

# LIGNOTECH DEVELOPMENTS LIMITED

(*'Lignotech'* and *'the Company'*)

## NOTICE OF SPECIAL MEETING

Notice is given that a special meeting of shareholders will be held at the Ashburton Hotel, Racecourse Road, Ashburton at 7pm on Monday the 1<sup>st</sup> day of December 2014 for the purposes of considering the resolutions set out below:

### Background Information

On 28 April 2014, at a special meeting of shareholders, a series of resolutions were placed before shareholders to approve a number of share issues to KAAPA Bio Products 2013, LLC and associated entities, which if implemented, would have resulted in those entities holdings 33.33% of the voting shares on issue in Lignotech Development Limited (called *Lignotech* and *the Company*).

The share issues as approved at the meeting did not proceed for a number of reasons, including:

- The difficulty in obtaining debt finance on favourable terms in the USA as contemplated by the projections.
- The Company having a material shortfall in the total cost of constructing a production facility.
- The inability to obtain forward orders for the Xylemer product because the Company did not have sufficient samples of that product for testing by manufacturers.

The above factors resulted in the Board revisiting the original proposal and preparing a new strategic plan for the Company to reduce the risks and costs. The Company has developed a new plan under which:

- At a cost of approximately US\$2.4 million a pilot plant will be constructed in Nebraska which will initially enable the Xylemer Product to be produced in batches. Approximately 10,000 lbs are required for testing. This will provide samples for potential purchasers of the Xylemer Product so the potential customers and manufacturers can test the product which the Company expects will lead to volume orders for the product with the Company.
- If manufacturers give the Company confidence that volume orders for the product will be received it is intended to upgrade the plant at an additional cost of approximately US\$4.8 million to enable up to 4 million lbs of the Xylemer product to be manufactured.

The above material change in the strategic plan has altered the requirements for share capital. It is proposed that the resolutions passed at the shareholder meeting held on 28 April 2014 be replaced by new resolutions, details of which are set out below:

### Resolution 1

#### Revocation of Resolutions – Special Resolution

That the resolutions set out as Resolutions 1 to 4 in the notice of meeting of shareholders held at Ashburton on 28 April 2014 be revoked and withdrawn and the right of the Company to act on those resolutions be withdrawn.

### **Explanatory Note**

The Company has not implemented Resolutions 1 to 4 as passed at the shareholders meeting held on 28 April 2014. It is proposed that these resolutions be revoked and replaced with new resolutions.

## **Resolution 2**

### **Major Transaction – Special Resolution**

That the shareholders authorise the directors to enter into such agreements, arrangements and transactions as may be required to raise, by issuing shares and incurring share placement fees to raise a net amount of approximately US\$7.2 million for the purpose of entering into and implementing a two stage programme under which the Company will:

- (a) construct at a cost of approximately US\$2.4 million, an initial facility in Nebraska capable of producing the Xylemer product to enable the Company to provide samples of that product to potential commercial users of the product;
- (b) on the Company being satisfied that it is likely to receive commercial orders for the Xylemer product, to authorise expenditure to upgrade the initial facility at an additional cost of approximately US\$4.8 million to enable up to 4 million lbs of the product to be produced annually;

and that the directors be authorised to enter into these transactions as a series of connected major transactions pursuant to section 129 of the Companies Act 1993.

### **Explanatory Note**

In April 2014 resolutions were passed authorising the Company to construct a new plant at a cost of US\$11.6 million and raise equity and debt for that purpose. It became apparent that the earlier indications that debt could be raised on favourable terms was not evident from market responses. It was very difficult to locate favourable funding for a start up venture with no proven record. This response required the Board to reconsider the strategy and to look at ways by which the risks for the Company and the shareholders could be reduced.

A key factor that arose was the lack of Xylemer product for testing by potential customers. In December 2012 the experimental plant operated by the Company in Ashburton was destroyed by fire. Since that time the Board has been developing a strategy for the Company which will enable it to produce the product being a processed bio filler for the plastics industry and to be able to provide sufficient quantity of that product for commercial testing by potential manufacturers and users of that product in the USA.

