for this report.

4.4 Indemnity

BurgerFuel has agreed that, to the extent permitted by law, it will indemnify Simmons Corporate Finance and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. BurgerFuel has also agreed to indemnify Simmons Corporate Finance and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Simmons Corporate Finance or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, Simmons Corporate Finance shall reimburse such costs.

5. Qualifications and Expertise, Independence, Declarations and Consents

5.1 Qualifications and Expertise

Simmons Corporate Finance is a New Zealand owned specialist corporate finance advisory practice. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice.

The person in the company responsible for issuing this report is Peter Simmons, B.Com, DipBus (Finance), INFINZ (Cert).

Simmons Corporate Finance and Mr Simmons have significant experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

5.2 Independence

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with BurgerFuel, Franchise Brands or the JCR Associates or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to the transaction.

Simmons Corporate Finance has not had any part in the formulation of the Initial FB Buyback or the Second FB Buyback or any aspects thereof. Our sole involvement has been the preparation of this report.

Simmons Corporate Finance will receive a fixed fee for the preparation of this report. This fee is not contingent on the conclusions of this report or the outcome of the voting in respect of the Buyback Resolution. We will receive no other benefit from the preparation of this report.

5.3 Declarations

An advance draft of this report was provided to the Non-associated Directors for their comments as to factual accuracy of the contents of the report. Changes made to the report as a result of the circulation of the draft have not changed the methodology or our conclusions.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of the report.

5.4 Consents

We consent to the issuing of this report in the form and context in which it is to be included in the notice of special meeting to be sent to BurgerFuel's shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.

Peter Simmons
Director
Simmons Corporate Finance Limited
10 August 2018