Simmons
CORPORATE FINANCE

Energy Mad Limited

Independent Adviser's Report and Appraisal Report

In Respect of the Proposed Underwriting Arrangements and Allotment of Fully Paid Ordinary Shares to SuperLife Trustee Nominees Limited

February 2015

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
- has no direct or indirect pecuniary or other interest in the proposed transactions considered in this 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 Takeovers Panel, that it is independent under the Takeovers Code for the purposes of preparing this Independent Adviser's Report.

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Section **Page**

1. Introduction

1.1 Background

Energy Mad Limited (**Energy Mad** or the **Company**) sources and develops energy saving compact fluorescent light bulbs (**CFL**) and light-emitting diode (**LED**) bulbs.

Energy Mad is listed on the main equities security market (the **NZX Main Board**) operated by NZX Limited (**NZX**) with a market capitalisation of $4.5 million as at 5 February 2015 and unaudited total equity of negative $0.2 million as at 30 September 2014.

A profile of the Company is set out in section 4.

1.2 Conversion of Convertible Notes

February 2014 CN Agreement

On 20 February 2014, the Company entered into a convertible note agreement with SuperLife Limited (**SuperLife**), the Company's third largest shareholder (the **February 2014 CN Agreement**), whereby SuperLife agreed to subscribe for up to $2.25 million of convertible notes on the following terms:

- the convertible notes can be issued in a series of draw downs during the 2014 calendar year
- interest is payable at 12.5% per annum for the period up to the third anniversary of the February 2014 CN Agreement and, if applicable, 13.5% for the period from the third anniversary to the fourth anniversary
- the convertible notes are unsecured
- at any time prior to conversion, the Company may repay the convertible notes based on a formula that takes into account the current share price. The repaid convertible notes will then be cancelled
- if the Company is cash flow positive in either its annual or semi-annual accounts, SuperLife may request repayment of some or all of the convertible notes. If the Company agrees to such request, the repayment price will be calculated as if the convertible notes had converted
- the convertible notes may be converted into ordinary shares at the lower of:
  - the average closing market price of the Company's ordinary shares over the 5 business days prior to conversion (the **Market Price**) or
  - $0.35 per ordinary share.

Accordingly, the convertible notes may convert (unless repaid prior to conversion) into between 6,428,571 ordinary shares (at a Market Price of $0.35 per share) and 225,000,000 ordinary shares (at a Market Price of $0.01 per share).

Conversion will occur on the third anniversary (or the fourth if the Company so elects) of the date of the February 2014 CN Agreement.

The full $2.25 million convertible notes facility has been drawn down.

November 2014 CN Agreement

On 25 November 2014, the Company entered into a convertible note agreement with SuperLife (the **November 2014 CN Agreement**), whereby SuperLife agreed to subscribe for $284,000 of convertible notes on the same terms as the February 2014 CN Agreement other than:

- interest is payable at 13.5% per annum for the period up to the third anniversary of the November 2014 CN Agreement and, if applicable, 14.5% for the period from the third anniversary to the fourth anniversary
- the convertible notes may be converted into ordinary shares at the lower of:
  - the Market Price or
  - $0.13 per share.

Accordingly, the convertible notes may convert (unless repaid prior to conversion) into between 2,184,615 ordinary shares (at a Market Price of $0.13 per share) and 28,400,000 ordinary shares (at a Market Price of $0.01 per share).

Conversion will occur on the third anniversary (or the fourth if the Company so elects) of the date of the November 2014 CN Agreement.

The full $284,000 convertible notes facility was drawn down on 28 November 2014.

CN Conversion

The conversion of the $2,534,000 of convertible notes issued to SuperLife will result in between 8,613,186 and 253,400,000 new ordinary shares being issued to SuperLife Trustee Nominees Limited (**SuperLife Trustee**), a company associated with SuperLife (the **CN Conversion**).

1.3 Rights Issue and Underwriting Arrangements

Energy Mad proposes to undertake a renounceable pro rata rights issue to eligible shareholders to raise up to $2.24 million of additional capital (before estimated costs of $0.15 million) (the **Rights Issue**) to strengthen the Company's financial position and to fund the Company's growth strategy in respect of its outsourced direct to consumer LED Ecobulb sales model in New Zealand and Australia.

SuperLife has agreed to underwrite any shortfall of subscriptions under the Rights Issue up to $1.8 million, subject to shareholder approval (the **Underwriting Arrangements**).

Overview of the Rights Issue

The principal terms of the Rights Issue are:

- only shareholders who are residents of New Zealand are eligible to participate in the Rights Issue
- the rights to subscribe for 4 new ordinary shares for every 5 ordinary shares held as at 10 March 2015 (the **Record Date**), resulting in the issue of up to 34,471,500 new ordinary shares (subject to rounding)
- shareholders on the Record Date are entitled to the rights at no cost

- the rights are renounceable (which means shareholders may sell or transfer some or all of their rights)
- there will be an oversubscription facility for shareholders to apply for ordinary shares in excess of their pro rata entitlement
- Energy Mad intends to apply for the rights to be quoted and tradeable on the NZX Main Board from 6 March 2015 to 23 March 2015
- the closing date for applying for the new ordinary shares will be 27 March 2015. The new ordinary shares will be allotted on 30 March 2015
- the new ordinary shares will be issued at $0.065 each, payable in full in cash
- subject to shareholder approval, the Rights Issue will be partially underwritten by SuperLife to $1.8 million.

The full terms of the Rights Issue will be set out in the Rights Issue Offer Document (the **Offer Document**).

Overview of the Underwriting Arrangements

The principal terms of the Underwriting Arrangements, as documented in the Underwriting Agreement between Energy Mad and SuperLife dated 19 December 2014 (the **Underwriting Agreement**), are:

- SuperLife will partially underwrite the Rights Issue to the level of $1.8 million (equating to 27,692,307 ordinary shares)
- SuperLife will be paid an underwriting fee of $49,500, representing 2.75% of the $1.8 million of capital to be underwritten
- the Underwriting Arrangements are conditional on shareholder approval.

Any shares issued under the Underwriting Arrangements will be issued to SuperLife Trustee.

1.4 SuperLife Limited

SuperLife is a specialist financial service solution provider. It provides superannuation, KiwiSaver, investment and insurance solutions to 41,000 members and has over $1.2 billion of assets. SuperLife has been in the superannuation business for over 14 years and has over 40 staff. Its main office is located in Auckland.

SuperLife was previously owned by Aventine Group Limited (**Aventine**). Aventine also provides superannuation, investment and actuarial consulting services and record keeping services.

NZX announced on 8 December 2014 that it had acquired SuperLife, with completion of the acquisition taking place on 19 January 2015.

SuperLife's directors are Michael Chamberlain and Owen Nash. Aventine is jointly owned by Ballynagarrick Investments Limited (**Ballynagarrick**) and Naawo Investments Limited (**Naawo**). Ballynagarrick's shareholders and directors are Marian Chamberlain and Michael Chamberlain. Naawo's shareholders and directors are Elizabeth Nash and Owen Nash.

Mr Chamberlain is a director of both SuperLife and Ballynagarrick and has delegated authority to approve transactions in respect of both companies' shareholdings in Energy Mad.

SuperLife Trustee currently holds 8,241,366 ordinary shares in Energy Mad, representing 19.13% of the Company's ordinary shares on issue. The shares are held in 2 parcels.

Ballynagarrick holds 50,000 ordinary shares in the Company, representing 0.12% of the Company's ordinary shares on issue.

We refer to SuperLife, SuperLife Trustee and Ballynagarrick collectively as the **SuperLife Associates**. Collectively, the SuperLife Associates currently hold 8,291,366 ordinary shares, representing 19.24% of Energy Mad's ordinary shares on issue.

1.5 Impact on Shareholding Levels

The Company's shareholders not associated with SuperLife (the **Non-associated Shareholders**) currently collectively hold 80.76% of the Company's ordinary shares on issue.

The SuperLife Associates' shareholding level after the allotments of shares under the Underwriting Arrangements and the CN Conversion will vary depending on:

- the number of shares taken up by the Non-associated Shareholders under the Rights Issue
- the Market Price at the date of each CN Conversion.

The minimum and maximum levels of shares held by the SuperLife Associates and the Non-associated Shareholders following the Rights Issue and the CN Conversion are set out below.