After extensive discussions and negotiations the Board has concluded that the best way to maximise the benefits for shareholders and to utilise the know how and technology of the Company is for:

- A pilot plant to be constructed in the USA to produce sufficient volume of the engineered bio filler for testing purposes.
- If commercial users give the Company a positive response indicating commercial orders for the product will occur, the pilot plant will be upgraded at a cost of approximately \$4.8 million to enable up to 4 million lbs per annum of the product to be produced as an interim step prior to establishing a full commercial production plant.

Directors are recommending to all shareholders that they support this initiative as unless the pilot plant can be constructed the intellectual property held by the Company cannot be applied in a plant to demonstrate the benefits which this product can bring to potential customers in the plastics market and industry.

### Resolution 3

#### Approval under Takeovers Code 2000 – Ordinary Resolution

That as required by Rule 7(d) of the Takeovers Code 2000 the shareholders approve the increase in voting control of the proposed allottees and their associates through the allotment of the ordinary shares set out in the Resolution which will increase the voting control of those proposed allottees over the 20% threshold as contained in Rule 6(1) of the Code.. That the shareholders also approve the Company issuing up to the number of ordinary shares (ranking equally with the existing ordinary shares on issue) as set out below Such shares in (a) to (d) are to be issued pursuant to arrangements entered into between the Company and each of those entities. Any such issue of shares is subject to Resolutions 4 to 6 below being passed:

(a) Up to a total of 1,240,244 ordinary shares be offered to the KAAPA Entities (as defined below), such shares to be offered in two tranches, namely:

- (i) Up to 523,317 ordinary shares being issued in the numbers, for the amounts and as the Company thinks fit between the entities set out under (iv) below with the Board of the Company having the right to place at US\$2.95 per ordinary share any shortfall in applications from the below entities.
- (ii) To up to a further 716,927 ordinary shares being issued in the numbers, for the amounts and as the Company thinks fit between the KAAPA Entities set out under Tranche 2 in the schedule below with the Board having the right to place at US\$4.18 per ordinary share any shortfall in applications from the below entities.
- (iii) That payment for the Tranche 1 Shares under (a)(i) above and set out in the Schedule below be made on or before 24 December 2014 and payment for the Tranche 2 Shares under (a)(ii) above be made on or before 31 August 2015.
- (iv) The entities to which the shares can be issued are any of the following entities provided the aggregate number of ordinary shares issued cannot exceed 1,240,244 ordinary shares:
  - KAAPA BioProducts 2013 LLC
  - KAAPA BioProducts 2014 LLC
  - Central NE Xylemer 2014 LLC
  - KAAPA Investments LLC
  - Kearney Area Ag Producers Alliance a Cooperative Corporation (*KAAPA Corporation*)
  - KAAPA LDL Development Equity LLC

(called '*the KAAPA Entities*' or '*Proposed Allottees*')

(b) The ordinary shares set out in (a) above be offered in the proportions and for the issue prices set out in the schedule set out below on the basis that every applicant for shares who applies for Tranche 1 Shares will be required to apply for the proportionate number of Tranche 2 Shares in the second stage if the project proceeds so the pilot plant is upgraded to a small scale commercial production plant.

- (c) That KAAPA Corporation be entitled to a placement fee of 3% of the issue price of the shares set out below and that KAAPA Corporation as a condition, be issued up to the number of ordinary shares set out in Part II of the Schedule below, plus 3% of the amount of Preferred Stock converted into shares in Lignotech by KAAPA LDL Development Equity LLC.
- (d) That KAAPA LDL Development Equity LLC (*KDE*) have the right to be issued the shares set out in Part III of the Schedule below, being 152,542 ordinary shares at US\$2.95 each and 131,579 ordinary shares at US\$4.18 each in satisfaction of the acquisition by the Company of the \$1,001,001.20 of Preferred Stock held by the above entity in Xylemer BioProducts, LLC.

The total number of shares to be offered to KAAPA Entities is 1,570,096 ordinary shares as set out below.

