Northington Partners

Buller Electricity Limited

Prepared Pursuant to Rule 22 of the New Zealand Takeovers Code in Relation to a Full Takeover Offer for Pulse Energy Limited

September 2015

Purpose of the Report

- This report is not a report on the merits of the offer.
- This report has been obtained by the offeror.
- The purpose of this report is solely to compare the consideration and terms offered for the different classes of securities, and to certify as to the fairness and reasonableness of that consideration and terms as between the different classes.
- A separate independent adviser's report on the merits of the offer, commissioned by the directors of Pulse Energy Limited, must accompany Pulse Energy Limited's target company statement.
- The offer should be read in conjunction with this report and the separate independent adviser's report on the merits of the offer.

Statement of Independence

Northington Partners Limited confirms that it:

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

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

Table of Contents

Abbreviations and Definitions

Buller	Buller Electricity Limited
Code	The Takeovers Code
ESOP	Employee Share Option Plan
Exercise Price	NZ$0.06, being the exercise price for each Tranche of Options
MCN Offer Price	The cash payment of NZ$1.10 offered by Buller for each MCN
MCNs	The mandatory convertible notes issued by Pulse, with an aggregate face value of NZ$4.81 million
Northington Partners	Northington Partners Limited
NZ$	New Zealand dollars
Offer	The full takeover offer that Buller intends to make for all of the voting and non-voting equity securities on issue in Pulse not already held by Buller
Option Offer Price	The cash payment of NZ$0.05 offered by Buller for each Option in each Tranche
Options	The 3,950,000 options issued by Pulse and currently outstanding under the terms of its ESOP
Ordinary Shares	The 334,608,516 ordinary shares of Pulse on issue and which are tradable on the NZX Alternative Market
Pulse or Company	Pulse Energy Limited
Share Offer Price	A cash payment of NZ$0.11 per Ordinary Share of Pulse offered by Buller
Tranche	Each, or any of, the various tranches of Options issued by Pulse, as the context requires

1.0 Introduction and Summary of our Assessment

1.1. Introduction

Buller Electricity Limited ("**Buller**") currently owns around 56% of the ordinary shares on issue in Pulse Energy Limited ("**Pulse**" or "**Company**"). Buller is considering making a full takeover offer ("**Offer**") for all of the equity securities on issue in Pulse that it does not already own.

Pulse currently has the following categories of equity securities outstanding:

- 334,608,516 fully paid ordinary shares ("**Ordinary Shares**");
- Mandatory Convertible Notes ("**MCNs**") with a face value of $4,810,000; and
- 3,950,000 options ("**Options**") which (as summarised in Table 1 below) have been issued in various tranches (each a "**Tranche**") pursuant to an employee share option plan ("**ESOP**") for key executives of Pulse.

The Ordinary Shares are voting securities and the MCNs and Options are non-voting securities. The MCNs and each Tranche of Options constitute a separate class of non-voting securities for the purposes of the Takeovers Code ("**Code**").

Table 1: Summary of Options as at 17 September 2015

Tranche	Grant Date	First Exercise Date	Expiry Date	Exercise Price per Option	Balance Outstanding
1	1 August 2013	1 August 2013	1 August 2018	$0.06	520,000
2	1 August 2013	1 August 2015	1 August 2019	$0.06	635,000
3	1 August 2013	1 August 2016	1 August 2020	$0.06	635,000
4	31 March 2015	31 March 2015	31 March 2020	$0.06	1,080,000
5	31 March 2015	31 August 2015	1 August 2020	$0.06	540,000
6	31 March 2015	31 August 2016	1 August 2021	$0.06	540,000
Total					**3,950,000**

Source: Pulse

The offer prices in relation to the Offer are as follows:

- **Offer Price for Ordinary Shares**: A cash payment of $0.11 per Ordinary Share ("**Share Offer Price**").
- **Offer Price for MCNs**: A cash payment of $1.10 per MCN ("**MCN Offer Price**").
- **Offer Price for Options**: A cash payment of $0.05 per Option, being the same offer price across each Tranche of Options ("**Option Offer Price**").

