PULSE ENERGY LIMITED

TARGET COMPANY STATEMENT

IN RESPONSE TO FULL TAKEOVER OFFER FROM BULLER ELECTRICITY LIMITED

26 NOVEMBER 2015

This is an important document and requires your urgent attention. If you have any questions in respect of this document or the offer, you should seek advice from your financial or legal adviser.

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LETTER FROM INDEPENDENT COMMITTEE

26 November 2015

Dear Security Holder

TAKEOVER OFFER BY BULLER ELECTRICITY LIMITED

Introduction

Buller Electricity Limited ("**Buller**") is making a full takeover offer ("**Offer**") to acquire all of the shares ("**Pulse Shares**") in Pulse Energy Limited ("**Pulse**") not already held by Buller, all of the mandatory convertible notes ("**Pulse MCNs**") and all of the options to subscribe for Pulse Shares in Pulse ("**Pulse Options**"). As at the date of the Takeover Notice, Buller holds 55.9% of the Pulse Shares, but does not hold or control any Pulse MCNs or Pulse Options.

This letter forms part of Pulse's Target Company Statement in response to Buller's Offer. The Target Company Statement is required by the Takeovers Code and includes your Independent Directors' recommendation on the Offer, as well as an Independent Adviser's Report, prepared by Campbell MacPherson Limited ("**Campbell MacPherson**"), and a report as to the fairness of the consideration between classes, prepared by Northington Partners Limited ("**Northington Partners**"). You should read the Target Company Statement, including the Campbell MacPherson report, carefully and in full when considering whether to accept the Offer.

Committee of Independent Directors

Your Board has formed an Independent Committee of Directors ("**Independent Committee**"), comprising Trevor Janes, James Hoseason, Joseph van Wijk and Peter Young, to consider the Offer, and to oversee preparation of this Target Company Statement. Frank Dooley and Graham Naylor are not members of the Independent Committee as they represent Buller on the Board of Pulse. The Independent Committee sought advice from Duncan Cotterill and Harmos Horton Lusk as legal advisers.

The Independent Committee's recommendations are set out below. The recommendations are not unanimous, as the recommendation given by Trevor Janes, James Hoseason and Peter Young differs from Joseph van Wijk's recommendation.

Recommendation of the members of the Independent Committee

Unless someone else makes a competing takeover at a higher price, the recommendation of Trevor Janes, James Hoseason and Peter Young is as follows:

- We believe that the Offer price for Pulse Shares adequately compensates shareholders for the current and future benefits of ownership of Pulse Shares. <u>If you only hold Pulse Shares, we recommend that you accept the Offer.</u>

- We also believe that the Offer price for Pulse Options adequately compensates option holders for the current and future benefits of ownership of Pulse Options. <u>If you hold Pulse Options, we recommend that you accept the Offer.</u>

- <u>If you only hold Pulse MCNs or hold both Pulse MCNs and Pulse Shares, we do not provide a recommendation at this stage.</u> Our reasons for this, and our comments on the merits of the Offer for Pulse MCNs are as follows:

- Pulse MCNs were issued to, and are held by, a relatively small number of sophisticated investors. We believe that those investors are well placed to form their own view on the Offer for the Pulse MCNs having regard to their own circumstances and to the merits assessment in Campbell MacPherson's report.

- Under the terms of the Offer, Buller will pay to Pulse MCN holders who accept the Offer (or whose Pulse MCNs automatically convert into Pulse Shares) the interest that accrues on the Pulse MCNs up to the date on which Buller pays for Pulse MCNs acquired under the Offer. Buller will do this by accounting to Pulse MCN holders for the interest on the Pulse MCNs that Buller receives from Pulse, promptly after it is received. The Offer has a closing date of 16 December 2015 (unless extended). Assuming Buller makes payment for the Pulse MCNs on 22 December 2015, the accrued interest will be approximately 1.4 cents per Pulse MCN before tax, and can be expected to be paid by the end of January 2016 if the Offer is not extended and the Offer, together with any resulting compulsory acquisition, results in Buller becoming the owner of 100% of Pulse.[1] If the Offer does not result in Buller becoming the owner of 100% of Pulse (i.e. if Buller waives the condition requiring acceptances to take its shareholding to 90%), the accrued interest should be paid to you as an accepting Pulse MCN holder shortly after the next six monthly interest payment which is expected to be paid on 2 May 2016.

- The Offer price for the Pulse MCNs, when added to an accrued interest payment of 1.4 cents per Pulse MCN, amounts to $1.114 cents per Pulse MCN (before tax). This amount is close to the bottom of Campbell MacPherson's assessed (before tax) value range. This suggests that continuing to hold Pulse MCNs until maturity may deliver more value to Pulse MCN holders than the Offer price for the Pulse MCNs.

- Importantly, the assessment set out above of the Offer price plus the accrued interest amounting to $1.114 cents in total per Pulse MCN is <u>before tax</u>. The Independent Committee understands, based on tax advice it has received, that:

  - any accrued interest paid to Pulse MCN holders will be taxable income to that holder; and

  - the difference between the Offer price of $1.10 per Pulse MCN and the $1.00 face value of the Pulse MCNs will be taxable income to Pulse MCN holders, although the tax consequences of this for each holder are likely to differ.

  The Independent Committee takes no responsibility for any of the tax statements made in this letter. It is your responsibility to take your own tax advice based on your own position and circumstances.

- If Buller does not receive acceptances for 60% of the Pulse MCNs, Buller is able to terminate its Offer. However, Buller can also waive this requirement. If it did so and Buller received sufficient acceptances to take its shareholding to at least 90%, your Pulse MCNs will automatically convert into Pulse Shares and Buller will be entitled to compulsorily acquire those Pulse Shares from you if you did not accept the Offer at

[1] If the offer/payment date was extended, accrued interest will increase as interest accrues on the MCNs on a daily basis.

effectively the same price as you would receive for accepting in respect of your Pulse MCNs.

- o If Buller does not receive acceptances for Pulse Shares that would take its shareholding to at least 90%, your Pulse MCNs will not automatically convert into Pulse Shares and Buller will not be entitled to compulsorily acquire the remaining securities. You would then be able to continue to hold your Pulse MCNs to maturity.

- o There is some risk involved in not accepting for your Pulse MCNs and/or Pulse Shares. For example, if Buller's minimum acceptance conditions are not satisfied, Buller can terminate its Offer. This would mean that Buller would buy no securities under the Offer and it is possible that the share price for Pulse Shares would reduce to the level at which Pulse Shares were trading before the announcement of potential takeover activity involving Buller. If Buller did not satisfy its minimum acceptance conditions but declared its Offer unconditional anyway, you would remain the holder of Pulse Shares and Pulse MCNs and Buller would retain control of Pulse. The future value of your Pulse Shares and Pulse MCNs would depend on the future strategic direction for Pulse as determined by Buller. Buller has not disclosed its future plans to the Independent Committee and, therefore, we cannot accurately assess the benefits and risks of those plans – or their value impacts.

Joseph van Wijk believes that the Offer price for the Pulse Shares, Pulse Options and Pulse MCNs adequately compensates security holders for the current and future benefits of ownership of those securities. Accordingly, unless someone else makes a competing takeover at a higher price, Mr van Wijk recommends that Pulse shareholders, Pulse option holders and Pulse MCN holders should accept the Offer.

Ultimately, it is your decision whether or not to accept the Offer. When making this decision you should consider your own individual circumstances, views on value and the merits of the Offer, and investment time horizon. You are encouraged to consider taking your own separate professional advice (e.g. from your lawyer or financial adviser) tailored to your circumstances.

Factors considered by the Independent Committee

In forming the recommendations set out above, the members of the Independent Committee considered Pulse's stand-alone value (i.e. the likely value to security holders if the Board of Pulse was to continue to implement its existing strategic plan, having regard to relevant business risks) and has also had regard to its assessment of the value of Pulse to Buller, if Buller was to acquire full ownership (in other words, the cost savings, value and opportunities that selling shareholders would be providing to Buller). The Independent Committee has also had regard to the merits assessment addressed in Campbell MacPherson's report. You are encouraged to read that report carefully and in full.

The Independent Committee notes the following key factors:

A competing transaction is unlikely

- As Buller owns 55.9% of Pulse Shares, it is unlikely that there will be a competing takeover offer for Pulse until Buller's Offer is resolved. The Independent Committee is not in negotiations or discussions with any other person regarding a competing takeover or any similar transaction.

Pulse Shares

- Campbell MacPherson's assessed value range for Pulse Shares is 9.2 cents to 11.3 cents per Pulse Share. <u>The Offer price of 11 cents per Pulse Share is at the top end of this assessed value range.</u>

- It is possible that, if the Offer does not succeed, the share price for Pulse shares on the NZAX may retreat to levels more closely in line with the historical prices before 7 September 2015.

- Historically, there have been low volumes of trading of Pulse Shares on the NZAX (low share trading liquidity; meaning a limited supply and demand for Pulse Shares, which affects both the prices at which, and the ability to buy and sell Pulse Shares in reasonable parcel sizes). Buller's 55.9% shareholding has been a factor in this, as it has restricted the free float of Pulse Shares (the number of Pulse Shares available for buying and selling on the market). In the 10 months to 31 October 2015, a total of 6,534,644 Pulse Shares have traded through the NZAX, representing just 1.95% of the total number of Pulse Shares.

- Buller's Offer provides shareholders an opportunity to sell all of their Pulse Shares at a cash price per share above recent historical levels on the NZAX, in one transaction and free of brokerage.

Pulse Options

- Campbell MacPherson's maximum assessed value for Pulse Options is 2.8 cents per Pulse Option. <u>The Offer price of 5 cents per Pulse Option *is materially above* the top end of this value range.</u>

- While you should take your own tax advice based on your position and circumstances, the Independent Committee understands, based on its tax advice, that the Offer price for the Pulse Options will be taxable income to Pulse Option holders.

Pulse MCNs

- Campbell MacPherson's assessed (before tax) value range for Pulse MCNs is $1.11 to $1.15 per Pulse MCN. The Offer price of $1.10 cents per Pulse MCN plus an assumed 1.4 cents per Pulse MCN of accrued interest (amounting to $1.114 before tax) is close to the bottom of this range. It is important to note that tax treatment of the Pulse MCN Offer price and accrued interest, as discussed above.

- Accrued interest can be expected to be paid by the end of January 2016 if the Offer is not extended and the Offer, together with any resulting compulsory acquisition, results in Buller becoming the owner of 100% of Pulse. If the Offer does not result in Buller becoming the owner of 100% of Pulse, the accrued interest should be paid to you shortly after the next six monthly interest payment which is expected to be paid on 2 May 2016.

- The conversion mechanism for the Pulse MCNs under a takeover offer does not take into account the value of any accrued interest. However:

- o Campbell MacPherson has informed the Independent Committee that the net present value of accrued interest over the remaining term of the Pulse MCNs has been taken into account in setting the assessed value range.
- o Buller will pay to Pulse MCN holders who accept the Offer (or whose Pulse MCNs automatically convert into Pulse Shares) the interest that accrues on the Pulse MCNs up to the date on which Buller pays for Pulse MCNs acquired under the Offer.

- As noted above, if Buller becomes the owner of 90% or more of the Pulse Shares as a result of the Offer, the Pulse MCNs will automatically convert into Pulse Shares and Buller will compulsorily acquire those Pulse Shares.

Intentions of Directors and Senior Officers in respect of the Offer

Directors

- An associate of Frank Dooley, Yelood Properties Limited, holds 10,000,000 Pulse Shares and 100,000 Pulse MCNs. That company intends to accept the Offer for all of its Pulse Shares and Pulse MCNs. Mr Dooley is not a member of the Independent Committee.

- An associate of Trevor Janes, Selenium Corporation Limited, holds 1,400,600 Pulse Shares and 600,000 Pulse MCNs. That company does not intend to accept the Offer for its Pulse Shares or Pulse MCNs. Mr Janes is a member of, and Chair of, the Independent Committee.

- James Hoseason, together with others, holds 16,666,667 Pulse Shares and 1,000,000 Pulse MCNs. Those holders do not intend to accept the Offer for their Pulse Shares or Pulse MCNs. Mr Hoseason is a member of the Independent Committee.

- Peter Young, together with others, holds 100,000 Pulse MCNs. Those holders do not intend to accept the Offer for their Pulse MCNs. Mr Young is a member of the Independent Committee.

- Joseph van Wijk, and his associates, hold 875,156 Pulse Shares. Those holders intend to accept the Offer for their Pulse Shares. Mr van Wijk is a member of the Independent Committee.

Senior Officers

- Gary Holden, Pulse's Chief Executive Officer, holds 19,247,708 Pulse Shares, 300,000 Pulse MCNs and 750,000 Pulse Options. Mr Holden intends to accept the Offer for his Pulse Shares, Pulse MCNs and Pulse Options.

- Neil Williams, Pulse's General Manager Supply and Operations, holds 750,000 Pulse Options. Mr Williams intends to accept the Offer for his Pulse Options.

- Shane Sampson, Pulse's former Chief Financial Officer,[2] holds 562,500 Pulse Shares. Mr Sampson intends to accept the Offer for all of his Pulse Shares.

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[2] Shane Sampson left his role as Chief Financial Officer of Pulse from 30 September 2015 but has been considered to be a Senior Officer of Pulse for the purposes of this Target Company Statement.

These statements of intention reflect the present intentions of Pulse's Directors and Senior Officers. However, the Directors and Senior Officers reserve their right to change their intentions – including if there was a change in circumstances or if someone makes a higher value competing takeover offer.

Timing

The Offer will close at 11.59 pm on 16 December 2015, unless extended by Buller in accordance with the Takeovers Code.

The Offer provides for payment within seven days after the later of the date Buller declares the Offer unconditional and the date that Buller receives an acceptance form. As the Offer is conditional on Buller receiving acceptances that will result in it holding 90% of Pulse Shares and 60% of Pulse MCNs, an early acceptance of the Offer may enable Pulse security holders to be paid earlier. Holding out until near the time the Offer is due to close could provide security holders with additional information on which they can base their decision.

Conclusion

The Committee will advise security holders of any material new information or changes in circumstances that arise which are relevant to the Offer by announcements to the NZX.

We thank you for your support of Pulse.

Yours faithfully
Independent Committee of Directors
Pulse Energy Limited

Trevor Janes

James Hoseason

Joseph van Wijk

Peter Young

TARGET COMPANY STATEMENT (TAKEOVERS CODE DISCLOSURES)

This Target Company Statement ("**Statement**") has been prepared by Pulse Energy Limited ("**Pulse**") pursuant to Rule 46 and Schedule 2 of the Takeovers Code in relation to a full takeover offer ("**Offer**") to be made by Buller Electricity Limited ("**Buller**"). Where any information required by Schedule 2 to the Takeovers Code is not applicable, no statement is made regarding that information.

1. DATE

1.1 This Target Company Statement is dated 26 November 2015.

2. OFFER

2.1 Buller is offering to acquire all of the fully paid ordinary shares ("**Pulse Shares**") in Pulse not already held by Buller, all of the mandatory convertible notes ("**Pulse MCNs**") and all of the options to subscribe for Pulse Shares ("**Pulse Options**"). The key terms of Buller's Offer are:

Offer Price	NZ$0.11 per Pulse Share NZ$1.10 per Pulse MCN NZ$0.05 per Pulse Option
Full Offer	The Offer is for 100% of the Pulse Shares not already held by Buller, 100% of the Pulse MCNs and 100% of the Pulse Options.
Conditions	The Offer is subject to the following conditions: 1. Buller receiving acceptances**:** (a) in respect of Pulse Shares which, on registration of the transfer of those Pulse Shares, and when taken together with Pulse Shares already held or controlled by Buller, including any Pulse Shares issued to Buller upon conversion into Pulse Shares of any Pulse MCNs acquired by Buller under the Offer (or persons acting jointly or in concert with Buller), result in Buller (or persons acting jointly or in concert with Buller) holding or controlling 90% or more of the voting rights in Pulse; and (b) in respect of the Pulse MCNs, on registration of the transfer of those Pulse MCNs, will result in Buller holding 60% or more of the Pulse MCNs; and 2. None of the Pulse MCN holders have converted, or attempted to convert, their Pulse MCNs into Pulse Shares provided that this condition will not apply to the conversion of any Pulse MCNs into Pulse Shares by Buller, after it has acquired any such Pulse MCNs under the Offer; and 3. A number of further conditions which are mechanical or customary in their nature for an offer of this kind. See clause 6.1 of

	the Offer Document.
Offer Period	The Offer is dated 13 November 2015 ("**Opening Date**") and remains open for acceptance until 11.59pm on 16 December 2015 ("**Closing Date**") (unless extended in accordance with the Takeovers Code).
Payment Date	If Pulse security holders accept the Offer on or before the Closing Date they will be paid by Buller no later than seven calendar days after the later of the date on which their acceptance is received by Buller and the date on which the Offer is declared unconditional.
Brokerage Costs	Pulse security holders will not pay any brokerage costs if they accept the Offer.

2.2 The full terms of the Offer are set out in the offer document dated 13 November 2015 ("**Offer Document**").

3. TARGET COMPANY

3.1 The name of the target company is Pulse Energy Limited (New Zealand company number 1484483).

4. DIRECTORS OF PULSE

4.1 The names of the directors of Pulse are:

(a) Francis (Frank) Thomas Dooley (Chairman);

(b) Trevor David Janes (Deputy Chairman);

(c) Joseph van Wijk;

(d) Peter William Young;

(e) Graham Arthur Naylor; and

(f) James Charles William Hoseason.

5. OWNERSHIP OF EQUITY SECURITIES OF PULSE

5.1 Schedule 1 to this Statement sets out the number, designation, and the percentage of any class of equity securities of Pulse held or controlled at the date of this Statement by:

(a) each director or senior officer of Pulse and their associates; and

(b) any other person holding or controlling 5% or more of the class of equity securities of Pulse, to the knowledge of Pulse.

Except as set out in Schedule 1, no other director or senior officer of Pulse or their associates holds or controls any class of equity securities of Pulse.

5.2 For the purposes of this Statement the Independent Committee has determined that the senior officers of Pulse are:

(a) Gary Holden (Chief Executive Officer);

(b) Rosemary Ferguson (Chief Financial Officer – appointed effective 1 October 2015);

(c) Neil Williams (GM Energy Supply and Operations); and

(d) Shane Sampson (Chief Financial Officer – departed 2 October 2015).

5.3 Schedule 2 to this Statement sets out the number and issue price of equity securities of Pulse:

(a) that have, during the two year period that ends with the date of this Statement, been issued to the directors and senior officers of Pulse or their associates; or

(b) in which the directors and senior officers of Pulse or their associates have, during the two year period that ends with the date of this Statement, obtained a beneficial interest under any employee share scheme or other remuneration arrangement.

6. TRADING IN PULSE EQUITY SECURITIES

6.1 Schedule 3 to this Statement sets out the total number and designation of equity securities of Pulse acquired or disposed of by a person referred to in clause 5.1 during the 6 month period to 25 November 2015 (being the latest practicable date before the date of this Statement), including the consideration for, and the date of, each transaction.

6.2 Except as set out in Schedule 3:

(a) no director or senior officer of Pulse or their associates; nor

(b) any other person holding or controlling 5% or more of any class of equity securities in Pulse,

has acquired or disposed of equity securities of Pulse during the 6 month period to 25 November 2015 (being the latest practicable date before the date of this Statement).

7. ACCEPTANCE OF OFFER

7.1 Frank Dooley, Joseph van Wijk, Gary Holden, Neil Williams and Shane Sampson have advised that they intend to accept the Offer in respect of all of the equity securities held or controlled by them (as set out in Schedule 1 to this Statement).

7.2 Trevor Janes, James Hoseason and Peter Young have advised that they intend to reject the Offer in respect of all of the equity securities held or controlled by them as set out in Schedule 1 to this Statement.

8. OWNERSHIP OF EQUITY SECURITIES OF BULLER

8.1 None of Pulse, the Pulse directors, senior officers or their respective associates hold or control any equity securities of Buller.

9. TRADING IN EQUITY SECURITIES OF BULLER

9.1 None of Pulse, the Pulse directors, senior officers or their respective associates have acquired or disposed of any equity securities of Buller during the 6 month period to 25 November 2015 (being the latest practicable date before the date of this Statement).

10. ARRANGEMENTS BETWEEN BULLER AND PULSE

10.1 Pulse has resolved, at the request of Buller to vary the terms of the Pulse Options to allow them to be transferred by Pulse Option holders who wish to accept the Offer to Buller as well as on compulsory acquisition of all outstanding Pulse Shares and Pulse Options. The Pulse Options are otherwise non-transferable.

10.2 The directors of Pulse have resolved, at the request of Buller, to ratify the waiver given by holders of Pulse MCNs who accept the Offer pursuant to clause 4.9(b) of the Offer Document. In addition, it has also been resolved that Pulse will not decline to register a transfer of Pulse MCNs arising due to a Pulse MCN holder accepting the Offer.

10.3 On 23 November 2015, Buller wrote to Pulse to clarify its view on the operation of clause 4.7 of the terms of the Offer contained in the Offer Document. Buller confirmed to Pulse that:

(a) in Buller's view, accrued interest on the Pulse MCNs remains payable to current Pulse MCN holders despite any automatic conversion; and

(b) it will pay accrued interest to Pulse MCN holders under clause 4.7 of the terms of the Offer.

10.4 Except as set out in paragraphs 10.1 to 10.3, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Buller or any of its associates and Pulse or any related company of Pulse, in connection with, in anticipation of, or in response to, this Offer.

11. RELATIONSHIP BETWEEN BULLER AND DIRECTORS AND SENIOR OFFICERS OF PULSE

11.1 No agreements or arrangements (whether legally enforceable or not) have been made, or are proposed to be made, between Buller or any associates of Buller, and any of the directors or senior officers of Pulse or any related company of Pulse (including particulars of any payment or other benefit proposed to be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office) in connection with, in anticipation of or in response to, the Offer.

11.2 None of the directors or senior officers of Pulse are also directors or senior officers of Buller, or any related company of Buller other than Frank Dooley and Graham Naylor who are directors of both Buller and Pulse. Peter Young was a director of Buller until 1 August 2013.

12. AGREEMENTS BETWEEN PULSE, AND DIRECTORS AND SENIOR OFFICERS

12.1 No agreements or arrangements (whether legally enforceable or not) have been made, or are proposed to be made, between Pulse or any related company of Pulse, and any of the directors or senior officers or their associates of Pulse or its related companies, under which a payment or other benefit may be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office in connection with, in anticipation of, or in response to, the Offer.

13. INTERESTS OF DIRECTORS AND SENIOR OFFICERS OF PULSE IN CONTRACTS OF BULLER OR RELATED COMPANY

13.1 Pulse and Buller are parties to a use of systems agreement for Pulse to retail electricity on the Buller network. This is an ordinary course of business contract between a retailer and distribution company that is subject to regulatory criteria.

13.2 The senior officers of Pulse are all employed by Pulse under Individual Employment Agreements, being contracts entered in the ordinary course of business of Buller or a related company of Buller (that is, Pulse) and on usual terms and conditions.

13.3 Each director of Pulse is the beneficiary of a Director Deed of Indemnity granted by Pulse entered in the ordinary course of business of Buller or a related company of Buller (that is, Pulse) and on customary terms and conditions.

13.4 Except as set out in paragraphs 13.1 to 13.3, no director or senior officer of Pulse or their associates has any interest in any contract to which Buller, or any related company of Buller, is a party.

13A. INTERESTS OF PULSE'S SUBSTANTIAL SECURITY HOLDERS IN MATERIAL CONTRACTS OF BULLER OR RELATED COMPANY

13A.1 Persons holding or controlling 5% or more of any class of equity security of Pulse, to the knowledge of the Pulse directors or senior officers, are set out in the table in Schedule One.

