

NOTICE OF ANNUAL MEETING

MERCER GROUP LIMITED

Notice is given that the annual meeting of shareholders of Mercer Group Limited (the "**Company**") convened by the Board, will be held on 17 December 2010 commencing at 10.00 am (New Zealand time) at Novotel Hotel, 72-112 Greenlane Road East, Ellerslie, Auckland.

BUSINESS TO BE TRANSACTED

1. To receive and consider the financial statements and directors' report for the financial year ended 30 June 2010.
2. To authorise the directors to fix the auditors' fees for the coming year.
3. To consider and, if thought fit, to pass the following ordinary resolutions (each a "**Resolution**" and together the "**Resolutions**"), which are resolutions to be passed by a simple majority of the votes of shareholders entitled to vote and voting on the Resolution:
 - (a) That Stuart Barry Heal be re-elected as a director of the Company.
 - (b) That Humphry John Davy Rolleston be re-elected as a director of the Company.
 - (c) That the directors reappoint PricewaterhouseCoopers as auditors of the Company and the directors be authorised to fix the auditors' fees for the coming year.
 - (d) Subject to the approval of Resolutions 3(e) to (g), to authorise and approve the issue by the Company of up to 180,008,410 ordinary shares (on the basis of 4.6 new ordinary shares for every one existing ordinary share) at \$0.05 per share, on the terms and conditions described in the explanatory notes to these Resolutions ("**Rights Issue**").
 - (e) Subject to the approval of Resolutions 3(d), (f) and (g), to authorise and approve the joint underwrite of the Rights Issue by Murray Capital Rakaia Fund Limited Partnership (the "**Rakaia Fund**") and Asset Management Limited ("**Asset Management**"), or any wholly owned subsidiary of the same, up to a maximum of 92,208,410 and 87,800,000 shares in the Company, respectively, on the terms and conditions described in the explanatory notes to these Resolutions ("**Underwrite**").
 - (f) Subject to the approval of Resolutions 3(d), (e) and (g), to authorise and approve the issue by the Company to the Rakaia Fund of warrants, exercisable at the Rakaia Fund's discretion ("**Warrants**"), and the subsequent issue (pursuant to the exercise of the Warrants) of such number of ordinary shares at \$0.05 per share so that the number of ordinary shares in the Company held by the Rakaia Fund after the Underwrite and the exercise of the Warrants equals 100,000,000, on the terms and conditions described in the explanatory notes to these Resolutions.
 - (g) Subject to the approval of Resolutions 3(d) to (f), to authorise and approve the payment to the Rakaia Fund of the arrangement fee of \$135,006 plus GST (if any) (the "**Arrangement Fee**").

Please refer to the explanatory notes and the appraisal and independent adviser's reports that accompany this Notice of Meeting.

By order of the board of directors

Ian Ferguson Farrant

Chairman

3 December 2010

EXPLANATORY NOTES TO THE RESOLUTIONS

1. RE-ELECTION OF DIRECTORS

- 1.1 Humphry John Davy Rolleston and Stuart Barry Heal are required to retire as directors by rotation and, being eligible, offer themselves for re-election.
- 1.2 The Board considers that Humphry John Davy Rolleston would not qualify as an independent director. Humphry John Davy Rolleston has been a director of the Company since 6 August 1986. He is a substantial security holder of the Company.
- 1.3 The Board considers that Stuart Barry Heal would qualify as an independent director. Stuart Barry Heal has been a director of the Company since 1 July 2004.

2. AUTHORISATION FOR RENOUNCEABLE RIGHTS ISSUE

- 2.1 The Company is seeking to raise additional equity capital of up to a maximum of \$9,000,420 by undertaking a renounceable rights issue of up to 180,008,410 ordinary shares in the Company, on the basis of 4.6 new ordinary shares ("**New Ordinary Share**") for every one existing ordinary share, at an issue price of \$0.05 per New Ordinary Share. The New Ordinary Shares will rank pari passu in all respects with all existing ordinary shares in the Company.
- 2.2 The record date, being the date for determining the extent of each of the Company's shareholder's ("**Shareholders**") entitlement to rights pursuant to the Rights Issue, is proposed to be 14 January 2011 ("**Record Date**"). The date by when applications for New Ordinary Shares are to be received is proposed to be 2 February 2011 ("**Application Date**").
- 2.3 If Shareholders vote in favour of the Company undertaking the transactions contemplated by Resolutions 3(d) to (g) (being the Rights Issue, the Underwrite, the Warrant and the Arrangement Fee) (the "**Transactions**"), but do not subscribe for New Ordinary Shares to which they are entitled under the Rights Issue, those Shareholders' proportionate shareholdings in the Company will be diluted. The dilutionary impact will differ depending on the extent to which Shareholders subscribe for New Ordinary Shares to which they are entitled under the Rights Issue.

Parties.