The Offer is conditional upon the following conditions:

- **Minimum Acceptance Condition:** Buller receiving acceptances that would confer on it 90% or more of the voting rights in Pulse.
- **Transfer of Options:** Pulse agreeing to waive the term set out in the ESOP rules that prohibits the transfer of Options, to enable Options to be transferred to Buller on acceptance of the Offer.
- **MCN Terms:** Pulse agreeing that the MCNs can be transferred to Buller on acceptance of the Offer.
- **No MCN Conversion:** None of the MCN holders have converted or attempted to convert their MCNs into ordinary shares.

- **Other Conditions:** The Offer is also conditional on a number of other matters that are standard for an offer of this type.

Rule 8(4) of the Code requires that if non-voting securities are included in a full offer, the consideration and terms offered for non-voting securities must be fair and reasonable in comparison with the consideration and terms offered for voting securities and as between classes of non-voting securities. In this particular case, the Code therefore requires that:

- The consideration and terms offered for the MCNs and Options must be fair and reasonable compared to the consideration and terms offered for the Ordinary Shares; and
- The consideration and terms offered for the MCNs and each Tranche of Options must be fair and reasonable as between the MCNs and all of the Tranches.

This report has been prepared based on information provided to us by Buller's advisers and Pulse.

1.2. Summary of our Assessment

A Rule 22 report is not required to consider the merits of the Offer for the Ordinary Shares, and we offer no opinion on whether the Share Offer Price of $0.11 is fair and reasonable. Rather, our role is to determine whether the MCN Offer Price and Option Offer Price is fair and reasonable in comparison to the amount offered for the Ordinary Shares and as between the MCNs and each Tranche of Options.

Our assessment is based on the following framework:

- The consideration of $0.11 per share for the Ordinary Shares provides the benchmark for our assessment. Although we make no attempt to determine whether the Share Offer Price is itself fair and reasonable, the Share Offer Price is the starting point from which we determine the relative fairness of the Offer for the MCNs and each Tranche of Options.
- That is, we need to determine the underlying fair value of the MCNs and each Tranche of Options, assuming an initial fair value for the Ordinary Shares of $0.11. Our assessment also takes into account the current rules that govern the MCNs and the Options (with particular emphasis on the rules that are relevant in the event of a successful takeover offer for Pulse), and the relevant conditions of the Offer.
- The assessment then rests on a comparison of the consideration offered for the MCNs and the Options to the underlying fair value of the MCNs and the Options.

Our estimate of the current fair value of the MCNs and Options is set out in Table 2 below, together with the Offer prices for each security. An explanation of how we assessed these values is set out in Section 4.0.

Table 2: Offer Prices and Estimated Fair Values for MCNs and Options

Non-voting Security	Offer Value (per Security)	Estimated Fair Value (per Security)
MCNs	NZ$1.10	NZ$1.10
Options	NZ$0.05	NZ$0.05

Source: Northington Partners Analysis

We conclude that:

- The MCN Offer Price is equal to our assessed fair value of each MCN. On this basis, we conclude that the MCN Offer Price is fair compared to the Share Offer Price.
- The Options Offer Price is equal to our assessed fair value of each Option. On this basis, we conclude that the Options Offer Price is fair compared to the Share Offer Price.

We also note that:

- The holders of the Ordinary Shares, MCNs and Options will be paid cash if they are capable of accepting and accept the Offer, and the Offer to each group is effectively conditional on the same set of general conditions. On this basis, we conclude that the terms of the Offer for the Ordinary Shares, the MCNs and each Tranche of the Options are equivalent.
- The Option Offer Price for each Tranche has been determined using the same valuation framework, being the difference between the Share Offer Price and the exercise price for each Tranche. As the exercise price is the same for each Tranche (i.e. \$0.06 per Option), the Option Offer Price is the same across each Tranche of Options. For the reasons set out in Section 4.0, we believe this valuation approach is appropriate.

We therefore certify that in our opinion the consideration and terms offered for non-voting securities (being the MCNs and Options) is fair and reasonable in comparison with the terms offered for the voting securities (being the Ordinary Shares). We also conclude that the terms offered for the MCNs and each Tranche of Options are fair and reasonable as between the MCNs and all of the Options Tranches.

2.0 Scope of this Report

2.1. Background

We understand that Buller intends to make a full takeover offer for all of the equity securities on issue in Pulse (that are not already held by Buller) in early October 2015.