13A.2 To the knowledge of the directors or the senior officers of Pulse, there is no person who holds or controls 5% or more of any class of equity securities of Pulse and has an interest in any material contract to which Buller, or any related company of Buller (including Pulse) is a party.

14. ADDITIONAL INFORMATION

14.1 In the opinion of the directors of Pulse, no additional information, to the knowledge of Pulse, is required to make the information in the Offer Document correct or not misleading.

15. RECOMMENDATION

15.1 **Independent Committee**: The Pulse Board formed the Independent Committee (comprising the Directors not associated with Buller) to consider, and oversee the response to, the Offer. The members of the Independent Committee are Trevor Janes (Chairman), Joseph van Wijk, James Hoseason and Peter Young.

15.2 **Independent Adviser**: The Independent Committee appointed Campbell MacPherson to provide a report on the merits of the Offer pursuant to Rule 21 of the Code.

15.3 **Recommendation**: The Independent Committee's recommendation is contained in the covering letter to this Statement.

15.4 **Abstentions**: Frank Dooley and Graham Naylor are not members of the Committee of Independent Directors and abstain from making a recommendation in respect of the Offer. The reason for the abstentions is that Frank Dooley is a director and Chairman of Buller and Graham Naylor is a director of Buller.

16. ACTIONS OF PULSE

16.1 Pulse is on notice that Buller has entered material agreements or arrangements with Pioneer Generation Limited in connection with the Offer that could result in a reorganisation of Pulse so that its business is operated by a new limited partnership. Particulars of such arrangements are disclosed in clause 12 of the Appendix to the Offer Document.

16.2 Buller has undertaken to pay out accrued and unpaid interest on the Pulse MCNs up to and including the Payment Date, on the basis disclosed in paragraph 10.3 above.

16.3 Except as set out in paragraphs 16.1 and 16.2, there are no material agreements or arrangements (whether legally enforceable or not) of Pulse and its related companies entered into as a consequence of, in response to, or in connection with, the Offer.

16.4 Other than disclosed above, there are no negotiations underway as a consequence of, in response to, or in connection with, the Offer that relate to or could result in:

(a) an extraordinary transaction such as a merger, amalgamation, or reorganisation involving Pulse or any of its related companies; or

(b) the acquisition or disposition of material assets by Pulse or any of its related companies; or

(c) an acquisition of equity securities by, or of, Pulse or any related company of Pulse; or

(d) any material change in the equity securities on issue, or policy relating to distributions, of Pulse.

17. EQUITY SECURITIES OF PULSE

17.1 Pulse has 335,171,016 Pulse Shares on issue. The rights of holders of Pulse Shares in respect of capital, distributions and voting are as follows:

(a) the right to an equal share with other holders of Pulse Shares in dividends authorised by the Board of Pulse;

(b) the right to an equal share with other holders of Pulse Shares in the distribution of surplus assets on liquidation of Pulse; and

(c) subject to the prohibitions contained in the NZX Alternative Market Listing Rules and Pulse's constitution, the right to cast one vote on a show of hands or the right to cast one vote for each Pulse Share held on a poll, in each case at a meeting of holders of Pulse Shares on any resolution, including a resolution to:

(i) appoint or remove a director or auditor;

(ii) alter Pulse's constitution;

(iii) approve a major transaction;

(iv) approve an amalgamation of Pulse; and

(v) put Pulse into liquidation.

17.2 Pulse has 4,810,000 Pulse MCNs on issue. The rights of the holders of Pulse MCNs in respect of capital, distributions and voting are as follows:

(a) the Pulse MCNs have a face value of $1.00 per Note. On 31 October 2017 (**Maturity Date**) Pulse will convert the Pulse MCNs to Pulse Shares at the conversion share price which is the lower of $0.10 or 90% of the volume weighted average market price of Pulse Shares over the 20 business days preceding the Maturity Date;

(b) during the term of the Pulse MCNs Pulse is liable to pay interest at a rate of 10% per annum to the holders of the Pulse MCNs. Such interest is payable six monthly in arrears with the last interest payment made on 31 October 2015. Buller has undertaken that accrued interest is payable to holders of Pulse MCNs up to and including the Payment Date. Buller has given the undertakings outlined in paragraph 10.3 to facilitate payment of accrued interest to holders of Pulse MCNs.

(c) the Pulse MCNs are non-voting and unsecured ranking equally among themselves and with all other unsecured creditors of Pulse;

(d) the Pulse MCNs may be transferred prior to the Maturity Date in the same manner as if they were Pulse Shares in accordance with the constitution of Pulse and all applicable laws;

(e) upon a takeover offer being made for Pulse and a Despatch Notice being given to Pulse, a Pulse MCN holder may elect, whilst such offer is open for acceptance, to convert their Pulse MCNs to Pulse Shares. Upon a full takeover offer being made for Pulse and a Notification of Dominant Ownership being given to Pulse in accordance with the Takeovers Code, all Pulse MCNs will immediately convert to Pulse Shares. Conversion in these circumstances arises at a conversion share price of $0.10; and

(f) the Pulse Shares issued on conversion will be fully paid ordinary voting shares in Pulse, free of all encumbrances and ranking pari passu in all other respects with all other issued Pulse Shares.

17.3 Pulse has 2,825,000 Pulse Options on issue. The rights of the holders of Pulse Options in respect of capital, distributions and voting are as follows:

(a) each Pulse Option entitles an employee of Pulse to exercise the Pulse Option, and receive one new Pulse Share upon payment of the exercise price and provided the relevant exercise date has passed;

(b) the Pulse Options are non-voting;

(c) all Pulse Options on issue have an exercise price of $0.06;

(d) the exercise dates of all Pulse Options are noted in Schedule One;

(e) the number of shares to be issued or the exercise price may be varied if there is a rights issue, bonus issue or other reconstruction or issue of a new class of securities prior to the date on which the Pulse Option is exercised;

(f) the Pulse Options will lapse, if not exercised, five years following the date on which such Pulse Options became exercisable; and

(g) the Pulse Options are not transferable. However this restriction has been waived by Pulse for the purposes of Pulse Option holders accepting the Offer.

18. FINANCIAL INFORMATION

18.1 Every person to whom the Offer is made is entitled to obtain from Pulse a copy of Pulse's most recent annual report (being the annual report for the year ended 31 March 2015) from Pulse's website at http://www.pulseenergy.co.nz/, or by making a written request to:

Pulse Energy Limited
PO Box 10044
Auckland 1446
New Zealand

Fax: +64-9 378 4405
Email: customer.service@pulseenergy.co.nz

18.2 The annual report referred to at 18.1 is the most recent annual report generated for Pulse.

18.3 Pulse has released its preliminary half year result for the six months ending 30 September 2015. This is available online at http://www.pulseenergy.co.nz. In addition Pulse's unaudited condensed consolidated interim financial statements (for the six months ended 30 September 2015) have been prepared and have been sent to equity security holders with this Statement. They are also available online at http://www.pulseenergy.co.nz.

18.4 The Independent Adviser's Report contains or refers to more information about the trading performance and financial position of Pulse.

18.5 The following material circumstances since 31 March 2015 (being the balance date of Pulse's most recent annual report) have arisen:

(a) Pulse has refinanced its banking facilities with Bank of New Zealand. Buller does not guarantee these facilities as it did with Pulse's previous banking facilities with Westpac. It is a condition to the continuation of the Bank of New Zealand facilities that Buller continues to provide to Pulse a peak funding facility of up to $4.5 million;

(b) Pulse has entered into an agreement with Contact Energy to purchase contracts for difference for a significant proportion of its forecast electricity demand over the next four years; and

(c) For the six months ending 30 September 2015:

(i) Pulse's total revenue has increased by 7.7% to $59.9m from $55.6m in the prior comparable period;

(ii) Operating expenses (excluding the cost of electricity, line and meter expenses) decreased by 14.0% from the prior comparable period;

(iii) Fair value adjustments in respect of Pulse's electricity hedge contracts have resulted in a non-cash loss of $6.1m in the six month period to 30 September ($6.3m loss in the prior comparable period). This has placed Pulse into negative equity as at 30 September 2015 ($(2.7m)); and

(iv) Pulse has had positive EBITDAF of $0.3m, which is a material improvement from the negative EBITDAF of $(2.8m) in the prior comparable period.

18.6 Further information on the circumstances outlined at paragraph 18.5 can be found in Pulse's interim report referred to in paragraph 18.3.

18.7 Other than those circumstances outlined at paragraph 18.5, there have been no material changes in the financial or trading position, or prospects, of Pulse since the annual report referred to in paragraph 18.1.

18.8 Other than as set out in the annual report referred to in paragraph 18.1 and the information contained or referred to in this paragraph 18, there is no information about the assets, liabilities, profitability and financial affairs of Pulse that could reasonably be expected to be material to the making of a decision by equity security holders to accept or reject the Offer.

19. INDEPENDENT ADVICE ON MERITS OF OFFER

19.1 Campbell MacPherson Limited, as Independent Adviser, has prepared a report under Rule 21 of the Takeovers Code ("**Independent Adviser's Report**"). A full copy of the Independent Adviser's Report is set out in Appendix 1 to this Statement.

19.2 The Independent Adviser's Report includes:

(a) a statement of the qualifications and expertise of Campbell MacPherson; and

(b) a statement that Campbell MacPherson has no conflict of interest that could affect its ability to provide an unbiased report.

19A. DIFFERENT CLASSES OF SECURITIES

A report has been obtained by Buller from Northington Partners Limited under Rule 22 of the Takeovers Code concerning the fairness and reasonableness of the consideration and terms of the Offer in relation to the different classes of securities of

Pulse. A full copy of Northington Partners Limited's Report is set out in Appendix 2 to this Statement. The report was not commissioned by Pulse or the Independent Committee.

20. ASSET VALUATION

20.1 None of the information provided in this Statement refers to a valuation of any asset.

20.2 The Independent Adviser's Report refers to the valuation of certain assets of Pulse. The basis of computation and key assumptions on which those valuations are based is set out in that report.

21. PROSPECTIVE FINANCIAL INFORMATION

21.1 None of the information provided in this Statement refers to prospective financial information of Pulse.

21.2 The Independent Adviser's Report refers to prospective financial information of Pulse. The principal assumptions on which the prospective financial information is based are set out in that report.

22. SALES OF UNQUOTED EQUITY SECURITIES UNDER OFFER

22.1 The Pulse Shares that are the subject of the Offer are quoted on the NZX Alternative Market.

22.2 The Pulse MCNs and Pulse Options that are the subject of the Offer are not quoted on a stock exchange. However, Pulse has no information that any of the Pulse MCNs and Pulse Options have been disposed of in the 12 months ended 25 November 2015 (being the latest practicable date before the date on which this Statement is sent to equity security holders) other than:

(a) 1,062,500 Pulse Options which have lapsed in accordance with their terms in the 12 months ending 25 November 2015 and no consideration was payable in connection with such Pulse Options lapsing;

(b) 562,500 Pulse Options were exercised by senior officer, Shane Sampson, in October 2015 so that he received 562,500 Pulse Shares for an exercise price of $0.06 per Pulse Option; and

(c) Director James Hoseason transferred 1,000,000 Pulse MCNs from his personal name to his family trust for nil consideration.

23. MARKET PRICES OF QUOTED EQUITY SECURITIES UNDER OFFER

23.1 The closing price on the NZX Alternative Market of the Pulse Shares on:

(a) 25 November 2015, being the latest practicable working day before the date on which this Statement is sent by Pulse, was $0.105 per Pulse Share; and

(b) 29 October 2015, being the last day on which the exchange was open for business before the date on which Pulse received Buller's Takeover Notice in respect of the Offer, was $0.101 per Pulse Share.

23.2 The highest and lowest closing market price of the Pulse Shares on the NZX Alternative Market (and the relevant dates) during the 6 months before the date on which Pulse received Buller's Takeover Notice were as follows:

(a) the highest closing market price was $0.101 per Pulse Share (between 8 October – 29 October 2015); and

(b) the lowest closing market price was $0.055 per Pulse Share (2 June 2015 – 10 June 2015).

23.3 During the 6 month period referred to in paragraph 23.2 above, Pulse did not issue any equity securities or make any changes in the equity securities on issue or make any distributions which could have affected the market price of the Pulse Shares referred to above, other than the Pulse Shares issued on Pulse Option exercise.

23.4 The Pulse MCNs and the Pulse Options are not quoted on any stock exchange.

23.5 Prior to the first announcement of the potential takeover (10 September 2015) the market price of the Pulse Shares was $0.06 per Pulse Share.

23.6 Other than the information provided above, there is no additional information about the market price of the securities that would reasonably be expected to be material to the making of a decision by the offerees to accept or reject the Offer.

24. OTHER INFORMATION

24.1 Except as set out in this Statement (including the Independent Adviser's Report), there is no other information that could reasonably be expected to be material to the making of a decision by equity security holders to accept or reject the Offer.

25. APPROVAL OF THIS STATEMENT

25.1 This Target Company Statement has been unanimously approved by the Independent Committee under delegated authority from the Pulse Board.

25.2 Frank Dooley and Graham Naylor are not members of the Independent Committee and abstained from approving this Statement for the reasons set out in paragraph 15.4.

26. CERTIFICATE

26.1 To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying this Statement is, in all material respects, true and correct and not misleading, whether by omission of any information or otherwise and includes all the information required to be disclosed by the target company under the Takeovers Code.

Trevor Janes
Director

Peter Young
Director

Gary Holden
Chief Executive Officer of Pulse

Rosemary Ferguson
Chief Financial Officer of Pulse

SCHEDULE ONE: OWNERSHIP OF EQUITY SECURITIES IN PULSE (paragraph 5)[3]

Name	Number and designation of equity securities held or controlled	% of total number of equity securities of class
Senior officers and their Associates		
Gary Holden	19,247,708 Pulse Shares	5.74%
Gary Holden	300,000 Pulse MCNs	6.24%
Gary Holden	375,000 Pulse Options (Series Three) 375,000 Pulse Options (Series Five)	43.48% 43.48%
Shane Sampson	562,500 Pulse Shares	0.17%
Neil Williams	375,000 Pulse Options (Series Two) 187,500 Pulse Options (Series Three) 187,500 Pulse Options (Series Five)	82.42% 21.74% 21.74%
Directors and their Associates		
James Hoseason - Director Holder - James Hoseason, Christina Hoseason and Tryphena Trustees Limited	16,666,667 Pulse Shares	4.97%
James Hoseason - Director Holder - James Hoseason, Christina Hoseason and Tryphena Trustees Limited	1,000,000 Pulse MCNs	20.79%
Trevor Janes - Director Holder - Selenium Corporation Limited	1,400,600 Pulse Shares	0.42%
Trevor Janes - Director Holder - Selenium Corporation Limited	600,000 Pulse MCNs	12.47%
Peter Young - Director Holder - Peter William Young, Elaine Patricia Young and Hugh Simon Lindo	100,000 Pulse MCNs	2.08%
Frank Dooley - Director Holder - Yelood Properties Limited	10,000,000 Pulse Shares	2.98%
Frank Dooley - Director	100,000 Pulse MCNs	2.08%

[3] The information contained in this Schedule has been prepared based on relevant Director and Senior Officer disclosures filed at NZX, the records of Link Market Services and on responses to confirmation letters circulated to all Directors and Senior Officers after receipt of Buller's Takeover Notice in respect of the Offer.

Holder - Yelood Properties Limited		
Joseph van Wijk - Director Holder - Trinity Portfolio Limited	474,406 Pulse Shares	0.14%
Joseph van Wijk - Director Holder - Tasman Capital Limited	400,000 Pulse Shares	0.12%
Joseph van Wijk - Director Holder - Anna Mary van Wijk	250 Pulse Shares	0.00007%
Joseph van Wijk - Director Holder - Elizabeth Mary van Wijk	250 Pulse Shares	0.00007%
Joseph van Wijk - Director Holder - Mary Michelle van Wijk	250 Pulse Shares	0.00007%
Holders or controllers of more than 5% of any class of equity securities		
Pulse Shares		
Buller[4]	187, 357, 424 Pulse Shares	55.9%
Gary Holden	19,247,708 Pulse Shares	5.74%
Pulse MCNs		
Accident Compensation Corporation	400,000 Pulse MCNs	8.32%
New Zealand Permanent Trustees Limited	500,000 Pulse MCNs	10.40%
James Hoseason, Christina Hoseason and Tryphena Trustees Ltd	1,000,000 Pulse MCNs	20.79%
Selenium Corporation Limited	600,000 Pulse MCNs	12.47%
Gary Holden	300,000 Pulse MCNs	6.24%
PCKC Limited	250,000 Pulse MCNs	5.2%
Cypress Capital Limited	250,000 Pulse MCNs	5.2%
Pulse Options - Exercise Date 01/08/2013 (Series One)		
Ivan Gladushko	40,000 Pulse Options (Series One)	7.69%
Kasey-Anne Ng Chok	40,000 Pulse Options (Series One)	7.69%
Kathy Pang	40,000 Pulse Options (Series One)	7.69%
Narinder Kumar	40,000 Pulse Options (Series One)	7.69%

[4] As at close of business on 25 November 2015, Buller had received acceptances under the Offer of 4.694% of all Pulse Shares, 7.277% of all Pulse MCNs and 22.655% of all Pulse Options. These acceptances are not taken into account for the purposes of this Schedule One.

Robert Copeland	160,000 Pulse Options (Series One)	30.77%
Sean Campbell	40,000 Pulse Options (Series One)	7.69%
Sharnie Williams	80,000 Pulse Options (Series One)	15.38%
Yogesh Chand	40,000 Pulse Options (Series One)	7.69%
Pulse Options – Exercise Date 31/03/2015 (Series Two)		
Tatiana Fovel	80,000 Pulse Options (Series Two)	17.58%
Neil Williams	375,000 Pulse Options (Series Two)	82.42%
Pulse Options – Exercise Date 01/08/2015 (Series Three)		
Gary Holden	375,000 Pulse Options (Series Three)	43.48%
Neil Williams	187,500 Pulse Options (Series Three)	21.74%
Robert Copeland	80,000 Pulse Options (Series Three)	9.28%
Pulse Options – Exercise Date 16/10/2015 (Series Four)		
Christian Derrington	125,000 Pulse Options (Series Four)	100.00%
Pulse Options – Exercise Date 01/08/2016 (Series Five)		
Gary Holden	375,000 Pulse Options (Series Five)	43.48%
Neil Williams	187,500 Pulse Options (Series Five)	21.74%
Robert Copeland	80,000 Pulse Options (Series Five)	9.28%

SCHEDULE TWO: ISSUE OF EQUITY SECURITIES IN PULSE (paragraph 5)[5]

Note: this Schedule is for the 2-year period that ends with the date of this Statement, i.e. 26 November 2013 to 26 November 2015.

Name	Number and designation of equity securities	Issue price per equity security	Date of issue
Senior officers and their Associates			
Gary Holden	300,000 Pulse MCNs	$1.00 per Note	12 November 2014
	2,581,041 Pulse Shares (on exercise of Pulse Options)	$0.06 per Share	13 March 2015
Shane Sampson	375,500 Pulse Options (Series Two)	$0.06 per Option	19 August 2015
	187,500 Pulse Options (Series Three)	$0.06 per Option	19 August 2015
	187,500 Pulse Options (Series Five)	$0.06 per Option	19 August 2015
	562,500 Pulse Shares (on exercise of Series Two and Series Three Pulse Options)	$0.06 per Share	6 October 2015
Neil Williams	375,000 Pulse Options (Series Two)	$0.06 per Option	31 March 2015
	187,500 Pulse Options (Series Three)	$0.06 per Option	31 March 2015
	187,500 Pulse Options (Series Five)	$0.06 per Option	31 March 2015

Name	Number and designation of equity securities	Issue price per equity security	Date of issue
Directors and Associates			
Frank Dooley - Director Holder - Yelood Properties Limited	100,000 Pulse MCNs	$1.00 per MCN	12 November 2014
James Hoseason - Director Holder - James Hoseason, Christina Hoseason and Tryphena Trustees Limited	1,000,000 Pulse MCNs	$1.00 per MCN	12 November 2014
Trevor Janes – Director Holder - Selenium Corporation	450,000 Pulse MCNs	$1.00 per MCN	12 November 2014

[5] The information contained in this Schedule has been prepared based on relevant Director and Senior Officer disclosures filed at NZX, the records of Link Market Services and on responses to confirmation letters circulated to all Directors and Senior Officers after receipt of Buller's Takeover Notice in respect of the Offer.

Limited	150,000 Pulse MCNs	$1.00 per MCN	23 December 2014
Peter Young - Director Holder - Peter William Young, Elaine Patricia Young and Hugh Simon Lindo	100,000 Pulse MCNs	$1.00 per MCN	12 November 2014

SCHEDULE THREE: TRADING IN PULSE EQUITY SECURITIES (paragraph 6)[6]

Note: this Schedule is for the 6-month period before the latest practicable date before the date of this Statement, i.e. 25 May 2015 to 25 November 2015.

Name	**Number and designation of equity securities**	**Acquisition or disposal**	**Consideration per equity security**	**Date**
Directors, senior officers and their associates				
James Hoseason (Director) transfer to James Hoseason, Christina Hoseason and Tryphena Trustees Limited	16,666,667 Pulse Shares 1,000,000 Pulse MCNs	Transfer Transfer	N/A (gift) N/A (gift)	4 June 2015 9 October 2015
Shane Sampson	187,500 Pulse Options	Lapsed Security	N/A	6 Oct 2015

Name	**Number and designation of equity securities**	**Acquisition or disposal**	**Consideration per equity security**	**Date (Week Commencing)**
Persons holding or controlling 5% or more of any class of equity security				
Pulse Options				
Christian Derrington	250,000 Pulse Options (Series Two) 125,000 Pulse Options (Series Three)	Lapsed Security	N/A	12 October 2015 to 16 October 2015.

[6] The information contained in this Schedule has been prepared based on relevant Director and Senior Officer disclosures filed at NZX, the records of Link Market Services and on responses to confirmation letters circulated to all Directors and Senior Officers after receipt of Buller's Takeover Notice in respect of the Offer.

PULSE ENERGY LIMITED

INDEPENDENT ADVISER'S REPORT

In respect of the full Takeover Offer by Buller Electricity Limited

CAMPBELL MACPHERSON LTD

CORPORATE ADVISORS

24 November 2015

STATEMENT OF INDEPENDENCE

Campbell MacPherson 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 the report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Campbell MacPherson 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.

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GLOSSARY

ASX	Australian Securities Exchange
BNZ	Bank of New Zealand
BEPT	Buller Electric Power Trust
Buller Electricity or BEL	Buller Electricity Limited
Campbell Macpherson	Campbell MacPherson Limited
CFDs	Contract for Differences
Code	The Takeovers Code
Contact	Contact Energy Limited
DCF	Discounted cash flow
EA	Electricity Authority
EBITDAF	Earnings before net Interest, tax, depreciation, amortisation, fair value movements and other items
EDBs	Electricity Distribution Businesses
EIA 2010	Electricity Industry Act 2010
EMI	Electricity Market Information
ERAA 2008	Electricity Reform Amendment Act 2008
ESOP	Employee Share Option Plan
EV	Enterprise value
FY	Financial Year
Genesis Energy	Genesis Energy Limited
GXP	Grid Exit Points
ICP('s)	Installation Control Point(s)
ISDA	International Swaps and Derivatives Association
MCNs	Mandatory Convertible Notes issued by Pulse Energy
MEP	Meter Equipment Provider
Meridian	Meridian Energy Limited
MRP	Mighty River Power
Non-Associated Directors	Directors of Pulse Energy which are not Associated with BEL
Northington	Northington Partners Limited
Northington Report	The report prepared by Northington pursuant to Rule 22 of the Code in relation to the Offer.
NPV	Net present value
NZX	NZX Limited
NZAX	NZX Alternative Market
NZXR	NZX Regulators

Offer	A full takeover offer by BEL for all of the Shares, MCNs and Options of Pulse Energy that BEL does not currently own.
Options	The options issued by Pulse Energy and currently outstanding under the terms of it ESOP.
Orion	Orion NZ Limited
OTC	Over-the-counter
PGIL	Pioneer Generation Investment Limited
PGL	Pioneer Generation Limited
Powerco	Powerco Limited
Pulse Energy, the Company	Pulse Energy Limited
RAB	Regulatory Asset Base
Report	This Independent Adviser's Report
Trustpower	Trustpower Limited
Unison	Unison Networks Limited
Vector	Vector Limited
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
WEL	Wellington Electricity Lines Limited

1. INTRODUCTION

1.1 Background

Pulse Energy Limited (**Pulse Energy**; the **Company**) is a New Zealand listed company and independent electricity retailer offering electricity and other energy-related services to just under 55,000 customers (ICPs) across New Zealand as at 31 October 2015.