	Subscriber	Tranche 1	Tranche 2	Total Investment
<b>PART I: SHARES OFFERED FOR CASH</b>				
	Any of: <ul style="list-style-type: none"> <li>• KAAPA BioProducts 2013 LLC</li> <li>• KAAPA BioProducts 2014 LLC</li> <li>• Central NE Xylemer 2014 LLC'</li> <li>• KAAPA Investments LLC</li> <li>• KAAPA Corporation</li> </ul>	<ul style="list-style-type: none"> <li>• 523,317 shares</li> <li>• US\$2.95</li> <li>• US\$1,543,786</li> <li>• NZ\$1,882,665</li> </ul>	<ul style="list-style-type: none"> <li>• 716,927 shares</li> <li>• US\$4.18</li> <li>• US\$2,996,755</li> <li>• NZ\$3,654,579</li> </ul>	US\$4,540,541 NZ\$5,537,244  Total Shares: 1,570,096
<b>PART II: SHARES FOR PLACEMENT (MARKETING) FEE</b>				
	Kearney Area Ag Producers Alliance a Cooperative Corporation	<ul style="list-style-type: none"> <li>• 20,276 shares</li> <li>• US\$2.95</li> <li>• US\$59,814.20</li> <li>• NZ\$72,944.15</li> </ul>	<ul style="list-style-type: none"> <li>• 25,455</li> <li>• US\$4.18</li> <li>• US\$106,401.90</li> <li>• NZ\$129,758.41</li> </ul>	<b>US\$166,216.10</b> <b>NZ\$202,702.56</b>
<b>PART III: SHARES FOR CONVERSION OF PREFERRED STOCK HELD BY KDI</b>				
	KAAPA LDL Development Equity LLC	<ul style="list-style-type: none"> <li>• 152,542 shares</li> <li>• US\$2.95</li> <li>• US\$449,999</li> <li>• NZ\$548,779</li> </ul>	<ul style="list-style-type: none"> <li>• 131,579</li> <li>• US\$4.18</li> <li>• US\$550,000</li> <li>• NZ\$670,732</li> </ul>	<b>US\$999,999</b> <b>NZ\$1,219,511</b>

Notes:

1. Conversion rate at NZ 82 cents to US\$1.00.
  2. Any of the KAAPA Entities could be issued the maximum number of 1,570,096 ordinary shares provided the total number of ordinary shares allotted does not exceed that number. As the exact number of shares to be allotted to each of the KAAPA Entities is not yet known each of those entities is approved for the maximum number of shares to be allotted on the basis that the other KAAPA Entities would not be allotted any shares.
- (e) To the extent that KAAPA Corporation acts in a management role for the other KAAPA Entities including KAAPA LDL Development Equity LLC (*KDE*) approval is given to KAAPA Corporation

becoming the controller of the aggregate number of shares that may be issued to the KAAPA Entities comprising 1,787,496 ordinary shares.

- (f) To the extent that the full number of 1,570,096 ordinary shares are not applied for as set out in the above Schedule that the Directors have the right to place the shortfall in shares taken up under Resolution (a) above with such entities and persons as determined by the Directors on the same terms and conditions as in (a) above. This may also result in the placement fee and shares to be issued for that placement to KAAPA Corporation being reduced and the fee being paid to another party by an issue of further shares.

**Summary Explanatory Note (see full explanation in accompanying document)**

A full explanation of this resolution is set out in the explanatory notes accompanying this notice of meeting. Because the Company has 82 shareholders it is a Code Company under the Takeovers Code 2000 (*the Code*). The provisions of that Code, if certain fundamental rules apply, provides that shareholders must approve the increase in voting control by the proposed allottees of the shares and their associates as it will result in over 20% of the voting control being held by those allottees and associates. This is in excess of the 20% threshold under Rule 6 (1) of the Code. If the effect of the allotment of those shares will result in the holders (if they are associated with each other) holding more than 20% of the voting control in the Company, the provisions of Rule 6 of the Code will not be met unless, under the exception to that Rule, approval from shareholders is obtained as permitted by Rule 7(d). If the allotment issue of 1,240,244 ordinary shares set out above is approved the entities entitled to those shares can, if they vote together, exercise votes for 22.77% of the total voting shares on issue with that percentage based on the assumption that no further ordinary shares are issued. If the existing 217,400 shares held by KAAPA Investments LLC in the Company are included and KAAPA LDL Development Equity LLC converts the Preferred Stock held in Xylemer BioProducts Inc to 284,121 ordinary shares in the Company the aggregate voting control will be 30.94% if all the shares are allotted to the maximum numbers set out above and the shares for the placement fees are issued. If the 30,000 options are exercised the voting percentage decreases to 30.79%. This would be in breach of Rule 6(1) of the Code if the above parties are associates of each other. The allotment of shares by the Company to those entities in those circumstances will not take place unless approved by shareholders by ordinary resolution.

