

31 August 2016

Dear Shareholder

Please find **enclosed** notice of Lateral Corporation Limited's (**LAT** or **Company**) annual meeting which will be held on 16 September 2016 at the Alex Boardroom, Alexandra Park, Green Lane West in Epsom, Auckland, starting at 10:30am. Shareholder registration opens at 10:00am.

The transactions described in this notice of meeting will fund Lateral so that it can satisfy its trade creditors and have on hand working capital to invest in the growth of the Company. The transactions are necessary as the Company must stabilise its financial position and prove its ability to generate revenue.

The ordinary resolutions being put forward at the meeting are intended to approve transactions where:

- the Company secures \$350,000 in new capital through four investors subscribing for shares in the Company;
- outstanding loans from directors and former directors are satisfied through a combination of an issue of shares, write off, and deferment of payment;
- shares in the Company are issued as consideration for key stakeholders giving personal guarantees that were necessary to secure a loan facility from FE Investments Limited (**FEI**); and
- it would be permitted for the general security interest over the assets of the Company (currently in favour of FEI) to be assigned to the key stakeholders if their personal guarantees were called upon to settle the FEI facility.

If approved, the Board of the Company considers these transactions to be of significant benefit for the Company, as they will:

- partially settle outstanding term debts of the Company;
- secure cash to meet working capital requirements; and
- permit the Company to continue its business operations and implement future growth plans.

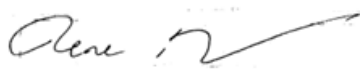
Subject to shareholders approving the transactions proposed in this notice of meeting, the Company intends to then offer shareholders the opportunity to participate in a share purchase plan at the end of September 2016. The offer price will be \$0.05 per share. Further information on the share purchase plan will be sent to shareholders in due course.

Shareholders may submit specific questions to the Board at any time in advance of the meeting by emailing me at dene.biddlecombe@lateralcorp.com.

The enclosed shareholder voting form has detailed instructions on how shareholders may lodge their vote or appoint a proxy to vote on their behalf if they are unable to attend.

I look forward to seeing you at the meeting.

Yours faithfully



Dene Biddlecombe
Chairman

NOTICE OF ANNUAL MEETING

Notice is hereby given that the Annual Meeting (**Meeting**) of shareholders of Lateral Corporation Limited (**Company**) will be held on 16 September 2016 at the Alex Boardroom, Alexandra Park, Green Lane West in Epsom, Auckland, starting at 10.30am. Shareholder registration opens at 10:00am.

AGENDA

- A. The Chairman's introduction.
- B. Presentation to shareholders.
- C. Shareholder discussion.
- D. Resolutions.

ORDINARY RESOLUTIONS

To consider and, if thought fit, to pass the following Ordinary Resolutions:

Resolution 1

Partial Debt Capitalisation: That pursuant to Rule 7.3.1(a) of the Listing Rules and conditional on the passing of Resolution 2, that debts owing by the Company to certain directors or former directors of the Company be partially satisfied by way of an issue of equity securities in the Company as follows:

- (a) an issue of 830,979 fully paid ordinary shares in the Company to Robert McAuley for \$0.05 per share;
- (b) an issue of 77,250 fully paid ordinary shares in the Company to Joseph van Wijk for \$0.05 per share;
- (c) an issue of 88,500 fully paid ordinary shares in the Company to Tuhaka Joseph McLeod for \$0.05 per share; and
- (d) an issue of 66,667 fully paid ordinary shares in the Company to Mark Belding Moline for \$0.10 per share,

and on the terms detailed in this Notice of Meeting.

Resolution 2

Re-Financing: That pursuant to Rule 7.3.1(a), Rule 7.5.1, and Rule 9.2.1 of the Listing Rules, and Rule 7(d) of the Takeovers Code (as applicable) and conditional on the passing of Resolution 1, the Company:

- (a) issue equity securities as follows to partially satisfy debts owing by the Company:
 - (i) 1,041,606 fully paid ordinary shares in the Company to Roger Benjamin Grice for \$0.05 per share;
 - (ii) 171,000 fully paid ordinary shares in the Company to Dene Peter Biddlecombe and Peter Hine as trustees of the Dene Biddlecombe Family Trust for \$0.05 per share,(together with shares to be issued under Resolution 1, the **Capitalisation Shares**)
- (b) issue equity securities as follows for cash subscriptions:
 - (i) 2,600,000 fully paid ordinary shares in the Company to Dene Peter Biddlecombe and Peter Hine as trustees of the Dene Biddlecombe Family Trust for \$0.05 per share;
 - (ii) 1,600,000 fully paid ordinary shares in the Company to John Sydney Philpott and Joanne Philpott as trustees of the ZOA Trust, for \$0.05 per share;
 - (iii) 2,000,000 fully paid ordinary shares in the Company to Russell Maloney for \$0.05 per share;
 - (iv) 800,000 fully paid ordinary shares in the Company to Roger Benjamin Grice for \$0.05 per share,(together, the **Subscription Shares**)

- (c) issue equity securities as follows as consideration for personal guarantees given for the benefit of the Company:
- (i) 676,849 fully paid ordinary shares in the Company to Dene Peter Biddlecombe and Peter Hine as trustees of the Dene Biddlecombe Family Trust for \$0.03 per share;
 - (ii) 338,425 fully paid ordinary shares in the Company to John Sydney Philpott and Joanne Philpott as trustees of the ZOA Trust, for \$0.03 per share;
 - (iii) 338,425 fully paid ordinary shares in the Company to Russell Maloney for \$0.03 per share;
 - (iv) 451,233 fully paid ordinary shares in the Company to Roger Benjamin Grice for \$0.03 per share,
- (together, the **Guarantee Fee Shares**)
- (d) issue equity securities as follows as consideration for procuring the benefit of the FE Investments Limited (**FEI**) debt facility for the Company:
- (i) 666,666 fully paid ordinary shares in the Company to John Sydney Philpott and Joanne Philpott as trustees of the ZOA Trust, for \$0.03 per share (the **Establishment Fee Shares**),
- (e) enter (as applicable) and perform the related series of transactions as set out in (a) – (d) of this resolution, with Dene Peter Biddlecombe, Roger Benjamin Grice, John Sydney Philpott, and Russell Maloney (the **Transactions**),

on the terms detailed in this Notice of Meeting.