Pulse Energy is listed by NZX Limited (**NZX**) and its ordinary shares are quoted on the NZX Alternative Market (**NZAX**). The Company has 335,171,016 ordinary shares (**Shares**) on issue and a market capitalisation of approximately $34 million as at 10 November, 2015 ($0.101 per share).

The Company also has two other classes of unlisted non-voting equity securities on issue comprising 4.81 million mandatory convertible notes (**MCNs**) with a face value of $1.00 per MCN and 2,825,000 options (**Options**) issued under the terms of the Company's Employee Share Ownership Plan (**ESOP**).

The largest shareholder in Pulse Energy is Buller Electricity Limited (**BEL**), which holds 187,357,424 ordinary shares representing 55.90% of the Shares on issue. BEL does not currently own any MCNs or Options of Pulse Energy. The other substantial shareholder of Pulse Energy is the Company's CEO Gary Holden who holds 19,247,708 Shares (5.74%).

On 10 September 2015 Pulse Energy announced that BEL and a third party were in advanced talks that may involve BEL making a full cash takeover offer for the Company. On 30 October 2015 Pulse Energy received a takeover notice under the Takeovers Code (the **Code**) from its majority shareholder BEL giving notice of BEL's intention to make a full takeover offer (**Offer**) for all of the Shares, MCNs and Options of Pulse that it does not currently own. The formal Offer period commenced on the 13th November 2015 and closes on the 16th December 2015 unless extended by BEL in accordance with the Code.

BEL has entered into a funding agreement with Pioneer Generation Limited (**PGL**), (formerly the Otago Central Electric Power Board) under which PGL, via its subsidiary Pioneer Generation Investments Limited (**PGIL**), has agreed to provide funding to BEL to enable it to make the Offer and, in the event the Offer is successful, Pulse Energy and PGL intend to enter into a limited partnership, which will own the current business assets of Pulse Energy.

Pulse Energy is a Code company. The Directors of Pulse Energy who are not associated with BEL, PGL and PGIL (the **Non-associated Directors**) have engaged Campbell MacPherson Limited (**Campbell MacPherson**) to prepare an Independent Adviser's Report in accordance with Rule 21 of the Code (the **Report**). This Report provides an evaluation of the merits of the Offer.

1.2 Buller Electricity Limited

BEL is a regional lines network company based in the Buller District on the West Coast of the South Island of New Zealand. Established in 1947, the Company is owned by its power consumers via the Buller Electric Power Trust (**BEPT**). In addition to its electricity distribution operations, BEL also operates a contracting business (Electro Services Limited) that performs maintenance and capital works for the electricity lines business and provides general electrical contracting services to the local Buller community.

BEL has been an investor in Pulse Energy since 2009 and became the majority shareholder following a recapitalisation of Pulse Energy in 2011. Further information on BEL is provided in Section 6 of this Report.

1.3 Pioneer Generation Limited

PGL (formerly the Otago Central Electric Power Board) is a South Island regional electricity generator and is 100% owned by Central Lakes Trust. PGL generates over 220GWh of electricity annually from 15 sites, including hydro, wind and landfill gas. The company delivered EBITDAF of $18.1 million in the last financial year on revenues of $67.9 million.

PGL's FY15 annual report noted key drivers of its planned growth included diversifying revenue streams, within its knowledge base, to improve its investment returns, as well as adding value to its core energy products by offering a complete energy solution to customers.

PGL does not currently operate in the New Zealand mass consumer retail electricity market. PGL does not currently hold any shares in Pulse Energy.

1.4 Offer Terms and Conditions

Offer and Consideration

The Offer by BEL is a full takeover offer for all of the equity securities of Pulse Energy that it does not currently hold. BEL currently holds 187,357,424 Shares, no MCN's and no Options of Pulse. Accordingly the Offer is for:

- The remaining 147,813,592 Shares (44.10% of the voting securities) currently held by parties other than BEL.
- 4,810,000 MCNs
- 2,825,000 Options

BEL is offering cash consideration to each security holder as follows:

- $0.11 cash per Share
- $1.10 cash per MCN
- $0.05 cash per Option

As Offeror, BEL is required to obtain a report from an independent adviser pursuant to Rule 22 of the Code which certifies that, in the adviser's opinion, the consideration and terms offered for the non-voting securities (in this case the MCNs and Options) are fair and reasonable in comparison with the consideration and terms offered for voting securities (in this case the Shares) and as and between classes of non-voting securities. Northington Partners Limited (**Northington**) has prepared this report (the **Northington Report**) in accordance with Rule 22 of the Code and it is included in the Offer documents.

Conditions

The Offer is subject to the following conditions that apply during the period from 30th October 2015 to the Condition Date (being the end of the Offer period):

Key Condition	
Minimum acceptance	In respect of the Shares, BEL receiving acceptances that would result in BEL holding or controlling 90% or more of the voting rights in Pulse Energy; and In respect of the MCNs, BEL securing transfer of sufficient MCNs that would result in it holding 60% or more of the MCNs on issue.

Other Conditions	
Transfer of Options	Pulse agreeing to waive the term of the Options prohibiting their transfer.
Transfer of MCNs	Pulse agreeing that the MCNs can be transferred to BEL on acceptance of the Offer.
No conversion of MCNs	None of the MCN holders have converted, or attempted to convert, their MCNs into ordinary shares.
No dividends or distributions	No dividends, bonuses, or other payments are authorised or paid.
No issue of equity securities	No shares, convertible notes or other equity securities are issued or agreed to be issued (subject to certain exemptions).
No alteration of securities	No alteration to the rights, benefits, entitlements and restrictions attaching to any of the equity securities or financial products of the Company.
No proceedings	No legal action or other proceedings are taken against the Company or its subsidiaries.
Business as usual	Pulse Energy continues to operate in the normal and ordinary course of business.
No liquidation etc.	No liquidator, receiver, statutory manager or similar is appointed to the Company or its subsidiaries.
No resolutions	No Pulse Energy board or shareholder resolutions are passed to do or authorise any of the above acts.
No material adverse events	No material adverse events (as defined in the Offer) occur.

The Offer will only proceed if all conditions are satisfied or, to the extent permissible, are waived by BEL.

We are advised by Pulse Energy that the Non-associated Directors of the Company have resolved:

- That Pulse Energy waives, for the benefit of its relevant employees who accept the Offer made under the Offer Document, and for the purposes of that acceptance only, the term prohibiting the transfer of Pulse Energy employee share options, including any such Options that are still subject to vesting restrictions.
- That Pulse Energy agrees, for the benefit of holders of MCNs who accept the Offer made under the Offer Document, and for the purposes of that acceptance only, that Pulse Energy will not decline to register any transfer of such MCNs to BEL in accordance with its rights under the MCN terms of issue.
- That Pulse ratifies the waiver given by MCN holders who accept the Offer under the Offer Document at clause 4.9(b) of the Offer Document.

Payment of Interest Accrued on MCNs

Clause 4.7 of the Offer provides for "…any Acceptor who is the holder of MCNs will be entitled to receive all interest accruing on the MCNs up to the date on which BEL pays for such MCNs in accordance with the terms of the Offer."

On 23 November 2015, Buller wrote to Pulse to clarify its view on the operation of this clause. Buller confirmed to Pulse that in Buller's view, accrued interest on the MCNs remains payable to current MCN holders despite any automatic conversion.

This means that MCN holders who accept the Offer, and MCN holders whose MCNs automatically convert into Shares (as a result of BEL becoming the dominant owner of Pulse under the Takeovers Code), will be entitled to the interest that accrues on the MCNs up to the date on which BEL pays for the MCNs acquired under the Offer (**Payment Date**).

Based on the Offer closing date of 16 December 2015 and assuming minimum acceptance conditions are met we estimate the quantum of the accrued interest will be $0.014 per MCN. If the Offer is extended then the accrued interest amount will increase. In the event that the Offer was extended to its maximum period of a further 60 days, we estimate the quantum of the accrued interest would be $0.031 per MCN.

No Lock-up Arrangements

On 23 October 2015 Pulse Energy announced that it has been advised by BEL that BEL had determined to discontinue the process of seeking lock-up agreements from Pulse Energy security holders in respect of BEL's proposed Offer. BEL also advised that it would not enforce any lock-up agreements which it has previously received from any Pulse Energy security holder.

BEL advised Pulse that on further consideration BEL believed that all security holders should have the opportunity to review the independent adviser's report prior to making any decision whether to accept BEL's Offer.

Accordingly, no equity security holder had agreed to accept BEL's Offer prior to BEL formally making the Offer.

1.5 Takeovers Code Requirements

Rule 6 of the Code prohibits:

- A person who holds or controls less than 20% of the voting rights in a Code Company from increasing its control of voting rights beyond 20%; or
- A person holding 20% or more of the voting rights in a Code Company from increasing its control of voting rights,

unless the person complies with the exceptions to the Fundamental Rule.

One of the exceptions, set out in Rule 7(a) of the Code, enables a shareholder to increase its shareholding beyond 20% of the voting rights by making a full takeover offer for all the equity securities in the target company that it does not already hold. Rule 21 of the Code requires that the directors of the target company must obtain an Independent Adviser's Report on the merits of any takeover offer. The Independent Adviser's Report is required to accompany the Target Company Statement to be sent to all the target company's equity security holders.

1.6 Existing Waivers

Pulse Energy has the following NZX waivers in effect relating to prior transactions:

- On 16 October 2014 NZX Regulation (**NZXR**) granted a waiver to Pulse Energy from NZAX Listing Rule 9.2.1 to allow certain directors and members of the senior management team of the Company to subscribe for MCNs without requiring Pulse Energy to seek prior approval by way of an ordinary resolution of shareholders.

- On 6 November 2014 NZXR granted a waiver (subject to certain conditions) to Pulse Energy from NZAX Listing Rule 7.3.5(b)(iii) so that the Company could issue "top up shares" to BEL in accordance with Rule 7.3.5. The "top up shares" related to a condition in Pulse Energy's revised peak funding facility with BEL where, in the event Pulse Energy issues additional ordinary shares to a person, BEL would have the opportunity to subscribe for additional new shares in the Company to ensure that it retains a 50.1% shareholding in Pulse Energy.

Pulse Energy does not have any existing exemptions issued under the Takeovers Code.

1.7 Issue of the Report

The Non-associated Directors of Pulse Energy have engaged Campbell MacPherson to prepare an Independent Adviser's Report on the Offer in accordance with Rule 21 of the Code. Campbell MacPherson was approved by the Takeovers Panel on 24 September, 2015 to prepare the Independent Adviser's Report.

Campbell MacPherson issues this Report to assist the equity security holders of Pulse Energy in forming their own opinion on whether to accept the Offer. We note that each equity security holder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits of the Offer in relation to each individual equity security holder. This Report is therefore necessarily general in nature.

This Report is not to be used for any other purpose without our prior written consent.

1.8 Other

The sources of information that Campbell MacPherson has had access to and relied upon in relation to the preparation of this Report are set out in Appendix I. This Report is provided to the equity security holders of Pulse Energy subject to the statements set out in Appendix II.

References to $ relate to New Zealand dollars unless otherwise specified. References to years or financial years (**FY**) means Pulse Energy's financial year ending 31 March. Summary information and tables may not add due to rounding.

2. MERITS OF THE OFFER

2.1 Basis of Evaluation

Rule 21 of the Code requires an evaluation of the merits of the Offer. There is no legal definition of the term "merits" in New Zealand in either the Code or in any statute dealing with securities or commercial law. In the absence of an explicit definition of "merits", guidance can be taken from:

- The Takeover Panel guidance note on the role of Independent Advisers dated 7 September 2015;
- Definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transaction;
- Overseas precedents; and
- The ordinary meaning of the term "merits".

We are of the view that an assessment of the merits of the Offer should focus on the following:

- Our assessed value of 100% of the Shares in Pulse Energy, the MCNs and the Options.
- The value of the consideration offered for the Shares, the MCNs and the Options.
- Analysis of the Offer terms and conditions.
- Potential outcomes of the Offer and implications for the ownership and control of Pulse Energy.
- Other positive aspects of the Offer.
- Other negative aspects of the Offer.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analysis together could create a misleading view of the rationale underlying this opinion.

2.2 Pulse Energy Fundamentals

Pulse Energy was listed by the NZX and had its Shares quoted on the NZAX in November 2007. The Company subsequently offered existing shareholders the opportunity to acquire additional Shares at a price of $2.00 per share.

The Company has transformed itself over the past five years from a loss-making electricity smart metering company into a significant New Zealand electricity retailer with approximately 55,000 customers (ICPs) and annual revenues of around $100 million. However, shareholders have received no dividends since listing and immediately prior to the first announcement of a potential offer by BEL the Shares were trading at $0.06 per share on the NZAX.

Pulse Energy operates in an increasingly competitive New Zealand retail electricity market characterised by low margins and dominated by large "gentailers" who both generate electricity and sell it into the market via their retail brands and channels. Despite this Pulse Energy has been able to achieve significant customer growth through attractive market offerings and the Grey Power Electricity brand and affinity partnership.

An active "switching" market estimated at 200,000 ICPs annually moving between electricity retailers, together with overall natural growth in the total market of circa 20,000 per annum presents attractive ongoing opportunities for retailers such as Pulse Energy to continue to gain new customers.

We believe that Pulse Energy is at an important inflection point in its growth cycle. Due to the seasonal nature of electricity retailing and the improvements made to the business, Pulse Energy reported an EBITDAF loss of $2.8 million first half of FY15 and an EBITDAF gain of $1.7 million in the second half of FY15. Interim accounts for the first half of FY16 show positive EBITDAF of $0.3 million. Evidence from the past 18 months financial performance combined with future projections by Pulse Energy management point to the Company moving to positive operating cash flow in FY16 with the potential to grow earnings significantly as the Company targets projected customer levels of approximately 100,000 by the end of FY19.

Delivering on the Company's financial projections comes with significant risks that should not be underestimated by equity security holders. Notwithstanding this the Non-associated Directors of Pulse Energy are supportive of the Company's targets and believe they are achievable. Key drivers of future performance will include achieving customer growth targets in an increasingly competitive market at a reasonable net cost of acquisition, as well as maintaining gross margins and keeping costs at or below projected levels.

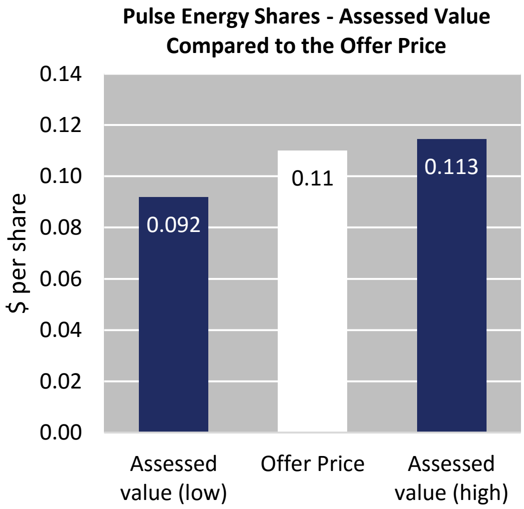
Key Pulse Energy historic metrics are shown below.

Pulse Energy - Key Metrics			
	FY13	FY14	FY15
Customers (ICP Count)	32184	47449	54773
Total Revenue ($M)	$69.8	$74.1	$101.8
EBITDAF ($M)	$0.63	-$2.92	-$1.07
Dividend Payout per Share	-	-	-
Average annual VWAP ($ per share)	0.068	0.069	0.069

2.3 Pricing and Valuation

Assessed Value of the Shares

Campbell MacPherson has assessed the value of Pulse Energy's shares to be in the range of $0.092 to $0.113 per Share, as set out in Section 5. Our assessed value range is inclusive of a premium for control and therefore reflects the value of 100% of the Company. In the absence of a takeover offer for 100% of the Company, we would not expect Pulse Energy's traded share price for a minority parcel of shares to reflect this valuation.

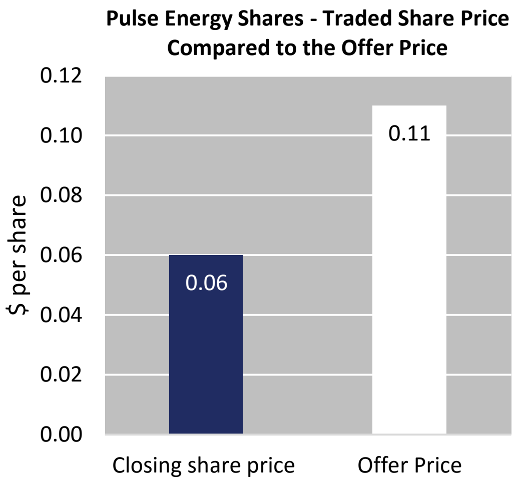


Our assessed value range for Pulse Energy is based on the DCF methodology and therefore captures the Company's strategic future growth plans through to FY19 and the associated projected growth in the Company's earnings over that period.

BEL will maintain the future benefit of the tax losses of Pulse Energy and our valuation of Pulse Energy reflects this. We note that the benefit of these tax losses would not be available to other offerors holding less than 49% of the Company and attempting a full takeover.

The cash consideration offered by BEL of $0.110 per share falls within our assessed valuation range for Pulse Energy and is above the midpoint ($0.103) of our assessed range.

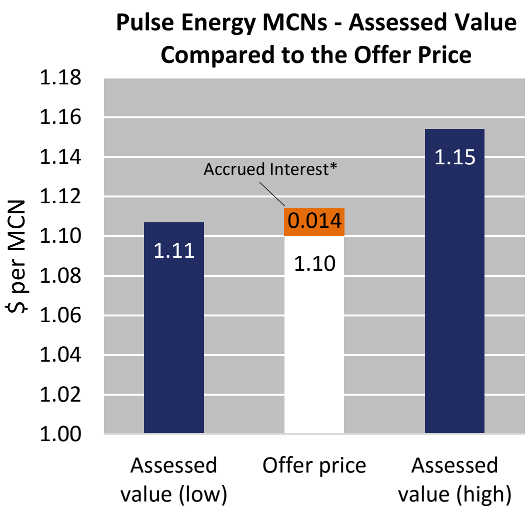
Implied Premium to the Traded Share Price



Pulse Energy's traded share price naturally incorporates a minority discount, reflecting the lack of control inherent in a minority shareholding. When 100% of a company is acquired, the purchaser will typically pay a premium to the traded share price, reflecting the full value of the company. Furthermore, in the case of Pulse Energy, it is unlikely that the observed share price fully reflects the market value of the Company given its low level of liquidity.

Prior to the announcement of a potential takeover offer, Pulse Energy's closing share price was $0.06 per share. The Offer price of $0.110 per share therefore reflects a premium of approximately 83% to the Company's traded share price.

Assessed Value of the MCNs



* assuming payment 7 days after Offer closing date of 16 December 2015.

Campbell MacPherson has assessed the value of the MCNs to be in the range of $1.11 to $1.15 per MCN, as set out in Section 5.

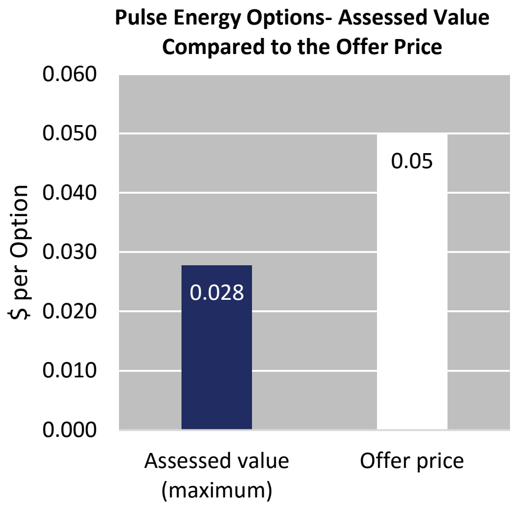
Our assessed value range reflects the value of the future economic benefits associated with the MCNs assuming they are able to be held until maturity (i.e. in the absence of a takeover offer). We note that in the event of a successful takeover offer, the value received for the MCN's will be directly related to the Offer price for the Shares (as set out in the Northington Report) plus the value of any accrued interest on the MCNs. Assuming the minimum acceptance conditions are met and payment of the accrued interest occurs seven days after the current closing date of the Offer, this would equate to a further payment of $0.014 per MCN as shown above.

Based on the analysis above, the cash consideration offered by BEL of $1.10 per MCN + accrued interest falls within (but at the lower end) of our assessed valuation range of $1.11 to $1.15 and is below the midpoint of our valuation range of $1.13 per MCN.

Assessed Value of the Options

Campbell MacPherson has assessed the collective value of the Options to be in the range of $0.06 million to $0.07 million. As summarised in Section 4, there are a number of different classes of Options outstanding, with different early exercise and expiration dates. Our assessed valuation of the Options therefore varies between classes, with a maximum value of $0.028 per Option.

Our assessed value range reflects the value of the potential future economic benefits associated with the Options assuming they are able to be held until maturity.



The cash consideration offered by BEL of $0.05 per Option is significantly above our assessed value of all of the classes of Options outstanding.

2.4 Potential Synergies

The 55.9% shareholding held by BEL in Pulse Energy has an implied equity value of $19 million (based on the Offer) and is therefore a significant investment in relation to BEL's total group assets of $55.2 million as at 31 March 2015.

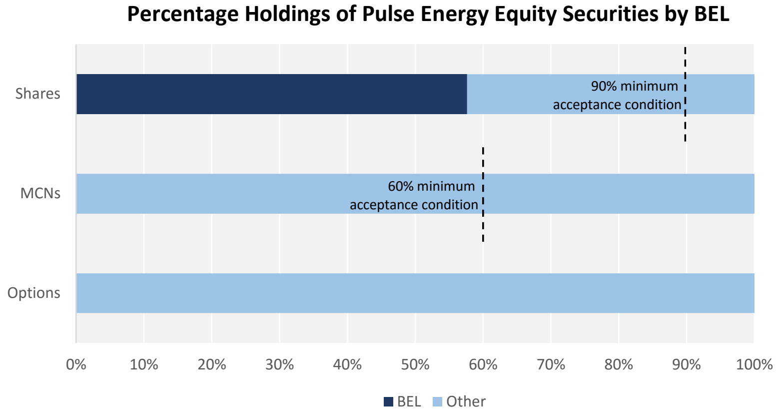
Pulse Energy is an electricity retailer based in Auckland and BEL is predominantly a lines company based in Westport owned by a local consumer trust. Therefore there are no obvious synergies available to BEL other than reducing costs by delisting from the NZAX, reduced shareholder reporting and potentially a smaller governance structure (unless BEL intends to merge back office support functions post the takeover bid). These administration and governance savings could potentially amount to $100,000 - $200,000 per annum.

There is unlikely to be savings from any regulatory benefits to the merged company as both electricity retailers and lines companies are governed by the Electricity Industry Act and the Electricity Industry Participation Code. As an EDB, BEL is regulated by the Electricity Authority under section 42 of the EIA 2010 with particular responsibility for monitoring tariff structures. The Commerce Commission will also continue to play a role in determining the Default Price-Quality Path.