Rule 16 of the Code requires certain information to be provided to shareholders in considering the resolution.

**Particulars Required by Rule 16(b)(ii) of the Code**

For the purposes of these particulars the '*Proposed Allottees*' are:

- KAAPA BioProducts 2013, LLC
- KAAPA Bio-Products 2014, LLC
- Central NE Xylemer 2014, LLC
- KAAPA LDL Development Equity, LLC
- KAAPA Investments, LLC
- Kearney Area Ag Producers Alliance a Cooperative Corporation

The particulars of voting securities for the purposes of Rule 16(b)(ii) of the Code are as follows:

- (a) The maximum number of voting securities that could be allotted (the approved maximum number) to the Proposed Allottees is 1,570,096 ordinary voting shares (27.18%). This excludes 217,400 ordinary voting shares (3.32%) already held by one of the KAAPA associated parties.

- (b) Any of the KAAPA Entities could be issued the maximum number of 1,570,096 ordinary shares provided the total number of ordinary shares allotted does not exceed that number. As the exact number of shares to be allotted to each of the KAAPA Entities is not yet known each of those entities is approved for the maximum number of shares to be allotted on the basis that the other KAAPA Entities would not be allotted any shares.
- (c) The percentage of the aggregate of all existing voting securities, and all voting securities that could be allotted, that the approved maximum number represents, is set out in the table below:

<b>Name</b>	<b>Shares</b>	<b>Percentage</b>
<b>Proposed Allottees</b>		
• KAAPA Entities	1,570,096	27.18%
<b>Existing Associate of KAAPA Entities</b>		
• KAAPA Investments LLC	217,400	3.76%
<b>Other Shareholders</b>		
• BioTech Investment Group	493,760	8.55%
• Philip Quaid	475,028	8.23%
• Lignin Group Limited	298,931	5.18%
• NZ High Tech Enterprises	344,786	5.97%
Balance of Shareholders*	2,375,794	41.13%
	<b>5,775,795</b>	<b>100%</b>

**Assumptions:**

- The 30,000 options will not be exercised at the exercise price of US\$4.40.
  - That none of the shares in Resolutions 4 and 5 of this notice of meeting will be issued.
- (d) The maximum percentage of all voting securities that could be held or controlled by any one of the Proposed Allottees after completion of the allotments under Resolution 3 is 27.18% (other than for KAAPA Investments LLC), which already holds 217,400 ordinary shares, and whose maximum percentage of all voting securities that could be held or controlled after completion of the allotments under Resolution 3 is 30.94%. The maximum percentages are calculated on the basis that any of the Proposed Allottees could be issued the maximum number of 1,570,096 ordinary shares provided the total number of ordinary shares allotted does not exceed that number. As the exact number of shares to be allotted to each of the KAAPA Entities is not yet known each of those entities is approved for the maximum number of shares to be allotted on the basis that the other KAAPA Entities would not be allotted any shares.
- (e) The maximum aggregate of the percentage of all voting securities that can be held or controlled by the Proposed Allottees and their associates after completion of the allotment or allotments (taking into account there are no voting securities of any of the Proposed Allottees associates who are also relying on Rule 7(d) in relation to the allotment or allotments (*the relying associates*)) is 30.94%.
- (f) There are no relying associates as there has been no prior allotment of voting securities in the Company to a person in accordance with an approval by ordinary resolution of the Company passed in accordance with the provisions of the Code.
- (g) The date used to determine the information referred to in this clause, being the calculation date, is 5 November 2014.