Range of Potential Shareholding Levels

	SuperLife Associates		Non-associated Shareholders		Total
	Shares	%	Shares	%	Shares
Minimum Scenario					
Current	8,291,366	19.24%	34,798,010	80.76%	43,089,376
Rights Issue [1]	6,633,092	19.24%	27,838,408	80.76%	34,471,500
Post the Rights Issue	14,924,458	19.24%	62,636,418	80.76%	77,560,876
CN Conversion [2]	8,613,186	100.00%	-	-	8,613,186
Post the Rights Issue and the CN Conversion	23,537,644	27.31%	62,636,418	72.69%	86,174,062
Maximum Scenario					
Current	8,291,366	19.24%	34,798,010	80.76%	43,089,376
Rights Issue [3]	27,692,307	100.00%	-	-	27,692,307
Post the Rights Issue	35,983,673	50.84%	34,798,010	49.16%	70,781,683
CN Conversion [4]	253,400,000	100.00%	-	-	253,400,000
Post the Rights Issue and the CN Conversion	289,383,673	89.27%	34,798,010	10.73%	324,181,683

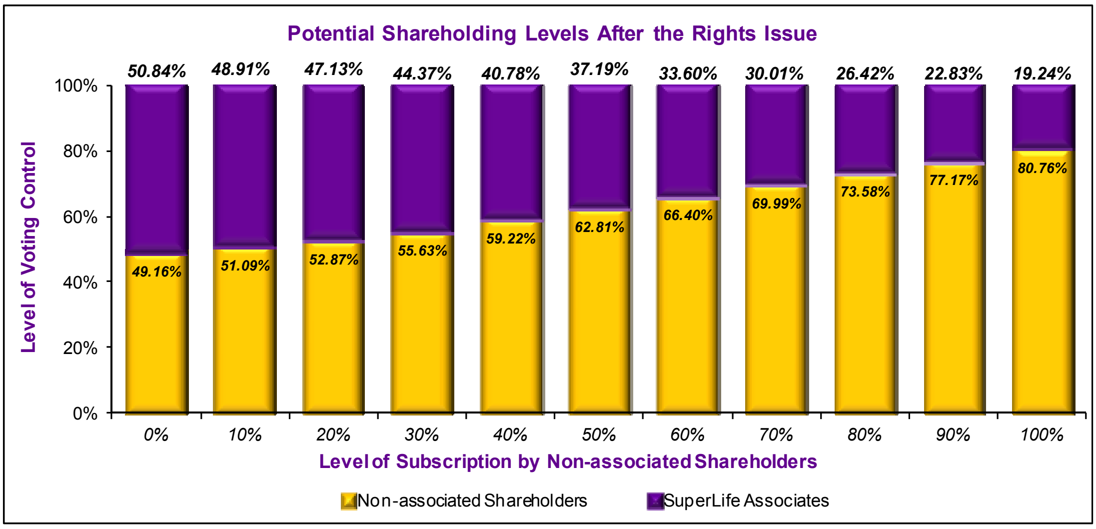
1 *Assumes the Non-associated Shareholders take up their full entitlements*
2 *Assumes the February 2014 convertible notes convert at $0.35 and the November 2014 convertible notes convert at $0.13*
3 *Assumes the Non-associated Shareholders take up no entitlements and SuperLife subscribes for $1.8 million of shares*
4 *Assumes the Market Price is $0.01 per share*

The SuperLife Associates' shareholding will be 27.31% if all shareholders take up their full entitlements under the Rights Issue and the CN Conversion takes place at $0.35 and $0.13 per share under the February 2014 CN Agreement and the November 2014 CN Agreement respectively (the **Minimum Scenario**).

The theoretical maximum shareholding that the SuperLife Associates will hold is 89.27%, based on the Non-associated Shareholders taking up none of their entitlements under the Rights Issue and a Market Price of $0.01 per share at the date of each CN Conversion (the **Maximum Scenario**).

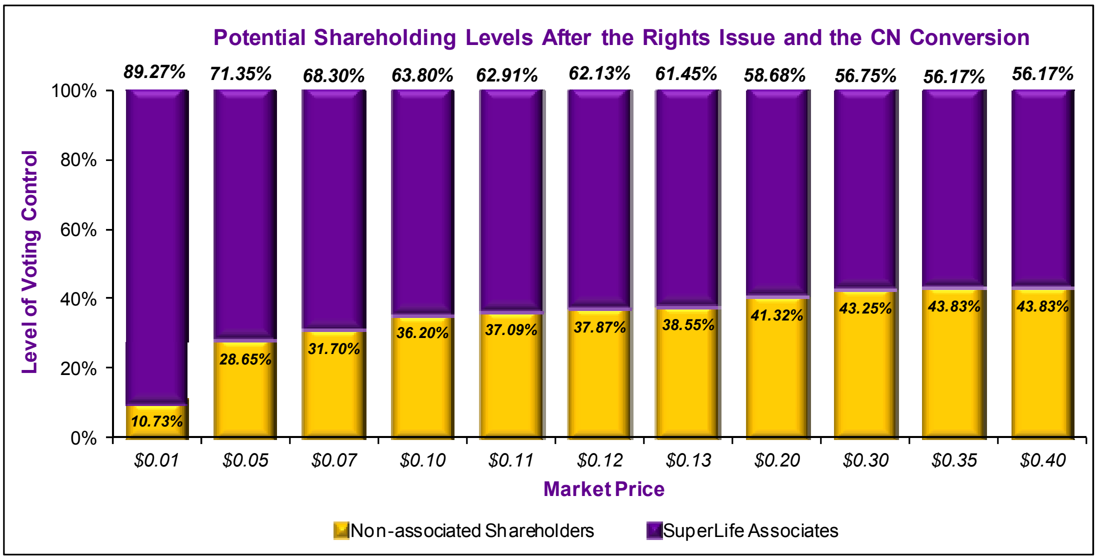
Given that the Company's shares have not traded below $0.10 since the Company listed on the NZX Main Board in October 2011, we consider the likelihood of the Maximum Scenario occurring to be negligible.

The graph below shows that after the Rights Issue and prior to the CN Conversion, the potential shareholding level that the SuperLife Associates will hold will range from 19.24% to 50.84% depending on the level of entitlements taken up by the Non-associated Shareholders.



The SuperLife Associates' shareholding level following the CN Conversion will vary significantly if the Market Price is less than $0.35 for the conversion of the February 2014 convertible notes and less than $0.13 for the conversion of the November 2014 convertible notes.

The graph below shows the potential shareholding levels that the SuperLife Associates will hold, depending on the Market Price at the date of each CN Conversion and assuming that the Non-associated Shareholders take up none of their entitlements under the Rights Issue.



If the Market Price on the date of each CN Conversion is $0.105 (ie equivalent to the closing price on 5 February 2015), then the SuperLife Associates will hold:

- 63.34% of the Company's shares if the shareholders take up none of their entitlements under the Rights Issue
- 52.10% if the Non-associated Shareholders take up 50% of their entitlements
- 38.41% if the Non-associated Shareholders take up all of their entitlements.

1.6 Special Meeting

The Non-associated Shareholders will vote on 3 ordinary resolutions in respect of the allotment of ordinary shares to SuperLife Trustee under the CN Conversion and the Underwriting Arrangements at the Company's special meeting of shareholders on 25 February 2015:

- ratifying and approving the issue of the convertible notes in accordance with the February 2014 CN Agreement and issuing such number of ordinary shares (up to a maximum of 225,000,000 ordinary shares) as may be required to convert the convertible notes issued pursuant to that agreement (resolution 1)
- ratifying and approving the issue of the convertible notes in accordance with the November 2014 CN Agreement and issuing such number of ordinary shares (up to a maximum of 28,400,000 ordinary shares) as may be required to convert the convertible notes issued pursuant to that agreement (resolution 2)
- issuing up to 27,692,307 ordinary shares for cash consideration of $0.065 per share in accordance with the Rights Issue and the Underwriting Arrangements (resolution 3).

We refer to the 3 resolutions collectively as the **SuperLife Resolutions**.

Approval is being sought for the issue of the maximum number of ordinary shares under the CN Conversion based on a Market Price of $0.01 per share so as to enable the CN Conversion to occur notwithstanding any fluctuations in the Market Price.

SuperLife and its associates / associated persons are not permitted to vote on the SuperLife Resolutions.

1.7 Regulatory Requirements

Takeovers Code

Rule 6 of the Takeovers Code (the **Code**) prohibits:

- a person who holds or controls less than 20% of the voting rights in a code company from increasing its holding or control of voting rights beyond 20%
- a person holding or controlling 20% or more of the voting rights in a code company from increasing its holding or control of voting rights

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

One of the exceptions, set out in Rule 7(d) of the Code, enables a person and its associates to increase their holding or control of voting rights by an allotment of shares if the allotment is approved by an ordinary resolution of the code company.

The Underwriting Arrangements may result in the SuperLife Associates increasing their control of the voting rights in Energy Mad from 19.24% to between 27.31% and 89.27%.