- 2.4 The parties involved in the Transactions (together the "**Parties**") are:
 - (a) Asset Management;
 - (b) the Rakaia Fund; and
 - (c) Humphry John Davy Rolleston ("**Humphry Rolleston**"), Humphry Rolleston and Graham William Riley, Asset Trading Limited and Victoria Mansions Limited ("**Rolleston Associates**").

Shareholdings in the Company

2.5 As at the date of this Notice of Meeting:

- (a) Asset Management holds 2.03% of all voting rights in the Company;
- (b) the Rolleston Associates hold 16.59% of all voting rights in the Company; and
- (c) the Rakaia Fund is not a Shareholder.

Maximum number and percentages after completion of all Transactions

2.6 After the completion of all of the Transactions, the particulars of the maximum number and percentage of voting securities to be allotted to, and maximum percentage to be held or controlled by, the Parties are:

Party	Maximum number of voting securities that could be allotted	% of total voting securities on issue that the maximum number to be allotted represents	Maximum % of voting securities that could be held or controlled	Maximum % of voting securities that could be held or controlled together with associates (excluding exempt associates ¹)	Maximum % of voting securities that could be held or controlled together with all associates
The Rakaia Fund	100,000,000	40.58%	40.58%	40.58%	87.08%
Asset Management	78,255,847	31.43%	31.75%	31.75%	87.08%
Humphry Rolleston	21,753	0.01%	0.01%	0.01%	87.08%
Humphry Rolleston and Graham William Riley	29,315,133	11.89%	14.48%	14.48%	87.08%
Asset Trading Limited	503,180	0.20%	0.25%	0.25%	87.08%
Victoria Mansions Limited	17,742	0.01%	0.01%	0.01%	87.08%

¹ An exempt associate is a Party that is an associate of another Party that is relying on the exemption to Rule 16(b) of the Takeovers Code under the Takeovers Code (Class Exemptions) Notice (No 2) 2001 ("Exemption") in respect of a Transaction and is itself relying on the Exemption in relation to that Transaction. The Exemption and the Transaction in relation to which the Parties will rely on the Exemption are set out in paragraphs 12.2 and 12.3 below.

2.7 The disclosures made in the above table are based on the following assumptions that:

- (a) all of the Rolleston Associates and Asset Management take up all of their rights under the Rights Issue and no other Shareholder takes up its rights;
- (b) Asset Management and the Rakaia Fund are required to subscribe for the remainder of New Ordinary Shares being 73,800,000 and 72,690,441, respectively, under the Underwrite (as further described in paragraph 3);
- (c) the Rakaia Fund exercising the Warrants in respect of 27,309,559 ordinary shares in the Company (as further described in paragraph 4);
- (d) all of the Rolleston Associates and Asset Management are exempt associates (as that term is defined in paragraphs 12.2 and 12.3 below) in respect of the Rights Issue;
- (e) the Rakaia Fund and Asset Management are exempt associates in respect of the Underwrite; and
- (f) the Rakaia Fund will rely on an exemption to Rule 16(b) of the Takeovers Code under the Takeovers Code (Class Exemptions) Notice (No 2) 2001.

General application of the Takeovers Code to the Transactions

- 2.8 The Takeovers Code ("**Code**") applies to code companies. The Company is a code company.
- 2.9 To carry out each of the Rights Issue, the Underwrite and the Warrants, the Company is required to obtain the approval of its Shareholders by way of an ordinary resolution, pursuant to the Code. Shareholder approval is required because each of the Rights Issue, the Underwrite and the Warrants may result in one or more persons breaching Rule 6(1)(a) of the Code.
- 2.10 Rule 6(1)(a) of the Code provides that a person who holds or controls no voting rights, or less than 20% of the voting rights in a code company may not become 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. This is known as the "**Fundamental Rule**".
- 2.11 Rule 7(d) of the Code is an exception to the Fundamental Rule. Rule 7(d) of the Code provides that a person may become the holder or controller of an increased percentage of the voting rights in a code company if the allotment to the person is approved by an ordinary resolution of the code company in accordance with Rules 16 to 19A of the Code.
- 2.12 Provided that the Rights Issue, the Underwrite and the Warrants are approved at the meeting of Shareholders by an ordinary resolution, the Rights Issue, the Underwrite and the Warrants will be permitted under Rule 7(d) of the Code (as an exception to the Fundamental Rule).

3. AUTHORISATION FOR UNDERWRITE

- 3.1 The Rights Issue is to be jointly underwritten by the Rakaia Fund and Asset Management (the "**Underwriters**"). The Underwriters will underwrite the Rights Issue so that, to the extent that 180,008,410 New Ordinary Shares are not subscribed for pursuant to the Rights Issue, the Rakaia

Fund and Asset Management agree to subscribe for the shortfall ("**Shortfall Shares**"), up to a maximum of 92,208,410 and 87,800,000 Shortfall Shares, respectively, in the following order of liability:

- (a) Asset Management will be required to subscribe for, and make payment for, the first 73,800,000 Shortfall Shares (less the number of New Ordinary Shares subscribed for by Asset Management or any of the Rolleston Associates under the Rights Issue) ("**First Call**");
- (b) the Rakaia Fund will be required to subscribe for, and make payment for, the 92,208,410 Shortfall Shares exceeding the first 73,800,000 Shortfall Shares ("**Second Call**"); and
- (c) Asset Management will be required to subscribe for, and make payment for, the 14,000,000 Shortfall Shares exceeding the first 166,008,410 Shortfall Shares ("**Third Call**").