- (h) The assumptions on which the particulars in paragraphs (a) to (f) are calculated are set out below:
- (i) the number of voting securities on issue on the calculation date is 4,205,699 ordinary voting shares; and
  - (ii) it is assumed that there will be no change in the total number of voting securities on issue between the calculation date and the end of the allotment period other than as a result of the allotments of shares to the Proposed Allottees;
  - (iii) it is assumed that the Proposed Allottees are allotted the approved maximum number of voting securities under the allotments set out in the resolutions; and
  - (iv) it is assumed that the Proposed Allottees and each of the allottees' associates are allotted in aggregate the maximum number of 1,570,096 voting securities; and
  - (v) The 30,000 options issued by the Company have not been included in the calculation as they have no voting rights.

Further information is contained in the full information memorandum that accompanies this notice of meeting. It comprises:

- details of the entities to which it is proposed that shares be allotted and the percentages of voting securities before and after allotment;
- the relationship between the KAAPA Entities and Kearney Area Ag Producers Alliance a Cooperative Corporation as a manager and administrator of the KAAPA Entities
- details of the proposed issue price for the shares;
- reasons for the transactions;
- impact of the Code on the proposal;
- details of the agreements with the entities to which the shares may be issued;
- a report from PricewaterhouseCoopers as the independent adviser.

#### **Explanatory Notes – Additional Information**

- 1 The total share issues proposed by the Company are the issues set out above under which up to 1,570,096 ordinary shares may be issued. In addition it is proposed that the Company issue the following further shares under Resolutions 4 and 5 below:
- 1.1 Up to 300,000 ordinary shares as a placement to persons and entities selected by the Board of the Company;
  - 1.2 Up to 300,791 shares at US\$2.95 and up to a further 412,074 shares at US\$4.18 to a group of investors based in New Zealand and the USA plus a further 9,024 shares at US\$2.95 and 12,362 shares at US\$4.18 as a placement fee.

Neither of the offers of shares under 1.1 or 1.2 above will be available to KAAPA related entities and will be offered to parties not associated with KAAPA Entities.

- 2 The proposed issue of shares under Phase 1 is to raise further capital of approximately US\$2.40m to enable a pilot plant to be constructed to produce the Xylemer Product in batches for testing purposes. This product will be supplied to targeted manufacturers to enable them to test the product for commercial production purposes. If that initiative results in orders for the Xylemer Product of approximately US\$4.8 million will be required to upgrade the production facility to enable it to produce up to 4 million lbs per annum of the Xylemer Product.
- 3 The maximum number of shares that KAAPA related entities potentially will hold is 1,787,496 ordinary shares. Any shortfall in applications will be offered as the directors of the Company consider appropriate to persons who can apply for those shares without the need for a prospectus.
- 4 The further capital raising under Tranche 2 to KAAPA and associated persons requires compliance with the Takeovers Code as it is likely that KAAPA related entities will take up further shares in the Company so increasing their aggregate shareholdings above 20%.
- 5 If the above shares are issued to KAAPA related entities, and the right to convert to ordinary shares in the Company is exercised by KDE so the \$1,000,001 held by KDE in convertible Preferred Stock issued by Xylemer BioProducts LLC is converted into shares in the Company, and the further 712,865 ordinary shares are placed as set out in 1.2 above, the percentages of shares held in the Company by KAAPA related entities will be as follows:

	<b>Phase 2 plus Phase 1</b>	<b>Phase 1 Only</b>
5.1 Existing shares on issue excluding KAAPA Investments LLC shareholding of 217,400	3,988,299	3,988,299
5.2 Placement shares for issue under 7.3	21,386	300,000
5.3 Issue to other interests excluding KAAPA	712,865	309,815
5.4 Shares to be issued to KAAPA related entities who are associated persons:		
• KAAPA Investments LLC	217,400	217,400
• KAAPA-LDL Developments Equity, LLC <sup>Note 1</sup>	284,121	152,542
• Proposed issues if taken up in full		
- First Issue	523,317	523,317
- Placement Shares	20,276	20,276

- Second Issue	716,927			Nil	
- Placement Shares	25,455				
<b>Total KAAPA Entities Shares</b>		1,787,496	27.32%	913,535	16.57%
		6,510,046		5,511,649	

**Note 1:** Excludes the 30,000 options on issue.

**Note 2:** This assumes that KDE will convert the full amount payable under the preferred stock as follows:

(a)	US\$450,000	@US\$2.95	152,542
(b)	US\$550,000	@US\$4.18	131,579
			-----
			284,121

If Phase 2 does not proceed only the shares in (a) above will be issued.