Resolution 3

Re-election of Robert McAuley: That Robert McAuley, who retires by rotation in accordance with the Company's constitution and Listing Rule 3.2.6, and being eligible for re-election, be re-elected as a Director of the Company.

Resolution 4

Auditors: That the Board is authorised to fix the auditor's remuneration for the current financial year.

Relationship to Market Price

At the time the Transactions were announced the market price of a share in the Company was \$0.12. The proposed share issues under Resolutions 1 and 2 will be undertaken primarily at a price per share of \$0.05 but also in respect of the Guarantee Fee Shares and Establishment Fee Shares at a price per share of \$0.03, and Mark Belding Moline's Capitalisation Shares at a price per share of \$0.10. This represents discounts of 58.3%, 75% and 16.7% respectively from the market price of a share at the time the Transactions were announced to the market.

As at the close of trading on 30 August 2016, the market price for the Company's shares was \$0.12.

Other Business

To consider any other matter that may properly be brought before the meeting.

Proxies

Any shareholder of the Company who is entitled to attend and vote at the meeting may appoint a proxy to attend and vote on their behalf. A corporation which is a shareholder may appoint a representative to attend the meeting on its behalf in the same manner as it could appoint a proxy. A proxy does not need to be a shareholder of the Company. A proxy form can be returned by delivery, mail, email, fax, or online (as set out below).

The Chairman of the Meeting (Mr. Dene Peter Biddlecombe) can be appointed as a proxy. However, Mr. Biddlecombe is disqualified from voting on Resolution 2 as is further described below. Accordingly please

ensure, should the Chairman be appointed as your proxy, that you include express voting instructions on the Proxy Form for Resolution 2. The Chairman will be unable to act as a discretionary proxy on that Resolution. The Chairman intends to vote in favour of Resolutions 1, 3 and 4 where he is appointed as a discretionary proxy on those resolutions.

To appoint a proxy you should complete and sign the enclosed Proxy Form and either return it by delivery, mail, email or fax to the share registrar of the Company:

By delivery:

Lateral Corporation Limited
C/- Link Market Services Limited
Level 11, Deloitte House
80 Queen Street
Auckland

By mail:

Lateral Corporation Limited
C/- Link Market Services Limited
PO Box 91976
Auckland 1142

Email: meetings@linkmarketservices.co.nz (please put the words "*Lateral Corporation Limited Proxy Form*" in the subject line for easy identification)

By Fax: +64 9 375 5990

Alternatively, you may lodge your proxy online at <https://investorcentre.linkmarketservices.co.nz/voting/LAT>. You will require your CSN/Holder Number and FIN to complete your proxy appointment. A shareholder will be taken to have signed the Proxy Form by lodging it in accordance with the instructions on the website.

The completed Proxy Form must be received by no later than 48 hours before the Meeting, being 10.30am on Wednesday, 14 September 2016. Online proxy appointments must also be completed by this time. Registered shareholders at that time will be the only persons entitled to vote at the Meeting and only the shares registered in those holders' names at that time may be voted at the Meeting.

Ordinary Resolution

All resolutions are ordinary resolutions. An ordinary resolution is a resolution passed by a simple majority of votes of those holders of securities of the Company which carry votes, are entitled to vote and are voting on the resolutions in person or by proxy.

Voting Restrictions

In relation to Resolution 1, and pursuant to Listing Rule 9.3.1, Robert McAuley, Joseph van Wijk, Tuhaka Joseph McLeod, Mark Belding Moline, and their "Associated Persons" (as that term is defined in the Listing Rules) are each disqualified from voting any securities that they hold in the Company.

In relation to Resolution 2 and pursuant to Listing Rule 9.3.1 and Rule 17 of the Takeovers Code (as applicable), Roger Benjamin Grice, Dene Peter Biddlecombe, John Sydney Philpott, Russell Maloney, each of their "Associated Persons" (as that term is defined in the Listing Rules) and each of their "Associates" (as that term is defined in the Takeovers Code) are disqualified from voting any securities that they hold in the Company.

Under the Takeovers Code, "Associates" are, in summary, where the persons are or through a third person, acting jointly or in concert, where one person acts or is accustomed to act in accordance with the wishes of the other person, where the persons are related companies or where the persons have a business relationship, personal relationship, or an ownership relationship such that they should, under the circumstances, be regarded as associates. Under the Listing Rules, "Associated Persons" has a similar definition.

The Company will disregard any votes cast on Resolutions 1 and 2 (as applicable) by any persons to whom the foregoing applies. Any discretionary proxies given to persons disqualified from voting under the requirements set out above will not be valid. Proxies that give express voting instructions to such persons will however be accepted.

Interdependence of Resolutions

Resolutions 1 and 2 are interdependent and must both be passed by shareholders in order for either of those resolutions to be effective.