3.2 The Underwriters will pay for the Shortfall Shares on the following dates:

- (a) on the business day after the date the Company gives notice to the Underwriters of the Shortfall Shares:
 - (i) Asset Management will pay for the First Call and the Third Call;
 - (ii) the Rakaia Fund will pay for the lesser of:
 - (1) the Second Call; or
 - (2) \$750,000; and
- (b) on the date 21 business days after the Application Date, or such other date as the Company specifies, the Rakaia Fund will pay for the balance of the Second Call.

3.3 The Rakaia Fund and Asset Management will not be paid an underwriting fee. Instead, the Rakaia Fund will be paid the Arrangement Fee and granted the Warrants. The Company will reimburse the Rakaia Fund's and Asset Management's advisers' fees up to a maximum of \$100,000 (excluding GST).

3.4 The Rights Issue is jointly underwritten by the Rakaia Fund and Asset Management because the Rakaia Fund wants to invest \$5 million dollars only in the Company and Asset Management and Gresham Finance Limited (associated companies) wish to convert Gresham Finance's loan to the Company to equity held by Asset Management.

4. AUTHORISATION FOR WARRANTS

4.1 In consideration of the Rakaia Fund partially underwriting the Rights Issue, the Company will grant to the Rakaia Fund such number of Warrants, exercisable at the Rakaia Fund's discretion, to subscribe for ordinary shares in the Company at \$0.05 per share so that the number of ordinary shares in the Company held by the Rakaia Fund after the Underwrite and the exercise of the Warrants equals 100,000,000. The Rakaia Fund may, at any time during a period commencing on 17 December 2010 and expiring three years after such date, exercise the Warrants (in whole or in part) on the last business day of every month to subscribe for ordinary shares at a rate of \$0.05 per ordinary share by giving notice in writing to the Company provided that any exercise must be for no

less than 5,000,000 Warrants (or such lesser amount as are not yet exercised). The Rakaia Fund may exercise the Warrants immediately if:

- (a) any transaction or a series of transactions occur which would have the effect of changing who has the ability to exercise control over the Company such that control would become vested in any person or persons (acting in concert) other than Asset Management or other parties related to Humphry Rolleston; or
- (b) the Company is subject to an offer under the Code, so that the takeover offer will also apply to the shares in the Company that are issued to the Rakaia Fund on the exercise of the Warrants.

- 4.2 Simmons Corporate Finance Limited, which was approved by the Takeovers Panel to prepare the Independent Adviser's Report (in accordance with the Code) and approved by NZX to prepare an Appraisal Report (in accordance with the NZX Listing Rules), assesses the value of the Warrants to be in the range of \$78,000 to \$400,000 (depending on the number of Warrants to be granted).

5. AUTHORISATION FOR ARRANGEMENT FEE

- 5.1 If the Resolutions are approved and the Transactions proceed, the Company will pay the Rakaia Fund, in consideration for underwriting the Rights Issue, the Arrangement Fee of \$135,006 plus GST (if any) on the Application Date. The Arrangement Fee is based on 1.5% of the \$9 million of capital that is to be raised under the Rights Issue. Simmons Corporate Finance Limited assesses the value of the total remuneration to be received by the Rakaia Fund under the Underwrite (being the Arrangement Fee and the Warrants) to be in the range of \$213,006 to \$535,006. This equates to 2.4% to 5.9% of the \$9 million of capital to be underwritten.

6. TRANSACTIONS ARE CONTINGENT

- 6.1 Entry into the Transactions is contingent on each of the Resolutions being passed. This means that if the Shareholders do not approve (by ordinary resolution) any of the Resolutions, the Company will not enter into any of the Transactions.

7. PURPOSES OF TRANSACTIONS

- 7.1 The Company's total borrowings amounted to \$13.1 million as at 30 September 2010 comprising the following loans:
- (a) **Westpac New Zealand Limited:** \$8.0 million;
 - (b) **Gresham Finance Limited:** \$4.4 million;
 - (c) **Paul Hewitson:** \$0.2 million; and
 - (d) **Hire purchase finance providers:** \$0.5 million.