#### Possible Variations to the above

- 6 If the 300,000 shares are not issued the percentage shareholding of the KAAPA Entities will be 28.78%. If only the first issue of shares proceeds and the second issue conditions are not met then KDE will only convert US\$450,000 to shares and the KAAPA Entities will hold 16.46% of the total voting shares then on issue, as set out under the Phase 2 heading above. This assumes the Other Interests only apply for the first issue of shares.

### Resolution 4 Ordinary Resolution

That the shareholders authorise the Directors to issue the following shares, all such shares ranking equally with the existing ordinary shares on issue and the shares to be offered under Resolutions 3 and 5:

To persons and entities whom have agreed to subscribe for ordinary shares subject to the passing of this resolution and who will have the right to apply for 712,865 ordinary shares in the following numbers and at the following prices :

- (i) Up to 300,791 ordinary shares at US\$2.95 each;
- (ii) If Phase 2 proceeds up to 412,074 ordinary shares at US\$4.18 each provided that if Tranche 2 proceeds the said shareholders will have an obligation to subscribe for these shares.

#### Explanatory Note

The Company has entered into arrangements with a group of investors with some of those investors based in the USA, whom are not connected with KAAPA, for those parties to apply for shares in both Tranche 1 and Tranche 2 of the share offering at the same price and on the same terms (excluding the right to appoint a director) as the KAAPA offer. This will provide the additional capital needed to proceed with Phase 1 and Phase 2 of the project as set out in the Information Memorandum.

## **Resolution 5**

### **Ordinary Resolution**

That the shareholders authorise the Directors to issue up to 300,000 ordinary shares at not less than US\$2.95 each to such person or entities as approved by the Directors, all such shares ranking equally with the shares to be issued under Resolution 3 and 4, and with the existing ordinary shares on issue.

### **Explanatory Note**

In addition, to cover any contingencies, the Company wishes to have the right to issue up to a further 300,000 ordinary shares at not less than US \$2.95 each.

## **Resolution 6**

### **Special Resolution**

That subject to and conditional upon Resolutions 1 to 5 being passed the constitution of the Company be amended by adding three new clauses 53.3 to 53.5 as set out below and by renumbering of the existing clauses 53.3 and 53.4 as clauses 53.6 and 53.7.

- 53.3 That while KAAPA related entities continue to hold at least 500,000 of the voting shares on issue in the Company that the KAAPA related entities shall be entitled to appoint one director of the Company by a unanimous written direction to the Company.
- 53.4 That while KAAPA related entities continue to hold at least 1,000,000 of the voting shares on issue in the Company that the KAAPA related entities can by a unanimous written direction to the Company appoint one further director of the Company.
- 53.5 That while KAAPA related entities exercise their right to appoint directors pursuant to clauses 53.3 and 53.4 those KAAPA related entities shall not have the right to vote on the appointment of any other directors.

and that included in the definitions contained in the constitution the following further definition be added:

*'KAAPA Entities* means any of KAAPA BioProducts 2013, LLC, KAAPA BioProducts 2014, LLC, KAAPA Investments, LLC, Central NE Xylemer 2014 LLC, KAAPA LDL Development Equity, LLC, Kearney Area Ag Producers Alliance a Cooperative Corporation and any other KAAPA related entity.

### **Explanatory Note**

The terms of issue of shares to the KAAPA Entities provides that those entities, as they hold increasing number of shares in the Company have the right, once they are a holder of 500,000 voting shares to appoint one director and once they hold at least 1.0 million voting shares can then appoint two directors in total. This enables the KAAPA Entities to have representation on the Board of the Company, but a majority of the directors can then be appointed by the other shareholders. KAAPA will be precluded from voting on the appointment of the other directors.