Following the takeover offer, if successful BEL has advised of its intention to form a joint venture company with PGL. PGL is predominantly an electricity generator, operating hydro and wind power stations in Otago and Southland. The proposed joint ownership of Pulse Energy by BEL and Pioneer may create synergies through changes in demand management and supply-side gains from backward integration with a small generator.

2.5 Potential Outcomes of the Offer

The Offer terms and conditions are relatively straightforward, with BEL offering cash consideration for all Pulse Energy equity securities on issue that it does not already hold. However, as noted in Section 1.4, the Offer has minimum acceptance conditions for the both the Shares (90%) and MCNs (60%) which add complexity to the overall Offer and its potential outcomes. The graph below summarises the current percentage ownership of BEL in the various equity securities of Pulse Energy compared against the minimum acceptance conditions for the Shares and the MCNs.



Francis Dooley, is a Director and Chairman of Pulse Energy and a Director and Chairman of BEL. Under Section 4(2) of the Code, a director of a company is not an associate of that company merely because he or she is a director of that company. Mr Dooley (through his 100% ownership of Yelood Properties Limited) holds 10,000,000 Shares in Pulse Energy representing 2.98% of the Shares on issue and 100,000 MCNs, representing 2.08% of the MCNs.

Potential Outcomes

Due to the minimum acceptance condition of the Offer, as well as a number of the other Offer conditions, and given BEL's rights to waive many of these conditions at its sole discretion, there are a range of potential outcomes of the Offer. These potential outcomes are discussed further below. The implications of BEL reaching key ownership thresholds in the Company are set out in Section 2.6, including the implications for BEL completing a full takeover of 100% of Pulse Energy's equity securities.

We note that, in the event that the Offer does not become unconditional then the Offer will lapse and all accepting security holders will be released from their obligations under the Offer.

Outcome	Commentary
BEL secures 90% or more of the Shares and 60% or more of the MCNs	In the event that BEL secures 90% or more of the Shares and 60% or more of the MCNs, then in accordance with the terms of the MCNs, any outstanding MCNs which are not acquired under the Offer will automatically convert into Shares, and BEL would subsequently enact the compulsory acquisition provisions under the Code and move to compulsory acquire 100% of the equity securities outstanding on the compulsory acquisition date (i.e. any remaining Shares and Options). Under the terms of the ESOP, Option holders are entitled to exercise their Options within 15 business days after the date on which BEL receives acceptances for 90% of the Shares and declares the Offer unconditional. If not exercised within 15 business days of this date, the Options lapse. It is therefore possible that the Options may lapse prior to BEL compulsorily acquiring the Options.

BEL secures 90% or more of the Shares but less than 60% of the MCNs	In the event that BEL secures 90% or more of the Shares but less than 60% of the MCNs then it can elect to: (i). Allow its Offer to lapse; or, (ii). Increase its Offer price for the MCNs and extend the Offer period accordingly; or, (iii). Waive the 60% MCN threshold condition and enact the compulsory acquisition provisions under the Code and move to acquire 100% all of the remaining equity securities in the Company.
BEL secures less than 90% of the Shares but 60% or more of the MCNs	In the event that BEL secures less than 90% of the Shares but more than 60% of the MCNs then it can elect to: (i). Allow its Offer to lapse; or, (ii). Increase its Offer price for the Shares; or, (iii). Waive the 90% minimum acceptance condition for the Shares. In the event that BEL proceeded with option (iii) then it would be entitled to retain all of the Shares, MCNs and Options for which it had received acceptances. It could also launch a new takeover offer at any time thereafter should it wish to do so, at any price. Any security holders who accept the current Offer would not receive the benefit of any price uplift resulting from any future offer.
BEL secures less than 90% of the Shares and less than 60% of the MCNs	In the event that BEL secures less than 90% of the Shares and less than 60% of the MCNs then it can elect to: (i). Allow its Offer to lapse; or, (ii). Increase its Offer price for the Shares and/or the MCNs; or, (iii). Waive the 90% minimum acceptance condition for the Shares and waive the 60% minimum acceptance condition for the MCNs. In the event that BEL proceeded with option (iii) then it would be entitled to retain all of the Shares, MCNs and Options for which it had received acceptances. It could also launch a new takeover offer at any time thereafter should it wish to do so, at any price. Any security holders who accept the current Offer will not receive the benefit of any price uplift resulting from any future offer.
A third party makes a competing takeover offer	It is possible that another party could make a competing takeover offer for Pulse Energy's equity securities during the Offer period. Any equity security holders who have already accepted the Offer from BEL cannot accept any other offer unless or until BEL's Offer lapses. Equity security holders who have not accepted the Offer from BEL would be able to accept (or reject) any competing offer.

Minimum Acceptance Condition for the Shares

The 90% minimum acceptance condition for the Shares has been set at this level by BEL since a holder of 90% or more of the voting securities of a company is able to enact the compulsory acquisition provisions under the Code and move to compulsorily acquire 100% of all of the remaining equity securities outstanding on the compulsory acquisition date.

As BEL already holds 55.90% of the Pulse Energy shares, it will require acceptances from shareholders holding a further 34.10% of the current shares on issue (114,296,491 Shares) in order to reach the 90% threshold. The likelihood of BEL reaching its 90% minimum acceptance threshold is likely to be significantly influenced by the participation of the next largest shareholders in Pulse Energy. The major shareholders of Pulse Energy are shown below:

Shareholder	% Shares
BEL	55.90%
Gary Holden	5.74%
Hoseason Family Trust	4.97%

We note that, in the event that the next two largest shareholders of Pulse Energy both declined to accept the Offer, the 90% minimum acceptance condition would not be met. Shareholders may therefore wish to track the acceptance or rejection of the Offer by these two shareholders prior to making their own decision. Any shareholders contemplating this strategy need to be cognisant of the potential dangers of doing so given the risk that the largest shareholders could conceivably decide to accept on the last day of the offer and so tracking shareholders may not find out in time.

Minimum Acceptance Condition for MCNs

We are unclear as to why BEL has set the minimum acceptance level for the MCNs at 60%. Pulse Energy's legal advice is that, provided BEL reaches the 90% minimum acceptance condition for the shares, it becomes the dominant owner and would retain its compulsory acquisition rights even if it was subsequently diluted below 90%.

One of the conditions of the Offer is that none of the MCN holders have converted, or attempted to convert, their MCNs into ordinary shares. However, MCN holders are under no obligation to accept this constraint and if one or more MCN holders chose to convert then BEL would be forced to waive the condition or let the Offer lapse.

MCN holders may therefore be able to influence the outcome of the Offer for both the Shares and/or the MCNs depending on their individual decisions to accept or decline the Offer or to exercise their right to convert their MCNs during the Offer period. In the event that all MCN holders chose to convert their MCNs into 48.1 million new ordinary shares at the capped rate of 10c per share (pursuant to the conversion terms in the event of a takeover offer) then these shares would represent approximately 12.5% of the total voting securities on issue.

As BEL does not currently hold any MCNs directly, it will need to acquire 60% of the current MCNs on issue (i.e. 2,886,000 MCNs) in order to reach the 60% threshold. BEL's ability to reach the 60% minimum acceptance threshold for the MCN's will depend on the support of all MCNs holders, but more particularly those with the largest holdings as shown below.

MCN Holder	% MCNs
Hoseason Family Trust	20.79%
New Zealand Permanent Trustees Limited	14.55%
Selenium Corporation Limited	12.47%

In the event that the three largest MCN holders of Pulse Energy declined to accept the Offer, the 60% minimum acceptance condition would not be met. However, provided BEL secure acceptances for Shares sufficient to enable it to sustain or exceed its 90% minimum acceptance condition then BEL will be entitled to acquire all of the MCN's under the compulsory acquisition provisions of the Code.

We note that, contrary to BEL's anticipated position referred to in the Northington Report, BEL has subsequently decided not to include a condition in its Offer requiring a waiver by Pulse Energy in relation to the automatic conversion of the MCNs to Shares in the event that BEL becomes the dominant owner of Pulse Energy. As described in Section 4.2 the MCNs will automatically convert into ordinary shares if BEL becomes the dominant owner of Pulse Energy. Dominant ownership in this context means becoming the holder or controller of 90% or more of the voting rights in Pulse Energy. The Offer has been carefully structured so that, in the event BEL receives acceptances for 90% of more of the Shares, dominant ownership will still not pass to BEL until such time as it pays for those Shares. Under Clause 2.2 of the Offer Document BEL has 7 calendar days after the later of:

- the date on which that Acceptors acceptance is received by BEL; and,
- the date on which the Offer becomes unconditional,

to pay the consideration for the relevant securities. This provides BEL with a window of opportunity to settle the purchase of the MCNs (and pay the accrued interest) prior to their automatic conversion.

We note that, under Rule 24C of the Code, the Offer period will extend automatically for 14 days if a minimum acceptance condition is satisfied or waived.

No Minimum Acceptance Condition for the Options

Whilst BEL has not included any minimum acceptance condition in respect of the Options we note that, in the event that it secures 90% or more of the Shares then it can move to compulsorily acquire the Options. As set out above, under the terms of the ESOP, Option holders are entitled to exercise their Options within 15 business days after the date on which BEL receives acceptances of 90% and declares the Offer unconditional. If not exercised within 15 business days of this date, the Options Lapse. It is therefore possible that the Options may lapse prior to BEL compulsorily acquiring the Options.

2.6 Implications of Increasing BEL Ownership in Pulse Energy

Subject to the success or otherwise of the Offer it is likely that BEL will hold between 55.90% (i.e. its current position) and 90% of the voting securities of Pulse Energy or it will hold 100% of the voting securities of Pulse Energy. The key implications for equity security holders are summarised below for the following key ownership and control scenarios we anticipate could be reached by BEL as a result of the Offer, being:

Scenario 1	Full Takeover - BEL holds 100% of the voting securities
Scenario 2	BEL holds 55.90% or more, but less than 90% of the voting securities
▪ ***Scenario 2(a)***	BEL holds 75% or more, but less than 90% of the voting securities
▪ ***Scenario 2(b)***	BEL holds 55.90% or more, but less than 75% of the voting securities

Scenario 1 - BEL Acquires 100% of the Voting Securities

In the event that BEL secures 100% of the voting securities of Pulse Energy (i.e. its full takeover offer is successful) then it has indicated that it will request NZXR that the Company be delisted from the NZAX.

BEL has disclosed in its Offer that, under the terms of its agreement with PGL, that following the delisting of Pulse Energy, the assets of the Company will be sold for $42,650,000 to a Limited Partnership (**LP**) which will be owned by Pulse Energy (49%) and PGIL (51%) as limited partners. The LP would continue to carry on the business activities presently carried on by Pulse Energy. The proceeds of $42.65 million from the asset sale will be passed from Pulse Energy to BEL and would be used by BEL to repay the advance provided to it by PGL and to capitalise its 49% share in the LP.

BEL has also indicated in its Offer that it has no present intention that it (or the LP) will make any material change to the business activities, material assets or capital structure of Pulse Energy except as described above. However, BEL reserves the right for itself or the LP to make any such changes in the future.

Scenario 2 - BEL Acquires 55.90% or more, but less than 90% of the Voting Securities

In response to an enquiry by the Non-associated Directors of Pulse Energy, BEL has advised the Company that, in the event it waives the 90% minimum acceptance condition and proceeds to complete the takeover, leaving it with a shareholding which is below the 90% compulsory acquisition threshold, that it has no fixed or final position on matters such as:

(a) Board composition.
(b) Future dividend policy.
(c) Strategy/any changes in strategic direction.
(d) Future growth, business opportunities and funding.
(e) The continuation of Pulse Energy's listing on the NZAX.
(f) Future capital requirements.
(g) Any arrangements between Pulse Energy and BEL.
(h) The continuation of the debt financing that BEL currently provides to Pulse Energy.

BEL has advised that all such matters would be discussed and reviewed by the Pulse Energy Board in accordance with best governance practice. It is therefore unclear how remaining minority security holders might be affected by BEL's plans for Pulse Energy nor what the value implications might be for the Company in the near or longer term.

We note that, under the "creep" provisions of the Takeovers Code BEL would be entitled, following a 12 month period after the Offer, to acquire up to an additional 5% shareholding per annum in Pulse Energy without the need to make a further takeover offer.

Scenario 2(a) - BEL Acquires 75% or more, but less than 90% of the Voting Securities

This scenario is a subset of the scenario 2 and therefore all of our comments under that scenario are relevant together with the following additional comments.

In the event BEL secures 75% or more of the voting securities, but less than 90% of the voting securities, it would have sufficient voting rights to pass special resolutions of Pulse Energy shareholders. This would materially increase BEL's control of the Company beyond its current majority position.

We note that, even with a shareholding of less than 75%, BEL may be able to pass a special resolution depending on the number of Pulse Energy Shareholders who elect to exercise their vote on a given resolution (since the passing of a special resolution requires that 75% of the shareholders who are eligible to vote *and voting* choose to vote in favour of the resolution).

The typical powers that can be exercised by a special resolution of shareholders include:

- adopting, altering or revoking the company's constitution;
- approval of a major transaction;
- approval of an amalgamation; and
- placing the company into liquidation.

A major transaction could include, for example, the same transaction as contemplated by BEL in the event that the Offer is successful (i.e. the sale of Pulse Energy's assets to the LP). However, we note that, provided Pulse Energy remains listed on the NZAX, it will be required to continue to comply with the NZX Listing Rules including Rule 9.2 relating to Material Transactions with Related Parties.

Regardless of whether it is NZAX listed or not it will also be required to comply with the provisions of the Companies Act, including Section 129 in relation to major transactions and Section 109 and 110 in relation to minority buyout rights.

As discussed in the previous Section, BEL has advised that key matters would be discussed and reviewed by the Pulse Energy Board in accordance with best governance practice.

Scenario 2(b) - BEL Acquires 55.90% or more, but less than 75% of the Voting Securities

This scenario is a subset of Scenario 2 and therefore all of our comments under that scenario are relevant together with the following additional comments.

BEL currently holds 55.90% of the voting securities in Pulse Energy. Therefore, regardless of the outcome of the Offer it will remain a majority shareholder in the Company and will be able to block or pass ordinary resolutions of the Company's shareholders.

In the event that BEL increases its holding of the voting securities of Pulse Energy above its current level of 55.90% (but remains below 75%) it is unlikely that it will be able to materially increase its control of the Company until such time as it approaches the 75% threshold. The closer BEL gets to the 75% threshold the more likely that, even with a shareholding of less than 75%, it may be able to pass a special resolution depending on the number of Pulse Energy Shareholders who elect to exercise their vote on any given resolution.

2.7 Other Factors for Equity Security Holders to Consider

Likelihood of BEL increasing its Offer Price

BEL's ability to reach the 90% minimum acceptance threshold for Pulse Energy shares is, in our view, likely to be critical to the success or failure of the Offer. As noted above, once, this level of acceptance has been achieved BEL can move to compulsorily acquire all of the remaining Shares, MCNs and Options it does not already hold.

In the event that BEL does not reach the 90% minimum acceptance threshold for Pulse Energy shares then BEL (presumably in consultation with PGL) will need to make a decision on whether to extend the Offer, increase its Offer price or pursue other options available to it.

We note that BEL has disclosed that its plan for Pulse Energy is to acquire all of the equity securities then delist the Company and sell its assets into a JV with PGL. In our view this plan is likely to be more difficult to execute in the event that BEL does not secure all of Pulse Energy's equity securities. We therefore consider that, subject to the level of acceptances received for the Shares, it is possible that BEL may increase its Offer price for the Shares, or may make a further takeover offer at a higher price in the future, in order to ensure it reaches the 90% minimum acceptance threshold. Given that there is some commonality of ownership between Shareholders, MCN holders and/or Option holders it is possible that, in the same circumstances, BEL may increase its Offer price for the MCNs and/or the Options, or may make a further takeover offer at a higher price for these equity securities in the future.

An Alternative Offer is Unlikely

In our view the likelihood of a competing offer during the Offer period is low. BEL already holds a majority equity stake in the Company and a BEL representative on the Pulse Energy Board chairs its Board of Directors. Therefore any takeover offer from a third party would need to be accepted by BEL in order to be successful. We understand that BEL had discussions with a number of parties interested in investing in/acquiring Pulse Energy, the result of which was the agreement between BEL and PGL to launch the current Offer.

Opportunity to Exit

As noted in Section 2.3, the Offer of $0.11 per Share provides an opportunity for those shareholders wishing to exit their investment in the Company to do so at a significant premium to the traded price of $0.06 per share immediately prior to the announcement on 10 September 2015 regarding the potential takeover offer by BEL.

We note that Pulse shares were already highly illiquid prior to the Offer and any further increase in BELs shareholding has the potential to decrease the free float of available shares and may further exacerbate the lack of liquidity in the stock in the future.

As at 10 November 2015 the last traded share price for Pulse Energy shares was $0.101 per share. We note that, in the event the Offer fails it is likely that the traded share price will fall back to a level closer to the traded price prior to the 10 September 2015 announcement date.

2.8 Conclusions on the Merits of the Offer

In our view there are a range of key issues that the equity security holders of Pulse Energy should give consideration to before making a decision on whether to accept or reject the BEL Offer. These issues are summarised below.

Pulse Energy Ordinary Shareholders

- Our valuation range for Pulse Energy is $0.092 to $0.113 per share, with a mid-point of $0.103 per share. This valuation range represents our view on the value of 100% of the Company and we would not expect minority parcels of shares to trade in this value range in the absence of a full takeover offer. The valuation range is also inclusive of the value of tax loss benefits currently held by Pulse Energy. These benefits may not be available in the event of any other competing takeover offer.
- The Offer price for the Shares of $0.110 per share is within our valuation range and above our mid-point of $0.103 per share.

- The Offer price for the shares represents a premium of 83% to the share price immediately prior to the 10 September announcement, and a 66% premium to the 12 month VWAP of $0.0662 per share prior to 10 September 2015.
- The Offer is payable in cash.
- Pulse Energy has not paid a dividend since listing on the NZAX in 2007. Since that time the Company has raised approximately $30 million from investors and has continued to report operating losses.
- Pulse Energy shares are listed on the NZAX but share trading is illiquid. The Offer therefore provides an opportunity for Pulse Energy shareholders to exit.
- In the event that Pulse Energy executes its business plan and delivers on the projections used as a basis for our valuation of the Company then it can be expected that the value of Pulse Energy will increase above our current valuation range in the future. Those shareholders with a longer-term investment horizon may therefore wish to remain as minority shareholders in order to retain exposure to this potential increase in value.
- Pulse appears to be at a critical junction in its growth cycle as it transitions into profitability. We note, however, that Pulse Energy may outperform or underperform on the projections used in our valuation and this could have a material positive or negative impact on the future value of the Company's shares. In our view there is significant execution risk in the Pulse Energy growth projections and this has been factored into the discount rate we have applied to the Company's projected cash flows.
- BEL already holds a majority ownership position and has been the key cornerstone funder and guarantor of debt facilities for Pulse Energy since 2011. BEL's majority ownership limits the likelihood of alternative takeover offers for Pulse Energy as they would require BEL's approval in order to succeed.
- The key condition of the Offer is the minimum acceptance condition of 90% for the Shares. Once BEL reaches 90% acceptance for the Shares it will be able to enact the compulsory acquisition provisions of the Takeovers Code and acquire all of the remaining Shares, MCNs and Options and proceed to 100% ownership of Pulse Energy.
- In the event that BEL ultimately declares the Offer unconditional and subsequently holds less than 90% of the Pulse Energy voting securities, then it is possible that BEL will increase its voting control in the Company.
- The large gentailers are able to leverage their ownership of the generation part of the value chain, economies of scale and incumbent position and continue to dominate the retail electricity market, collectively holding more than 90% share (see Section 3.6).
- The New Zealand retail electricity market has evolved over the past five years to reduce complexity, cost and entry barriers for new entrants such as Pulse Energy. As a result the market is becoming more competitive with a broader range of product offerings and increased switching by customers between retail electricity providers. This is likely to present both risks and opportunities for Pulse Energy and its equity security holders in the future.

Pulse Energy MCN Holders

- Our valuation range for the MCNs is $1.11 to $1.15 per MCN, with a mid-point of $1.13.
- The Offer price for the MCNs of $1.10 per MCN + any accrued interest up until the Payment Date. Assuming the Payment Date is 7 days after the current closing date of the Offer, then the accrued interest component would equate to $0.014 per MCN, giving a total consideration offered to MCN holders of $1.114 per MCN. This lies just within our valuation range but is below our mid-point of $1.13 per MCN.
- It is possible that additional MCN interest may accrue in the event that the Offer is extended. We estimate that the maximum accrued interest could be up to $0.031 per MCN (in the event that the Offer went unconditional and was extended by 60 days). Under this scenario the total payment to MCN holders could be up to approximately $1.13 per MCN (including accrued interest). In our view early acceptance of the offer would not be in the best interests of MCN holders.
- The Offer is payable in cash.
- A condition of the Offer is the BEL receives transfers for at least 60% of the MCNs. Based on legal advice received by Pulse Energy it is unclear to us why the threshold has been set at this level.
- Whilst MCN holders may elect to accept the Offer for their securities, we note that the MCNs will automatically convert into ordinary shares if BEL becomes the holder or controller of 90% or more of the Shares in Pulse Energy.
- During the period when a takeover offer is open for acceptance, a MCN holder may elect to convert their MCNs into ordinary shares in Pulse Energy. Legal advice received by Pulse Energy has confirmed that, in the case of a takeover, the price cap of NZ$0.10 should be used for calculating the number of ordinary shares issued to MCN holders (i.e. each MCN is converted into 10 ordinary shares).
- MCN holders may be able to influence the outcome of the Offer for both the Shares and/or the MCNs depending on their individual decisions to accept or decline the Offer or to exercise their right to convert their MCNs during the Offer period. In the event that all MCN holders chose to convert their MCNs into 48.1 million new ordinary shares then these shares would represent 12.5% of the total voting securities on issue.
- In the event that BEL ultimately declares the Offer unconditional and subsequently holds less than 90% of the Pulse Energy voting securities, the rights of MCN holders who have not taken any action during the Offer period will remain unchanged.

Pulse Energy Option Holders

- The Offer price for the Options of $0.05 per Option is significantly higher than our assessed value ranges for all of the classes of Options on issue. Our assessed value of the Options varies between classes, with a maximum value of $0.028 per Option.
- All unexercised Options lapse 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 Energy.
- Given the relatively small number of Options on issue relative to the number of Shares, the actions of Option holders are expected to have little impact on the outcome of the Offer.

2.9 Acceptance or Rejection of the Offer

The closing date of the Offer is 16 December 2015. This date could be extended by BEL for a maximum of a further 60 days by giving no less than 14 days' notice. Not accepting the Offer or waiting until near the time the Offer lapses could potentially result in an increase in the Offer price for some or all of the equity securities. However, there is no certainty that the Offer price will be increased. Equity security holders that accept the Offer will receive the benefit of any increase in the Offer price for those securities which they held and for which the Offer price is increased, regardless of when they accept the Offer.

In the event that BEL does not complete a full takeover of Pulse Energy, and makes a subsequent offer for Pulse Energy at a higher price, any security holders who accept the current Offer may not receive the benefit of any price uplift resulting from any subsequent offer.