7.2 The purposes of entry into the Transactions (the "**Purposes**") are to:

- (a) reduce the Company's debt by:
 - (i) partially repaying Westpac New Zealand Limited's loan by \$1.5 million;
 - (ii) fully repaying Gresham Finance Limited's loan; and
 - (iii) fully repaying Paul Hewitson's loan;
- (b) pay all costs associated with undertaking the Transactions, including the Company's advisers' fees and the Rakaia Fund's and Asset Management's advisers' fees and disbursements in respect of the Underwrite up to a maximum amount of \$100,000 (excluding GST);
- (c) pay the Arrangement Fee to the Rakaia Fund (further discussed in paragraph 5); and
- (d) raise funds for working capital requirements of up to approximately \$2.5 million, being the amount remaining after the debts and costs referred to in paragraphs 7.2(a) to (c) are paid.

7.3 Section 2.4 of the report prepared by Simmons Corporate Finance Limited refers to the additional working capital requirements for the Company. Gresham Finance Limited has recently advanced \$0.7 million to the Company to enable the Company to pay overdue creditors. For some period of time the Company has had to negotiate extended payment arrangements with its key suppliers. Other creditors have been paid when funds have become available. The Rights Issue will provide approximately \$2.5 million to enable the Company to pay overdue creditors and operate on normal trading account terms.

8. IMPLICATIONS IF RESOLUTIONS NOT APPROVED

- 8.1 If the Shareholders do not approve the Resolutions and, therefore, the Company is unable to undertake the Transactions, it will not have the required equity to achieve the Purposes. Specifically, the Company will be unable to reduce the debts outlined in paragraph 7.2(a) above. If the Company is unable to reduce these debts, the Company will have inadequate capital to operate and will need to obtain capital from alternative sources, seek a further extension of its loans or look to refinance its debt.
- 8.2 If the Company is unable to undertake the Transactions but pursues any other transaction or series of transactions that would be similar in structure and/or commercial effect to the Transactions, then the Company will be required pay to the Rakaia Fund a fee of \$75,000 plus GST (if any) ("**Break Fee**"). There is no time limit on the prohibition to undertake other transactions or series of transactions that would trigger the payment of the Break Fee.

9. RECOMMENDATION

- 9.1 The directors recommend that the Shareholders approve the Rights Issue, the Underwrite, the Warrants and the Arrangement Fee as described in the Resolutions. The directors' reason for this recommendation is that the amount of additional equity capital that may be raised through the Transactions is required by the Company for the Purposes.

10. RELATIONSHIP BETWEEN THE PARTIES

Associates under the Code

10.1 For the purposes of the Code (Rule 4), a person is an *associate* of another person if:

- (a) the persons are acting jointly or in concert; or
- (b) the first person acts, or is accustomed to act, in accordance with the wishes of the other person; or
- (c) the persons are related companies; or
- (d) the persons have a business relationship, personal relationship, or an ownership relationship such that they should, under the circumstances, be regarded as associates; or
- (e) the first person is an associate of a third person who is an associate of the other person (in both cases under any of paragraphs 10.1(a) to (d)) and the nature of the relationships between the first person, the third person, and the other person (or any of them) is such that, under the circumstances, the first person should be regarded as an associate of the other person.

10.2 As at the date of this Notice of Meeting, the Rolleston Associates, Asset Management and the Rakaia Fund are associates within the meaning of Rule 4 of the Code because:

- (a) these parties might be considered to be acting jointly or in concert;
- (b) Asset Management acts, or is accustomed to act, in accordance with the wishes of Humphry Rolleston;
- (c) Asset Management and Humphry Rolleston have an ownership relationship such that Asset Management and Humphry Rolleston should, under the circumstances, be regarded as associates; and
- (d) the Rakaia Fund and Humphry Rolleston have an ownership relationship such that the Rakaia Fund and Humphry Rolleston should, under the circumstances, be regarded as associates.

Associated Person under the Listing Rules

10.3 For the purposes of the Listing Rules, a person (the "**first person**") is associated with another person (the "**second person**") if, in making a decision or exercising a power affecting an issuer, the first person could be influenced as a consequence of an arrangement or relationship existing between, or involving, the first person and the second person. The definition of an *Associated Person* includes where:

- (a) one person is a director of another person;
- (b) two persons are acting jointly or in concert; or
- (c) one person is a subsidiary or holding company of another.

10.4 As at the date of this Notice of Meeting, the Rolleston Associates, Asset Management and the Rakaia Fund are Associated Persons because:

- (a) the Parties might be considered to be acting jointly or in concert;
- (b) Humphry Rolleston is a director of Asset Management;
- (c) Humphry Rolleston is Asset Management's beneficial shareholder; and
- (d) Asset Management is a limited partner of the Rakaia Fund.

Related Parties under the Listing Rules

10.5 For the purposes of the Listing Rules, *Related Party* is defined in Listing Rule 9.2.3 and includes any person who, at the time of a Material Transaction, is or was at any time within six months before a Material Transaction:

- (a) a director of the issuer;
- (b) the holder of 10% or more of the issuer's voting shares; or
- (c) an *Associated Person* of the issuer or of a director or executive officer of the issuer or any person referred to in paragraphs 10.5(a) and (b).