Pulse has three categories of equity securities. As at 17 September 2015 there were 334,608,516 Ordinary Shares on issue (which can be traded on the NZX Alternative Market), MCNs with a face value of $4,810,000, and 3,950,000 Options issued under the terms of the Company's ESOP. The Ordinary Shares are considered voting securities and the MCNs and Options are considered non-voting securities for the purposes of the Code.

The MCNs were issued in three tranches in late 2014 to provide additional working capital to Pulse to facilitate further growth in its business. Interest is payable on the MCNs at a rate of 10% per annum, paid six monthly in arrears. The MCNs mature on 31 October 2017, at which time they will be converted to Ordinary Shares.

The Options were issued to key Company executives in six Tranches. When issued, the Option holder had the right to convert each Option into one Ordinary Share upon payment of an exercise price ("**Exercise Price**"). Although the Exercise Price of $0.06 per Option is the same across each Tranche of Options, each Tranche has a different Option exercise period and therefore represents a separate class of non-voting securities.

Further details of the terms and conditions of the MCNs and Options are included in Section 3.2.

2.2. Requirements of Takeovers Code

Pulse is a publicly listed company on the NZX Alternative Market and is a "Code Company" as defined by Rule 3 of the Code. The takeover process contemplated by Buller must therefore comply with the provisions set out in the Code relating to the Offer procedure.

Pursuant to Rule 8(2) of the Code, a full offer must include offers in respect of all the securities in each class of equity securities of the target company (other than those that are already held by the offeror). Furthermore, Rule 8(4) of the Code requires that if non-voting securities are included in a full offer, the consideration and terms offered for non-voting securities must be fair and reasonable in comparison with the consideration and terms offered for voting securities and as between classes of non-voting securities. In this particular case, the Code therefore requires that:

- The consideration and terms offered for the MCNs and Options must be fair and reasonable compared to the consideration and terms offered for the Ordinary Shares; and
- The consideration and terms offered for the MCNs and each Tranche of Options must be fair and reasonable as between the MCNs and all of the Tranches.

For the purposes of the Code, Pulse's Ordinary Shares are regarded as one class of equity security, the MCNs are regarded as a separate class of equity security, and each Tranche of the Options is regarded as a further separate class of equity security given the different features of each Tranche. As the offeror, Buller must obtain a report pursuant to Rule 22 of the Code from an independent adviser which certifies that, in the adviser's opinion, the offer complies with Rule 8(4).

This report has been prepared to meet the requirements of Rule 22 of the Code. The appointment of Northington Partners Limited ("**Northington Partners**") to prepare the Rule 22 report was approved by the Takeovers Panel on 16 September 2015.

2.3. Assessment Approach

Rule 22 of the Code requires that the independent adviser's report certifies that the consideration and terms are fair and reasonable in comparison with the consideration and terms offered for voting securities and as between the classes of non-voting securities. The exact meaning of the words "fair" and "reasonable" is not prescribed in the Code and there is no well accepted, authoritative New Zealand reference that clearly establishes what should be considered for an assessment of this nature.

Statutory requirements within the Australian market are defined in somewhat more detail. The Australian Securities and Investments Commission has issued a policy statement regarding "Independent Expert Reports to Shareholders", which sets out some fundamental requirements for a report that is completed in similar circumstances to those relating to this Offer.

According to the policy statement, an offer is "fair" if the value of the consideration to be paid under the offer is equal to or greater than the value of the securities that are subject to the offer. An offer is deemed to be "reasonable" if it is fair. An offer may also be reasonable if it is unfair but where other significant factors mean that the shareholders should accept the offer in the absence of any higher bid before the close of the offer.

We believe that these definitions provide a useful starting point for assessing the fairness and reasonableness of the consideration offered for each class of equity securities under the Offer. Fairness is determined largely from the results of a comparative valuation exercise, while the reasonableness of the Offer is related to a general assessment of a range of other non-price terms that may be relevant in this case.