Accordingly, the Non-associated Shareholders will vote at the Company's special meeting on an ordinary resolution in respect of the Underwriting Arrangements and the CN Conversion in accordance with the Code.

Rule 18 of the Code requires the directors of a code company to obtain an Independent Adviser's Report on the merits of an allotment under Rule 7(d).

This Independent Adviser's Report is to be included in, or accompany, the notice of meeting pursuant to Rule 16(h).

NZX Main Board Listing Rules

Listing Rule 7.3.1 of the NZX Main Board Listing Rules (the **Listing Rules**) states that no Issuer shall issue any Equity Securities unless the precise terms and conditions of the specific proposal to issue those Equity Securities have been approved by separate resolutions (passed by a simple majority of votes) of holders of each Class of Quoted Equity Securities of the Issuer whose rights or entitlements could be affected by that issue.

Listing Rule 7.5 states that no issue of Securities shall be made by an Issuer if:

- there is a significant likelihood that the issue will result in any person or group of Associated Persons materially increasing their ability to exercise, or direct the exercise of effective control of that Issuer and
- that person or group of Associated Persons is entitled before the issue to exercise not less than 1% of the total votes attaching to the Securities of the Issuer

unless the precise terms and conditions of the issue have been approved by an ordinary resolution of the Issuer.

The Underwriting Arrangements and the CN Conversion involve the issue of equity securities which may materially increase the SuperLife Associates' ability to exercise, or direct the exercise of effective control of the Company.

Listing Rule 9.2.1 stipulates that an Issuer shall not enter into a Material Transaction if a Related Party is a party to the Material Transaction or to one of a related series of transactions of which the Material Transaction forms part without first obtaining approval of the transaction by way of an ordinary resolution from shareholders not associated with the Related Party.

The CN Conversion is or will be a Material Transaction and the SuperLife Associates are Related Parties of the Company.

Accordingly, the Non-associated Shareholders will vote at the Company's special meeting on 2 ordinary resolutions in respect of the CN Conversion in accordance with the Listing Rules.

Listing Rule 6.2.2 (a) requires an Appraisal Report to be prepared where a meeting will consider a resolution required by Listing Rule 7.5.

Listing Rule 9.2.5 (b) requires an Appraisal Report to be prepared where a meeting will consider a resolution required by Listing Rule 9.2.1.

1.8 Purpose of the Report

The Company's board of directors (the **Board**) has engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Independent Adviser's Report on the merits of the Underwriting Arrangements and the CN Conversion in accordance with Rule 18 of the Code.

Simmons Corporate Finance was approved by the Takeovers Panel on 8 December 2014 to prepare the Independent Adviser's Report.

The Board has engaged Simmons Corporate Finance to prepare an Appraisal Report on the fairness of the Underwriting Arrangements and the CN Conversion in accordance with Listing Rules 6.2.2 (a) and 9.2.5 (b).

Simmons Corporate Finance was approved by NZX Regulation on 8 December 2014 to prepare the Appraisal Report.

Simmons Corporate Finance issues this Independent Adviser's Report and Appraisal Report to the Board for the benefit of the Non-associated Shareholders to assist them in forming their own opinion on whether to vote for or against the SuperLife Resolutions.

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits and fairness of the Underwriting Arrangements and the CN Conversion in relation to each shareholder. This report on the merits and fairness of the Underwriting Arrangements and the CN Conversion is therefore necessarily general in nature.

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

2. Evaluation of the Merits of the Underwriting Arrangements and the CN Conversion

2.1 Basis of Evaluation

Rule 18 of the Code requires an evaluation of the merits of the allotment of ordinary shares to SuperLife Trustee under the Underwriting Arrangements and upon the conversion of the convertible notes having regard to the interests of the Non-associated Shareholders.

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

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 May 2014
- 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 Underwriting Arrangements and the CN Conversion should focus on:

- the requirement for the Rights Issue
- the prospects for Energy Mad without the Rights Issue
- the structure of the Rights Issue
- the terms and conditions of the Underwriting Arrangements
- the alternatives to the Underwriting Arrangements
- the impact of the Underwriting Arrangements and the CN Conversion on Energy Mad's financial position
- the impact of the Underwriting Arrangements and the CN Conversion on the control of the Company
- the impact of the Underwriting Arrangements and the CN Conversion on Energy Mad's share price
- other benefits and disadvantages for SuperLife of the Underwriting Arrangements and the CN Conversion
- the benefits and disadvantages for the Non-associated Shareholders of the Underwriting Arrangements and the CN Conversion
- the implications if the SuperLife Resolutions are 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 Underwriting Arrangements and the CN Conversion

Our evaluation of the merits of the Underwriting Arrangements and the CN Conversion is set out in detail in sections 2.3 to 2.15.

In summary, the positive aspects of the Underwriting Arrangements and the CN Conversion are:

- the rationale for the Rights Issue and the Underwriting Arrangements is sound
- the structure of the Rights Issue is reasonable:
  - the size is sufficient to fund the Company's growth strategy and its general working capital requirements
  - all New Zealand resident shareholders are able to participate on a pro rata basis and, if they chose, apply for additional shares
  - the issue price of $0.065 is at a deep discount to the current market price
  - the rights are renounceable, meaning that they can be transferred or sold. The Company will apply to have the rights quoted on the NZX Main Board
- the terms of the Underwriting Arrangements are reasonable. The underwriting fee of 2.75% of the underwritten amount of $1.8 million is broadly in line with the average fees paid for similar underwriting arrangements in New Zealand
- the Underwriting Arrangements provide Energy Mad with the certainty that the Rights Issue will raise at least $1.8 million (before costs)
- the Underwriting Arrangements and the CN Conversion will have a positive impact on the Company's financial position
- the Underwriting Arrangements and the CN Conversion are unlikely to have any material impact on the liquidity of Energy Mad's ordinary shares
- the implications of the SuperLife Resolutions not being approved by the Non-associated Shareholders are significant:
  - the Company's ability to fund its growth strategy in respect of its outsourced direct to consumer LED Ecobulb sales model in New Zealand and Australia will be seriously impacted
  - the convertible notes will not be able to be converted into ordinary shares under the CN Conversion. They will therefore either need to be repaid (requiring the Company to raise additional capital to fund the repayment) or the Company will need to once again seek shareholder approval at a later date (and at additional cost) to enable the CN Conversion.

In summary, the negative aspects of the Underwriting Arrangements and the CN Conversion are:

- depending on the Company's share price at the date of each CN Conversion, the SuperLife Associates' level of voting rights will range from 27.31% to 89.27% following the CN Conversion:
  - we consider the likelihood of the higher end of the range occurring to be negligible as it is based on a Market Price of $0.01 per share
  - based on the current share price of $0.***11***, the SuperLife Associates' shareholding level would range from 37.74% to 62.91% depending on the level of entitlements taken up by the Non-associated Shareholders under the Rights Issue
- in any event, the Underwriting Arrangements and the CN Conversion will result in the SuperLife Associates increasing their ability to influence the outcome of shareholding voting and exert shareholder control over the Board and the Company's operations
- the dilutionary impact of the Underwriting Arrangements on the Non-associated Shareholders will result in their current collective interests in the Company reducing by up to 39% following the Rights Issue (depending on the number of shares that they subscribe for) and up to 87% following the CN Conversion (depending on the Market Price on the dates of the CN Conversion)
- the Rights Issue is priced at a deep discount to the current share price. This will likely result in the Company's share price reducing after the Rights Issue. Non-associated Shareholders who do not take up their entitlements and do not sell their rights will potentially see a dilution in the value of their investment in the Company
- depending on the level of the SuperLife Associates' shareholding following the CN Conversion, the attraction of Energy Mad as a takeover target may diminish.

There are a number of positive and negative features associated with the Underwriting Arrangements and the CN Conversion. In our view, when the Non-associated Shareholders are evaluating the merits of the transactions, they need to carefully consider whether the negative aspects of the Underwriting Arrangements and the CN Conversion, including the level of control that the SuperLife Associates will hold over Energy Mad and the dilutionary impact, could justify voting against the SuperLife Resolutions with the outcome that the Company will be undercapitalised and therefore may not be able to fully execute its growth initiatives.

In our opinion, after having regard to all relevant factors, the positive aspects of the Underwriting Arrangements and the CN Conversion outweigh the negative aspects from the perspective of the Non-associated Shareholders.

2.3 The Requirement for the Rights Issue

The purpose of the Rights Issue is to raise funds to enable Energy Mad to strengthen its financial position and to fund its growth strategy.

If it is fully subscribed, the Rights Issue will raise $2.09 million of capital for Energy Mad (net of $0.15 million of costs). The capital will be used to fund:

- the Company's growth strategy in respect of direct to consumer Ecobulb LED sales growth in New Zealand and Australia by increasing the numbers of, and provide assistance to, third party sales forces in New Zealand
- general working capital requirements.