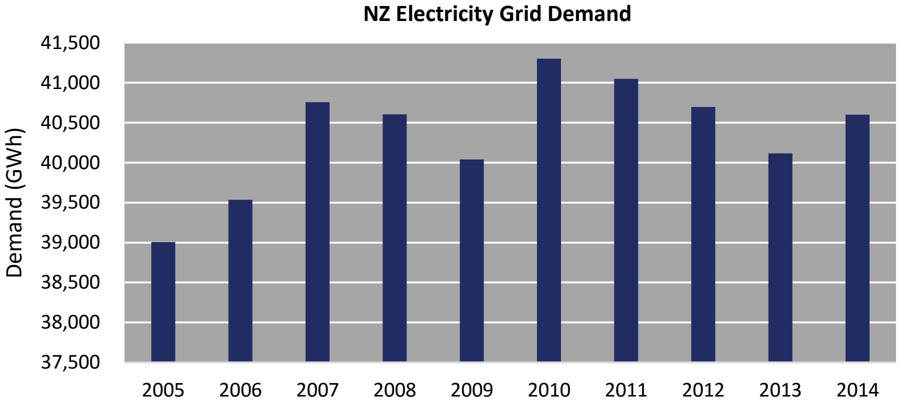
Acceptance or rejection of the Offer is a matter for individual equity security holders based on their own views regarding the value and other merits of the Offer as well as their views on future market conditions, risk profile, liquidity preferences, portfolio strategy, tax position and other relevant factors. Equity security holders will need to consider all of these factors and, if appropriate, consult their own professional adviser.

3. ELECTRICITY INDUSTRY OVERVIEW

3.1 Overview of the New Zealand Electricity Industry

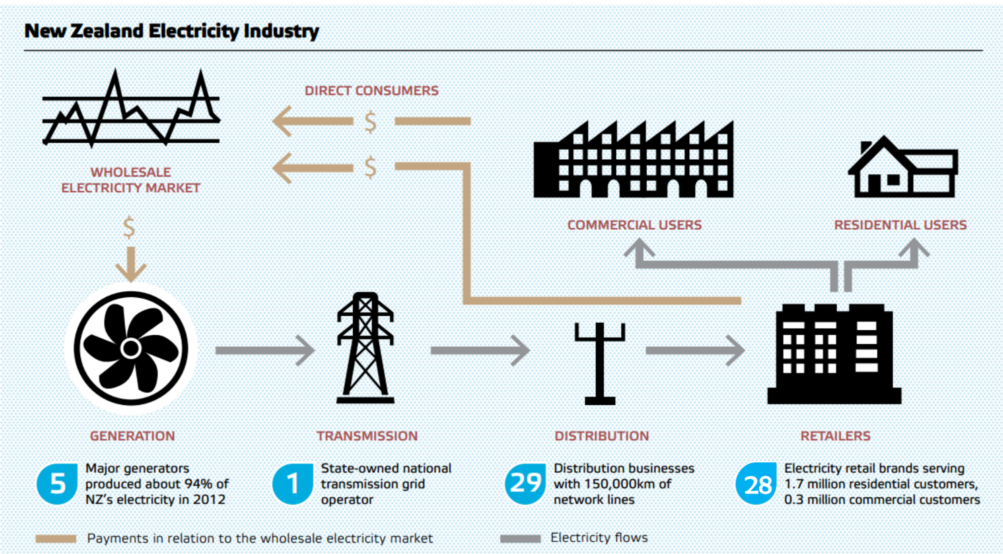
The New Zealand electricity sector has undergone significant structural and regulatory reform over the past 30 years which has been well documented. Until 1987, New Zealand had a centrally run system of providers of generation, transmission, distribution and retailing of electricity. Since then a step by step process of industry reform has led to the separation of the monopoly elements of the sector from the contestable elements to create competitive markets in energy generation and electricity retailing, whilst imposing regulation on the natural monopolies of transmission and distribution.

Long term electricity demand across all sectors of the economy is generally strongly correlated to GDP growth. Temporary factors such as weather conditions have a strong impact on demand in the short term but longer term demand is driven by GDP and price levels. After demand steadily declined in the period 2010 to 2013 aggregate electricity demand increased by 1.2% in 2014 and has continued to increase in early 2015. The Electricity Market Information (EMI) website notes that the absolute market has grown by over 20,000 new sites in the past year.



Source EMI

The commercial electricity market can be divided into four key sub-sectors, generation, transmission, distribution and retail as shown below.



Source: Amended from Mighty River Power Investment Statement and Prospectus, April 2013

3.2 Market Supervision and Administration/Regulatory Environment

New Zealand's electricity market is regulated by the Electricity Industry Participation Code **(EIPC**) administered by the Electricity Authority **(EA**) who acts as market regulator. The EA was established in November 2010 to replace the Electricity Commission as one of a number of changes introduced under the Electricity Industry Act 2010 (**EIA 2010**).

The overall objective of the EA is to promote competition, reliable supply and the efficient operation of the electricity industry for the long term benefit of New Zealand consumers. In pursuing this objective the key functions performed by the EA include registering industry participants, developing and administering the Electricity Industry Participation Code 2010, monitoring and enforcing compliance, facilitating market performance and monitoring sector performance and promoting consumer switching. Whilst the EA is ultimately held responsible for the running of the electricity market it contracts out the services to run the electricity market itself which operates at a wholesale level in a spot market.

The NZX is contracted by the EA to provide three distinct services for the absolute functioning of the market comprising:

- pricing - including calculating and publishing the prices at which market transactions are settled;
- clearing - ensuring wholesale participants pay and are paid; and
- managing the Wholesale Information and Trading System (**WITS**).

All electricity derivative hedging is conducted outside the physical energy clearing market managed by the NZX. However, NZX also supervises and manages the prudential cash or guarantee payments required under the clearing system to cover the credit risk that the NZX has with wholesale market participants. Parties with an acceptable credit rating (Standard and Poors equivalent of A-) do not need to provide prudential security.

Subsequent to the significant structural change brought about by the EIA 2010, a variety of further incremental regulatory modifications have come into effect. The most significant changes in the past two years have been the new prudential regime and the switch/save protection legislation.

Under the new prudential rules the prudential support calculation is now based on between 39 and 70 days of exposure peaking on the 20th of the month when electricity settlements are due. As a result, the assessment of exposure is more accurate and easier to determine compared to the old regime which was based on a combination of historic final prices, cleared offer quantities, cleared bid quantities and other service charges all averaged over one, two and three months. Furthermore, the prudential requirement for a particular day is based on the lowest of the previous forward estimates for that day. As the prudential obligation drops following the settlement of the prior month's power on the 20th of the month, any accumulated cash on prudential deposit can be applied against the payment obligation on the day. This eliminates the need for a return of any excess prudential cash and reduces the payment due to the NZX for the electricity settlement.

The new switch save protection scheme limits the ability of a losing retailer to persuade a customer to cancel an incomplete switch to a new retailer. Retailers have to opt into the scheme but having done so are prohibited from carrying out "saves" themselves. If the customer contacts the losing retailer directly and request a better offer, the losing retailer can still offer an inducement prior to the switch being completed. Once the switch is complete there is nothing to stop the losing retailer from contacting the customer and attempting them to win them back.

Likely future headline changes and their potential impacts include:

- A new requirement for retailers to provide historic consumption data to consumers, or their agent.
- The potential introduction of a new Transmission Pricing Policy – which could impact switching behaviour in those areas which are more significantly impacted with higher lines pass-through charges.
- Contract trading in the wholesale market as a means to improve liquidity.
- The potential development of a central repository of retail prices which would benefit the entry of aggregators.
- Potential regulation around low fixed charges.

3.3 Generation

There are five major generators in New Zealand:

- Meridian Energy Limited (**Meridian**),
- Genesis Power Limited (**Genesis Energy**),
- Mighty River Power (**MRP**),
- Contact Energy Limited (**Contact**), and;
- Trustpower Ltd (**Trustpower**),

which together produce about 95% of New Zealand's electricity.

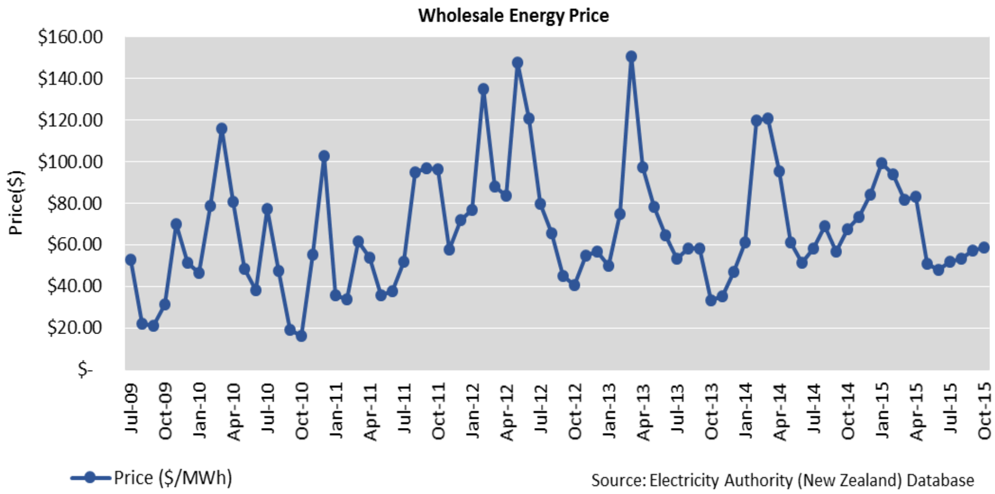
Generators make offers to supply electricity at grid injection points while retailers and some major industrial users make bids to withdraw 'offtake' electricity at grid exit points (**GXP**). The market uses a locational marginal pricing auction which takes generator's offers and retailer's bids and computes final prices and quantities at each of 285 nodes across New Zealand. There are 59 grid injection points where generators make supply offers and 226 GXPs where retailers and major users buy electricity.

An important feature of the New Zealand market is that all major generators also operate retailing businesses and are widely known as "gentailers". In addition to the five major gentailers there are approximately eight other smaller generators, including PGL.

3.4 Transmission

The owner of the national grid is Transpower a State Owned Enterprise. Transpower is also the system operator responsible for ensuring real time electricity supply and quality. They also act as market scheduler.

Generators submit the offers through the WITS and each offer covers a future half hour period called a trading period and is an offer to generate a specified quantity at that time in return for a nominated price. Transpower ranks offers in order of price and selects the lowest cost combination of offers from generators. This effective auction takes place every half hour and the market pricing principle is known as "bid-based security constrained economic dispatch and nodal pricing". The highest priced bid offered by a generator required to meet demand for a given half hour sets the spot price for that trading period.



3.5 Distribution

The regional distribution of electricity from the national GXPs to the end consumers is the responsibility of 29 electricity distribution businesses (**EDB's**). There are around 150,000 km of distribution lines in NZ and the distribution network also includes substations which convert high voltages to lower voltages.

Ownership of the EDB's is through trust-owned companies and public companies. The five largest EDB's comprise;

- Vector Limited (**Vector**),
- Powerco Limited (**Powerco**),
- Orion NZ Limited (**Orion**),
- Wellington Electricity Lines Limited (**WEL**), and;
- Unison Networks Limited (**Unison**).

Together these five companies account for over 65% of all connections as measured by installation control points **(ICP's**) and over 60 % of the total value of the distribution networks fixed assets as measured by their regulatory asset base (**RAB**).

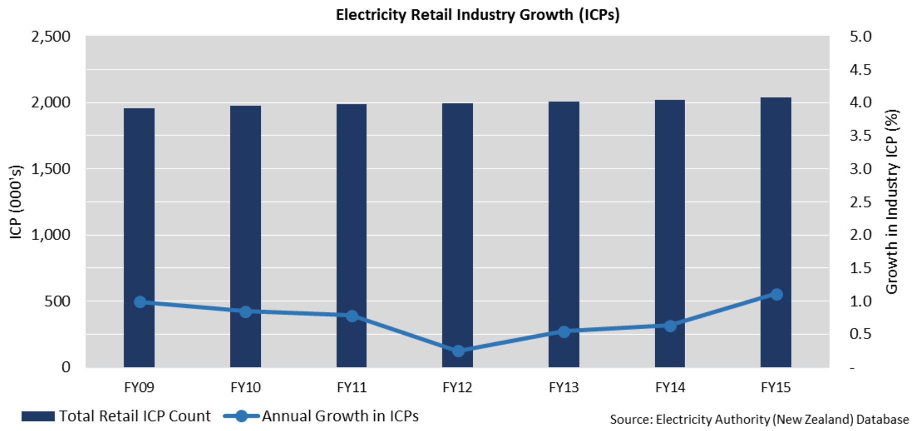
A key feature of electricity regulatory reforms enacted in 1998 was that these EDB's were required to separate from companies that both generated and retailed electricity. This regulatory regime was further amended under the Electricity Reform Amendment Act 2008 (**ERAA 2008**), which relaxed corporate separation and compliance with arms-length rules. This included allowing owners of EDB's to have unlimited involvement in generation from renewable sources including hydro and geothermal generation.

EDB's are closely regulated and are subject to the thresholds regulatory regime under Part 4 of the Commerce Act 1986 which regulates the pricing and supply of electricity distribution for the long term benefit of consumers. EDB's are also regulated by the EA under Section 42 of the EIA 2010. The EA looks closely at EDB tariffs and approaches to pricing. Retailers pass on the distribution/lines fees to their customers either on a separate fully disclosed basis or as part of their electricity usage charges.

3.6 Retail Market

Market Size

The size of the retail market is commonly measured with reference to ICP's as a proxy for total customers. The total number of ICPs as at 30th September 2015 was 2,052,642. EMI data shows the absolute market has been growing about 20,000 new ICPs a year nationwide.



Source: Electricity Authority (New Zealand) Database

Market Competition

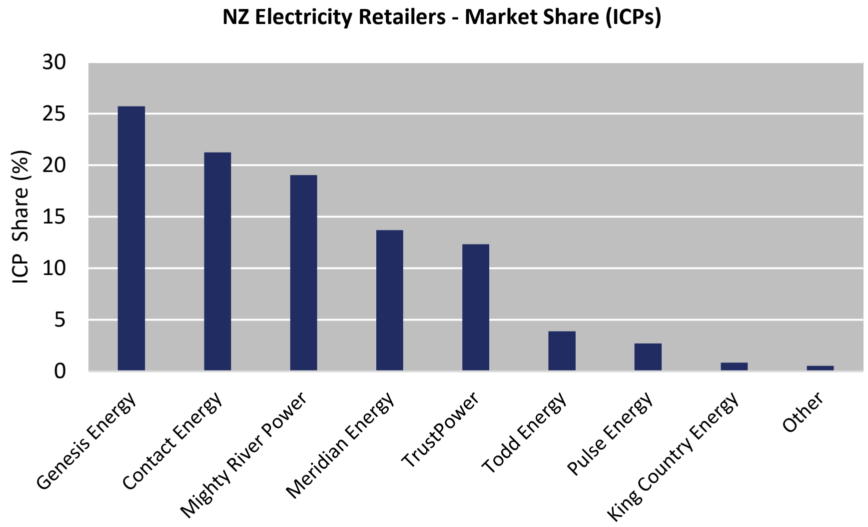
There are currently 23 electricity retail traders in New Zealand and 28 retail brands, including a number that operate single or multiple subsidiaries or brands. For example Mercury Energy, Glo-Bug and Bosco Connect are subsidiaries of Mighty River Power, Energy Online is a subsidiary of Genesis Energy, Powershop is a subsidiary of Meridian Energy and Energy Direct is a subsidiary of Trustpower.

The major generators in New Zealand are also the main electricity retailers as the two activities are complementary. Energy retail business models vary from retailer to retailer and depend upon the specific characteristics of their business and generation capability. Individual approaches to the market are driven by a variety of factors including the need to hedge generation capacity, the need to find price stability for specific generation projects or the desire to extract value from identified niche opportunities including tailored affinity plans.

Although the extent of competition varies across the country all customers now have a choice of retailers. In some parts of New Zealand there are five or more competing retailers. Electricity retailing has become increasingly competitive with a number of new market participants seeking to segment customers by price, special features and contract differentiation. This has accelerated over the past 18 months with the entry of eight new small retailers. This reflects the Electricity Authority's focus to reduce barriers to entry for potential retailers.

The EA has adopted initiatives that reduce wholesale market risks for retailers and make it easier for them to manage the remaining risks. The Authority also altered customer switching rules recently so that retailers can be confident they're competing on a level 'playing field'. However, the major gentailers continue to collectively hold around 90% of the local retail market measured as the share of ICPs in the market. These large gentailers are able to leverage their ownership of the generation part of the value chain, economies of scale and incumbent position to defend their respective market positions.

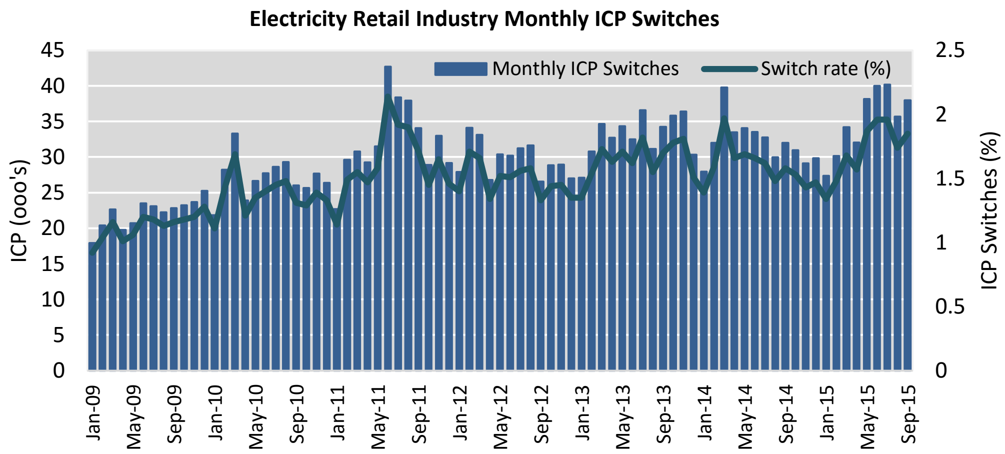
The current market share of electricity retailers as at August 2015 is shown below.



Source EMI

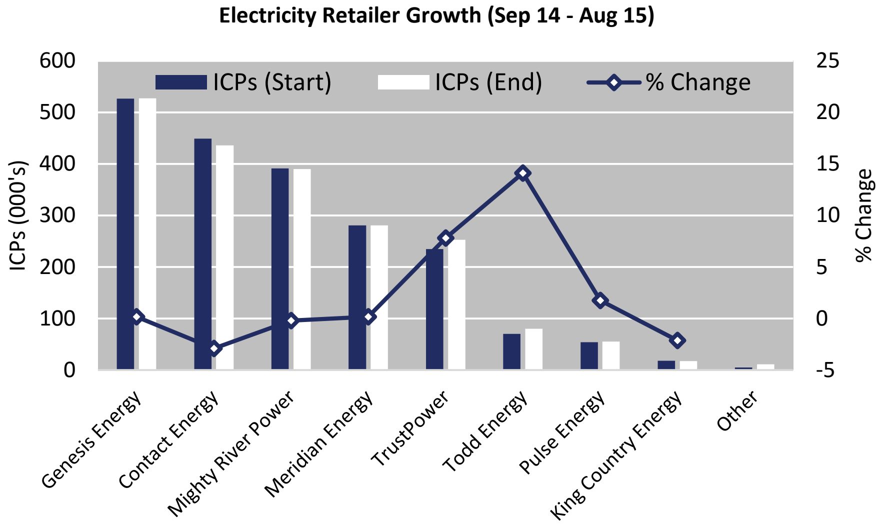
Retailers vie for a share of overall market growth and also compete for existing customers of other retailers, the so-called "switching" market. Since full retail competition was introduced in 1999, New Zealand retail customers have switched at an average rate of between 9% in the earlier years and 20% per annum more recently. Switching statistics capture details of consumers who have changed retailer but also consumers who have moved house, whether or not the consumer has changed retailer. This means that the net churn in retailer's market share will be lower than these levels.

Over the year to 30 September 2015 there have been approximately 405,000 switches based on EMI data. Even after eliminating the impact of the switches that don't result in a change in retailer, this "switch pool" presents a considerable market opportunity for smaller market participants like Pulse Energy with innovative offerings and market differentiation.



Source: Electricity Authority (New Zealand) Database

The growth of smaller participants, whilst small in total customer numbers, has been noticeable and the Electricity Authority noted in March 2015 that the four largest retailers lost market share in 2014 with the medium-sized retailers gaining 40,000 new ICPs. But although large retailers have lost only a small percentage of their customers, competition from mid-sized retailers i.e. Pulse Energy is putting them under greater competitive pressure to maintain their customer base impacting their pricing decisions in 2015 and beyond. As the graph above shows the growing Switching market will potentially mean higher churn rates and lower margins to Pulse Energy.



Source EMI

Market Prices

Electricity spot prices can vary significantly across trading periods reflecting changing demand and supply and can also vary significantly across locations. Non-generators purchase electricity from the wholesale spot market and on-sell it to consumers at mainly fixed prices set annually.

The ability to extract a reasonable margin will be defined by a variety of factors including a retailer's ability to:

- Minimise operating costs.
- Minimise the cost of acquisition which can significantly impact profitability.
- Achieve "critical mass" quickly.
- Attain billing and reconciliation accuracy and ensure recovery of third party costs.
- Retain a customer and build resistance to competitors.
- Manage the risk associated with wholesale price variability and decisions on the level of retail prices.

Hedging Activities

Retailers with significant spot price exposure such as Pulse Energy typically seek to hedge their demand against future wholesale prices utilising electricity futures and contracts for difference (**CFDs**) in the wholesale hedge market. These hedging arrangements are complex and can come at a significant cost to the retailer depending on the extent to which it is exposed to fixed price customer demand not backed by its own generation capacity.

Futures contracts are facilitated by the ASX and marked-to-market daily. ASX New Zealand Electricity Futures and Options are structured as standardised and centrally cleared CFDs that are cash settled against two grid reference points – Otahuhu and Benmore – in the New Zealand Electricity Market.

"Over-the-counter" (**OTC**) CFD's are bi-laterally negotiated contracts where wholesale buyers and sellers negotiate directly with each other generally using an ISDA framework commonly arranged with the counterparties directly.

3.7 Retail Electricity Outlook

Energy retail business models vary from retailer to retailer and depend on specific characteristics of their business. Individual approaches to the market are driven by the need to hedge generation capacity, the need to find price stability for specific generation projects or the need to extract value from niche opportunities. Margin expectations for retailers will tend to be predictable and similar but will likely lead downwards overtime as customers become aware of lower price opportunities.

New market participants seek to segment customers by price, special features (e.g. floating power charges and greater levels of transparency), contract differentiation (e.g. loyalty discounts and affinity plan discounts) and in some cases bundled service offerings (e.g. combinations of electricity, gas broadband and telecommunications). The incumbent gentailers also offer bundled services, but largely continue to sell electricity using a common format which results in 90% of customer contracts nationwide being based on simple pricing structures with prompt payment discounts.

Large gentailers, unless they are anticipating significant increases in their generation portfolio, seem content to broadly maintain their customer base at current levels. While they may offer limited differentiation between customer segments, providing ongoing opportunities for smaller independent retailers to carve out niche market share, they do use different discounting mechanisms to assist in the retention and replacement of their customer base. The gentailers focus is likely to continue to be on the generation side of their asset portfolio and increasing the "stickiness" of their customers through a range of service improvements and "lock-in" deals.

Overall market competition is likely to continue to increase as smaller players seek increased market share. This presents both risks and opportunities to companies such as Pulse Energy. The expansion of retail market participants is also likely to result in increased industry consolidation over time. Recent takeover offers including the offer by Trustpower for King Country Energy and the Offer for Pulse Energy are examples of attempted industry consolidation.

4. PULSE ENERGY PROFILE

4.1 Background & History

Pulse Energy was incorporated in February 2004 as Pulse Utilities NZ 2 Limited and subsequently changed its name to Pulse Utilities New Zealand Limited in March 2004. A further name change to Pulse Energy Limited was completed in 2013.

The Company was listed on the NZAX in November 2007 and was New Zealand's first electricity retailer to offer variable tariffs to customers via smart metering. The founder of Pulse Energy had originally intended that the Company would license a range of smart electricity meter technologies for which the Company held intellectual property rights. At the time it was innovative for an electricity retailer to provide its customer base with smart metering technology in order to reduce their cost of supply. However, the Company found it very difficult to get its metering technology adopted by the market and the Company changed its business model to that of an electricity retailer in 2008-2009.