For this particular assessment, we have adopted the following framework to determine whether the consideration offered for the MCNs and each Tranche of Options is fair and reasonable in comparison to the offer price per share for the Ordinary Shares, and as between the MCNs and the various Tranches of Options:

- Comparison of the gross consideration offered for all of the voting and non-voting securities is examined on a before investor tax basis.
- The Share Offer Price of NZ$0.11 provides the benchmark for our assessment in relation to the MCNs and Options. Although we make no attempt to determine whether this Share Offer Price is itself fair and reasonable, the Share Offer Price is the starting point from which we determine the relative fairness of the Offer for each class of non-voting security (i.e. the MCNs and each Tranche of Options).
- That is, we need to determine the underlying fair value of the MCNs and each Tranche of Options, assuming an initial fair value for the Ordinary Shares of NZ$0.11. Our assessment also takes into account the current rules that govern the MCNs and the Options, together with key conditions of the Offer.
- The assessment then rests on a comparison of the net consideration offered for the MCNs and each Tranche of Options to the underlying fair value of the MCNs and each Tranche of Options.

We believe that the assessment of the Offer terms relating to the Ordinary Shares in comparison to the Offer terms relating to the MCNs and each Tranche of Options is inconsequential in this case. Both the holders of the Ordinary Shares and the holders of the MCNs and Options will receive cash consideration if they are capable of accepting and accept the Offer, and the Offer to each group of stakeholders is effectively contingent on the same set of conditions. On this basis, we conclude that the terms of the Offer are equivalent as between the voting and non-voting securities.

Our overall assessment therefore concentrates on a comparison of the consideration that will be offered for each class of security, based on an examination of the following factors:

- The consideration offered for the Ordinary Shares, the MCNs and each Tranche of Options;
- The underlying value of the MCNs and Options in the context of the Offer to be made by Buller;
- The current rights of the holders of the MCNs and Options, specifically with regard to transferability and the circumstances and timing of the conversion into Ordinary Shares; and
- The circumstances under which an Option holder's rights to the Options are relinquished.

We again note that we have not attempted to assess the underlying value of the Ordinary Shares, but have used the Share Offer Price as the benchmark for our assessment of the relativities between the offers for the different classes of securities.

2.4. Primary Sources of Information

The sources of information that we have relied on in preparing this report are set out in Appendix I.

2.5. Limitations and Reliance on Information

This report is subject to all of the limitations and restrictions set out in Appendix 2. In particular, in preparing this report, Northington Partners has relied on information supplied by Buller (or its advisers) and Pulse and has assumed the honesty and accuracy of this information. Northington Partners accepts no responsibility for inaccurate information supplied by Buller or Pulse, or for any failure by Buller or Pulse to provide relevant information.

Our assessment is reliant on a number of key assumptions that have been outlined in this report. Should any of these assumptions not be accurate, then the valuation assessment and our conclusions could be materially affected.

Subject to this limitation, we have obtained all of the information that we consider is necessary for preparing the report.

3.0 Pulse Energy Limited Equity Securities

3.1. Background to Offer Participants

Buller is a lines network company that supplies electricity consumers on the West Coast of the South Island of New Zealand. Buller was established in 1947, and is owned by its power consumers via the Buller Electric Power Trust. Buller is a substantial product holder in the Company, and holds or controls approximately 56% of Pulse's shares.

Pulse is an Auckland headquartered company, listed on the NZX Alternative Market. Pulse operates as an independent energy retailer providing electricity and gas to over 55,000 customers throughout New Zealand.

3.2. Key Terms of Pulse Energy Equity Securities

3.2.1. Ordinary Shares

There are currently 334,608,516 Ordinary Shares on issue in Pulse. Each Ordinary Share confers:

- The right on a poll at a meeting of shareholders to one vote on each resolution;
- The right to an equal share in dividends authorised by the Board; and
- The right to an equal share in the distribution of the surplus assets of the Company.

3.2.2. MCNs

A summary of the key terms of the MCNs is set out in Table 3 below.