2.4 The Prospects for Energy Mad Without the Underwriting Arrangements

The carrying value of Energy Mad's equity was negative $0.2 million as at 30 September 2014. It had $0.2 million of cash and cash equivalents and had issued $1.85 million of convertibles notes at that date. It has since issued a further $0.684 million of convertible notes.

The Company is currently undercapitalised and has been reliant on the convertible notes to fund its operations over the past year.

At a minimum, the Rights Issue will raise $1.8 million (before costs) due to the Underwriting Arrangements. Without this capital, the Company will be able to operate but it will not have as much equity capital as the Board considers prudent in order to execute the Company's strategy to expand its business in New Zealand and Australia.

2.5 Structure of the Rights Issue

Overview

The Rights Issue is structured as an issue of up to 34,471,500 new shares to eligible shareholders on 4 for 5 basis at $0.065 per new share that is partially underwritten by SuperLife to the level of $1.8 million.

The terms of the Rights Issue were agreed by the Board on 18 December 2014, with the Company's chief executive officer tasked with negotiating the Underwriting Arrangements with SuperLife on 19 December 2014.

We have been provided with a draft of the Offer Document. The Company advises that because the Offer Document is not due to be released until after the special meeting of shareholders, it will finalise the Offer Document after this report is sent to shareholders. Accordingly our comments in respect of the terms and conditions of the Rights Issue are on the assumption that the key terms and conditions of the issue will not change.

Size of the Rights Issue

We are advised by the Board that the $2.09 million of capital to be raised under the Rights Issue (after costs) was based on the Board's estimate of the level of capital required to fund the increase in the number of third party sales forces in New Zealand and to fund the Company's general working capital requirements.

Oversubscriptions

Under the terms of the Rights Issue, oversubscriptions will be allowed. Accordingly, shareholders wanting to increase their shareholding via the Rights Issue will be able to do so in one of 2 ways:

- through the oversubscriptions facility and / or
- by buying rights on the NZX Main Board.

Overseas Shareholders

Existing shareholders who are resident overseas will not be able to take up their rights entitlement.

Pricing

The Rights Issue is at a deep discount to the prevailing share price prior to the formulation of the structure of the Rights Issue. The Board set the subscription price at $0.065 on the basis that it was a 45% discount to the closing share price of $0.12 as at 18 December 2014.

The subscription price of $0.065 per share represents:

- a 53% discount to the Company's volume weighted average share price (**VWAP**) for the one month up to 18 December 2014 of $0.137
- a 39% discount to the Company's VWAP for the one month up to 5 February 2015 of $0.106.

These levels of discount are towards the upper end of the range of discounts observed for rights issues in New Zealand.

When rights issues are priced at a discount to the prevailing share price, this results in a transfer of value from shareholders who do not participate in the rights issue to shareholders who take up their entitlements.

Based on Energy Mad’s one month VWAP up to 5 February 2015 of $0.106 and a 4 for 5 rights issue at a subscription price of $0.065 per share, the theoretical price of Energy Mad’s shares after the Rights Issue (the **Theoretical Ex-rights Share Price**) is $0.088 ([$0.106 x 5 + $0.065 x 4] ÷ 9).

Renounceable

The rights are renounceable, meaning that they can be transferred or sold.

The Company will apply to NZX to have the rights quoted on the NZX Main Board between 6 March 2015 and 23 March 2015. Depending upon the demand for the rights, Non-associated Shareholders not wishing to take up their entitlements may be able to sell their rights.

Based on Energy Mad’s one month VWAP up to 5 February 2015 of $0.106 and a subscription price of $0.065 per share, the theoretical rights price is $0.023 ([$0.106 - $0.065] / [4 / 5 + 1]).

2.6 Underwriting Options

Energy Mad had the following options regarding the underwriting of the Rights Issue:

- the Underwriting Arrangements as proposed
- it could have sought an alternative underwriter
- it could have undertaken a non-underwritten issue.

Underwriting Arrangements

SuperLife will be paid an underwriting fee of $49,500, representing 2.75% of the $1.8 million underwritten by SuperLife.

The payment of underwriting fees to an underwriter is a normal part of a rights issue. The actual fee percentage varies and generally is a function of the discount of the rights price, the size of the issue and the assessment of the risk that the underwriter is assuming (ie the probability that the underwriter will be called upon to purchase any shortfall in subscriptions). Underwriting fees in New Zealand tend to be in the range of 1.5% to 5.0%. The 2.75% underwriting fee is slightly below the midpoint of the range.

We consider the Underwriting Arrangements to be reasonable.

Alternative Underwriter

Given the relatively small size of the Company, the limited number of institutional investors on its shareholder register and the limited liquidity of the Company's shares, we consider it unlikely that the underwriting opportunity would hold appeal to potential underwriters other than a party who was prepared to possibly hold a significant shareholding in Energy Mad.

We are advised that the Board sought to agree the Underwriting Arrangements with SuperLife rather than seeking alternative underwriters on this basis.

No Underwriter

An alternative option to seeking a different underwriter would be for Energy Mad to have undertaken the Rights Issue without it being underwritten. In general terms, the greater the discount of the subscription price for the new shares under a rights issue to the current share price, the lower the risk of the rights issue being under subscribed.

A discounted subscription price does not necessarily guarantee the full take-up of a rights issue. Other factors that impact on the likely level of subscription under a rights issue include the demand for the shares (i.e. liquidity and spread of shareholders), the quantum of the required investments (in this case the average required investment is approximately $660 per Non-associated Shareholder (excluding the 10 largest shareholders)) and the general state of the equity markets.

Given that the demand for Energy Mad shares is relatively low (based on volumes traded), we are of the view that Energy Mad would bear considerable risk of not raising the underwritten level of capital of $1.8 million (before costs) if it did not arrange for the Rights Issue to be partially underwritten.

2.7 CN Conversion

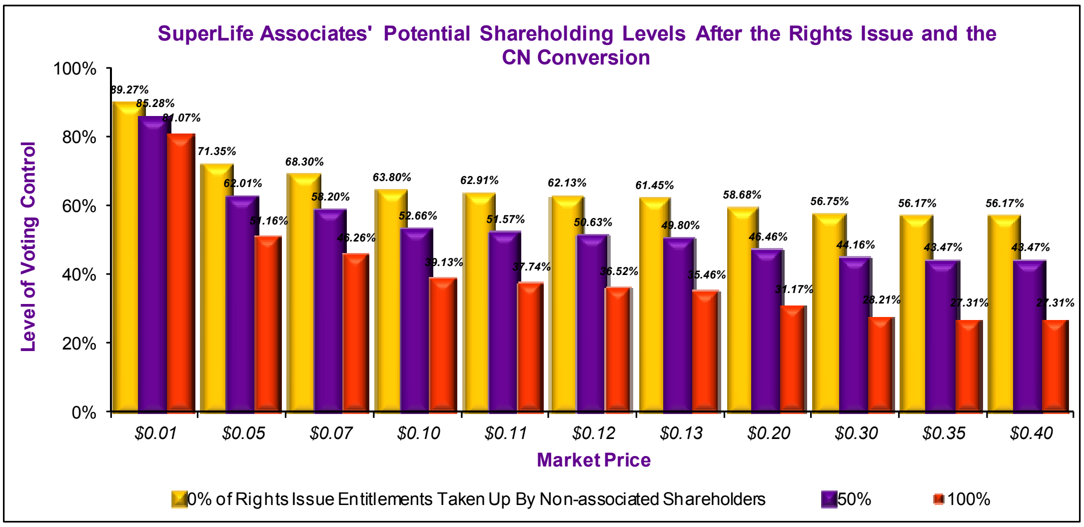
Under the February 2014 CN Agreement, the convertible notes may be converted into ordinary shares at the lower of the Market Price or $0.35 per share. Accordingly, these convertible notes may convert into between 6,428,571 ordinary shares (at a Market Price of $0.35 per share) and 225,000,000 ordinary shares (at a Market Price of $0.01 per share).

Under the November 2014 CN Agreement, the convertible notes may be converted into ordinary shares at the lower of the Market Price or $0.13 per share. Accordingly, these convertible notes may convert into between 2,184,615 ordinary shares (at a Market Price of $0.13 per share) and 28,400,000 ordinary shares (at a Market Price of $0.01 per share).

Conversion will occur on the third anniversary (or the fourth if the Company so elects) of the respective dates of the February 2014 CN Agreement and the November 2014 CN Agreement.

The SuperLife Associates' shareholding level following the CN Conversion will vary significantly if the Market Price is less than $0.35 for the conversion of the February 2014 convertible notes and less than $0.13 for the conversion of the November 2014 convertible notes.