The Pulse Energy retail electricity brand was formally launched on 15 May, 2009, which coincided with the announcement of the Company's first white label retail agreement with generator Opunake Hydro Limited. This white label arrangement provided for all retail services including smart metering, data collection, reconciliation, invoicing and customer relationship management. Pulse Energy also completed the acquisition of smart meter assets from Energy Direct Limited in June 2009, which gave the Company a further 1,172 SME customers (ICPs).

The business model developed during 2009 was based on:

- Leveraging smart meter technology to empower customers.
- Developing a range of different tariff structures to satisfy customers.
- Supporting renewable energy generation through working with small and medium sized generators.
- Launching the Pulse Energy retail brand; and
- Launching a white label retail electricity service.

During 2009 the Pulse Energy Board reaffirmed that the Company was still on track to acquire 61,000 retail customers (ICPs) by 31 March 2013. In order to fund expected growth the Company raised approximately $3.7 million from convertible loan notes during FY09 and FY10 and completed a private placement raising over $4.3 million in December 2009 at a price of 50 cents per share. A total of 18 investors participated in the private capital raising, including:

- Interests associated with Malcolm Dick ($500,000).
- Interests associated with Robert Famularo ($1,200,000).
- Buller Energy Limited invested ($1,200,000).
- The then Pulse CEO, Dene Biddlecombe ($500,000).

The arrival of the lines company BEL as a 9.6% shareholder was heralded as a significant and positive development for Pulse Energy. A number of sector and legislative reforms were underway, resulting from the Electricity Industry Restructuring Act and a Ministerial Electricity Market Review to improve competition. At the time BEL could not appoint a nominee to the Pulse Energy Board without Commerce Commission approval but an immediate benefit of the BEL investment was agreement that Pulse Energy would launch in the Buller region of the West Coast during 2010, thus giving the Company an immediate lift in customer numbers.

By July 2010 Pulse had launched Just Energy as its no-frills electricity brand to complement its existing Pulse Energy brand. Just Energy offered competitive pricing, fixed price guarantees, monthly meter reads and no contracts. By the end of FY11 Pulse Energy had secured over 22,000 customers (ICPs), representing around 1.1% of the New Zealand retail market.

A major change in the capital structure of Pulse Energy occurred in August 2011 when the business was recapitalised and significant equity capital ($7.17 million) was injected. As part of the restructuring, BEL invested $5 million in cash and acquired 100 million shares at $0.05 per share. BEL received a further 54 million shares in consideration for financial support as a guarantor of a Westpac $8 million letter of credit facility and $1 million overdraft facility. BEL also received 22.4 million shares in consideration for an outstanding loan with a fair value of $1.1 million. As a result of these transactions, which were approved by Pulse Energy shareholders, BEL became the majority shareholder in the Company.

Gary Holden was appointed as CEO in March 2013 which led to the launch of the GreyPower affinity programme and the new Freedom pricing plans in September 2013. By this stage Pulse Energy had no longer any aspirations to be a Meter Equipment Provider (**MEP**). The Company then decided to contract with AMS, Metrix and others to undertake a smart meter deployment on the basis that Pulse Energy would lease these meters and their customers would be on-charged for metering services.

The immediate success of the GreyPower affinity programme became evident with Pulse Energy acquiring over 16,000 GreyPower customers (ICPs) from a membership base of 65,000 members. This growth enabled the Company to reach the major milestone of 50,000 customers (ICPs) by May 2014.

Natural gas was launched as a complementary offering in November 2014 and the Company undertook the MCN issue in November - December 2014, raising $4.81 million to fund its continued customer growth and its core prudential requirements.

A new energy supply arrangement was entered into with Contact Energy in May 2015 and Pulse Energy successfully negotiated a new invoice discount facility with the BNZ in June 2015. These two transactions significantly improved the Company's hedging flexibility and access to working capital and materially reduced the financial/operating risk exposure of the business.

The Company is currently considering new product offerings to further differentiate itself, appealing to new customers and to be able to compete effectively.

4.2 Capital Structure

Pulse Energy is a public company listed on the NZAX. The Company has three classes of securities on issue comprising listed voting ordinary shares, unlisted non-voting share options issued under the ESOP and unlisted non-voting MCN's. Further information on these classes of securities is provided below.

Ordinary Shares

Pulse Energy has 335,171,016 shares outstanding as at 4th November 2015, collectively held by approximately 709 shareholders. Each ordinary share gives the holder the right to vote at a meeting of shareholders, an equal share in dividends authorised by the Board and an equal share in the distribution of the surplus assets of the company.

The top ten shareholders of Pulse Energy are shown in the table below:

Pulse Energy - Top Ten Shareholders (4 November 2015)		
Shareholder	**Number of Shares**	**%**
Buller Electricity Limited	187,357,424	*55.90%*
Gary Robert Holden[1]	19,247,708	*5.74%*
Hoseason Family Trust[2]	16,666,667	*4.97%*
Yelood Properties Limited[3]	10,000,000	*2.98%*
New Zealand Central Securities Depository Limited	9,170,242	*2.74%*
Russell Maloney	6,167,879	*1.84%*
John Sydney Philpott[4]	5,168,131	*1.54%*
Dene Biddlecombe & Peter Hine	4,762,578	*1.42%*
FNZ Custodians Limited[5]	4,010,424	*1.20%*
Malcom Dick and Adrian Dick	3,530,000	*1.05%*
Other shareholders (699)	69,089,963	*20.61%*
Total Shares	**335,171,016**	***100.00%***

Notes
1. Pulse Energy CEO.
2. Owned by interests associated with James Hoseason (Pulse Energy Director).
3. Owned by interests associated with Francis Dooley (Pulse Energy Director).
4. John and his wife jointly own an additional 3,452,525 shares (1.03%).
5. FNZ custodians holds an additional 740,500 shares (0.22%) under a different ownership number.

The largest shareholder is BEL with 187,357,424 shares representing 55.90% of the voting securities on issue. Pulse Energy CEO Gary Holden (5.74%) and interests associated with Pulse Energy Director James Hoseason (4.97%) are also significant shareholders.

Options

Pulse Energy currently has 2,825,000 Options outstanding as at 4th November 2015 collectively held by 14 Option holders. These Options have been issued in a number of tranches, as shown below, to key executives of the Company pursuant to an employee share option plan (**ESOP**). Each tranche vests on the first exercise date.

Pulse Energy - Options on Issue as at 4 November 201				
Grant date	**First exercise date**	**Expiry date**	**Exercise price ($)**	**Balance outstanding**
1-Aug-13	1-Aug-13	1-Aug-18	0.06	520,000
1-Aug-13	1-Aug-15	1-Aug-20	0.06	635,000
1-Aug-13	1-Aug-16	1-Aug-21	0.06	635,000
31-Mar-15	31-Mar-15	31-Mar-20	0.06	455,000
31-Mar-15	1-Aug-15	1-Aug-20	0.06	227,500
31-Mar-15	1-Aug-16	1-Aug-21	0.06	352,500[1]
Total				**2,825,000**

Notes
1. Of this tranche, 125,000 Options owned by Christian Derrington have had their vesting date brought forward to 16/10/15 with an expiry of 31/12/15.

The top ten Option holders of Pulse Energy are shown in the table below:

Pulse Energy - Top Ten Option holders (4 November 2015)		
Option holder	**Number of Options**	***%***
Gary Robert Holden	750,000	*26.55%*
Neil Kendall Williams	750,000	*26.55%*
Robert Copeland	320,000	*11.33%*
Sharnie Williams	160,000	*5.66%*
Tatiana Fovel	160,000	*5.66%*
Christian Paul Derrington	125,000	*4.42%*
Kathy Pang	80,000	*2.83%*
Ivan Gladushko	80,000	*2.83%*
Kasey Anne Ng Chok	80,000	*2.83%*
Narinder Kumar	80,000	*2.83%*
Other Option holders (4)	240,000	*8.50%*
Total Options	**2,825,000**	***100.00%***

The largest Option holders are currently CEO Gary Holden (750,000 Options) and General Manager – Energy Supply and Operations, Neil Williams (750,000 Options). The total number of Options on issue is small relative to the total number of ordinary shares on issue and the potential dilutive impact of these Options on the total number of shares is minimal.

The Options are subject to a range of terms and conditions as set out in the Employee Share Option Scheme Prospectus and Investment Statement. Key terms of the Options are set out below.

<table>
<tr><th colspan="2">Pulse Energy - Key Terms of Options</th></tr>
<tr><td>Vesting</td><td>Options vest on the first exercise date.</td></tr>
<tr><td>Exercise Price</td><td>$0.06 per Option.</td></tr>
<tr><td>Exercise Period</td><td>All Options have an exercise period of approximately 5 years from the vesting date. Options can be exercised:
(i) After the exercise date (summarised above).
(ii) 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 Energy.
(iii) In certain other prescribed circumstances at the discretion of the Board.</td></tr>
<tr><td>Payment Terms</td><td>The Options are issued for nil consideration.</td></tr>
<tr><td>Transferability</td><td>The Options are personal to the Option holder and may not be assigned, transferred, disposed, encumbered, or otherwise dealt with by the Option holder.</td></tr>
<tr><td>Dividend</td><td>The Options receive no dividends.</td></tr>
<tr><td>Voting</td><td>The Options carry no voting rights.</td></tr>
<tr><td>Variations of Capital</td><td>In the event of variations to the Company's capital (e.g. bonus issues, rights issues, return of capital), provision is made (as the case maybe) for either an adjustment to the number of Ordinary Shares issued for each Option upon exercise or an adjustment to the Exercise Price.</td></tr>
</table>

Lapse of Options	All unexercised Options lapse: (i) On expiry of the relevant Exercise Period. (ii) If the Option holder ceases to be employed by Pulse Energy (except in certain circumstances). (iii) 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 Energy.

MCN's

Pulse Energy has 4,810,000 MCNs outstanding as at 4th November 2015 collectively held by 22 MCN holders. The top ten MCN holders are shown in the table below.

Pulse Energy - Top Ten MCN holders (4 November 2015)		
MCN holder	**Number of MCNs**	***%***
Hoseason Family Trust[1]	1,000,000	*20.79%*
New Zealand Permanent Trustees Limited	700,000	*14.55%*
Selenium Corporation Limited[2]	600,000	*12.47%*
Accident Compensation Corporation	400,000	*8.32%*
Gary Robert Holden[3]	300,000	*6.24%*
Cypress Capital Limited	250,000	*5.20%*
Pckc Limited	250,000	*5.20%*
Nigel Babbage & Philippa Babbage	200,000	*4.16%*
ASB Nominees Limited	200,000	*4.16%*
Roger Dixon Armstrong	150,000	*3.12%*
Other MCN holders[4] (13)	760,000	*13.72%*
Total MCNs	**4,810,000**	***100.00%***

Notes
1. Owned by interests associated with James Hoseason (Pulse Energy Director).
2. Owned by Trevor Janes (Pulse Energy Director) and Hanne Janes.
3. Pulse Energy CEO.
4. Includes 100,000 MCNs held by Yelood Properties Limited, which is owned by interests associated with Francis Dooley (Pulse Energy Director).

Interests associated with Pulse Energy Director James Hoseason comprise the largest MCN holder (20.79%). The next largest MCN holders are New Zealand Permanent Trustees Limited (14.55%) and Selenium Corporation Limited (interests associated with Pulse Energy Director Trevor Janes) (12.47%).

The MCN's are considered to be equity securities because they are ultimately required to be converted into ordinary shares in Pulse Energy in accordance with the terms of their Subscription Agreement.

Key terms of the MCNs are set out below.

Pulse Energy - Key Terms of the MCNs	
Face Value	Face Value of $1.00 each.
Commencement Date	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	At maturity the MCNs convert to ordinary shares in Pulse Energy.
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 Energy's ordinary shares on the NZAX over the 20 business day period preceding the Maturity Date (**VWAP Discount**). We note that, in the event of a takeover offer, the conversion mechanism for the MCNs (discussed below) does not take into account the value of any accrued interest.
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 Energy.
Security	The MCNs are unsecured and rank equally among themselves and with all other unsecured creditors of Pulse Energy.
Voting	The MCNs carry no voting rights at a meeting of Pulse Energy shareholders
Takeover	During the period when a takeover offer is open for acceptance, a MCN holder may elect to convert their MCNs into ordinary shares in Pulse Energy. Legal advice received by Pulse Energy has confirmed that in the case of a takeover, the price cap of NZ$0.10 should be used for calculating the number of ordinary shares issued to MCN holders. The MCNs will automatically convert into ordinary shares if the offeror becomes the holder or controller of 90% or more of the shares in Pulse Energy.

4.3 Board of Directors/Management

The Pulse Energy Board currently comprises six Directors, as summarised below:

Director	Position	Date of Appointment
Frank Dooley	Chairman	1st September 2011
Trevor Janes	Independent Director and Deputy Chairman	25th June 2015
Graham Naylor	Director	1st August 2014
Joseph van Wijk	Independent Director	1st November 2007
James Hoseason	Independent Director	7th October 2013
Peter Young	Independent Director	1st September 2011

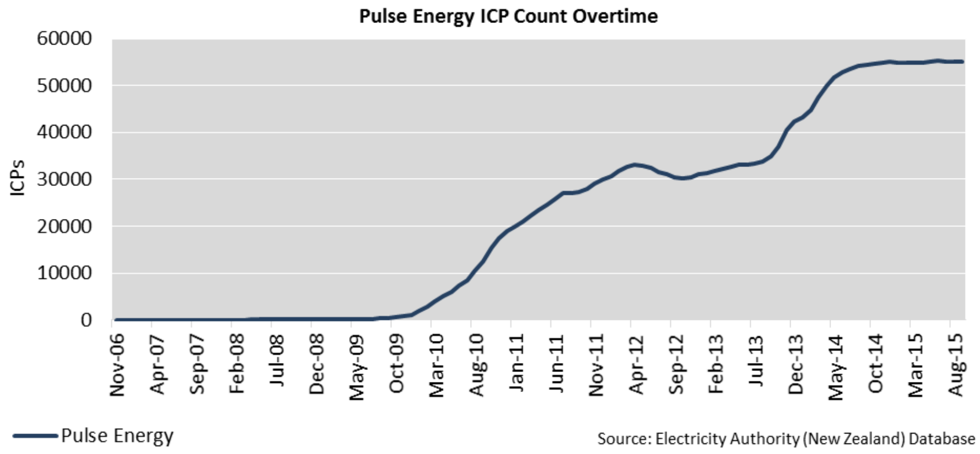
Mr Dooley and Mr Naylor are representatives of BEL. The remaining four directors are Independent Directors. All of the Directors are Non-executive Directors.

The senior management team of Pulse Energy is summarised in the table below.

Executive	Position
Gary Holden	CEO
Rosemary Ferguson	CFO and Company Secretary
Neil Williams	GM Energy Supply and Operations
Tatiana Fovel	Human Resources Manager
Sharnie Williams	GM External Relations and Communications
Yogesh Chand	GM Customer Care

4.4 Strategy and Business Model

Pulse Energy has evolved from a metering technology developer in 2004 into an established electricity and gas retail business holding around 3% of the New Zealand retail electricity market. The Company currently has around 55,000 customers (ICPs) and plans to aggressively expand its customer base over the next 3 years, with a target of around 100,000 customers (ICPs) by the end of the FY19 financial year.



Pulse Energy purchases electricity on the spot market (and from various generators which it sells to the spot market) at key nodes throughout New Zealand and on-sells to retail customers on a fixed price basis using various sales channels including Affinity programmes and direct sales. The Company's primary target markets are existing and new residential and small commercial enterprises. The GreyPower affinity program has been successful in terms of growing customer numbers and Pulse Energy management sees ongoing scope to broaden and deepen its relationship with GreyPower and other similar sales channels as well as developing new service offerings to appeal to other niche parts of the retail electricity market, including the SME commercial space.

Key drivers of the current Pulse Energy business model include:

- Achieving sustained customer growth and customer satisfaction.
- Balancing the customer consumption mix (i.e. the number of low volume users vs regular volume users).
- Minimising net customer acquisition cost.

- Customer retention / switching rates.
- Maximising gross margin per customer.
- Maintaining access to appropriate working capital facilities and other facilities.
- Minimising hedging costs whilst maximising hedging efficiency and maintaining an appropriate risk profile.

The Company experiences significant seasonal variation in profitability and working capital requirements as a result of having most of its customers on fixed price contracts, whilst both consumption rates and wholesale electricity prices peak over the winter months.

4.5 Electricity Price Hedging

Hedging Policy & Exposure

Pulse Energy is a margin trader, retailing commodities with inherent wholesale price volatility and with some volume uncertainty. Given these risks the Company hedges the majority of its electricity costs under a formal hedging policy with a target hedge ratio of 95% coverage.

The purpose of the hedge policy is to specify how the price and volume risks that Pulse Energy faces are to be defined and managed, and to allow for these risks to be managed within the risk appetite and financial capabilities of the Company. Although hedging effectively creates a cost to the Company, it is accepted that this cost is warranted to reduce volatility of cash-flows, ensure consistent returns are delivered, to alleviate short term prudential call requirements as well as ensuring that the Company operates within its capital constraints.

The key hedging tools used by Pulse Energy comprise:

- ASX electricity futures;
- Other bi-lateral CFDs; and
- Contact Energy CFDs

As noted in Section 3.6 the ASX provides a range of standardised New Zealand electricity futures that provide a liquid market for retailers such as Pulse Energy.

Arrangement with Contact Energy

The recent power purchase arrangement entered into with Contact Energy in May 2015 provides a significant additional hedge facility for Pulse Energy. Whilst the precise mechanisms relating to the Contact Energy agreement are complex, the arrangement enables Pulse Energy to purchase CFDs covering a significant proportion of its forecast demand over the next four years.

Key benefits to Pulse Energy include:

- Greater certainty and flexibility of hedging arrangements.
- Better matching of volume to Pulse Energy's customer usage profile relative to the ASX futures contracts.
- Market-based pricing.
- Improved management of prudential security held with the Clearing Manager.

4.6 Prudential Requirements / Funding

NZX Prudential requirements for Pulse Energy build from the 21st of the prior month (equating to 39 days of exposure) and peak at the 20th of the current month (equating to 70 days of exposure). Higher purchase volumes in winter lead to higher prudential requirements, conversely they are lower in summer as volumes are lower.

The increase in the prudential obligation between settlement dates coincides with the accumulation of cash driven by customer receipts over that period. Cash receipts generally cover the increasing prudential obligation. However in the event a large prudential payment is required and the accumulated cash is insufficient at that time, the Company can draw under the BNZ invoice finance facility. Any drawings are generally repaid by receipts over the following days.

The majority of creditor payments are due on the 20th of the month and these payments are covered by a combination of accumulated cash from customer receipts, drawings under the BNZ invoice finance facility and drawings under the peak finance facility with BEL if required. The Company can only draw down on the peak finance facility on the 20th of the month.

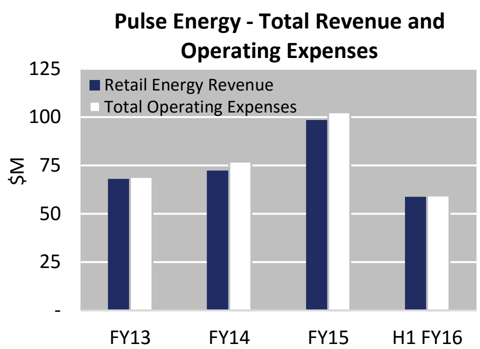
Prudential obligations, whether they be NZX or Lines Company obligations, require Pulse Energy to in effect pay for future purchases ahead of any associated invoicing and subsequent receipts from customers. Over the winter period, when the cost and volume of electricity is generally higher (resulting in higher prudential obligations), there may be periods when the accumulated receipts alone are insufficient to cover the 20th of the month obligations and therefore short-term funding may be required under the BNZ multi-option facility and/or from BEL.

The Company is of the opinion that the current financing arrangements are satisfactory but further customer growth may see a need to increase the BNZ multi-option facility and/or extensions to the BEL Peak Funding facilities.

4.7 Summary Financial Information

Financial Performance

Pulse Energy has achieved significant growth in total revenue over the FY13 to FY15 period, increasing almost 50% during this period from $70 million to $102 million. This revenue growth has been driven by a 70% increase in customers over the same period. FY15 was the first full year that Grey Power Electricity had been operational and has helped to differentiate Pulse from its competitors.



A summary of Pulse Energy's consolidated financial performance over the three year period ending 31st March 2015 is set out on the following page, together with the unaudited accounts for the six months to 30 September 2015.

The Company has progressively improved its earnings performance over the past 18 months as it has achieved a "critical mass" of customers and reduced operating costs. During FY15 Pulse Energy was able to improve its earnings before interest, tax, depreciation, amortisation and fair value movements in derivatives (**EBITDAF**) by 63.5% to -$1.065m. This was achieved through restructuring the Company to reduce bad and doubtful debts, sales and advertising expenses while being able to improve gross margins. Due to the seasonal nature of electricity retailing and some improvements made to the business, Pulse Energy reported an EBITDAF loss of $2.8 million first half of FY15 and an EBITDAF gain of $1.7 million in the second half of FY15.

During the 6 month period to September 2015, Pulse Energy's customer base remained relatively stable at 55,000. However, further cost efficiencies resulted in a positive EBITDAF for the period of $296,000.

Pulse Energy - Summary Financial Performance				
NZ$000	Audited FY13[1]	Audited FY14	Audited FY15	Unaudited H1 FY16
Retail Energy Revenue	68,059	72,305	99,407	58,788
Other Revenue and Income	1,754	1,795	2,367	1,073
Total Revenue	**69,813**	**74,100**	**101,774**	**59,861**
Electricity, gas, line and meter expenses	58,880	63,962	90,476	53,664
Employee benefits expenses	4,353	5,845	5,949	3,018
Other Expenses	5,752	7,083	6,020	2,662
Total Operating Expenses	68,985	76,890	102,444	59,344
Profit(Loss) Before Finance Costs, Tax, Depreciation, Amortisation , Fair Value Movements and Other Items	**829**	**(2,791)**	**(670)**	**517**
Net Finance Costs, Depreciation, Amortisation & Other Items	(2,272)	(2,022)	(2,275)	(1,265)
NPBF	**(1,444)**	**(4,812)**	**(2,945)**	**(748)**
Fair Value Gains (Losses)	(7,857)	8,671	2,907	(6,359)
NPBT	**(9,301)**	**3,859**	**(39)**	**(7,107)**
Tax Expense	-	-	-	-
NPAT	**(9,301)**	**3,859**	**(39)**	**(7,107)**
Profitability Metric Reconciliation				
Net Profit/(Loss) for the period	(9,301)	3,859	(39)	(7,107)
Tax	-	-	-	-
Fair Value (Gain)/Loss on Derivatives	7,857	(8,671)	(2,907)	6,359
Interest Income	(201)	(128)	(394)	(220)
Finance Costs	222	789	1,488	741
Depreciation and Amortisation	545	715	478	257
Amortised share based guarantee fees	1,505	518	-	-
Non Trading Items	-	-	310	266
EBITDAF	**628**	**(2,918)**	**(1,065)**	**296**

Notes
1. Based on re-stated FY13 financial accounts prepared by Pulse Energy.

Financial costs increased from $0.8m in FY14 to $1.5m in FY15. This was primarily due to the issuance of the MCN's during the FY14 year and subsequent interest payments due on those securities.

Pulse Energy hedges its exposure to changes in future electricity prices through the use of derivative contracts, effectively converting floating prices to fixed prices. The change in the fair value of Pulse Energy's electricity derivatives recognised between reporting dates can fluctuate significantly, for example Pulse Energy recognised losses in FY13 of $7.9 million while in FY15 it recognised gains of $2.9 million. Over time any fair value movement recognised on a contract will fully reverse by its maturity date. Actual settlements under the contracts impact the overall cost of electricity purchased. Future cash payments for electricity purchased will be based on contract prices which are expected to align with the sales price of the electricity to customers.