Table 3: Summary of the Material Terms of the MCNs

Material Term	Commentary
Face Value	The MCNs have a face value of NZ$1.00 each.
Commencement Date	The date on which completed applications and subscriptions funds were received and accepted by Pulse. The MCNs were issued in three tranches between 13 November 2014 and 23 December 2014.
Interest Rate	10% per annum, paid six monthly in arrears.
Maturity Date	31 October 2017.
Conversion	On the Maturity Date, the MCNs convert to ordinary shares in Pulse.
Basis for Conversion	The number of ordinary shares to be issued to an MCN holder is determined by dividing the face value of the MCNs by the lower of (i) NZ$0.10 ("**Price Cap**") and (ii) a 10% discount to the volume weighted average price ("**VWAP**") of Pulse's ordinary shares on the NZX Alternative Market over the 20 business day period preceding the Maturity Date ("**VWAP Discount**").
Transferability	The MCNs may be transferred prior to the Maturity Date in the same manner as if they were ordinary shares in accordance with the constitution of Pulse.
Security	The MCNs are unsecured and rank equally among themselves and with all other unsecured creditors of Pulse.
Voting	The MCNs carry no voting rights at a meeting of Pulse shareholders (although MCN holders are entitled to attend such meetings and receive copies of notices, reports and financial statements issued generally to shareholders).

Takeover	During the period when the takeover offer is open for acceptance, a MCN holder may elect to convert their MCNs into ordinary shares in Pulse by applying the Basis for Conversion noted above. Although the VWAP Discount noted in the Basis of Conversion only deals with the situation when the Maturity Date for the MCNs has been reached, legal advice received by Pulse has confirmed that in the case of a takeover, the Price Cap of NZ$0.10 should be used for calculating the number of conversion shares. The MCNs will automatically convert into ordinary shares if the offeror becomes the holder of 90% or more of the shares in Pulse[1].
Constitutional Rights	MCN holders enjoy the benefit of the provisions in Pulse's constitution applicable to, among other things, actions of Pulse which affect rights attaching to equity securities.

Source: Subscription Agreement for MCNs

[1] This term will be eliminated as a condition of the Offer

3.2.3. Options

The Options issued by Pulse comprise those issued under the terms of the ESOP. Since their issue, a number of Options have either lapsed or been exercised under the rules of the ESOP. As summarised in Table 4 below, a total of 3,950,000 Options remain outstanding as at 17 September 2015.

Table 4: Summary of Options as at 17 September 2015

Tranche	Grant Date	First Exercise Date	Expiry Date	Exercise Price per Option	Balance Outstanding
1	1 August 2013	1 August 2013	1 August 2018	$0.06	520,000
2	1 August 2013	1 August 2015	1 August 2019	$0.06	635,000
3	1 August 2013	1 August 2016	1 August 2020	$0.06	635,000
4	31 March 2015	31 March 2015	31 March 2020	$0.06	1,080,000
5	31 March 2015	31 August 2015	1 August 2020	$0.06	540,000
6	31 March 2015	31 August 2016	1 August 2021	$0.06	540,000
Total					**3,950,000**

Source: Pulse

The terms and conditions of the Options are substantially similar except for the Expiry Date and the period during which the Options can be exercised ("**Exercise Period**"). A summary of the material terms of the Options are set out in Table 5 below.

Table 5: Summary of the Material Terms of the Options

Material Term	Commentary
Vesting	Vested 100% in the Option holder on the date of issue of the Options.
Exercise Price	NZ$0.06 for each Tranche of Options.
Exercise Period	All of the Options have been issued with a life of either 4 or 5 years from the date of issue. Options can be exercised: ▪ After the exercise date advised to the Option holder

	▪ Within 15 business days after the date a full takeover is declared unconditional and the offeror achieves 90% or more of the voting rights in Pulse ▪ In certain other prescribed circumstances at the discretion of the Board (e.g. upon the death or incapacitation of the Option holder)
Payment Terms	No consideration has been paid for the Options.
Exercise Requirements	A notice of exercise must be made in writing during the relevant Exercise Period and be accompanied by payment of the relevant Exercise Price per Option exercised.
Minimum Number	Unless otherwise determined by the Board of Pulse, the minimum number of Options that may be exercised by an Option holder on any one occasion is equal to the minimum holding level determined in accordance with the Listing Rules for the NZX Alternative Market.
Transferability	The Options are personal to the Option holder and may not be assigned, transferred, disposed, encumbered, or otherwise dealt with by the Option holder.
Dividend	The Options attract no dividend rights.
Voting	The Options carry no voting rights.
Variations of Capital	In the event of a variation to the Company's capital (e.g. bonus issues, rights issues, returns of capital), provision is made (as the case may be) for either an adjustment to the number of Ordinary Shares issued for each Option upon exercise or an adjustment to the Exercise Price.
Lapse of Options	All unexercised Options lapse: ▪ On the expiry of the relevant Exercise Period ▪ If the Option holder ceases to be employed by Pulse (except in circumstances of death or permanent incapacity, in which case the Options can be transferred as noted above at the discretion of the Board) ▪ If the Option seeks to dispose of or grant a security interest over any of the Options in contradiction of the restrictions outlined above ▪ If not exercised within 15 Business Days after the date a full takeover is declared unconditional and the offeror achieves 90% or more of the voting rights in Pulse