The graph below shows the potential shareholding levels that the SuperLife Associates will hold, depending on the Market Price at the date of each CN Conversion and the level of entitlements taken up by the Non-associated Shareholders under the Rights Issue.



Set out at section 4.10 is a summary of the Company's daily closing share price from 19 October 2011 to 5 February 2015. Given that the Company's shares have not traded below $0.10 since the Company listed on the NZX Main Board in October 2011, we consider the likelihood of the Maximum Scenario (based on a Market Price of $0.01 per share) occurring to be negligible.

If the Market Price on the date of each CN Conversion is $0.105 (ie equivalent to the closing price on 5 February 2015), then the SuperLife Associates will hold:

- 63.34% of the Company's shares if the Non-associated Shareholders take up none of their entitlements under the Rights Issue
- 52.10% of the Company's shares if the Non-associated Shareholders take up 50% of their entitlements under the Rights Issue
- 38.41% of the Company's shares if the Non-associated Shareholders take up all of their entitlements under the Rights Issue.

2.8 Impact on Financial Position

A summary of Energy Mad's recent financial position is set out in section 4.8.

Energy Mad's unaudited total equity as at 30 September 2014 was negative $0.2 million. This equated to negative $0.005 per share.

The Rights Issue will potentially raise $2.09 million (after costs). The Underwriting Arrangements ensure that at least $1.8 million will be raised. The CN Conversion will convert $2.534 million of debt into equity.

For illustrative purposes, if the full proceeds from the Rights Issue were to have been received on 30 September 2014 and the CN Conversion took place on that date at a Market Price of $0.11 per share, Energy Mad's total equity would increase to $4.4 million and equity per share would increase to $0.044 per share.

Illustrative Effect of the Rights Issue on Energy Mad's Financial Position

	Equity ($000)	No. of Shares (000)	Equity / Share ($)
30 September 2014	(199)	43,089	($0.005)
Rights Issue [1]	2,091	34,472	$0.061
Post the Rights Issue	1,892	77,561	$0.024
CN Conversion [2]	2,534	23,036	$0.110
Post the Rights Issue and the CN Conversion	4,426	100,597	$0.044

1 Assumes the Rights Issue is fully subscribed, less costs of $0.15 million
2 Based on a Market Price of $0.11 per share

2.9 Impact on Control

Share Capital and Shareholders

Energy Mad currently has 43,089,376 fully paid ordinary shares on issue held by 763 shareholders. The names, number of shares and percentage holding of the Company's 10 largest shareholders as at 2 February 2015 are set out in section 4.4.

Energy Mad currently has 3 substantial security holders:

- Mardon Family Holdings Limited (**Mardon**) and Chris Mardon – 24.11% of the ordinary shares on issue
- Mackers Family Holdings Limited (**Mackers**) and Tom Mackenzie – 24.04%
- the SuperLife Associates – 19.24%.

The 3 shareholders collectively hold 67.40% of the ordinary shares in the Company at present.

SuperLife's Potential Shareholding Levels

Depending on the number of ordinary shares issued to SuperLife under the Underwriting Arrangements and the CN Conversion, the SuperLife Associates will increase their control of voting rights in Energy Mad from 19.24% to between 27.31% and 89.27% without having to make a formal offer to all shareholders in accordance with Rules 7(a) or 7(b) of the Code. To do this under the Code requires the Non-associated Shareholders to have the opportunity to vote for or against the SuperLife Resolutions.

Shareholding Voting

The SuperLife Associates' current level of voting rights of 19.24% does not enable them to pass or block special resolutions (which require the approval of 75% of the votes cast by shareholders) or to pass or block ordinary resolutions (which require the approval of more than 50% of the votes cast by shareholders).

Following the Underwriting Arrangements and the CN Conversion, the SuperLife Associates' ability to influence the outcome of shareholder voting will increase, and the increase may be significant depending on the Company's share price at the date of each CN Conversion.

By holding at least 27.31% of the Company's shares, the SuperLife Associates will be able to block a special resolution.

Under the Maximum Scenario – which we believe is highly unlikely to arise – their 89.27% shareholding level would enable them to singlehandedly control the outcome of any special resolution or ordinary resolution that they were permitted to vote on.

If the Market Price on the date of each CN Conversion is $0.105 (ie equivalent to the closing price on 5 February 2015) and the Non-associated Shareholders take up 50% of their entitlements under the Rights Issue, then the SuperLife Associates will hold 52.10% of the Company's shares and will be able to singlehandedly pass or block an ordinary resolution but they will not be able to singlehandedly pass a special resolution.

The ability for any shareholder to influence the outcome of voting on the Company's ordinary resolutions or special resolutions may be reduced by external factors such as the Company's constitution, the Code, the Listing Rules and the Companies Act 1993.

Given the above, we are of the view that the Underwriting Arrangements and the CN Conversion will increase the SuperLife Associates' ability to exert shareholder control over Energy Mad, and depending upon the Company's share price at the date of each CN Conversion, the level of increase could be significant.

Ability to Creep

If SuperLife controls more than 50% of the voting rights in the Company, then it will be able to utilise the *creep* provisions of Rule 7(e) of the Code. The *creep* provisions enable entities that hold more than 50% and less than 90% of the voting securities in a code company to buy up to a further 5% of the code company's shares per annum without the need for shareholder approval.

When a shareholder holds 90% or more of the voting rights in a Code company, it can compulsorily acquire the remaining shares in the company in accordance with Part 7 of the Code.

Board Control

As set out in section 4.3, the Company currently has 5 directors, none of whom are deemed to be associates of the SuperLife Associates.

We are advised by the Company that at this point in time, no agreements have been made with the SuperLife Associates as to future Board representation following the Underwriting Arrangements and the CN Conversion.

Operations

We are advised by the Company that the SuperLife Associates currently do not have any influence over the operations of the Company and this is not expected to change following the Underwriting Arrangements and the CN Conversion.

2.10 Dilutionary Impact

The Underwriting Arrangements and the CN Conversion will result in the Non-associated Shareholders' current collective shareholdings in the Company being diluted.

The dilutionary impact of the Rights Issue on the Non-associated Shareholders will range from nil to 39%, depending on the number of shares that the Non-associated Shareholders subscribe for under the Rights Issue and therefore the number of ordinary shares issued to SuperLife under the Underwriting Arrangements.

The dilutionary impact of the CN Conversion will be up to 87%, depending on the Company's share price at the date of each CN Conversion and therefore the number of ordinary shares issued to SuperLife under the CN Conversion.

2.11 Impact on Share Price and Liquidity

Share Price

A summary of Energy Mad's daily closing share price and daily volume of shares traded from 19 October 2011 is set out in section 4.10.

During the period, Energy Mad's shares have traded between \$0.10 and \$1.05 at a VWAP of \$0.38.

Given that the Rights Issue subscription price of \$0.065 is at a 39% discount to the current market price, the Company's share price could possibly drop immediately after the Rights Issue. As set out in section 2.5, the Theoretical Ex-rights Share Price is \$0.088.

Until the CN Conversion, the convertible notes will most likely be viewed (and valued) primarily as a debt security rather than an equity security. The CN Conversion takes place at the Market Price, or, if the Market Price is equal to or higher than \$0.35 for the February 2014 convertible notes and \$0.13 for the November 2014 convertibles, at \$0.35 and \$0.13 respectively.

On this basis, we are of the view that the CN Conversion will have limited impact on the Company's share price.

Liquidity

Trading in the Company's shares is extremely thin, reflecting that 67.40% of the shares are currently held by Mardon, Mackers and the SuperLife Associates and the top 10 shareholders collectively hold 77.90% of the shares. Only 7.7% of the Company's shares having traded in the past year.

The number of ordinary shares held by the Non-associated Shareholders will not change under the Underwriting Arrangements or the CN Conversion.

In our view, given the relatively small size of the public pool of shares, the Underwriting Arrangements and the CN Conversion on their own are unlikely to have a positive or negative effect on the liquidity of Energy Mad's shares in the near term.

2.12 Key Benefit to the SuperLife Associates

The Underwriting Arrangements provide the SuperLife Associates with the opportunity to increase their shareholding (and level of control) in Energy Mad, potentially to a very significant level.

2.13 Disadvantages to the SuperLife Associates

Increased Exposure to the Risks of Energy Mad

The key issues and risks that are likely to impact upon the business operations of Energy Mad are summarised in section 4.6.

As the SuperLife Associates' ownership in Energy Mad increases, so does their exposure to these risks. The SuperLife Associates' shareholding level will range between 27.31% and 89.27%. The SuperLife Associates have little control over their ultimate level of shareholding in Energy Mad as it will largely be a function of the Company's share price at the date of each CN Conversion.