Independent Adviser's Report

Accompanying this Notice of Meeting is an Independent Adviser's Report from Northington Partners Limited (the **Independent Report**) on the transactions contemplated by Resolution 2 as required by Rule 16(h) of the Takeovers Code.

NZX Approval

This notice of meeting has been approved by NZX Limited (**NZX**). However, NZX does not take responsibility for any statement contained in this Notice of Meeting.

Listing Rule References

In this Notice of Meeting, references to the Listing Rules are references to the listing rules of the NZX Alternative Market.

EXPLANATORY NOTES

These Explanatory Notes initially apply to all of the Resolutions in this Notice of Meeting. Later in this Notice of Meeting specific disclosures against each Resolution are included (where required by law or the Listing Rules).

Background

The Company is a specialist developer of mobile technology, mobile communications, carrier billing and mobile web applications. It listed on the NZX Alternative Market in August 2014. Since listing the Company has sought to raise expansion capital from wholesale investors to grow its business and demonstrate its ability to grow revenues. A profile of the Company is provided in section 2 of the Independent Report.

While the Company has had some success in raising capital, it has been insufficient to grow the business and prove up the Company's business model. As a result the Company has continued to be loss making and is now burdened with trade creditor debt and has an immediate need for new working capital. The Company has also accrued further related party debt as the directors of the Company (former and current) and the CEO of the Company have supported the Company by allowing fees and remuneration to accrue but remain unpaid.

Four parties have agreed to financially support the Company to stabilise its financial position. Those parties are Dene Biddlecombe (Chairman of the Company), Roger Grice (CEO of the Company), John Philpott and Russell Maloney and, where applicable, their associated persons (the **Financing Parties**).

Purpose of Transactions

A pre-condition to the Transactions is the Company stabilising its financial position by restructuring and significantly reducing the Company's related party debt through a combination of capitalising the debt into ordinary shares, writing off a proportion of the amount owed and turning the balance into new term debt.

With that achieved, the Transactions are then designed to:

- Give the Company access to the FEI Loan Facility (see definition on page 8 below). This required the Financing Parties to each personally guarantee the obligations of the Company to FEI, and accordingly the Transactions are also designed to compensate the Financing Parties for assuming this contingent liability.
- Inject \$350,000 of new capital into the Company through the Financing Parties each subscribing for new shares in the Company at \$0.05 per share.
- Position the Company to then extend the opportunity to all shareholders to subscribe for new shares in the Company through a share purchase plan offer at \$0.05 per share.

The directors of the Company that are not interested in the Transactions (Joseph van Wijk and Robert McAuley) unanimously support the Transactions and consider that the Transactions are in the best interests of the Company.

The Transactions

The Company entered into a term sheet on 7 July 2016 (**Term Sheet**). The Term Sheet sets out the key commercial terms for the Transactions. The provisions of the Term Sheet are reflected in and surpassed by the conditional agreements entered into by the various parties necessary to document the Transactions and settle their pre-conditions. These provisions are described in this Notice of Meeting.

Related Party Debt Restructuring

It was a condition to the Financing Parties entering and performing the Transactions that, subject to shareholder approval, related party debt of the Company (**Related Party Debt**) was restructured. The following table sets out the Related Party Debt:

Related Party	Directors Fees	Historic Shareholder Loans	Old TribalGlu Loans	Unpaid Remuneration	Total
Roger Grice	N/A	\$ 145,345.00	\$ 104,277.00	\$ 97,580.00	\$ 347,202.00
Robert McAuley	\$ 29,500.00	\$ 134,477.00	\$ 101,616.00	\$ 11,400.00	\$ 276,993.00
Dene Biddlecombe	\$ 57,000.00	N/A	N/A	N/A	\$ 57,000.00
Joseph van Wijk	\$ 25,750.00	N/A	N/A	N/A	\$ 25,750.00
Tuhaka McLeod	\$ 29,500.00	N/A	N/A	N/A	\$ 29,500.00
Mark Moline	\$ 6,667.00	N/A	N/A	N/A	\$ 6,667.00
Total	\$ 148,417.00	\$ 279,822.00	\$ 205,893.00	\$ 108,980.00	\$ 743,112.00

The Related Party Debt comprises:

- accrued but unpaid directors fees owing to Robert McAuley, Dene Peter Biddlecombe, Joseph van Wijk, Tuhaka Joseph McLeod, and Mark Belding Moline;
- historic shareholder loans owing by the Company to Roger Benjamin Grice and Robert McAuley (which pre-date the Company becoming listed);
- a historic advance to the Company by TribalGlu Limited (a New Zealand company owned by Roger Benjamin Grice (50%) and Robert McAuley (50%))(which pre-dates the Company becoming listed); and
- accrued but unpaid executive remuneration for Roger Benjamin Grice and Robert McAuley.

To reduce costs the Company has now reduced the size of its board from five directors to three with Tuhaka McLeod and Mark Moline both resigning from the Board at the beginning of July. In addition, Robert McAuley is now a non-executive director of the Company having finished his executive role in February 2015.

To facilitate the Transactions each of the related parties noted above (other than Mark Moline) has agreed to restructure the Related Party Debt whereby:

- 60% of the Related Party Debt is written off;
- 25% of the Related Party Debt becomes an interest free term loan repayable by the Company in two years' time; and
- 15% of the Related Party Debt is satisfied through an issue of new shares in the Company at an issue price of \$0.05 per share (**Capitalisation Shares**).