Dated this 14<sup>th</sup> day of November 2014

## FURTHER MATTERS:

- 1 **Resolution 3 and 4 and 5** are to be passed as Ordinary Resolutions under the constitution of the Company.
- 2 **An Ordinary Resolution** means a resolution passed at a meeting duly convened and held in accordance with the provisions of the constitution of the Company and the Companies Act 1993 and carried by a majority of more than 50% of the persons voting at the meeting upon a show of hands or, if a poll is duly demanded by a majority consisting of more than 50% of the votes given on such a poll. At a meeting of shareholders on a poll each shareholder has one vote for each share held.
- 3 **Resolutions 1, 2 and 6** are required to be passed as Special Resolutions because the transactions that are contemplated to be entered into by the Company are major transactions under Section 129 of the Companies Act 1993. If a major transaction is to be entered into the Company must obtain shareholder approval by means of a Special Resolution prior to that resolution taking effect.
- 4 **A Special Resolution** means a resolution passed at a meeting duly convened and held in accordance with the provisions of the constitution of the Company and the Companies Act 1993 and carried by a majority of more than 75% of the persons voting by a poll at the meeting. At a meeting of shareholders on a poll each shareholder has one vote for each share held.
- 5 **Quorum** – A quorum for the meeting of shareholders shall be 5 or more shareholders respectively present in person or by proxy, attorney or authorised representative or at least 5 shareholders holding together 20% or more of the voting shares on issue.
- 6 **Shareholders** – Shareholders are advised that any shareholder that is entitled to attend and vote at the meeting may appoint a proxy, attorney or (in the case of a corporate shareholder) an authorised representative to attend and vote on his/her/or its behalf. The proxy need not be a shareholder of the Company and a proxy appointment form must be posted to Brian Lester, LignoTech Developments Limited, (PO Box 11), Ashburton 7740 to be received no later than 5pm on **29<sup>th</sup> day November 2014** being at least 48 hours before the time of the meeting. Proxies may also be sent by the form being scanned and emailed to admin@lignotech.co.nz. A form of proxy is attached.
- 7 **Proxy Forms** – are required to signed as follows:
  - (a) if the shareholders are a company, the proxy form must be signed pursuant to Section 180(1)(a) of the Companies Act 1993 by two directors or as otherwise provided by that section. If the Company has one director that director's signature must be witnessed;
  - (b) if the shareholder is an incorporated body the proxy form must be signed by the authorised signatories of that body as required by the constitution of that body;
  - (c) if the holding is held jointly (as with a husband and wife) the proxy form must be signed by both shareholders;
  - (d) if there is an individual shareholder then the proxy form should be signed by that person in his or her usual signature or by the attorney of that shareholder;
  - (e) if a trust holds the shares then all of the trustees in whose name those shares are registered must sign the proxy form.

- 8 If the proxy form is being signed under a power of attorney, a copy of the power of attorney (unless already deposited with the Company) and a signed certificate of non revocation of the power of attorney must be produced to the Company with the proxy form.
- 9 **Attendance and Voting Rights** – all shareholders, or that shareholders proxy or representative, are entitled to attend the meeting and vote. On a show of hands each shareholder has one vote and on a poll one vote for each share held.
- 10 **Representative** - If the shareholder is a company or an incorporated body which wishes to be represented at that meeting by an individual that shareholder will need to pass a resolution appointing that person as a representative. A copy of that resolution must be brought to the meeting.

**PROXY FORM**  
**LIGNOTECH DEVELOPMENTS LIMITED**  
*(the Company)*

**VOTING BY PROXY**

All members entitled to attend and vote at the meeting are entitled to appoint a proxy to attend and vote on their behalf by completing, signing and sending the proxy form enclosed, to Lignotech Developments Limited, PO Box 11, Ashburton 7740, no later than 5 pm on the 29<sup>th</sup> day of November 2014. The Chairman of the Meeting is available to act as proxy if required.