10.6 As at the date of this Notice of Meeting, the Rolleston Associates, Asset Management and the Rakaia Fund are Related Parties of the Company because Humphry Rolleston is a director of the Company, and Asset Management and the Rakaia Fund, are associates of the Rolleston Associates.

11. GENERAL

Voting

11.1 Any person who is a party to, or a beneficiary of, any person who is an Associated Person of a party to, or beneficiary of, the Transactions contemplated by the Resolutions, is disqualified from voting on the Resolutions. This includes shareholders Humphry Rolleston, Humphry Rolleston and Graham William Riley, Asset Trading Limited, Victoria Mansions Limited and Asset Management.

No arrangement

11.2 Humphry Rolleston, Humphry Rolleston and Graham William Riley, Asset Trading Limited, Victoria Mansions Limited, Asset Management and the Rakaia Fund confirm that there is no agreement or arrangement (whether legally enforceable or not) that has been, or is intended to be, entered into between them and any other person relating to the allotment, holding, or controlling of the voting securities to be allotted, or to the exercise of voting rights in the Company.

Independent adviser's report and appraisal report

11.3 Rule 16 of the Code requires that an independent adviser's report accompany this notice of meeting. Listing Rule 6.2.1 requires the text of any resolution to be put to a meeting of the Company (for the purposes of Listing Rules 7.3.1 and 7.5) be set out in the relevant notice of

meeting. Listing Rules 6.2.2 and 9.2.5 require an appraisal report accompany this Notice of Meeting. The independent adviser's report required by the Code has been combined with the appraisal report required by the Listing Rules (together the "**Report**"). The Report has been prepared by Simmons Corporate Finance Limited and is attached to this Notice of Meeting.

Ordinary resolution

- 11.4 An *ordinary resolution* is a resolution that is approved by a simple majority of the votes of those Shareholders entitled to vote and voting on the question.

Approval of notice of meeting

- 11.5 This Notice of Meeting has been approved by NZX Limited in accordance with Listing Rule 6.1. The Company has sent a copy of this Notice of Meeting to the Takeovers Panel.

Attendance of Meeting and Proxies

- 11.6 Shareholders are entitled to attend the meeting in person, or to appoint a proxy to attend and vote in their place. If Shareholders do not wish to, or are unable to attend the meeting in person and wish to appoint a proxy, a proxy form is enclosed. This form must be completed and returned to the Company at 7 Corban Avenue, Henderson, Auckland by 10.00 am, 15 December 2010 for an appointment of a proxy to be effective. The person appointed as your proxy does not need to be a Shareholder in the Company.

12. TAKEOVERS CODE

- 12.1 The following is a detailed analysis of the application of the Code to each of the Rights Issue, the Underwrite and the Warrants. To carry out each of the Rights Issue, the Underwrite and the Warrants, the Company is required to obtain the approval of its Shareholders by way of an ordinary resolution, pursuant to the Code as described below.

Reliance on Exemption Notice

- 12.2 The Parties are relying on the exception to the Fundamental Rule in respect of each of the Rights Issue, the Underwrite and the Warrants but are unable to strictly comply with the requirements under Rule 16(b) of the Code. Rule 16(b) of the Code requires any notice of meeting containing a proposed resolution in respect of the allotment of voting securities in a code company to include:

"16(b) Particulars of the voting securities to be allotted, including:

- (i) the number being allotted; and*
- (ii) the percentage of the aggregate of all existing voting securities and all voting securities being allotted that that number represents; and*
- (iii) the percentage of all voting securities that will be held or controlled by the person to whom the voting securities are being allotted after completion of the allotment"*

- 12.3 The details required by Rule 16(b) of the Code are unable to be determined in advance of the Rights Issue, the Underwrite and the Warrants. Accordingly, the Parties will rely on an exemption

to Rule 16(b) of the Code under the Takeovers Code (Class Exemptions) Notice (No 2) 2001 ("**Exemption**") in respect of the Transactions. Each Party ("**First Party**") that is an associate of another Party ("**Second Party**") that is relying on the Exemption in respect of a Transaction and is itself relying on the Exemption in relation to that Transaction will be deemed to be an "**exempt associate**" of the Second Party, in respect of that Transaction. The Party and the Transaction in relation to which such Party will rely on the Exemption are set out below:

- (a) all of the Rolleston Associates and Asset Management will rely on the Exemption in respect of the Rights Issue and will be deemed to be exempt associates in respect of the Rights Issue;
- (b) the Rakaia Fund and Asset Management will rely on the Exemption in respect of the Underwrite and will be deemed to be exempt associates in respect of the Underwrite; and
- (c) the Rakaia Fund will rely on the Exemption in respect of the Warrants.

12.4 Accordingly, the disclosures made in this Notice of Meeting have been modified in accordance with the exemptions in clause 10A of the Takeovers Code (Class Exemptions) Notice (No 2) 2001.