The effect of this restructuring is detailed in the following table:

Related Party	Amount Owing	Write-off (60%)	2 year Loan (25%)	Capitalisation (15%)
Roger Grice	\$ 347,202.00	\$ 208,321.20	\$ 86,800.50	\$ 52,080.30
Robert McAuley	\$ 276,993.00	\$ 166,195.80	\$ 69,248.25	\$ 41,548.95
Dene Biddlecombe	\$ 57,000.00	\$ 34,200.00	\$ 14,250.00	\$ 8,550.00
Joseph van Wijk	\$ 25,750.00	\$ 15,450.00	\$ 6,437.50	\$ 3,862.50
Tuhaka McLeod	\$ 29,500.00	\$ 17,700.00	\$ 7,375.00	\$ 4,425.00
Mark Moline	\$ 6,667.00	N/A	N/A	\$ 6,667.00
Total	\$ 743,112.00	\$ 441,867.00	\$ 184,111.25	\$ 117,133.75

Resolution 1 seeks to approve the issue of new shares at \$0.05 per share to capitalise 15% of the Related Party Debt that is owing to Robert McAuley, Joseph van Wijk, and Tuhaka McLeod. Resolution 1 also seeks to approve the issue of new shares at \$0.10 per share to capitalise debt owing to a former director of Lateral - Mark Moline. Prior to resigning from the Board, Mark Moline agreed with the Company (as was announced to the market on 6 April 2016) to capitalise the amount owing to him at \$0.10 per share. Mark Moline was not part of the subsequent discussions and agreements which the balance of the related parties recently entered in relation to the treatment of their Related Party Debt.

Resolution 2 seeks to approve the issue of new shares at \$0.05 per share to capitalise 15% of the Related Party Debt that is owing to Roger Grice and Dene Biddlecombe together with the Transactions (given they are both also Financing Parties).

Share Subscriptions

Each of the Financing Parties and the Company have entered into share subscription agreements which are conditional on shareholder approval under Resolution 2 (**Subscription Agreements**). The Subscription Agreements provide for the issue of 7,000,000 shares (in aggregate) (**Subscription Shares**) in the Company for an issue price of \$0.05 per Subscription Share. As noted above (page 3, under "Relationship to market price"), the Subscription Shares are being allotted at a discount of 58.3% from the market price of a share in the Company at the time the Transactions were announced.

Due to the immediate cash needs of the Company, on or about 2 August 2016, each of the Financing Parties entered into separate loan facility agreements with the Company (**Facility Agreements**). The Facility Agreements gave the Company the ability to draw down up to \$350,000 from the Financing Parties (in aggregate) (**Loan Facility**). Any draw downs required the discretionary approval, prior to draw down, of the relevant Financing Party. Funds drawn from the Loan Facility could be used in order for the Company to discharge its financial obligations prior to the Meeting and to meet its costs associated with the Meeting, including professional fees and NZX fees, with interest payable on draw downs at a rate of 10% per annum.

If the Transactions are approved by shareholders, any funds that the Company has drawn (to the date of the Meeting) from the Loan Facility (**Advanced Funds**) will be set-off against the amounts owed by the Financing Parties under the relevant Subscription Agreements. If shareholder approval is not obtained, the Advanced Funds are immediately repayable and a default interest rate of 20% per annum will apply to the outstanding funds from the time of the Meeting.

As at the date of this Notice of Meeting the total amount of Advanced Funds is \$119,629.35.

Umbrella Agreement

On 11 July 2016 the Company entered into a loan agreement with FEI for a term of 18 months (**FEI Loan Facility**). The FEI Loan Facility is for \$400,000 (**Loan**). The Loan was necessary in order for the Company to satisfy its trade creditors and provide working capital for the Company. To support the obligations of the Company to FEI, each of the Financing Parties provided a personal guarantee to FEI (**Guarantee**). In addition the Company entered a general security deed (**GSD**) in favour of FEI.

On 2 August 2016, an umbrella agreement (**Umbrella Agreement**) was entered into by the Financing Parties and the Company. The performance of the Umbrella Agreement is conditional on shareholder approval under Resolution 2. The Umbrella Agreement governs the arrangements between the Company and the Financing Parties in relation to the FEI Loan Facility. Details of these arrangements are:

- **GSD Assignment:** If the Financing Parties have their personal guarantees called upon by FEI, the Company will owe such amounts paid to FEI to the Financing Parties. In these circumstances FEI has agreed to assign the GSD to the Financing Parties. Under the Umbrella Agreement, the Company consents to the assignment of the GSD from FEI to the Financing Parties. Accordingly the repayment obligation of the Company to the Financing Parties will become secured by the GSD.
- **Establishment Fee:** One of the Financing Parties, John Philpott sourced and negotiated the FEI Loan Facility on behalf of the Company. For providing those services it is proposed to remunerate John Philpott \$20,000 through the issue of 666,666 shares to John Philpott (and his associated persons) at \$0.03 per share (**Establishment Fee Shares**).
- **Guarantee Fees:** The Umbrella Agreement provides for a one-off guarantee fee of 9% per annum (**Guarantee Fee**) to be payable to the Financing Parties in proportion to the amount the Financing Parties are each personally liable for under the Guarantee. The Guarantee Fee is to be satisfied by the issue of shares in the Company to the Financing Parties at an issue price of \$0.03 per share (**Guarantee Fee Shares**). The table below sets out particulars of the Guarantee Fee and the Guarantee Fee Shares:

Guarantors	Amounts personally guaranteed under the FEI Loan Facility	Guarantee Fee (9% per annum for a term of 18 months)	Guarantee Fee Shares
Roger Grice	\$ 100,000.00	\$ 13,536.99	451,233
Dene Biddlecombe	\$ 150,000.00	\$ 20,305.48	676,849
John Philpott	\$ 75,000.00	\$ 10,152.74	338,425
Russell Maloney	\$ 75,000.00	\$ 10,152.74	338,425
Total	\$ 400,000.00	\$ 54,147.95	1,804,932

The Subscription Shares, Capitalisation Shares, Establishment Fee Shares and the Guarantee Fee Shares (together, the **Share Allotments**) are to occur contemporaneously on the first business day following the Meeting. As Resolutions 1 and 2 are interdependent, all of the Share Allotments will be completed or none will be completed.