**PROXY FORM (FOR USE IF YOU ARE UNABLE TO ATTEND THE SPECIAL MEETING OR WISH TO VOTE AHEAD OF THE SPECIAL MEETING)**

I/We \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS )

of \_\_\_\_\_  
(FULL ADDRESS IN BLOCK LETTERS)

being a shareholder of the Company **HEREBY**

**APPOINT** \_\_\_\_\_  
(FULL NAME OF PROXY IN BLOCK LETTERS)

of \_\_\_\_\_

as my/our proxy to vote on my/our behalf at the special meeting of shareholders to be held on 1<sup>st</sup> day of December 2014 at 7pm and at any adjournment thereof.

Unless otherwise instructed, the proxy will vote as he or she thinks fit. Should you wish to direct the proxy how to vote please indicate with a (✓) in the appropriate boxes below.

	<b>In Favour</b>	<b>Against</b>
<b>1. Special Resolution Revocation of Resolutions</b>  That the resolutions number 1 – 4 passed at a meeting of shareholders on 28 April 2014 be revoked and withdrawn.	<input type="checkbox"/>	<input type="checkbox"/>
<b>2. Special Resolution Major Transaction</b>  To approve the directors entering into commitments to construct a pilot plant and if that is successful a production plant	<input type="checkbox"/>	<input type="checkbox"/>
<b>3. Ordinary Resolution Approval under Takeovers Code</b>  To approve the allotment of shares to the KAAPA Entities set out in the notice of meeting.	<input type="checkbox"/>	<input type="checkbox"/>

	In Favour	Against
<b>4. Ordinary Resolution</b> <b>Further share issues</b> To approve the Company issuing the further shares set out in the notice of meeting	<input type="checkbox"/>	<input type="checkbox"/>
<b>5. Ordinary Resolution</b> <b>Issue 300,000 further ordinary shares</b> To approve the Company issuing a further 300,000 ordinary shares to such persons as selected by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
<b>6. Special Resolution</b> <b>To amend constitution</b> To approve the Constitution of the Company being amended to provide for the appointment of directors.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this ..... day of ..... 2014

Usual signature(s): \_\_\_\_\_

Usual signature(s): \_\_\_\_\_

### NOTES ON PROXY FORM

- |   |  |
|---|--|
| <p>(1) <b>Entitlement to appoint proxy:</b> A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him/her.</p> <p>(2) <b>Proxy not a member:</b> A proxy need not be a shareholder of the Company. The Chairman may be appointed as proxy.</p> <p>(3) <b>Name of proxy:</b> You must indicate the name of your proxy. Failure to do so will invalidate your vote.</p> <p>(4) <b>Indication of vote:</b> Please indicate in the appropriate boxes how your vote is to be cast. If you do not, the chairman will <b>have</b> the ability to cast your vote as he sees fit.</p> <p>(5) <b>Signing of proxy form</b></p> <p>(a) <b>Individual holder:</b> In the case of an individual holder, the proxy form should be signed by that person in his or her usual signature or by the attorney of that holder.</p> <p>(b) <b>Joint holders:</b> If the holding is jointly held (as with a husband and wife) the proxy form must be signed by both holders.</p> | <p>(c) <b>Company or other body:</b> If a member is a company then this proxy form must signed by a person who has express or implied authority to sign the proxy form as a representative of the company. If the member is another type of incorporated body the proxy form must be signed by the authorised signatories of that body as required by the constitution of that body or by a person who has express or implied authority to sign the proxy as a representative of that body.</p> <p>(d) <b>Power of Attorney:</b> If this form has been signed under Power of Attorney a copy of the Power of Attorney and a signed certificate of non-revocation of Power of Attorney must be produced to the Company with the proxy form.</p> <p>(6) <b>Deposit of proxies:</b> Instruments appointing a proxy must be sent to Brian Lester, LignoTech Developments Limited, PO Box 11, Ashburton 7740 no later than 5 pm on 29<sup>th</sup> day November 2014.</p> |
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**Please forward to:**  
 Brian Lester  
 Lignotech Developments Limited  
 PO Box 11  
 Ashburton 7740  
 email: admin@lignotech.co.nz