12.5 By exempting the Parties from Rule 7(d) of the Code (in respect of the Rights Issue, the Underwrite and the Warrants), and the Company from rule 16(b) of the Code, the Takeovers Panel is:

- (a) neither endorsing nor supporting the accuracy or reliability of the contents of this Notice of Meeting; and
- (b) not implying it has a view on the merits of the proposed issue of securities in the Company to the Rakaia Fund, Asset Management and the Rolleston Associates.

12.6 The maximum number and percentages set out below are calculated on:

- (a) the basis of the number of voting securities in the Company on issue at the date of this Notice of Meeting; and
- (b) the basis that there are no changes to the share capital of the Company (other than as a result of the relevant Transaction).

12.7 The Fundamental Rule applies to the Rights Issue, the Underwrite and the Warrants as further set out in paragraphs 12.8 to 12.20 below.

Application of the Code to the Rights Issue

12.8 The particulars of the maximum number and percentage of voting securities to be allotted to, and maximum percentage to be held or controlled by, the Parties after the completion of the Rights Issue are:

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Party	Maximum number of voting	% of total voting securities on	Maximum % of voting securities	Maximum % of voting securities	Maximum % of voting securities

	securities that could be allotted	issue that the maximum number to be allotted represents	that could be held or controlled	that could be held or controlled together with associates (excluding exempt associates ²)	that could be held or controlled together with all associates
Asset Management	3,660,160	8.55%	10.41%	10.41%	56.17%
Humphry Rolleston	21,753	0.06%	0.07%	0.07%	56.17%
Humphry Rolleston and Graham William Riley	29,315,133	42.83%	52.14%	52.14%	56.17%
Asset Trading Limited	503,180	1.27%	1.55%	1.55%	56.17%
Victoria Mansions Limited	17,742	0.05%	0.06%	0.06%	56.17%
The Rakaia Fund	The Rakaia Fund is not a Shareholder at the date of this Notice of Meeting and, therefore, is not entitled to Rights under the Rights Issue.				

12.9 The disclosures made in columns 2 to 5 of the above table are based on the assumptions that:

- (a) each of the Shareholders listed in the table (alone) takes up all of its rights under the Rights Issue and no other Shareholder (including those listed in the table) takes up its rights; and
- (b) each of the Rolleston Associates and Asset Management is an exempt associate.

12.10 The disclosures made in column 6 of the above table are based on the assumptions that:

- (a) all of the Shareholders listed in the table take up all of their rights under the Rights Issue and no other Shareholder (other than those listed in the table) takes up its rights; and
- (b) each of the Rolleston Associates and Asset Management is an exempt associate.

12.11 Therefore, the subscription for New Ordinary Shares under the Rights Issue may result in the Rolleston Associates and Asset Management, becoming the holders or controllers of more than

² An exempt associate is a Party that is an associate of another Party that is relying on the exemption to Rule 16(b) of the Takeovers Code under the Takeovers Code (Class Exemptions) Notice (No 2) 2001 ("Exemption") in respect of a Transaction and is itself relying on the Exemption in relation to that Transaction. The Exemption and the Transaction in relation to which the Parties will rely on the Exemption are set out in paragraphs 12.2 and 12.3 above.

20% of the voting rights in the Company. This would breach the Fundamental Rule, and therefore requires the consent of Shareholders.

12.12 The potential maximum percentages given above are based on the assumption that the Rights Issue is transacted in isolation from the other Transactions. However, the Rights Issue is to be underwritten by the Rakaia Fund and Asset Management. This means that, if the Underwriters are required to subscribe for New Ordinary Shares under the Underwrite, the maximum potential percentage of voting securities in the Company that could be held or controlled by the Parties mentioned in the table together will increase because the Underwriters and the Rolleston Associates are associated. The Underwrite is discussed further below.

Application of the Code to the Underwrite

12.13 The particulars of the maximum number and percentage of voting securities to be allotted to, and maximum percentage to be held or controlled by, the Parties after the completion of the Underwrite are:

Party	Maximum number of voting securities that could be allotted	% of total voting securities on issue that the maximum number to be allotted represents	Maximum % of voting securities that could be held or controlled	Maximum % of voting securities that could be held or controlled together with associates (excluding exempt associates ³)	Maximum % of voting securities that could be held or controlled together with all associates
The Rakaia Fund	92,208,410	42.08%	42.08%	45.04%	85.47%
Asset Management	87,800,000	40.07%	40.43%	43.39%	85.47%
Humphry Rolleston	0	0%	0.002%	2.96%	85.47%
Humphry Rolleston and Graham William Riley	0	0%	2.91%	2.96%	85.47%
Asset Trading Limited	0	0%	0.05%	2.96%	85.47%
Victoria Mansions Limited	0	0%	0.002%	2.96%	85.47%

³ An exempt associate is a Party that is an associate of another Party that is relying on the exemption to Rule 16(b) of the Takeovers Code under the Takeovers Code (Class Exemptions) Notice (No 2) 2001 ("Exemption") in respect of a Transaction and is itself relying on the Exemption in relation to that Transaction. The Exemption and the Transaction in relation to which the Parties will rely on the Exemption are set out in paragraphs 12.2 and 12.3 above.