Summary of Share Allotments

The combined effects of the Share Allotments are illustrated in the table below:

Share Allotments						
Parties	Capitalisation Shares	Guarantee Fee Shares	Establishment Fee Shares	Subscription Shares	New Shareholding	New Shareholding Percentage
RESOLUTION 1						
Robert McAuley	830,979	N/A	N/A	N/A	6,664,312	15.428%
Joseph van Wijk	77,250	N/A	N/A	N/A	199,050	0.461%
Tuhaka McLeod	88,500	N/A	N/A	N/A	88,500	0.205%
Mark Moline	66,667	N/A	N/A	N/A	66,667	0.154%
Total	1,063,396	N/A	N/A	N/A	7,018,529	16.248%
RESOLUTION 2						
Roger Grice	1,041,606	451,233	N/A	800,000	8,126,172	18.812%
Dene Biddlecombe	171,000	676,849	N/A	2,600,000	6,065,406	14.041%
John Philpott	N/A	338,425	666,666	1,600,000	5,438,425	12.590%
Russell Maloney	N/A	338,425	N/A	2,000,000	4,348,425	10.067%
Total	1,212,606	1,804,932	666,666	7,000,000	23,978,428	55.510%

As noted above (page 3, under “*Relationship to market price*”), the Subscription Shares, Capitalisation Shares, Establishment Fee Shares and the Guarantee Fee Shares are proposed to be issued at discounts to the market price of a share at the time the Transactions were announced.

In order to assess the merits of the Transactions, shareholders should consider section 1 of the Independent Report (*Assessment of the Merits of the Proposed Allotments*). The impact on the control position of Lateral as a result of the Transactions is discussed in section 1.4.2 of the Independent Report and should also be considered.

Effect of Resolutions Passing

If shareholders pass Resolutions 1 and 2, the Transactions will be completed and the Share Allotments will take effect as set out in this Notice of Meeting. Further, the Subscription Agreements will become unconditional and the Company will have the ability to use the capital raised as general working capital. Finally, the Related Party Debt will be immediately reduced.

If the Transactions are approved:

- the Company will be resourced to pay its immediate creditors;
- the Company can continue its business operations and utilise the funds raised to implement new sales and marketing initiatives to increase its customer base and build revenues; and
- the Company will not have to repay the Advanced Funds to the Investors under the Facility Agreements.

This Notice of Meeting should be read in conjunction with the Independent Report, which assesses the fairness of the Transactions.

Effect of Resolutions Not Passing

Resolutions 1 and 2 are interdependent and so both must be passed by shareholders in order for the Transactions to proceed. If the Transactions are not approved:

- the Company will be liable to immediately repay the Advanced Funds (plus a default interest rate of 20% per annum) under the Facility Agreements;
- the Related Party Debt will remain payable by the Company in full;
- the Company will continue to have liabilities exceeding assets and negative equity;
- the Company will not have sufficient working capital to meet its day to day operational costs;
- the Company will need to urgently look for other sources of new capital or debt to continue to maintain its business; and
- a failure to quickly secure new capital will likely result in an insolvency event for the Company.

As the Board has been investigating new capital options for some time, it is considered unlikely that new capital or debt could be sourced. Accordingly it is likely the Company would, subject to discussions with creditors look at insolvency options such as voluntary administration, liquidation or receivership of the Company.

Dilution Effect

Resolutions 1 and 2 will have the following dilution effect on shareholders if passed:

Current Shares on Issue	31,449,177
Shares issued under the Transactions	11,747,600
Total shares on issue after the Transactions	43,196,777
Example shareholder: pre-Transactions percentage holding	10%
Example shareholder: post-Transactions percentage holding	7.280%

The Board does not consider the dilution effects of the Transactions to be material in light of the Transactions effectively recapitalising the Company.

Requirements for Shareholder Approval

Shareholder approval for Resolutions 1 and 2 are required under a number of applicable Listing Rules and the Takeovers Code. How the Transactions trigger these requirements and relevant disclosures against each of these requirements are set out below.

RESOLUTIONS 1 AND 2 - Listing Rules

Listing Rule 7.3.1(a) – Issue of New Equity Securities

Approval for the share issues under Resolution 1 and Resolution 2 is sought pursuant to Listing Rule 7.3.1(a). This Listing Rule provides that shareholders must approve the precise terms and conditions of a share issue and that such share issue must be completed within 12 months of the date that the authorising resolution is passed.