Further Financial Commitments

The current market value of the SuperLife Associates' holding of ordinary shares was $0.9 million as at 5 February 2015. SuperLife has also subscribed for $2.534 million of convertible notes.

SuperLife may be required to subscribe for up to $1.8 million of shares under the Underwriting Arrangements. This will increase SuperLife's level of investment in Energy Mad by up to 53%.

2.14 Other Issues

All Shareholders have the Opportunity to Participate in the Rights Issue

The Rights Issue is a pro rata issue to all shareholders. All Non-associated Shareholders who are resident in New Zealand have the opportunity to take up their entitlements to acquire new shares. If all Non-associated Shareholders take up their entitlements, then the SuperLife Associates will not increase their shareholding level in the Company as a result of the Underwriting Arrangements.

Benefits to Energy Mad of SuperLife as a Cornerstone Shareholder

The major benefit to Energy Mad of the Underwriting Arrangements is that the Company is certain to obtain at least $1.8 million of funds (before costs) from the Rights Issue.

The Underwriting Arrangements and the CN Conversion will enhance the SuperLife Associates' position as an important cornerstone investor in the Company and further signals their confidence in the future prospects of Energy Mad.

Non-associated Shareholder Approval is Required

Pursuant to Rule 7(d) of the Code and Listing Rules 7.5 and 9.2.1, the Non-associated Shareholders must approve by ordinary resolution the Underwriting Arrangements and the CN Conversion.

The Underwriting Arrangements and the CN Conversion will not proceed unless the Non-associated Shareholders approve the SuperLife Resolutions.

May Reduce the Likelihood of a Takeover Offer

Following the Underwriting Arrangements and the CN Conversion, the SuperLife Associates will not be able to increase the level of their shareholding unless they comply with the provisions of the Code and the Listing Rules. The SuperLife Associates will only be able to acquire more shares in the Company if:

- they make a full or partial takeover offer
- the acquisition is approved by way of an ordinary resolution of the Non-associated Shareholders
- the Company makes an allotment of shares which is approved by way of an ordinary resolution of the Non-associated Shareholders
- the Company undertakes a share buyback that is approved by the Company's shareholders and the SuperLife Associates do not accept the offer of the buyback
- they comply with the *creep* provisions of Rule 7(e) of the Code.

An increase in the SuperLife Associates' shareholding to between 27.31% and 89.27% may reduce the likelihood of a takeover offer for the Company from SuperLife as it may consider that it has sufficient control over the Company.

It is possible that if SuperLife did make a takeover offer for further shares in the Company, it may offer a control premium that is lower than would otherwise be expected as it may value its offer on the basis that it already has significant control of the Company and hence does not need to pay a control premium of any significance.

The increase in the SuperLife Associates' shareholding may reduce the attraction of Energy Mad as a takeover target to other parties, as any bidder looking to fully or partially take over the Company would need to ensure that the SuperLife Associates would accept its offer.

2.15 Implications of the SuperLife Resolutions not Being Approved

If the SuperLife Resolutions are not approved, then:

- the convertible notes will not be able to be converted into ordinary shares under the CN Conversion to the extent that it results in the SuperLife Associates holding more than 20% of the voting rights in the Company
- SuperLife will not be able to partially underwrite the Rights Issue.

If the convertible notes cannot be converted into ordinary shares under the CN Conversion, then the Company will eventually have to repay the convertible notes. This will require Energy Mad to seek capital from alternative sources, which may not be readily available and / or may be at a significant cost to the Company. Alternatively, the Company may once again seek shareholder approval of the CN Conversion at a later date, at additional cost to the Company.

If the Rights Issue is not fully subscribed, then the Company will not receive the $2.24 million of capital it seeks (before costs). This would have a serious impact on Energy Mad's ability to execute its growth strategy in respect of its outsourced direct to consumer LED Ecobulb sales model in New Zealand and Australia.

2.16 Voting For or Against the SuperLife Resolutions

Voting for or against the SuperLife Resolutions 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. Evaluation of the Fairness of the Underwriting Arrangements and the CN Conversion

3.1 Basis of Evaluation

Listing Rule 1.7.2 requires an Appraisal Report to consider whether the consideration and the terms and conditions of the proposed issue are *fair* to the Non-associated Shareholders.

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

We are of the view that an assessment of the merits of a transaction is a broader test than the fairness of the transaction and encompasses a wider range of issues associated with the transaction. Our assessment of the merits of the allotment of ordinary shares under the Underwriting Arrangements and the CN Conversion is set out in section 2 and considers the fairness of the likely increase in effective control by the SuperLife Associates in Energy Mad as well as the fairness of the terms and conditions of the Underwriting Arrangements.

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.

3.2 Evaluation of the Fairness of the Underwriting Arrangements and the CN Conversion for the Purposes of Listing Rule 1.7.2

In our opinion, after having regard to all relevant factors, the consideration and the terms and conditions of the Underwriting Arrangements and the CN Conversion are fair to the Non-associated Shareholders.

The basis for our opinion is set out in detail in sections 2.3 to 2.15. In summary, the key factors leading to our opinion are:

- the rationale for the Rights Issue and the Underwriting Arrangements is sound
- the terms of the Rights Issue and the Underwriting Arrangements are reasonable
- the Underwriting Arrangements provide Energy Mad with the certainty that the Rights Issue will raise at least $1.8 million (before costs)
- the Underwriting Arrangements and the CN Conversion will have a positive impact on the Company's financial position
- depending on the Company's share price at the date of each CN Conversion, the SuperLife Associates' level of voting rights will range from 27.31% to 89.27% following the CN Conversion, resulting in the SuperLife Associates increasing their ability to influence the outcome of shareholding voting and exert shareholder control over the Board and the Company's operations
- the dilutionary impact of the Underwriting Arrangements on the Non-associated Shareholders will result in their current collective interests in the Company reducing by up to 39% following the Rights Issue (depending on the number of shares that they subscribe for) and by up to 87% following the CN Conversion (depending on the Market Price on the date of each CN Conversion

- the Rights Issue is priced at a deep discount to the current share price. This will likely result in the Company's share price reducing after the Rights Issue. Non-associated Shareholders who do not take up their entitlements and do not sell their rights will potentially see a dilution in the value of their investment in the Company
- the Underwriting Arrangements and the CN Conversion are unlikely to have any material impact on the liquidity of Energy Mad's ordinary shares
- depending on the level of the SuperLife Associates' shareholding following the CN Conversion, the attraction of Energy Mad as a takeover target may diminish
- the implications of the SuperLife Resolutions not being approved by the Non-associated Shareholders are significant:
  - the Company's ability to fund its growth strategy in respect of its outsourced direct to consumer LED Ecobulb sales model in New Zealand and Australia will be seriously impacted
  - the convertible notes will not be able to be converted into ordinary shares under the CN Conversion. They will therefore either need to be repaid (requiring the Company to raise additional capital to fund the repayment) or the Company will need to once again seek shareholder approval at a later date (and at additional cost) to enable the CN Conversion.

3.3 Voting For or Against the SuperLife Resolutions

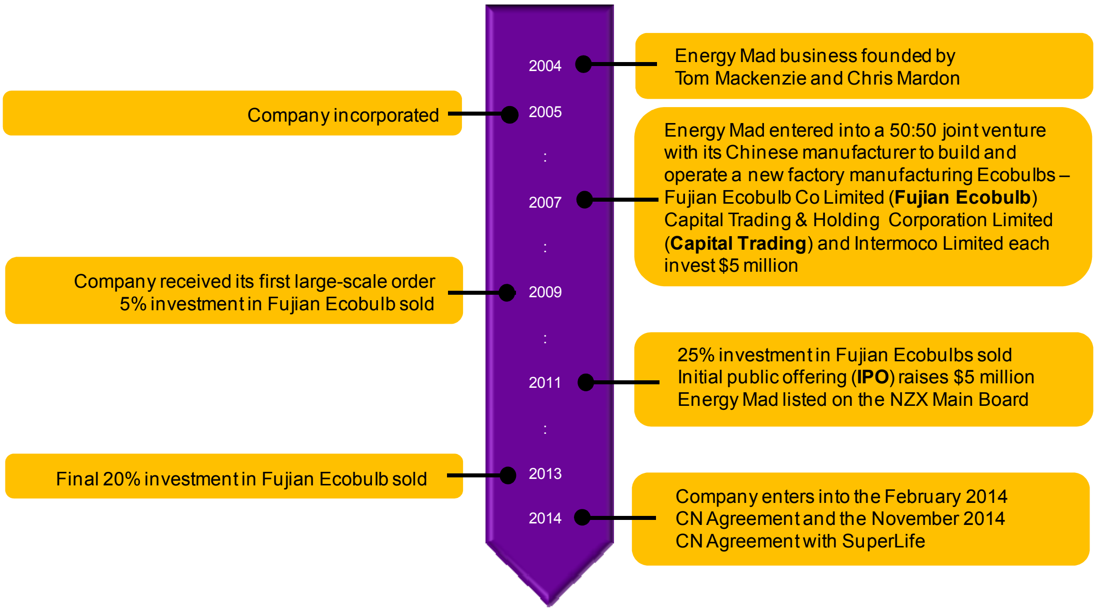
Voting for or against the SuperLife Resolutions is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

4. Profile of Energy Mad

4.1 Background

The Company was incorporated on 9 November 2005 as Energy Mad Holdings Limited. It changed its name to Energy Mad Limited on 1 July 2011.