12.14 The number of New Ordinary Shares for which the Underwriters will be required to subscribe under the Underwrite is unable to be determined as at the date of this Notice of Meeting. However, the disclosures made in the above table are based on the assumptions that:

- (a) the Rakaia Fund and Asset Management will each underwrite the maximum number of New Ordinary Shares to which each has committed to subscribe pursuant to the Underwrite being 92,208,410 and 87,800,000, respectively,
- (b) no other Shareholder subscribing for the New Ordinary Shares to which they are entitled; and
- (c) the Rakaia Fund and Asset Management are each an exempt associate.

12.15 Therefore, depending on the number of New Ordinary Shares for which the Underwriters are required to subscribe pursuant to the Underwrite and the number of New Ordinary Shares for which the other Shareholders subscribe, the subscription for New Ordinary Shares pursuant to the Underwrite may result in the Underwriters, becoming the holders or controllers of more than 20% of the voting rights in the Company. This would breach the Fundamental Rule, and therefore requires the consent of Shareholders.

Application of the Code to the Warrants

12.16 The particulars of the maximum number and percentage of voting securities to be allotted to, and maximum percentage to be held or controlled by, the Parties after the exercise of the Warrants are:

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Party	Maximum number of voting securities that could be allotted	% of total voting securities on issue that the maximum number to be allotted represents	Maximum % of voting securities that could be held or controlled	Maximum % of voting securities that could be held or controlled together with associates (excluding exempt associates ⁴)	Maximum % of voting securities that could be held or controlled together with all associates
The Rakaia Fund	100,000,000	31.33%	44.07%	85.97%	85.97%
Asset Management	0	0%	39.04%	41.90%	85.97%

⁴ An exempt associate is a Party that is an associate of another Party that is relying on the exemption to Rule 16(b) of the Takeovers Code under the Takeovers Code (Class Exemptions) Notice (No 2) 2001 ("Exemption") in respect of a Transaction and is itself relying on the Exemption in relation to that Transaction. The Exemption and the Transaction in relation to which the Parties will rely on the Exemption are set out in paragraphs 12.2 and 12.3 above.

Humphry Rolleston	0	0%	0.002%	41.90%	85.97%
Humphry Rolleston and Graham William Riley	0	0%	2.81%	41.90%	85.97%
Asset Trading Limited	0	0%	0.05%	41.90%	85.97%
Victoria Mansions Limited	0	0%	0.002%	41.90%	85.97%

12.17 It is difficult to determine the actual number of ordinary shares in the Company for which the Rakaia Fund will subscribe under the Warrants as at the date of this Notice of Meeting because this depends on the number of New Ordinary Shares for which the Rakaia Fund will be required to subscribe under the Underwrite.

12.18 The disclosures made in columns 2 and 3 of the above table are based on the assumptions that:

- (a) Asset Management and the Rolleston Associates subscribe for all of their rights under the Rights Issue;
- (b) such number of Shareholders subscribe for their Rights under the Rights Issue that the Rakaia Fund is not required to subscribe for any New Ordinary Shares under the Underwrite but Asset Management is required to subscribe for 73,800,000 New Ordinary Shares under the Underwrite;
- (c) the Rakaia Fund subscribes for no shares pursuant to the Underwrite and subscribes for all ordinary shares in the Company to which it is entitled under the Warrants being 100,000,000; and
- (d) the Rakaia Fund will rely on the Exemption in respect of the Warrants.

12.19 The disclosures made columns 4 to 6 of the above table are based on the assumptions that :

- (a) no Shareholder subscribing for New Ordinary Shares under the Rights Issue;
- (b) Asset Management and Rakaia Fund subscribing for the full number of New Ordinary Shares to which each has committed to subscribe pursuant to the Underwrite;
- (c) the Rakaia Fund exercising the Warrants in respect of 7,791,590 ordinary shares in the Company; and
- (d) the Rakaia Fund will rely on the Exemption in respect of the Warrants.

12.20 The subscription for ordinary shares under the Warrants may result in the Rakaia Fund, together with any of its associates, the Rolleston Associates and Asset Management becoming the holders

or controllers of more than 20% of the voting rights in the Company. This would trigger the Fundamental Rule, and therefore requires the consent of Shareholders.

13. LISTING RULES

- 13.1 The following is a detailed analysis of the application of the Listing Rules to the underwrite, the Arrangement Fee and the Warrants. To enter into the Underwrite, pay the Arrangement Fee and carry out the Warrants, the Company is required to obtain the approval of its Shareholders, by way of an ordinary resolution, pursuant to the Listing Rules as described below.