Source: Prospectus and Investment Statement for ESOP

4.0 Valuation of the MCNs and Options

Our valuation for both the MCNs and the Options is based on the payoff that holders would receive if they exercised their rights in the context of the Offer. In this case, the valuation process is relatively straightforward because both the Subscription Deed for the MCNs and the Prospectus for the Options explicitly set out the rights and obligations of each party if an Offer is made for Pulse. These are summarised in Table 3 and Table 5 in Section 3.0.

4.1. Valuation of the MCNs

The Subscription Agreement for the MCNs states that if a takeover offer is made for Pulse:

- An MCN holder may elect to convert the MCNs to ordinary shares in Pulse while the takeover offer is open to acceptance. The conversion would take place using the formula prescribed in the Subscription Agreement;
- If acceptances under the offer exceed 90% and the offeror chooses to enact the compulsory acquisition provisions of the Code, then the MCNs would automatically convert to ordinary shares using the same conversion formula.

Notwithstanding that some of these conditions have effectively been modified as conditions of the Offer, we believe that the MCNs should be valued as if the conversion process took place. That is, our assessed value of the MCNs is set equal to the payoff that MCN holders would receive from converting the MCNs into Pulse Ordinary Shares and then accepting the Offer for those shares at the Share Offer Price of $0.11 per share.

Based on the Subscription Agreement, the number of shares issued to MCN holders (N) is determined as:

$$\mathrm{N} = \frac{\text{MCN Face Value}}{\text{Conversion Share Price}}$$

Where:

$$\text{Conversion Share Price} = \min(\text{Average Market Price}, \$0.10)$$

$$\text{Average Market Price} = \text{10\% discount to VWAP of Pulse Shares over the 20 business day period prior to Maturity Date}$$

$$\text{Maturity Date} = \text{31 October 2017}$$

In our view, this definition does not appropriately contemplate a takeover offer prior to the Maturity Date of the MCNs because the Average Market Price is currently undefined – the VWAP in the 20 business days prior to 31 October 2017 is obviously not yet observable. Without an estimate for Average Market Price, the Conversion Share Price effectively defaults to $0.10.

Pulse has received legal advice that $0.10 is the correct Conversion Share Price and, based on that direction, we have assessed the payoff for each MCN in the context of the Offer at $1.10. The calculation is summarised below in Table 6.

Table 6: Payoff for MCNs

Step	Value
Face Value per MCN	$1.00
Conversion Share Price	$0.10
Number of Shares per MCN	10
Value of Shares received on Conversion (Share Offer Price)	$0.11
Conversion Payoff per MCN	**$1.10**

Source: Northington Partners Analysis

4.2. Valuation of the Options

Pursuant to the terms of the Options, the Options become immediately exercisable in the event of a full takeover offer for Pulse and where the offeror achieves acceptances which provide it with 90% or more of the shares on issue. Because the 90% threshold is a condition of the Offer, this outcome is effectively guaranteed in the event that the Offer proceeds. If Option holders do not exercise their Options within 15 business days, the Options will lapse and have nil value.

All of the Options on issue have an exercise price of $0.06 per share and are therefore “in the money” based on the Share Offer Price of $0.11. Option holders will optimally chose to exercise the Options in these circumstances, with a payoff of $0.05 per Option. This assessment is summarised in Table 7.

Table 7: Payoff for Options

	Value
Exercise Price Per Option	$0.06
Value of Share Received on Exercise (Share Offer Price)	$0.11
Exercise Payoff per Option	**$0.05**

Source: Northington Partners Analysis

Our assessed value for the Options is equal to the intrinsic value based on immediate exercise. Under the terms of the Prospectus, if the Offer is declared unconditional and goes ahead, the Option holders have no alternative but to exercise the Options (or allow them to lapse). It is not possible to continue to hold the Options beyond the completion of the takeover process.