Specific disclosures required by Listing Rule 6.2.1 for the Share Allotments are:

Share Allotments																																											
Number of Shares to be Issued:	<table> <tr> <td>Capitalisation Shares:</td> <td style="text-align: right;">2,276,002</td> </tr> <tr> <td>Subscription Shares:</td> <td style="text-align: right;">7,000,000</td> </tr> <tr> <td>Establishment Fee Shares:</td> <td style="text-align: right;">666,666</td> </tr> <tr> <td>Guarantee Fee Shares:</td> <td style="text-align: right;">1,804,932</td> </tr> <tr> <td>Total share issue:</td> <td style="text-align: right;">11,747,600</td> </tr> </table>	Capitalisation Shares:	2,276,002	Subscription Shares:	7,000,000	Establishment Fee Shares:	666,666	Guarantee Fee Shares:	1,804,932	Total share issue:	11,747,600																																
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Total share issue:	11,747,600																																										
Purpose of Issue:	<p>Capitalisation Shares: To capitalise \$117,133.45 of Related Party Debt.</p> <p>Subscription Shares: To raise \$350,000 in new working capital for the Company.</p> <p>Guarantee Fee Shares: To compensate the Financing Parties for assuming a \$400,000 contingent liability for the Company by providing the Guarantee.</p> <p>Establishment Fee Shares: As payment for sourcing and negotiating the FEI Loan Facility on behalf of the Company.</p>																																										
Issue Price:	<table> <tr> <td>Capitalisation Shares:</td> <td>\$0.05 per share (for 2,209,335 shares) \$0.10 per share (for 66,667 shares)</td> </tr> <tr> <td>Subscription Shares:</td> <td>\$0.05 per share</td> </tr> <tr> <td>Guarantee Fee Shares:</td> <td>\$0.03 per share</td> </tr> <tr> <td>Establishment Fee Shares:</td> <td>\$0.03 per share</td> </tr> </table>	Capitalisation Shares:	\$0.05 per share (for 2,209,335 shares) \$0.10 per share (for 66,667 shares)	Subscription Shares:	\$0.05 per share	Guarantee Fee Shares:	\$0.03 per share	Establishment Fee Shares:	\$0.03 per share																																		
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	Roger Grice *	2,292,839
	Dene Biddlecombe*/** and Peter Hine	3,447,849
	John Sydney Philpott* and Joanne Philpott	2,605,091
	Russell Maloney*	2,338,425
	Robert McAuley**	830,979
	Joseph van Wijk**	77,250
	Tuhaka McLeod	88,500
	Mark Moline	66,667
	Total	11,747,600
	<p>* Roger Grice, Dene Biddlecombe, John Philpott, and Russell Maloney are all “Associated Persons” of each other as they are acting jointly or in concert in relation to the Transactions as the Financing Parties.</p> <p>** Dene Biddlecombe, Joseph van Wijk, and Robert McAuley are current Directors of the Company.</p>	
Time Period for the Issue:	All of the shares will be issued on the first business day immediately following the date of the Meeting.	
Ranking of New Shares:	The new shares will rank equally in all respects with all other ordinary shares on issue in the Company.	

Listing Rule 7.5.1 – Issue of Securities Affecting Control (*Resolution 2 only*)

Listing Rule 7.5.1 provides that no issue of securities shall be made by the Company (without shareholder approval) 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. This Listing Rule applies where that person or group of associated persons is entitled before the issue to direct the exercise of 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 of the Company.

The Financing Parties are acting jointly or in concert for the purposes of the Transactions and are therefore all considered associated persons of each other under the Listing Rules. At the date of this Notice of Meeting, the Financing Parties together hold or control approximately 42.27% of all shares on issue in the Company. If the Transactions are approved, the associates will hold or control 55.51% of all the shares on issue in the Company. This materially increases their control of the Company. The following table illustrates the individual and aggregate control changes:

Rule 7.5.1 - Control Changes					
Financing Party	Existing Shareholding of Parties	Existing Shareholding Percentage	Total New Shares to be Issued	New Shareholding	New Shareholding Percentage
Roger Grice	5,833,333	18.548%	2,292,839	8,126,172	18.812%
Dene Biddlecombe	2,617,557	8.323%	3,447,849	6,065,406	14.041%
John Philpott	2,833,334	9.009%	2,605,091	5,438,425	12.590%
Russell Maloney	2,010,000	6.391%	2,338,425	4,348,425	10.067%
Total	13,294,224	42.272%	10,684,204	23,978,428	55.510%

Please refer to section 1.4.2 of the Independent Report for an assessment of the impact on the Company’s control on shareholders.

While Joseph van Wijk, Robert McAuley, Mark Moline and Tuhaka McLeod will receive Capitalisation Shares, they are not Financing Parties and will have their percentage shareholdings in the Company diluted by the Transactions at the same time as being issued the Capitalisation Shares. Accordingly the issue of the

Capitalisation Shares to these parties under Resolution 1 is not considered to materially increase their ability to exercise, or direct the exercise of effective control of the Company within the meaning of Listing Rule 7.5.1.

RESOLUTION 2 – Takeovers Code

The Company is a "Code Company" under the Takeovers Code meaning that there are restrictions on persons together with their associates acquiring voting rights (or the control of voting rights) above a 20% threshold. A permitted procedure under the Takeovers Code is that the Company's non-associated shareholders approve an acquisition of voting rights above this threshold. Resolution 2 seeks such approval.

The Financing Parties are acting jointly or in concert in respect of the Transactions, and as such are associates under the Takeovers Code. While no individual Financing Party will individually hold 20% or more of the voting rights in the Company following the Share Allotments being authorised by Resolution 2, the Financing Parties will, in aggregate, hold over 20%.