Application of the Listing Rules to the Underwrite

- 13.2 Listing Rules 7.3.1, 7.5.1 and 9.2.1 require the issue of any New Ordinary Shares to the Underwriters under the Underwrite to be approved by an ordinary resolution of Shareholders. Each of these Listing Rules is explained further below.
- 13.3 Listing Rule 7.3.1 prohibits the issue of securities unless the precise terms and conditions of the proposal to issue the securities have been approved by an ordinary resolution. Listing Rule 7.3.1(a) will apply to any issue of New Ordinary Shares to the Underwriters under the Underwrite and, therefore, the precise terms and conditions of the issue of New Ordinary Shares under the Underwrite will need to be approved by existing Shareholders, by way of an ordinary resolution.
- 13.4 Listing Rule 7.5.1 prohibits the Company from issuing securities to persons 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, (either then or at any future time) effective control of the Company and that person or group of Associated Persons are entitled before the issue of the securities to exercise not less than 1% of the total votes attaching to securities of the Company, unless the precise terms and conditions of the issue have been approved by an ordinary resolution.
- 13.5 Prior to the Underwrite, the Rolleston Associates and Asset Management are entitled to exercise more than one percent of the Company's total voting securities. There is a significant likelihood that the subscription for New Ordinary Shares under the Underwrite may result in one or both of the Underwriters and their Associated Persons materially increasing their ability to exercise, or direct the exercise of (either then or at any future time) effective control of the Company. Therefore, the precise terms and conditions of the issue of New Ordinary Shares under the Underwrite will need to be approved by existing Shareholders, by way of an ordinary resolution.
- 13.6 Listing Rule 9.2.1 prohibits the Company from entering into a Material Transaction with a Related Party, unless the Material Transaction is approved by an ordinary resolution. In this instance, any issue of New Ordinary Shares under the Underwrite will be a Material Transaction with a Related Party requiring Shareholder approval, by way of an ordinary resolution, because New Ordinary Shares issued to the Underwriters under the Underwrite may have a market value in excess of 10% of the Company's Average Market Capitalisation (as that term is defined in the Listing Rules) (Listing Rule 9.2.2(b)).

Application of the Listing Rules to the Arrangement Fee

- 13.7 Listing Rule 9.2.1 prohibits an issuer from entering into a Material Transaction with a Related Party, unless the Material Transaction is approved by an ordinary resolution. In this instance, the Material Transaction with a Related Party requiring Shareholder approval (by way of an ordinary resolution) is the Company obtaining services from the Rakaia Fund (by way of the Rakaia Fund arranging the Transactions and underwriting the Underwrite) in respect of which the actual gross cost to the Company in any financial year is likely to exceed an amount equal to one percent of the Company's Average Market Capitalisation pursuant to Listing Rule 9.2.2(e). The payment of the Arrangement Fee will exceed one percent of the Company's Average Market Capitalisation as at the date of this Notice of Meeting.

Application of the Listing Rules to the Warrants

- 13.8 Listing Rules 7.3.1, 7.5.1 and 9.2.1 require the issue of ordinary shares to the Rakaia Fund under the Warrants to be approved by an ordinary resolution of Shareholders. Each of these Listing Rules is explained further below.
- 13.9 Listing Rule 7.3.1 prohibits the issue of securities unless the precise terms and conditions of the proposal to issue the securities have been approved by an ordinary resolution. Listing Rule 7.3.1(a) will apply to the issue of the ordinary shares to the Rakaia Fund upon the exercise of the Warrants and, therefore, the precise terms and conditions of the issue of ordinary shares under the Warrants will need to be approved by existing Shareholders, by way of an ordinary resolution.
- 13.10 Listing Rule 7.5.1 prohibits the Company from issuing securities to persons 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, (either then or at any future time) effective control of the Company and that person or group of Associated Persons are entitled before the issue of the securities to exercise not less than 1% of the total votes attaching to securities of the Company, unless the precise terms and conditions of the issue have been approved by an ordinary resolution.
- 13.11 Prior to the Warrants, the Rolleston Associates and Asset Management are entitled to exercise more than one percent of the Company's total voting securities. There is a significant likelihood that the issue of ordinary shares in the Company under the Warrants will result in the Rakaia Fund, the Rolleston Associates and Asset Management materially increasing their ability to exercise, or direct the exercise of (either then or at any future time) effective control of the Company. Therefore, the precise terms and conditions of the issue of ordinary shares under the Warrants will need to be approved by existing Shareholders, by way of an ordinary resolution.
- 13.12 Listing Rule 9.2.1 prohibits the Company from entering into a Material Transaction with a Related Party, unless the Material Transaction is approved by an ordinary resolution. In this instance, the issue of ordinary shares under the Warrants will be a Material Transaction with a Related Party requiring Shareholder approval, by way of an ordinary resolution, because ordinary shares in the Company that may be issued to the Rakaia Fund under the Warrants may have a market value in excess of 10% of the Company's Average Market Capitalisation (Listing Rule 9.2.2(b)).