Appendix 1: Sources of Information Used in this Report

Other than the information sources referenced directly in the body of the report, this assessment is also reliant on the following sources of information:

- Pulse's Employee Share Option Scheme Prospectus and Investment Statement;
- The form of Subscription Agreement used between Pulse and investors who subscribed for MCNs;
- Pulse's Annual Report for 2015; and
- A copy of Buller's draft Takeover Offer, with the latest version provided on 16 September 2015.

Appendix 2: Qualifications, Declarations and Consents

Declarations

This report is dated 24 September 2015 and has been prepared by Northington Partners at the request of Buller to fulfil the reporting requirements pursuant to Rule 22 of the Code. This report, or any part of it, should not be reproduced or used for any other purpose. Northington Partners specifically disclaims any obligation or liability to any party whatsoever in the event that this report is supplied or applied for any purpose other than that for which it is intended.

Prior drafts of this report were provided to Buller for review and discussion. Although minor factual changes to the report were made after the release of the first draft, there were no changes to our methodology, analysis, or conclusions.

This report is provided for the benefit of all of the security holders of Pulse that are subject to the Offer, and Northington Partners consents to the distribution of this report to those people. The engagement terms did not contain any term which materially restricted the scope of our work.

Qualifications

Northington Partners provides an independent corporate advisory service to companies operating throughout New Zealand. The company specialises in mergers and acquisitions, capital raising support, expert opinions, financial instrument valuations, and business and share valuations. Northington Partners is retained by a mix of publicly listed companies, substantial privately held companies, and state owned enterprises.

The individuals responsible for preparing this report are Greg Anderson B.Com, M.Com (Hons), Ph.D and Steven Grant B.Com, LLB (Hons). Each individual has a wealth of experience in providing independent advice to clients relating to the value of business assets and equity instruments, as well as the choice of appropriate financial structures and governance issues. Greg Anderson also has a high level of expertise and extensive experience in valuing complex financial instruments including options, swaps, and hybrid debt and equity securities.

Northington Partners has been responsible for the preparation of numerous Independent Reports in relation to takeovers, mergers, and a range of other transactions subject to the Code and NZX Listing Rules.

Independence

Northington Partners has not been previously engaged on any matter by Buller or Pulse or (to the best of our knowledge) by any other party to the proposed transaction that could affect our independence. None of the Directors or employees of Northington Partners have any other relationship with any of the Directors or substantial security holders of the parties involved in the proposed Offer.

The preparation of this Rule 22 report will be Northington Partners' only involvement in relation to the proposed transaction. Northington Partners will be paid a fixed fee for its services which is in no way contingent on the outcome of our analysis or the content of our report.

Northington Partners does not have any conflict of interest that could affect its ability to provide an unbiased report.

Disclaimer and Restriction on the Scope of our Work

In preparing this report, Northington Partners has relied on information provided by Buller and Pulse. Northington Partners has not performed anything in the nature of an audit of that information, and does not express any opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

Northington Partners has used the provided information on the basis that it is true and accurate in material respects and not misleading by reason of omission or otherwise. Accordingly, neither Northington Partners nor its Directors, employees or agents, accept any responsibility or liability for any such information being inaccurate, incomplete, unreliable or not soundly based or for any errors in the analysis, statements and opinions provided in this report resulting directly or indirectly from any such circumstances or from any assumptions upon which this report is based proving unjustified.

We reserve the right, but will be under no obligation, to review or amend our report if any additional information which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.

Indemnity

Buller has agreed to indemnify Northington Partners (to the maximum extent permitted by law) for all claims, proceedings, damages, losses (including consequential losses), fines, penalties, costs, charges and expenses (including legal fees and disbursements) suffered or incurred by Northington Partners in relation to the preparation of this report; except to the extent resulting from any act or omission of Northington Partners finally determined by a New Zealand Court of competent jurisdiction to constitute negligence or bad faith by Northington Partners.

Buller has also agreed to promptly fund Northington Partners for its reasonable costs and expenses (including legal fees and expenses) in dealing with such claims or proceedings upon presentation by Northington Partners of the relevant invoices.

Northington Partners Limited

Greg Anderson
Managing Director
www.northington.co.nz

Northington
Partners