Financial Position

A summary of Pulse Energy's consolidated financial position over the three year period ending 31st March 2015 is set out below, together with the unaudited six months to 30 September 2015.

Pulse Energy - Summary Financial Position				
NZ$000	Audited FY13	Audited FY14	Audited FY15	Unaudited H1 FY16
Assets				
Cash and cash equivalents	33	903	4,867	880
Trade and other receivables	8,536	10,053	9,739	13,778
Electricity derivatives	478	1,566	2,328	347
Total Current Assets	**9,047**	**12,522**	**16,933**	**15,005**
Property, plant and equipment	1,436	1,300	1,033	627
Intangible assets	726	751	737	833
Security bonds	1,837	3,202	3,420	4,337
Electricity derivatives	448	3,030	4,524	1,362
Total Non-Current Assets	**4,447**	**8,283**	**9,714**	**7,159**
Total Assets	**13,494**	**20,805**	**26,647**	**22,164**
Liabilities				
Trade and other payables	7,721	11,074	12,920	14,717
Finance lease liability	103	101	26	1
Electricity derivatives	2,121	418	1,166	1,640
Secured loans	-	1,700	1,700	-
Loans from other entities	575	-	-	-
Unsecured loans	-	-	-	1,515
Shareholder's loan	1,017	504	-	1,002
Current Liabilities	**11,537**	**13,797**	**15,812**	**18,875**
Finance lease liability	140	40	2	-
Unsecured loans	1,043	1,211	1,406	-
Electricity priced derivatives	4,882	1,584	240	694
Mandatory convertible notes	-	-	4,852	5,337
Total Non- Current Liabilities	**6,065**	**2,835**	**6,499**	**6,031**
Total Liabilities	**17,602**	**16,632**	**22,312**	**24,906**
Total Equity	**(4,108)**	**4,173**	**4,336**	**(2,743)**

As at 30 September 2015 Pulse Energy had unaudited net assets of negative $2.7 million. Key assets include receivables from customers which stand at $13.8 million as at 30 September 2015. The strength and distribution profile of these receivables has allowed the Company to negotiate a new debt facility during FY15, specifically underpinned by the cash flow stream associated with such receivables. Further information on the company's debt facilities is set out below.

The significant increase in the Company's FY15 non-current liabilities is attributed to the issue of the $4.81 million MCNs. These MCNs provided an important cash injection to assist with funding the growth of the Company.

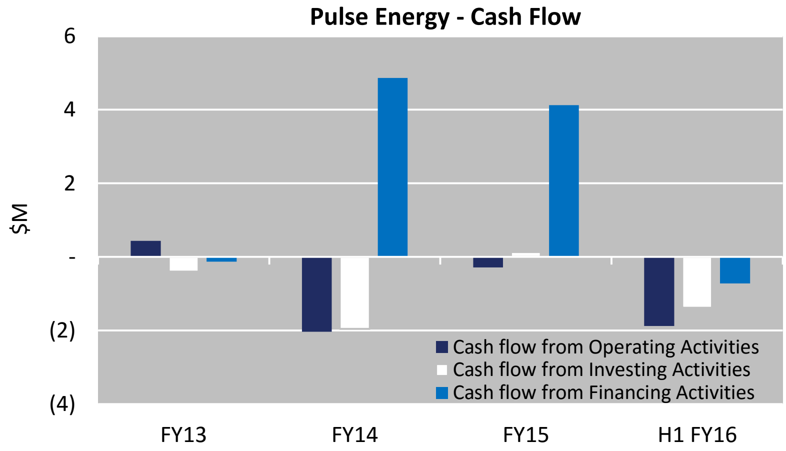
The fair value of the electricity derivatives entered into by Pulse Energy as part of its hedging strategy can significantly impact the Company's financial position at a given point in time. Over the 6 month period to September 2015, the value of Pulse Energy's electricity derivatives fell by approximately $6.1 million, reflecting fluctuations in wholesale electricity prices. Furthermore, the Company's working capital position can fluctuate significantly throughout the financial year.

Cash Flow

A summary of Pulse Energy's consolidated cash flows over the three year period ending 31 March 2015 is set out below, together with the unaudited six months to 30 September 2015.

Pulse Energy - Summary Cash Flow				
NZ$000	**Audited FY13**	**Audited FY14**	**Audited FY15**	**Unaudited H1 FY16**
Cash flow from Operating Activities	438	(2,034)	(291)	(1,879)
Cash flow from Investing Activities	(401)	(1,959)	131	(1,384)
Cash flow from Financing Activities	(127)	4,863	4,123	(723)
Net Increase/ (Decrease) in Cash	**(91)**	**870**	**3,963**	**(3,987)**
Opening Cash Balance	123	33	903	4,867
Closing Cash Balance	**33**	**903**	**4,867**	**880**

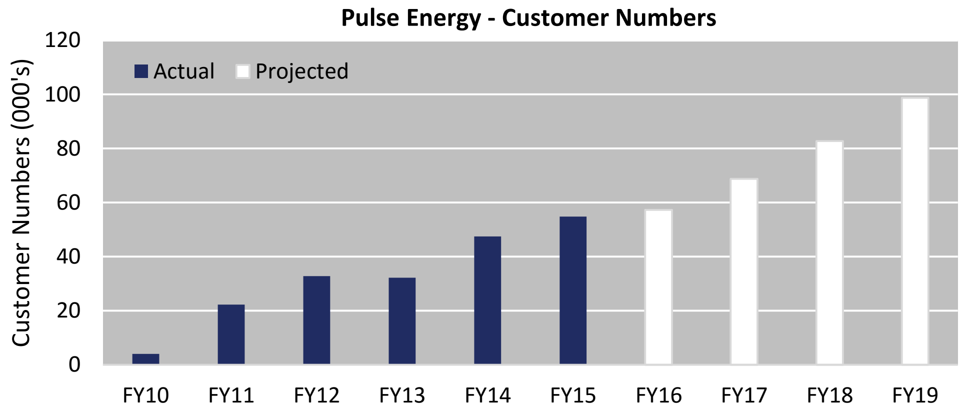
Pulse Energy's net cash position at the end of FY15 increased by $4.0 million, resulting in a closing cash balance of $4.9 million. This significant improvement in the cash position was as a result of the issue of the MCNs, partial repayment of a shareholder loan to BEL and an improvement in operating cash flows compared with the prior financial year. This increase in cash was off-set by a decrease in net cash of $4.0 million over the 6 month period to 30 September 2015, driven by a significant increase in the Company's receivables relative to payables, a $1.2 million security bond payment and repayment of the Company's secured loan with Westpac.

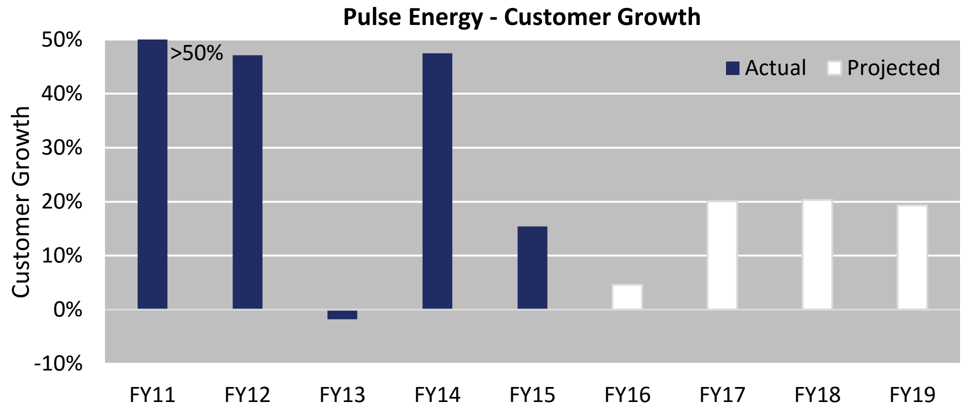


Financial Projections

Pulse Energy is currently in a growth phase as it seeks to significantly increase its retail electricity business to approximately 100,000 customers (ICPs) by FY19, representing an increase in the Company's current customer base of approximately 44,000 ICPs (80%) over the next 3.5 years. This process of customer acquisition is not without certain business risk.

Pulse Energy has historically achieved significant customer growth over the FY11 – FY15 period. However, a shortage of capital has limited the Company's ability to fund further customer growth over the past 12 months. As summarised below, Pulse Energy has recently entered into a $10 million bank facility with BNZ, which allows the Company to resume its customer acquisition programme. The Company's projected customer growth may allow the Company to take advantage of its operating leverage and benefit from economies of scale.





As discussed in Section 5, Campbell MacPherson's valuation of Pulse Energy is underpinned by the Company's projected financial performance over the October 2015 – March 2019 period. These financial projections have been reviewed and approved by the Non-associated Directors for use by Campbell MacPherson in our analysis. A summary of the projected financial performance is set out below.

Pulse Energy - Summary Projected Financial Performance				
NZ$000	**FY16**	**FY17**	**FY18**	**FY19**
Customer numbers (000's)	57	69	83	99
Electricity revenue	105,147	118,633	144,167	174,955
Other operating revenue	650	1,361	1,592	1,908
	105,797	119,994	145,759	176,862
Operating expenses	103,271	116,569	139,892	168,954
EBITDAF	**2,526**	**3,425**	**5,867**	**7,908**
Margin	*2.4%*	*2.9%*	*4.0%*	*4.5%*

Principal assumptions behind Pulse Energy's projected financial performance include:

- Customer growth of approximately 5.0% in FY16.
  - As stated above, prior to the advent of the BNZ facility, the Company's ability to grow its customer base had been limited. This resulted in minimal growth in the first part of FY16.
- Customer growth of approximately 20% per annum over the FY17 – FY19 period.
  - Pulse Energy's current banking facility with BNZ will allow the Company to resume its customer acquisition programme, which was very successful over the FY11 – FY15 period.
  - Building on the success of the Company's affinity partnership with GreyPower, Pulse Energy believes that multiple opportunities exist to develop new channels to market. Furthermore, Pulse Energy's GreyPower customer base continues to grow.
- Retail electricity prices remain relatively stable over the forecast period.
- Pulse Energy's current wholesale electricity hedging policy remains relatively unchanged.
- Pulse Energy's retail gas business will grow in proportion to the Company's retail electricity business.
- Inflation over the FY16 – FY19 of approximately 1.9% per annum (in line with forecasts published by the Reserve Bank of New Zealand).
- An EBITDAF margin increasing form 2.4% in FY16 to 4.5% in FY19 (driven by economies of scale).
- Pulse Energy is able to fully utilise its current tax losses of approximately $14.0 million (corporate tax of 28% thereafter).
- Future capital expenditure is in line with depreciation.
- If required, Pulse Energy is able to secure extensions to funding facilities in support of projected levels of customer growth
  - Pulse Energy continues to enjoy a strong relationship with BNZ and it was the original intent for the facility to grow along with customer growth.

Financing Facilities

On 12 June 2015 Pulse Energy signed a three year Multi Option Facility Agreement with the Bank of New Zealand (**BNZ**). The agreement allows Pulse Energy to access up to $10 million of funds (linked to the level of receivables held by the Company).

The BNZ facility gives Pulse Energy the ability to access additional capital to fund electricity settlement costs and customer growth. This agreement is expected to reduce financing costs in FY16 as it does not require Pulse Energy to have a parent company guarantee.

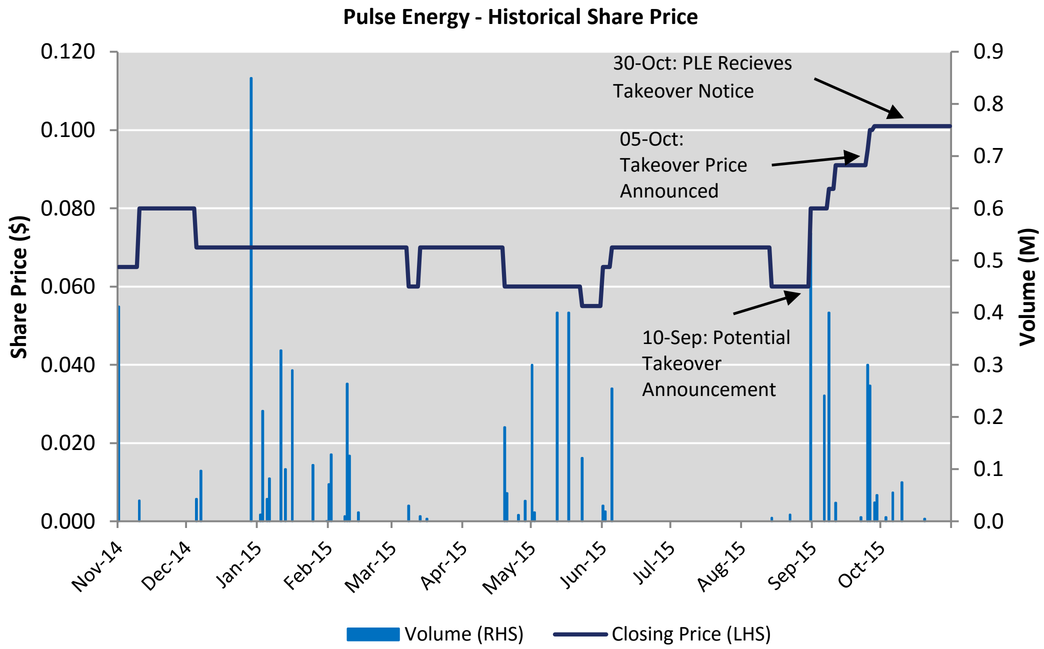
Subsequent to 31 March 2015, Pulse has also entered into an additional $2.0 million peak funding agreement with BEL which matures in July 2016. A summary of Pulse Energy's current funding facilities is set out below.

Pulse Energy Financing Facilities	
Facility	**Terms**
BNZ Multi Option Facility Agreement	▪ Three year term beginning 12 June 2015. ▪ Facility Limit of $10,000,000. ▪ BNZ provides a guarantee facility for NZX and Lines Company prudential obligations along with an Invoice Finance Facility.
Shareholder Loans	▪ Revised peak facility – A short-term loan facility with a limit of $2,500,000 which expires on 1 November 2017. ▪ A short-term loan facility from BEL with a limit of $2,000,000 which expires 1 July 2016.

4.8 Share Price and Traded Volume

Share Price

Pulse Energy's share price performance and trading volumes over the 12 month period ending 10 November 2015 are summarised below.



Source: Capital IQ

During the 12 month period to 9 September 2015, Pulse Energy Shares traded between $0.055 and $0.08 per share at a VWAP of $0.066 per share. Since the announcement by Pulse Energy on 10 September 2015 regarding a potential takeover offer by BEL, the Company's share price has increased from $0.06 to $0.101 as at 10 November 2015.

VWAP & Liquidity

Pulse Energy is an illiquid small-cap stock with limited historic trading volumes prior to the 10 September 2015 announcement. The total volume of Pulse Energy stock traded on the NZAX over the 12 month period ending 9 September 2015 was equivalent to approximately 1.6% of the total ordinary shares on issue.

The tables below show Pulse Energy's VWAP, volume traded and liquidity prior to the 10th of September announcement, and the equivalent data since that date.

VWAP and Trading Liquidity (as at 09/09/15)			
Period	**VWAP ($)**	**Volume Traded (M)**	**Liquidity***
30 Days	0.0600	0.0200	0.01%
90 Days	0.0686	0.3240	0.10%
180 Days	0.0614	1.8939	0.57%
365 Days	0.0662	5.4365	1.62%

* Volume traded / total current shares on issue

Source: Capital IQ

VWAP and Trading Liquidity (as at 10/11/15)			
Period	**VWAP ($)**	**Volume Traded (M)**	**Liquidity***
30 Days	0.1010	0.1435	0.04%
60 Days	0.0907	1.4745	0.44%

* Volume traded / total current shares on issue

Source: Capital IQ

5. VALUATION OF PULSE ENERGY

5.1 Valuation Basis and Methodology

Campbell MacPherson considers that the most appropriate valuation approach is to assess the value of Pulse Energy on the basis of fair market value. Fair market value is defined as:

"The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, both acting at arm's length."

A range of valuation methodologies can be applied to determine fair market value, including:

- Discounted cash flow.
- Capitalisation of earnings / dividends.
- Net asset value / liquidation value.

Each of these valuation methodologies is applicable in different circumstances. The appropriate methodology is determined by a number of factors including the future prospects of the business, the availability of information, the stage of development of the business and the valuation practice or benchmark usually adopted by purchasers of the type of business involved.

A brief summary of potential valuation methodologies is outlined below.

Discounted Cash Flow Methodology

The Discounted Cash Flow (**DCF**) methodology estimates the value of a company based on the net present value (**NPV**) of its future free cash flows, recognising the time value of money and company specific risk factors. The DCF method requires management to prepare detailed, long-range cash flow projections for the business, together with an assessment of the cost of capital or "discount rate" that should be applied to determine the NPV of those cash flows. The NPV of a company's free cash flow represents the value of the business as a whole, prior to considering how the company is financed (commonly referred to as enterprise value or **EV**). Net debt and the value of any non-voting and/or preferential equity instruments is then deducted to determine the ordinary equity value of the business.

The EV of a company determined by the DCF method is usually calculated in a two-stage process which combines the NPV of expected future free cash flow over an explicit forecast period and a terminal value representing the NPV of free cash flow beyond that period.

Valuations derived using the DCF method are often highly sensitive to the cost of capital and the terminal value.

Capitalisation of Earnings Methodology

The capitalisation of earnings methodology is an adaptation of the DCF methodology. It requires an assessment of the future maintainable earnings of the business and the selection of a capitalisation rate (or earnings multiple) appropriate for that particular business. This method is based on the principle that comparable companies engaged in similar business activities will have similar operating and financial risks and returns and can therefore be valued using a similar multiple of earnings.

The advantage of the capitalisation of earnings methodology over the DCF methodology is that earnings multiples can often be directly observed in the market. A multiple is often applied to earnings before interest, tax, depreciation and amortisation (**EBITDA**) or earnings before interest and tax (**EBIT**) in order to determine the enterprise value of the business. The capitalisation of earnings methodology is generally most appropriate for established companies with stable earnings.

Comparable multiples are generally derived using two key sources of information:

- Earnings multiples based on recent transactions of comparable companies.
- Earnings multiples based on the current share price of comparable listed companies.

Multiples derived from comparable transactions are often the most relevant when determining the fair market value of a company. However, this data is often confidential and can be difficult to obtain due to its commercial sensitivity. Earnings multiples calculated using the current share price of comparable listed companies are generally easier to obtain, but are typically less relevant as issues of size, liquidity and the implicit minority discount must be taken into consideration.

Capitalisation of Dividends Methodology

The capitalisation of dividends method is similar to the capitalisation of earnings approach and is generally used to value minority equity shareholdings. This method involves a direct determination of the equity value of a company using an assessment of its future maintainable dividends. The future maintainable dividends are capitalised using an appropriate dividend yield to determine the equity value per share. This method is often used in situations where minority share parcels of stable dividend paying companies are being valued.

Asset-based Methodologies

An asset based methodology is often used in circumstances where the assets of a company have a market value independent of the profitability of the company that owns them.

A valuation based on an orderly realisation of assets is normally restricted to instances where the investor holds sufficient control to effect a sale of the assets and/or there is some indication that an orderly realisation is contemplated.

5.2 Valuation Approach

Campbell MacPherson's preferred valuation method for assessing the fair market value of Pulse Energy is the DCF method, which takes into consideration the Company's future growth projections and the associated capital expenditure and working capital requirements. The Company has prepared a detailed cash flow forecast for the October 2015 - March 2019 period. The explicit projections do not go beyond FY19 due to the uncertainty around electricity prices beyond this point at the present time. The projections provided by Pulse Energy underpin our DCF valuation.

Given the Company's historical losses, and also its current stage of development (i.e. significant growth in earnings is projected over the FY16 – FY19 period), the capitalisation of earnings methodology is not suitable for the purposes of this valuation. However, for comparative purposes, Campbell MacPherson has calculated the forward earnings multiples implied by our DCF valuation.

5.3 Valuation Results

Based on the methodology and assumptions set out below, Campbell MacPherson has assessed the enterprise value of Pulse Energy to be in the range of $37.7 million to $45.0 million.

After deducting net debt and our assessed value of the Company's MCNs and Options, Campbell MacPherson's assessed value of Pulse Energy's ordinary equity is in the range of $30.9 million to $38.0 million or **$0.092 to $0.113 per share**.

Pulse Energy - Valuation Results		
	Value Range	
NZ$M	**Low**	**High**
Assessed Enterprise Value	37.7	45.0
Less net debt[1]	(1.4)	(1.4)
Less MCNs[1]	(5.4)	(5.4)
Less Options[1]	(0.1)	(0.1)
Equity value (ordinary equity)	30.9	38.0
Shares on issue (Millions)	**335.2**	**335.2**
Value per share ($)	**0.092**	**0.113**

1. Based on the mid-point of Campbell MacPherson's assessed valuation range (as set out below).

5.4 DCF Valuation – Inputs and Assumptions

Free Cash Flow

Free cash flow reflects the cash generated by a business which is available to be distributed among all security holders (primarily debt and equity providers). Free cash flow is not influenced by a company's capital structure and reflects required investment in both working capital and capital expenditure.

Pulse Energy has prepared detailed cash flow projections for the October 2015 - March 2019 period (i.e. 3.5 years). Typically a long-range forecast of at least 5 years is used to undertake a DCF valuation. The implications of undertaking a DCF valuation based on a forecast period of less than 5 years include:

- There is a greater emphasis on the terminal value and related assumptions when forming a view on the valuation range.
- There is potential to undervalue the Company where growth in free cash flow beyond the forecast period exceeds the growth rate assumptions made in calculating the terminal value.

However, we are comfortable that the cash flow projections available to us present a reasonable basis on which to form our view on the value of the business. A summary of Pulse Energy's projected financial information (along with the key assumptions) is provided in Section 4 of this Report.

Weighted Average Cost of Capital / Discount Rate

The discount rate used to determine the NPV of a company's future free cash flow should represent the company's Weighted Average Cost of Capital (**WACC**). A company's WACC is an average of the cost of debt and equity funding based on a target capital structure, and reflects the riskiness of the company's cash flow. The discount rate is an important driver of any valuation, and the final enterprise value of a business is often highly sensitive to the discount rate used.

Campbell MacPherson has assessed Pulse Energy's WACC in accordance with the following formula:

$$WACC = R_d(1 - t_c)\frac{D}{V} + R_e\,(1 - \frac{D}{V})$$

Pulse Energy – WACC Inputs		
Input	**Assumption**	**Description**
R_d	7.1%	Pulse Energy's long-term cost of debt: Estimated based on Campbell MacPherson's assessment of the long-term risk-free rate (4.0%) plus a risk premium of 3.1% (which reflects the Company's historical debt premium over New Zealand Government bond yields).
T_C	28.0%	New Zealand's marginal corporate tax rate.
D/V	10%	Pulse Energy's target leverage ratio: Estimated based on analysis of the Company's historical leverage ratio and also discussions with Pulse Energy's management team.
R_e	12.6% to 14.2%	Pulse Energy's cost of equity: Estimated using the simplified Brennan-Lally Capital Asset Pricing Model (discussed below).

<u>*Cost of Equity*</u>

Campbell MacPherson has estimated Pulse Energy's cost of equity based on the widely used Brennan-Lally Capital Asset Pricing Model, as set out below.

$$R_e = R_f(1 - t_i) + \beta_e\,(TAMRP)$$

Pulse Energy – Cost of Equity Inputs		
Input	**Assumption**	**Description**
R_f	4.0%	New Zealand's long-term risk-free rate: Estimated based on the average historical yield on 10 year New Zealand Government bonds.
T_i	28.0%	Investors' effective tax rate.
B_a	1.25 to 1.45	Pulse Energy's asset beta: Estimated based on analysis of comparable New Zealand companies and also Campbell MacPherson's assessment of Pulse Energy's risk profile.
B_e	1.39 to 1.61	Pulse Energy's equity beta: Calculated as B_a / (1-D/V).
TAMRP	7.0%	New Zealand's tax adjusted market risk premium (the expected return over and above the risk-free rate required to compensate investors for holding the market portfolio of equity instruments).