The Company's key events are set out below.



4.2 Nature of Operations

Energy Mad sources and develops energy saving CFL and LED light bulbs under the Ecobulb and Ecospiral trademarks.

It sells CFL and LED Ecobulbs through State Government energy efficiency schemes in Australia and Ecobulb LEDs through its direct to consumer sales channels in New Zealand.

Energy Mad initially focussed on CFLs, which were designed in-house for the high volume sectors of the lighting industry. CFLs are energy-efficient replacements for traditional incandescent light bulbs and for halogen light bulbs in residential and commercial buildings.

In 2014, the Company changed its strategy to include sourcing LED bulbs as technology changes made these products more cost efficient.

The light bulbs are manufactured in China in 4 factories, including a factory that was part owned by Energy Mad through a joint venture (Fujian Ecobulb) with a Chinese partner up until June 2013.

Where possible Energy Mad's intellectual property has been protected with patents and designs granted in Australia, China, Europe, New Zealand and the United States.

Australian State Government Energy Efficiency Schemes

Energy Mad has sold over $24 million of Ecobulbs through Australian energy efficiency schemes since 2009.

It is currently selling Ecobulbs to customers through State Government energy efficiency schemes in:

- Victoria
- South Australia
- Australian Capital Territory.

Direct to Consumer LED Ecobulb Sales

The LED Ecobulb direct to consumer sales model involves outsourced sales forces in New Zealand and Australia demonstrating Energy Mad's LED bulbs to consumers, including a personalised energy savings forecast showing the benefits of replacing their old light bulbs with LED Ecobulbs.

The demonstration and savings forecasts are conducted using proprietary ipad-based software developed by the Company.

Energy Mad earns significant margins on the third party LED Ecobulb sales in New Zealand, with the third party sales force remuneration based on a percentage of the sales they generate.

The Company plans to focus more resource on assisting the current New Zealand sales forces to grow the size of their sales teams before putting more resource into other third party sales forces in New Zealand and Australia.

4.3 Directors and Senior Management

The directors of Energy Mad are:

- Chris Mardon – managing director, co-founder
- Tom Mackenzie – executive director, co-founder
- Andrew Meehan – independent
- Andrew Plympton – independent
- Rick Ramsay – independent chair.

Energy Mad's senior management team consists of executive directors Chris Mardon and Tom Mackenzie and:

- Paul Ravlich – chief executive officer and chief financial officer
- Lawrence Grant – third party field force manager
- Christopher Young – group finance manager
- Alireza Milani – technical development engineer
- Mike Coker – marketing manager.

4.4 Capital Structure and Shareholders

Energy Mad currently has 43,089,376 fully paid ordinary shares on issue held by 763 shareholders.

The names, number of shares and percentage holding of the 10 largest shareholders as at 2 February 2015 are set out below.

Energy Mad's 10 Largest Shareholders		
Shareholder	**No. of Shares Held**	**%**
Mardon[1]	10,389,050	24.11%
Mackers [1]	10,360,050	24.04%
SuperLife Trustee[1]	8,241,366	19.13%
Roa Investments Limited (**Roa**)	1,352,000	3.14%
Ravlich Trustee Limited (**Ravlich TL**) [1]	803,504	1.86%
New Zealand Central Securities Depository Limited (**NZCSD**)	629,912	1.46%
Roger Williams	582,180	1.35%
Bruce Plested	500,000	1.16%
Longway Industries Co	400,000	0.93%
Greenfleece Holdings Pty Limited	307,825	0.71%
Subtotal	33,565,887	77.90%
Others (753 shareholders)	9,523,489	22.10%
Total	43,089,376	100.00%

1 Held in 2 parcels

Source: NZX Data

Mardon is owned by Chris Mardon and Vernon Mardon. Chris Mardon is the Company's co-founder and its managing director.

Mackers is owned by Tom Mackenzie and Donald Mackenzie. Tom Mackenzie is the Company's co-founder and is an executive director.

Roa is owned by Andrew Ormsby and Rebecca Ormsby.

Ravlich TL is owned by Paul Ravlich, the Company's chief executive officer and chief financial officer.

NZCSD holds the shares on behalf of Accident Compensation Corporation (**ACC**).

4.5 Strategic Plan

Energy Mad has recently refocused its business to 3 strategic priorities that involve:

- lowering its annual operating costs while still supporting future growth:
- maintaining the current sales of CFL Ecobulbs though the State Government energy efficiency schemes in Australia and growing the sales of its various LED Ecobulbs
- growing the direct to consumer LED Ecobulb sales in New Zealand through third party sales forces.

In order to become profitable without restricting its growth potential, Energy Mad recently undertook a significant reorganisation of its business to focus on:

- the State Government energy efficiency schemes in Australia
- its direct to consumer sales in New Zealand (which now utilise third party sales forces)

This new focus required fewer managers and administrators to run the Company, allowing it to reduce its headcount from 30 to 9 full time equivalent employees. The full benefits of the leaner organisational structure are expected to be seen in the 2016 financial year.

Energy Mad has sold over $24 million of Ecobulbs through Australian energy efficiency schemes since 2009. Recent announcements of scheme expansions and extensions create potential for Energy Mad to maintain the current sales of CFL Ecobulbs in these schemes and to grow the sales of various LED Ecobulbs.

The growth engine for Energy Mad in the foreseeable future is expected to come from growing the direct to consumer LED Ecobulb sales in New Zealand through increasing its current third party sales forces. The current low uptake of LEDs in New Zealand and Australia, combined with little competition in the direct to consumer space, creates a market opportunity that the Company believes it is well positioned to take advantage of.

4.6 Key Issues Affecting the Company

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

- concentration of a larger portion of sales revenue on a small number of customers in the Australian energy efficiency schemes
- failure to manage growth
- a significant increase in the price paid by Energy Mad for the bulbs
- the risk that new products may not overcome technological challenges or may not be as successful as Energy Mad anticipates
- dependence on certain key individuals
- the ability to develop and protect the Company's brand and other intellectual property
- a significant disruption to the manufacturing operations of its 4 manufacturers in China
- the risk of product recalls
- exposure to foreign exchange rate movements
- a deterioration in general economic conditions
- a material failure to comply with statutory and regulatory requirements.

4.7 Financial Performance

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

Summary of Energy Mad Financial Performance

	Year to 31 Mar 12 (Audited) $000	Year to 31 Mar 13 (Audited) $000	Year to 31 Mar 14 (Audited) $000	6 Mths to 30 Sep 14 (Unaudited) $000
Revenue	5,811	9,220	7,472	3,987
Gross profit	2,007	2,997	3,145	1,592
EBIT	(1,100)	(1,935)	(3,722)	(1,158)
Loss before taxation from continuing operations	(1,166)	(1,956)	(3,713)	(1,243)
Loss for the year	(1,148)	(2,535)	(5,663)	(1,243)

EBIT: Earnings before interest and tax

Source: *Energy Mad audited financial statements and condensed interim report for the 6 months ended 30 September 2014*

Key matters arising in the 2013 financial year were:

- revenue increased by 59% due to the delivery of the initial Walgreens stocking orders of $2.5 million, growth of Australian spiral sales and growth in the direct installation operation
- administration and general expenses increased by 62% primarily due to the Company investing in its direct installation operation (an additional $1.6 million of expenses), the full year effect of staff coming on board in the previous year and additional marketing costs in winning the Walgreen business.

Key matters arising in the 2014 financial year were:

- revenue decreased by 19% primarily due to the Walgreens order in 2013 not being repeated and a $1.4 million reduction in revenue for a large Australian spiral customer. Revenue growth without the effect of these sales was 42%, with 47% revenue growth in the direct installation operation
- gross margin was 42% compared with 33% in the previous year as a result of higher margins in the direct installation operation
- administration and general expenses decreased by 14% due mainly to cost savings
- selling and distribution expenses increased by 23% due to sales commission increases in line with the revenue growth and higher lead generation costs in the direct operation
- a provision for inventory obsolescence of $0.2 million as a result of the transition from CFLs to LEDs
- a $1.4 million for impairment of research and development (**R&D**) costs relating to CFLs, which are being superseded by the range of LED products.