The table below sets out the specific disclosures required by Rule 16 of the Takeovers Code in respect of the Shares Allotments being authorised by Resolution 2:

	Rule 16, Takeovers Code	Compliance Information
(a)	the identity of the allottee and, if different from the allottee, the identity of any person who will become a controller of an increased percentage of voting securities in the code company as a result of the allotment or allotments.	<ul style="list-style-type: none"> ▪ Roger Grice; ▪ Dene Biddlecombe and Peter Hine as trustees of the Dene Biddlecombe Family Trust; ▪ John Philpott and Joanne Philpott as trustees of the ZOA Trust; and ▪ Russell Maloney.
(b)	particulars of the voting securities to be allotted, including: (i) the number being allotted; and	<ul style="list-style-type: none"> ▪ 2,292,839 fully paid ordinary shares being allotted to Roger Grice; ▪ 3,447,849 fully paid ordinary shares being allotted to Dene Biddlecombe and Peter Hine; ▪ 2,605,091 fully paid ordinary shares being allotted to John Philpott and Joanne Philpott; and ▪ 2,338,425 fully paid ordinary shares being allotted to Russell Maloney.
	(ii) the percentage of the aggregate of all existing voting securities and all voting securities being allotted that that number represents; and	24.734% ¹ in aggregate but between the respective parties as follows: Roger Grice 5.308% Dene Biddlecombe and Peter Hine 7.982% John Philpott and Joanne Philpott 6.031% Russell Maloney 5.413%
	(iii) the percentage of all voting securities that will be held or controlled by the allottee after completion of the allotment; and	Roger Grice 18.812% Dene Biddlecombe and Peter Hine 14.041% John Philpott and Joanne Philpott 12.590% Russell Maloney 10.067%

¹ This percentage takes account of the Capitalisation Shares that are being issued at the same time to Joseph van Wijk, Robert McAuley, Mark Moline and Tuhaka McLeod under Resolution 1. Excluding these Capitalisation Shares the percentage would be 25.358%.

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(c) not applicable																																																																													
(d) the issue price for the voting securities to be allotted and when it is payable.	<p>The issue price for all of the Share Allotments is payable (or applied) on the business day following the Meeting. Shares are being issued at \$0.03 and \$0.05 per share as follows:</p> <table border="1" data-bbox="810 595 1401 1346"> <thead> <tr> <th>Allottee</th> <th>Issue Price</th> <th>Number of Shares</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td colspan="4" style="text-align: center;">Capitalisation Shares</td> </tr> <tr> <td>Roger Grice</td> <td>\$ 0.05</td> <td>1,041,606</td> <td>\$ 52,080.30</td> </tr> <tr> <td>Dene Biddlecombe</td> <td>\$ 0.05</td> <td>171,000</td> <td>\$ 8,550.00</td> </tr> <tr> <td>Total</td> <td></td> <td>1,212,606</td> <td>\$ 60,630.30</td> </tr> <tr> <td colspan="4" style="text-align: center;">Subscription Shares</td> </tr> <tr> <td>Roger Grice</td> <td>\$ 0.05</td> <td>800,000</td> <td>\$ 40,000.00</td> </tr> <tr> <td>Dene Biddlecombe</td> <td>\$ 0.05</td> <td>2,600,000</td> <td>\$ 130,000.00</td> </tr> <tr> <td>John Philpott</td> <td>\$ 0.05</td> <td>1,600,000</td> <td>\$ 80,000.00</td> </tr> <tr> <td>Russell Maloney</td> <td>\$ 0.05</td> <td>2,000,000</td> <td>\$ 100,000.00</td> </tr> <tr> <td>Total</td> <td></td> <td>7,000,000</td> <td>\$ 350,000.00</td> </tr> <tr> <td colspan="4" style="text-align: center;">Establishment Fee Shares</td> </tr> <tr> <td>John Philpott</td> <td>\$0.03</td> <td>666,666</td> <td>\$ 19,999.98</td> </tr> <tr> <td colspan="4" style="text-align: center;">Guarantee Fee Shares</td> </tr> <tr> <td>Roger Grice</td> <td>\$0.03</td> <td>451,233</td> <td>\$ 13,536.99</td> </tr> <tr> <td>Dene Biddlecombe</td> <td>\$0.03</td> <td>676,849</td> <td>\$ 20,305.48</td> </tr> <tr> <td>John Philpott</td> <td>\$0.03</td> <td>338,425</td> <td>\$ 10,152.74</td> </tr> <tr> <td>Russell Maloney</td> <td>\$0.03</td> <td>338,425</td> <td>\$ 10,152.74</td> </tr> <tr> <td>Total</td> <td></td> <td>1,804,932</td> <td>\$ 54,147.95</td> </tr> </tbody> </table>	Allottee	Issue Price	Number of Shares	Total	Capitalisation Shares				Roger Grice	\$ 0.05	1,041,606	\$ 52,080.30	Dene Biddlecombe	\$ 0.05	171,000	\$ 8,550.00	Total		1,212,606	\$ 60,630.30	Subscription Shares				Roger Grice	\$ 0.05	800,000	\$ 40,000.00	Dene Biddlecombe	\$ 0.05	2,600,000	\$ 130,000.00	John Philpott	\$ 0.05	1,600,000	\$ 80,000.00	Russell Maloney	\$ 0.05	2,000,000	\$ 100,000.00	Total		7,000,000	\$ 350,000.00	Establishment Fee Shares				John Philpott	\$0.03	666,666	\$ 19,999.98	Guarantee Fee Shares				Roger Grice	\$0.03	451,233	\$ 13,536.99	Dene Biddlecombe	\$0.03	676,849	\$ 20,305.48	John Philpott	\$0.03	338,425	\$ 10,152.74	Russell Maloney	\$0.03	338,425	\$ 10,152.74	Total		1,804,932	\$ 54,147.95
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(e) the reasons for the allotment.	<p>Capitalisation Shares: To capitalise \$117,133.45 of Related Party Debt.</p> <p>Subscription Shares: To raise \$350,000 in new working capital for the Company.</p> <p>Guarantee Fee Shares: To compensate the Financing Parties for assuming a \$400,000 contingent liability for the Company by providing the Guarantee.</p> <p>Establishment Fee Shares: As payment for sourcing and negotiating the FEI Loan Facility on behalf of the Company.</p>																																																																												
(f) a statement to the effect that the allotment, if approved, will be permitted under rule 7(d) of the Takeovers Code as an exception to rule 6 of the Takeovers Code.	The allotment of the Capitalisation Shares (for Roger Grice and Dene Biddlecombe) and the ordinary shares under the Transactions, if approved, will be permitted under rule 7(d) of the Takeovers Code as an exception to rule 6 of the Takeovers Code.																																																																												