Based on the inputs and assumptions set out above, Campbell MacPherson has assessed Pulse Energy's cost of equity to be in the range of 12.6% to 14.2%.

Weighted Average Cost of Capital

Based on the inputs and assumptions set out above, Campbell MacPherson has assessed Pulse Energy's Weighted Average Cost of Capital to be in the range of 11.9% to 13.3% as summarised in the table below.

Pulse Energy - Weighted Average Cost of Capital		
	Low	**High**
Cost of debt	7.1%	7.1%
Cost of equity	12.6%	14.2%
Weighted average cost of capital	**11.9%**	**13.3%**

We note that, whilst Pulse Energy's WACC has been calculated in accordance with a widely adopted methodology, many of the inputs and assumptions are highly subjective and are a matter of professional judgement.

For comparative purposes, Campbell MacPherson has compared Pulse Energy's WACC with the assessed WACC for the wider New Zealand electricity utilities sector (as published by Grant Thornton as at 31 March 2015). As summarised below, our assessed WACC for Pulse Energy is significantly higher than that of the wider electricity utilities sector. This reflects the inherent risks associated with Pulse Energy and its current stage of development (i.e. Pulse Energy is currently in a growth phase).

WACC - New Zealand Electricity Utilities		
	Low	**High**
Pulse Energy - Assessed WACC	11.9%	13.3%
New Zealand Electricity Utilities - Assessed WACC[1]	7.50%	7.50%

1. As published by Grant Thornton as at 31 March 2015 (Capital Value Update).

Terminal Growth Rate

The terminal value of a company represents the NPV of its free cash flow realised beyond the forecast period. In order to determine Pulse Energy's free cash flow beyond FY19, an assumption must be made in relation to the future growth of the Company beyond the forecast period.

Terminal growth rates often range from 2.0% to 5.0% per annum, reflecting nominal growth in the wider New Zealand economy. However, company specific factors must be taken into consideration when determining an appropriate terminal growth rate.

Campbell MacPherson has assumed a conservative terminal growth rate of 2.0% to 2.5% per annum for Pulse Energy, reflecting the competitiveness of the retail electricity market.

Net Debt

In order to calculate the equity value of Pulse Energy, Campbell MacPherson has deducted net debt of $1.43 million from our assessed enterprise value. Our assessed net debt amount is based on the Company's reported financial position as at 30 September 2015, adjusted for

Campbell MacPherson's assessed value of the Company's interest free unsecured loan, and also Pulse Energy's normalised working capital position.

A summary of Pulse Energy's net debt as at 30 September 2015 is set out below.

Pulse Energy - Net Debt Summary (Excluding the MCNs)	
NZ$M	**30-Sep-15**
Cash (normalised for short-term working capital fluctuations)	1.13
Finance Lease	(0.00)
Shareholder Loan	(1.00)
Assessed value of the unsecured loan (mid-point)	(1.56)
Net Debt	**(1.43)**

Interest free unsecured loan

Pulse Energy's interest-free, unsecured loan, which matures on 1 July 2016, has a face value of $1.69 million. However, by virtue of the loan being interest free (i.e. the interest rate is not at current market rates), the current market value of the loan is less than its face value.

Key assumptions made by Campbell MacPherson in assessing the value of the unsecured loan are set out below.

Unsecured Loan Valuation – Inputs and Assumptions	
Debt Component	
Maturity date	1 July 2016
Coupon rate	n/a
Principal payment on maturity	$1.69 million
Discount rate	11.5% to 12.5% - Estimated based on Pulse Energy's current debt funding costs (e.g. the BEL facilities) and also yields on comparable debt securities.

Based on the inputs and assumptions set out above, Campbell MacPherson has assessed the value of the unsecured loan to be in the range of $1.55 million to $1.56 million.

Value of the Mandatory Convertible Notes

Campbell MacPherson has deducted the value of the MCN's from our assessed enterprise value (along with net debt - as set out above, and the value of the ESOP – as set out below) in order to calculate the ordinary equity value of Pulse Energy. Our assessed value range reflects the value of the future economic benefits associated with the MCNs assuming they are able to be held until maturity (i.e. in the absences of a takeover offer). We note that in the event of a successful takeover offer, the value received for the MCN's will be directly related to the Offer price for the Shares (as set out in the Northington Report).

The conversion terms of the MCN's are such that they have an embedded option component (i.e. the conversion price is fixed at $0.10 per share in the event that Pulse Energy's share price exceeds $0.11). It is therefore necessary to consider both the value of the debt component of the MCN's and also the value of the embedded option in assessing the total value of the MCNs. A summary of the terms of the MCN's is provided in Section 4.
Key assumptions made by Campbell MacPherson in assessing the value of the MCNs are set out below.

MCN Valuation – Inputs and Assumptions	
Debt Component	
Valuation date	24 November 2015
Maturity date	31 October 2017
Coupon rate	10% p.a. (paid six-monthly)
Principal payment on maturity	$1.11 per MCN – The $0.11 premium to face value ($1.0) reflects the 10% discount incorporated into the conversion mechanism.
Discount rate	11.5% to 12.5% - Estimated based on Pulse Energy's current debt funding costs (e.g. the BEL facilities) and also yields on comparable debt securities.
Embedded Derivative	
Valuation date	24 November 2015
Expiration date	31 October 2017
Underlying share price	$0.06 – Pulse Energy's closing share price prior to the announcement of a potential takeover offer.
Exercise price	$0.11 – The effective exercise price of the embedded option component of the MCNs.
Risk-free rate	2.5% - Estimated based on the average yield on two year New Zealand Government bonds during September 2015. A two year risk-free rate has been used in line with the remaining term of the MCNs.
Dividend yield	0% - Campbell MacPherson has assumed no dividend payments over the remaining life of the MCNs.
Expected volatility	45% to 55% - Estimated based on Pulse Energy's historic volatility and also Campbell MacPherson's assumption that Pulse Energy's future volatility will likely fall in the event that the Company can achieve its growth targets and becomes profitable.
Conversion factor	10 – The number of Pulse Energy shares issued per MCN in the event that the Company's share price exceeds the exercise price.

Based on the inputs and assumptions set out above, Campbell MacPherson has assessed the collective value of the MCNs to be in the range of $5.3 million to $5.5 million ($1.11 to $1.15 per MCN.

Pulse Energy - Summary of the MCN Valuation	Value Range	
	Low	High
Assessed value of the MCNs ($)	**1.11**	**1.15**
Number of MCNs outstanding	4,810,000	4,810,000
Assessed value of all MCNs ($M)	**5.3**	**5.5**

Value of the Options

Campbell MacPherson has deducted the value of the Company's Options from our assessed enterprise value (along with net debt and the value of the MCNs – as set out above) in order to calculate the ordinary equity value of Pulse Energy. A summary of the terms of the Options is provided in Section 4.

Campbell MacPherson has assessed the value of the various classes of Options outstanding based on a range of inputs and assumptions specific to each class. Our assessed valuation range also reflects the value of the potential future economic benefits associated with the Options assuming they are able to be held until maturity.

Campbell MacPherson has assessed the collective value of the Options to be in the range of $0.06 million to $0.07 million. As summarised in Section 4, there are a number of different classes of Options outstanding with different early exercise and expiration dates. Our assessed value therefore varies between classes, with a maximum value of $0.028 per Option.

5.5 Implied EV / EBITDAF Multiples

Campbell MacPherson's assessed value range for Pulse Energy implies a forward FY16 EV/EBITDAF multiple of 14.9x – 17.8x, and a forward FY17 EV/EBITDAF multiple of 11.0x – 13.1x. Beyond FY17, Pulse Energy's forward EV/EBITDAF multiple falls significantly to 6.4x – 7.7x in FY18 and 4.8x – 5.7x in FY19, as shown below.

Pulse Energy - Implied Valuation Multiples				
	EV / EBITDAF			
	FY16	FY17	FY18	FY19
Value Range				
High	17.8	13.1	7.7	5.7
Low	14.9	11.0	6.4	4.8

Trading Multiples

As summarised below, Pulse Energy's implied FY16 and FY17 forward EV/EBITDAF multiples are high relative to comparable trading multiples for New Zealand energy companies. This reflects the projected growth of the Company over the FY16 - FY19 period, and further supports the lack of suitability of the Capitalisation of Earnings methodology for the purposes of this valuation. Furthermore, when comparing implied valuation multiples to trading multiples calculated using the current share price of comparable listed companies, issues of size, liquidity and the implicit minority discount must be taken into consideration.

For completeness we have provided a comparison with the forward EV/EBITDA multiples of the gentailers in the table below.

Gentailer Forward Trading Multiples				
	EV/EBITDA			
Company	**FY16**	**FY17**	**FY18**	**FY19**
Contact Energy	10.0	9.6	9.6	n/a
Genesis Energy	8.3	8.3	8.3	7.5
Meridian Energy	10.6	10.1	9.7	n/a
Mighty River Power	10.2	10.0	9.7	9.4
TrustPower	10.3	9.8	9.5	9.5
Average	**9.9**	**9.6**	**9.4**	**8.8**

Source: Capital IQ

Transaction Multiples

Campbell MacPherson has also reviewed available data for recent transactions in New Zealand and Australia. However, data for transactions which are directly comparable to Pulse Energy is very limited.

The most recent New Zealand transaction involving an electricity generation and retail electricity business is the proposed takeover of King Country Energy by TrustPower. The proposed takeover includes the acquisition of King Country Energy's five hydro generation stations and its 17,500 customers. The implied forward FY15 EV / EBITDAF multiple associated with this potential transaction (based on the offer price of $5.00 per share) is approximately 10.5x.

Campbell MacPherson emphasises that, in our view, the capitalisation of earnings methodology is not suitable for the purposes of this valuation given Pulse Energy's current stage of development (i.e. significant growth in earnings is projected over the FY16 – FY19 period).

5.6 Implied EV / Customer Multiples

For completeness we have also considered the implied EV per customer generated by our valuation range. Campbell MacPherson's assessed value range for Pulse Energy implies an EV/ ICP multiple of $685 - $816 per customer as at 30 September 2015.

We note that this is a significant premium to a recent transaction involving a retail energy customer base (i.e. TrustPower acquired Energy Direct's 25,000 electricity and gas customers for approximately $550 per customer in May 2013). This premium could potentially be attributed to Pulse Energy's projected customer growth, which has been built into our assessed value range.

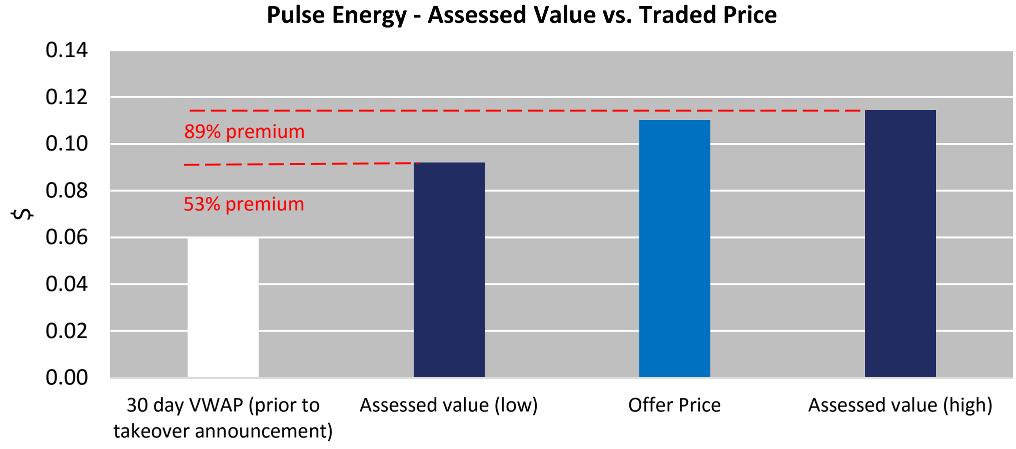
Pulse Energy - Implied EV per Customer

NZ$	EV / ICP Sep-15
Value Range	
High	816
Low	685

5.7 Implied Premium to the Traded Share Price

Pulse Energy's traded share price naturally incorporates a minority discount, reflecting the lack of control inherent in a minority shareholding. When 100% of a company is acquired, the purchaser will typically pay a premium to the traded share price, reflecting the full value of the company being acquired. Furthermore, in the case of Pulse Energy, it is possible that the observed share price may not fully reflect the market value of the Company given its low level of liquidity.

Campbell MacPherson's assessed value of Pulse Energy of $0.092 to $0.113 per share represents a premium of 53% - 89% to Pulse Energy's traded share price (based on the Company's 30 day VWAP of $0.06 prior to the announcement of a potential takeover offer).


Pulse Energy - Assessed Value vs. Traded Price
0.14
0.12
0.10
0.08
0.06
0.04
0.02
0.00
$
89% premium
53% premium
30 day VWAP (prior to takeover announcement)
Assessed value (low)
Offer Price
Assessed value (high)

6. PROFILE ON BULLER ELECTRICITY LIMITED

6.1 Overview

BEL was established in 1947 as an electricity distributor for the West Coast of the South Island (New Zealand) and is owned by its power consumers via the Buller Electric Power Trust (**BEPT)**. The company's core activity is the distribution of more than 61GWh of power to its 4,860 domestic and industrial consumers. It also designs and constructs a wide range of projects related to electricity supply and use.

BEL is the owner of Electro Services Limited who provides general electrical contracting services throughout the Nelson Tasman and West Coast regions. Its services include contracting services, maintenance and capital work for the electricity lines business. Other significant investments include a 55.90% majority shareholding in Pulse Energy. The Buller district has a total population of 10,473 (as at the 2013 census) and the major sectors include tourism, farming, coal mining and cement production.

BEPT is the sole owner of BEL. BEPT was established in 1993 as a result of the Government deregulation of the electricity market. BEPT holds the shares in BEL on behalf of the electricity consumers of the Buller District. The Trustees are responsible for appointing the Board of Directors to Buller Electricity Ltd.

The current Board of Directors for Buller Electricity Limited are shown below. Francis T Dooley the chairman of Buller Electricity Limited is also the current Chairman of Pulse Energy Limited.

Buller Electricity Limited - The Board	
Name	Role
Francis T. Dooley	Chairman*
Murray W. Frost	Director
Graham A. Naylor	Director*

*Pulse Director/Chairman

Key executives of the BEL management team are shown below.

Buller Electricity Limited - Management Team	
Name	Role
Eamon J. Ginley	Chief Executive
Alan G. Hawes	Operations Manager
Peter R. Best	Chief Financial Officer
Dale L. Ross	Engineering Manager

6.2 Financial Summary of Buller Electricity Limited

BEL earned revenues of over $110 million in FY15, an annual increase of over 30% compared with FY14. BEL's decline in net profit from $2.6 million to $0.4 million over this same period was largely the result of movements in fair value for electricity derivatives.

BELs summary financial performance for FY15 and FY14 is shown below.

Buller Electricity Limited - Summary Financial Performance		
NZ$ 000s	**FY14**	**FY15**
Operating Revenue	83,231	110,958
Profit/(Loss) from Operating Activities Before Net Finance costs	(5,236)	(1,420)
Profit/(loss) Before Movement in the Fair Value of Derivatives and Income Tax Expense	(6,053)	(2,465)
Profit/Loss for the year	**2,146**	**328**

BEL had total assets of $55.2 million as at FY15 and net assets of $36.2 million as shown below.

Buller Electricity Limited - Summary Financial Position		
NZ$ 000s	**FY14**	**FY15**
Total Assets	49,021	55,202
Total Liabilities	30,449	36,220
Total Equity	**18,572**	**18,982**

BEL's cash position at the end of FY15 was just over $5 million, a substantial increase on the balance in FY14 of just under $1 million. The cash flows of BEL for FY15 and FY14 is summarised below.

Buller Electricity Limited - Summary Cash Flow		
NZ$ 000s	**FY14**	**FY15**
Net Cash from Operating Activities	1,638	2,192
Net Cash from (used in) Investing Activities	(4,718)	(1,867)
Net Cash from (used in) Financing Activities	3,913	3,774
Net (Decrease)/Increase in Cash and Cash Equivalents	833	4,099
Cash and cash equivalents at end of the year	**970**	**5,069**

APPENDIX I. INFORMATION, DISCLAIMER & INDEMNITY

I.a Sources of Information

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

- The draft Target Company Statement (version dated 20 November 2015).
- The Buller Electricity Limited takeover offer document, including the Independent Adviser's Report by Northington Partners.
- Pulse Energy's audited annual reports for the years ended 31 March 2013, 2014 and 2015 and its interim reports for the six months ending 30 September 2013, 2014 and 2015.
- Financial Projections for Pulse Energy through to FY19, approved for release by the Non-Associated Directors of the Company.
- Other Pulse Energy documents including the Subscription Agreement for the MCNs and the Employee Share Option Agreement.
- Recent Pulse Energy Board Reports.
- New Zealand Companies Office records.
- Various NZX announcements by Pulse Energy.
- Publically available information on Pulse Energy, BEL and PGL.
- Capital IQ (share price data and company financials).
- Correspondence and / or discussions with the Non-Associated Directors of Pulse Energy and the Company's legal advisers.
- Discussions with representatives of Pulse Energy and BEL.

During the course of preparing this Report, we have had discussions with and/or received information from the Directors who are not associated with the Offerors, executive management of Pulse Energy and Pulse Energy's legal advisers.

The Independent Directors of Pulse Energy have confirmed that we have been provided, for the purpose of this Report, with all information relevant to the Offer that is known to them and that all the information is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is necessary for the purpose of preparing this Report. In our opinion, the information set out in this Report is sufficient to enable the Directors who are not associated with the Offerors and the Non-associated equity security holders to understand all the relevant factors and to make an informed decision in respect of Resolution 6.

I.b Reliance on Information

In preparing this Report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by Pulse Energy and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this Report but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of Pulse Energy. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

I.c Disclaimer

We have prepared this Report with care and diligence and the statements in this Report are given in good faith and in the belief, on reasonable grounds, that such statements are true and correct.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of this Report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the Report or assumptions reasonably taken as implicit.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this Report. Such conditions may change significantly over relatively short periods of time. We have no obligation to advise any person of any change in circumstances which comes to our attention after the date of this Report or to review, revise or update our Report.

We have had no involvement in the preparation of the Notice of Meeting issued by Pulse Energy and have not verified or approved the contents of the Notice of Meeting. We do not accept any responsibility for the contents of the Notice of Meeting except for this Report.

I.d Indemnity

Pulse Energy has agreed that, to the extent permitted by law, it will indemnify Campbell MacPherson and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of this Report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. Pulse Energy has also agreed to indemnify Campbell MacPherson and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Campbell MacPherson or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, Campbell MacPherson shall reimburse such costs.

APPENDIX II. QUALIFICATIONS, DECLARATIONS & CONSENTS

II.a Qualifications

Campbell MacPherson Limited

Campbell MacPherson is a private New Zealand-owned investment bank and corporate finance advisory firm. It advises on mergers and acquisitions, debt and equity capital-raising and prepares independent corporate advisory reports, valuation reports and strategic advice to a wide range of private and public New Zealand companies, local bodies and other organisations. Further information on Campbell MacPherson can be found on our website www.campbellmacpherson.com

The persons in Campbell MacPherson responsible for issuing this Report are Alistair Ward, Tony Haworth and Brad Caldwell. These individuals are experienced corporate finance practitioners with relevant expertise in preparing a report of this nature.

Summary profiles on each individual are provided below.

Stephen Burns *B.Sc (Chem), B.M.S., Dip Com, C.A, CM INST D, F FIN*

Stephen together with Alistair Ward formed Campbell MacPherson in 2002. Stephen was formerly a senior executive with the ANZ Banking Group in New Zealand and previous to that was Director - Debt Securities for Auckland investment bank, Northington Partners. He has over 18 years blue-chip experience in corporate and investment banking in New Zealand and the United Kingdom, covering property, corporate and structured finance roles.

As a principal of Campbell MacPherson he has considerable experience in mergers and acquisitions, corporate valuation and all aspects of debt and equity financing, including management/leveraged buyouts, general corporate and project and development funding. Stephen is a Chartered Accountant and is affiliated to a number of other professional bodies including accreditation as a Director by the Institute of Directors.

Alistair Ward *B.Com (Hons), M INST D, AFNZIM*

Alistair is an Executive Director of Campbell MacPherson Limited and co-founded the firm in 2002 with Stephen Burns. Alistair is a former principal of Waitiri Capital Ltd, an Auckland-based venture capital and advisory company established in 1997, the interests of which were acquired by Campbell MacPherson. He has advised many companies, business leaders and owners on issues relating to corporate governance and strategy, mergers, acquisitions and capital raising.

Alistair is a former CEO of Golden Bay Cement, the largest cement company in New Zealand and a key part of NZX-listed Fletcher Building. As a reflection of this position Alistair also chaired a variety of industry groups including the Cement and Concrete Association of NZ and the Major Energy Users Group. Alistair is a former Director of Solid Energy and continues to hold several private company directorships.

Alistair holds a Bachelor of Commerce degree (Honours) from the University of Otago and is a member of the New Zealand Institute of Directors and an Associate Fellow of the NZ Institute of Management.

Tony Haworth *M.Sc (Tech), M.Sc (Fin), M.AusIMM*

Tony is a Director at Campbell MacPherson Limited and has worked for the Company since 2004. Tony is a former General Manager of National Mining Company in Oman and a former Director of Liberty Gold Corporation in London. Prior to joining Campbell MacPherson, Tony completed a Masters in Finance at London Business School. Prior to working and studying overseas Tony held the position of geologist with Heritage Gold Limited.

Tony specialises in mergers and acquisitions, corporate valuation and financial analysis and has advised on a wide range of corporate finance transactions and assignments for public and private New Zealand companies and organisations across a variety of industry/public sectors.

Tony holds a Master of Science and Technology degree (First Class Honours) from the University of Waikato and a Master of Science (Finance) degree from London Business School. He is a Member of the Australasian Institute of Mining and Metallurgy.

Brad Caldwell *B.Com, M.Bus*

Brad is a graduate of the University of Otago where he completed a Bachelor of Commerce, majoring in finance, followed by a Masters in Business, majoring in finance. Brad joined Campbell MacPherson in 2010 and has worked on numerous corporate advisory assignments including mergers and acquisitions, capital raising and other projects. His expertise includes valuation, financial modelling and market/industry research.

II.b Independence

Campbell MacPherson does not have at the date of this Report, and has not had, any shareholding in or other relationship with Pulse Energy or the Offerors that could affect our ability to provide an unbiased opinion in relation to this Report.

Campbell MacPherson has not had any part in the formulation of the Offer nor any aspects thereof. Our sole involvement has been the preparation of this Report.

Campbell MacPherson will receive a fixed fee for the preparation of this Report. This fee is not contingent on the conclusions of this Report. We will receive no other benefit from the preparation of this Report.

II.c Declarations

Advance drafts of this Report were provided to the Independent Directors who are not associated with the Offerors for their comments as to factual accuracy as opposed to opinions, which are the sole responsibility of Campbell MacPherson. Changes made to the Report as a result of circulation of the drafts have not changed the methodology or conclusions reached by Campbell MacPherson. Our terms of reference for this engagement did not contain any term which materially restricted the scope of this Report.

II.d Consents

We consent to the issuing of this Report in the form and context in which it is to be included in the Target Company Statement to be sent to Pulse Energy's shareholders. Neither the whole nor any part of this Report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.

APPENDIX 2: NORTHINGTON PARTNERS LIMITED REPORT

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.

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

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

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

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