Key matters arising in the first half of the 2015 financial year were:

- revenue increased by 1% but gross profit reduced from 43% to 40% due to lower prices achieved on Ecobulb downlights as the business transitioned to its LED product range

- selling and distribution expenses increased by 50% due to higher commissions on an increased direct independent contractor sales force and an increase in the outsourced field force fees.

4.8 Financial Position

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

Summary of Energy Mad Financial Position

	As at 31 Mar12 (Audited) $000	As at 31 Mar 13 (Audited) $000	As at 31 Mar 14 (Audited) $000	As at 30 Sep 14 (Unaudited) $000
Current assets	3,632	5,508	3,054	2,761
Non current assets	5,485	3,906	884	1,077
Total assets	9,117	9,414	3,938	3,838
Current liabilities	(1,716)	(2,595)	(2,112)	(2,167)
Non current liabilities	-	-	(768)	(1,870)
Total liabilities	(1,716)	(2,595)	(2,880)	4,037
Total equity	7,401	6,819	1,058	(199)

Source: Energy Mad audited financial statements and condensed interim report for the 6 months ended 30 September 2014

Energy Mad's main current assets are trade and other receivables and inventories. Current assets as at 31 March 2013 included $1.3 million in respect of the Fujian Ecobulb investment which was classed as an available for sale financial asset and $0.4 million of loan capital to Fujian Ecobulb.

Energy Mad's main non current assets are intangible assets in the form of R&D, trademarks and patents and software. Non current assets as at 31 March, 2012 and 2013 included deferred tax assets as well as the investment in Fujian Ecobulb as at 31 March 2012.

Liabilities consist mainly of trade payables and a debtor factoring advance in respect of the assignment of the Company's Australian accounts receivable.

Non current liabilities consist mainly of the convertible notes issued to SuperLife, which amounted to $1.85 million as at 30 September 2014.

4.9 Cash Flows

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

Summary of Energy Mad Cash Flows

	Year to 31 Mar 12 (Audited) $000	Year to 31 Mar 13 (Audited) $000	Year to 31 Mar 14 (Audited) $000	6 Mths to 30 Sep 14 (Unaudited) $000
Net cash outflow from operating activities	(2,976)	(1,054)	(1,517)	(1,311)
Net cash (used in) / from investing activities	(82)	(725)	583	(278)
Net cash from financing activities	3,496	1,966	716	1,354
Net increase / (decrease) in cash held	438	187	(218)	(235)
Opening cash balance	94	583	757	524
Effect of exchange rate movements	51	(13)	(15)	(107)
Closing cash balance	583	757	524	182

Source: Energy Mad audited financial statements and condensed interim report for the 6 months ended 30 September 2014

Net cash outflows from operating activities were high in the 2012 financial year due to lower year end trade and other payables and the discontinuation of EcoSmartHome.

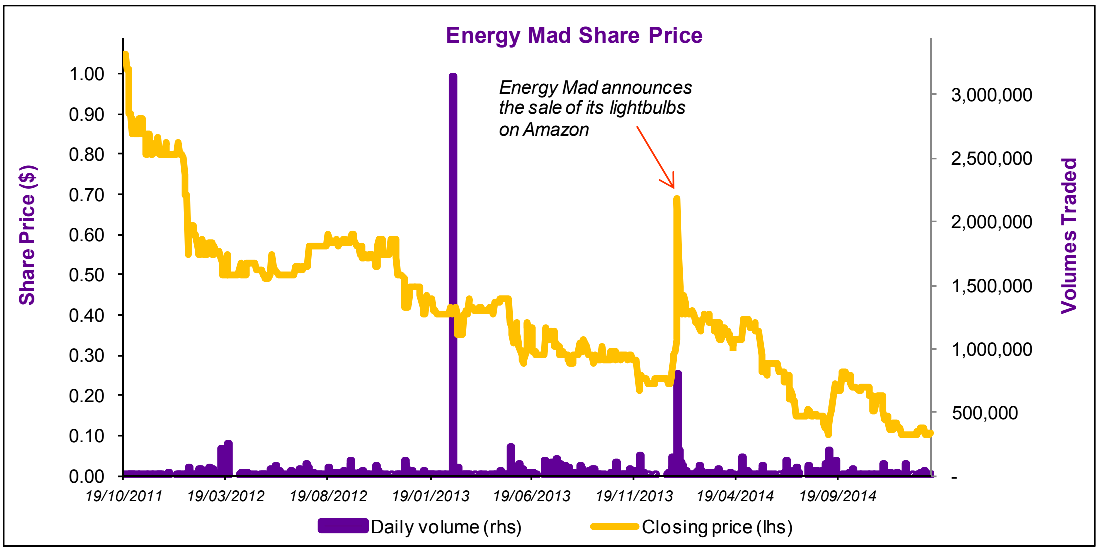
Net cash used in investing activities represents proceeds from the sale of the investment in Fujian Ecobulb offset by expenditure on fixed and intangible assets.

Net cash from financing activities includes $9.7 million of gross proceeds from share issues and convertible notes issues over the 3.5 years to 30 September 2014:

- in the 2012 financial year, the Company raised $5.7 million from the IPO and shares issued to ACC and Saxonmac Pty Limited
- $2.0 million was raised from 2 share placements in the 2013 financial year
- the Company raised $0.75 million in the 2014 financial year from the issue of convertible notes to SuperLife
- a further $1.1 million was raised in the first half of the 2015 financial year from the issue of convertible notes to SuperLife.

4.10 Share Price History

Set out below is a summary of Energy Mad's daily closing share price and daily volumes of shares traded from 19 October 2011 to 5 February 2015.



Source: NZX Data

During the period, Energy Mad's shares have traded between $0.10 and $1.05 at a VWAP of $0.38.

Trading in the Company's shares is extremely thin, reflecting that 67.40% of the shares are currently held by Mackers, Mardon and the SuperLife Associates and the top 10 shareholders collectively hold 77.90% of the shares. 7.7% of the Company's shares have traded in the past year on 131 days.

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

Share Trading

Period	Low [1] ($)	High [1] ($)	VWAP [1] ($)	Volume Traded [1] (000)	Liquidity
1 month	0.10	0.12	0.11	117	0.3%
3 months	0.10	0.20	0.13	546	1.3%
6 months	0.10	0.26	0.16	1,777	4.1%
12 months	0.10	0.41	0.23	3,313	7.7%

1 To 5 February 2015

Source: NZX Data

3,151,050 shares traded at $0.40 on 21 February 2013, including SuperLife Trustee acquiring 3,125,000 shares from Capital Trading.

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

5.1 Sources of Information

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

- the draft notice of special meeting
- the Energy Mad annual reports for the years ended 31 March, 2012 to 2013
- the Energy Mad condensed interim report for the 6 months ended 30 September 2014
- the draft Offer Document
- the Underwriting Agreement
- the February 2014 CN Agreement
- the November 2014 CN Agreement
- data in respect of Energy Mad from NZX Data and Capital IQ.

During the course of preparing this report, we have had discussions with and / or received information from the Board and executive management of Energy Mad and Energy Mad's legal advisers.

The Board has confirmed that we have been provided for the purpose of this Independent Adviser's Report and Appraisal Report with all information relevant to the Rights Issue, the Underwriting Arrangements and the CN Conversion 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 and Appraisal Report.

In our opinion, the information to be provided by Energy Mad to the Non-associated Shareholders is sufficient to enable the Board and the Non-associated Shareholders to understand all the relevant factors and to make an informed decision in respect of the Underwriting Arrangements and the CN Conversion.

5.2 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 Energy Mad 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 Energy Mad. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

5.3 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 Energy Mad 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 Energy Mad 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.

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 special meeting issued by Energy Mad and have not verified or approved the contents of the notice of special meeting. We do not accept any responsibility for the contents of the notice of special meeting except for this report.

5.4 Indemnity

Energy Mad 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. Energy Mad 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.

6. Qualifications and Expertise, Independence, Declarations and Consents

6.1 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.

6.2 Independence

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with Energy Mad or the SuperLife Associates or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to these transactions.

Simmons Corporate Finance has not had any part in the formulation of the Rights Issue, the Underwriting Arrangements or the CN Conversion 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 SuperLife Resolutions. We will receive no other benefit from the preparation of this report.

6.3 Declarations

An advance draft of this report was provided to the Board for its comments as to the 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.

6.4 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 Energy Mad'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
9 February 2015