	Rule 16, Takeovers Code	Compliance Information
(g)	a statement by the allottee setting out particulars of any agreement or arrangement (whether legally enforceable or not) that has been, or is intended to be, entered into between the allottee and any other person (other than between the allottee and the code company in respect of the matters referred to in paragraphs (a) to (e) relating to the allotment, holding, or control of the voting securities to be allotted, or to the exercise of voting rights in the code company.	There is no agreement or arrangement (whether or not legally enforceable) that has been, or is intended to be, entered into between the allottee and any other person relating to the allotment, holding, or control of the voting securities to be allotted, or to the exercise of voting rights in the Company.
(h)	the report from an independent adviser that complies with rule 18.	The Independent Report from Northington Partners Limited accompanies this Notice of Meeting.
(i)	the statement by the directors of the Code company referred to in rule 19.	The non-interested directors of the Company recommend approval of Resolution 2 for the reasons set out in the “ <i>Director Recommendation</i> ” at the end of this Notice of Meeting.

RESOLUTION 2 – Related Party Transactions

Listing Rule 9.2.1 provides that except with the prior approval of an ordinary resolution, the Company may not enter a material transaction with a related party. Resolution 2 seeks such approval.

The Transactions are a material transaction under the Listing Rules because they comprise a series of linked transactions for:

1. the issue of 10,684,204 securities in the Company that have an aggregate value of \$484,778.25; and
2. approving a future possible assignment of the GSD to the Financing Parties which, if assigned, would secure obligations of up to \$400,000 of the Company to the Financing Parties.

The Transactions therefore have an aggregate value in excess of 10% of the average market capitalisation of the Company. The Company as at 31 August 2016 had a market capitalisation of approximately \$3,774,000.

The following related parties are interested in the Resolution 2 transactions to the following extent:

- Dene Peter Biddlecombe is a related party as a director of the Company (Listing Rule 9.2.3(a)).
- Roger Grice is a related party of the Company as an executive officer of the Company (Chief Executive Officer), and as a holder of a relevant interest in 10% or more of equity securities of the Company (Listing Rule 9.2.3(b)).
- John Philpott and Russell Maloney are acting jointly or in concert with Roger Grice and Dene Biddlecombe and are therefore associated persons of them and are therefore related parties of the Company (Listing Rule 9.2.3(c)).

A certificate from the non-interested directors of the Company as required by Listing Rule 9.2.5(b) is included at the end of this Notice of Meeting.

Resolution 3: Re-election of Robert McAuley

Robert McAuley (**Bob**) retires by rotation and, being eligible, offers himself for re-election.

Bob is a founding director of the Company. He was previously Director of Sales and Marketing for Computer Sciences NZ an international computer and communications company. Prior to that, Bob was General Manager of Computertime Limited and the architect of the company's rapid rise to becoming one of New Zealand's most successful computer companies. Bob was a founding member of the Computer Services Association of New Zealand and the Australasian Chair of the Hewlett Packard Dealer Advisory Council. Bob is a non-executive director of the Company.

The Board unanimously recommends that shareholders vote in favour of Bob's re-election.

Resolution 4: Auditors

This resolution authorises the Board to fix the fees and expenses of the auditor.

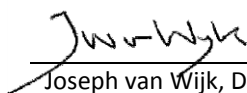
Director Recommendation – Rule 19 of the Takeovers Code and Listing Rule 9.2.5(b)

The Directors of the Company that are not interested in Resolution 2, being Joseph van Wijk and Robert McAuley:

1. recommend that shareholders vote in favour of Resolution 2 for the purposes of the Takeovers Code; and
2. certify that, in their opinion, the terms of the Transactions are fair and reasonable to shareholders of the Company and are in the best interests of the Company for the purposes of Listing Rule 9.2.5(b).

The grounds supporting this recommendation and certification are:

1. The Company has pursued a number of strategies to raise capital in the past 12 months. These attempts have ultimately been unsuccessful. The Transactions set out in Resolution 2 represent a new strategy which will provide the Company with immediate working capital.
2. The Company has investigated alternative proposals to refinance the Company. However the Transactions are considered to represent the best terms of all proposals considered.
3. In the absence of undertaking the Transactions the Company will likely suffer an insolvency event. If that were to occur shareholders would suffer a complete loss of their investment in the Company.
4. Northington Partners Limited, as independent advisers, have on page 9 of the Independent Advisers considered that the Transactions set out in Resolution 2 are in the best interests of Lateral for the purposes of the Listing Rules.
5. The Company will utilise the funds available to it as a result of Resolution 2 passing to continue its business operations and implement marketing and sales initiatives to increase customer acquisition.
6. The Board is committing to extending a share purchase plan offer out to all existing shareholders to give them an opportunity to subscribe for new shares at \$0.05 per share being the same issue price as the Subscription Shares under the Transactions. Accordingly shareholders will be given an opportunity to recover dilution caused by the Transactions.



Joseph van Wijk, Director



Robert McAuley, Director