



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of shareholders of Pulse Utilities New Zealand Limited (the **Company**) will be held at Parnell Jubilee Trust Building, 545 Parnell Road, Parnell, Auckland on Thursday, 18 August 2011 at 12pm.

Items of Business

- A. The Chairman's introduction.
- B. Addresses to Shareholders.
- C. Shareholder discussion.
- D. Resolutions.

Resolutions

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

- 1 **Re-election of Richard Burcher:** As an ordinary resolution, that Richard Burcher who retires by rotation in accordance with the Company's constitution and NZAX Listing Rule 3.2.6, and being eligible for re-election, be re-elected as a director of the Company.
- 2 **Auditors:** As an ordinary resolution, that the Board is authorised to fix the auditor's remuneration.
- 3 **Recapitalisation Proposal:** As an ordinary resolution (passed pursuant to and as required by Rule 7(d) of the Takeovers Code and NZAX Listing Rules 7.3.1(a) and 7.5, as applicable) and conditional on the passing of resolution 4 and resolution 5, that the directors of the Company are authorised to issue:
 - (a) to Buller Electricity Limited (**BEL**) 176,400,000 ordinary shares of the Company at an issue price of \$0.05 per share (**BEL Allotment**);
 - (b) up to 30,000,000 ordinary shares of the Company at an issue price of \$0.05 per share to qualified investors (**Private Placements**); and
 - (c) 7,622,100 ordinary shares of the Company to the holders of convertible notes issued by the Company in partial satisfaction of the Company's obligations to those note holders under the terms of issue of the notes (**Note Holder Allotment**),and on the terms otherwise detailed in this Notice of Meeting.
- 4 **Major Transaction:** As a special resolution and conditional on the passing of resolution 3 and resolution 5, that the share issues referred to in resolution 3 be hereby approved pursuant to section 129 of the Companies Act 1993.
- 5 **Related Party Transaction:** As an ordinary resolution and conditional on the passing of resolution 3 and resolution 4, the transactions envisaged by the Heads of Agreement dated 20 June 2011 between the Company and BEL are approved pursuant to NZAX Listing Rule 9.2.1.

Other Business

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

Share Price

The last price at which shares in the Company traded on the NZAX market is \$0.15 per share (as at the close of trading, 28 July 2011). As noted above the proposed share issues under the BEL Allotment and the Private Placements are to be undertaken at an issue price of \$0.05 per share. The reason for proposing a share issue at this two-thirds discount is because in the absence of those transactions being approved it is considered likely that the Company will cease trading and its shares will then have no value.

Proxies

Any shareholder of the Company who is entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him or her. A corporation which is a shareholder may appoint a representative to attend the meeting on its behalf in the same manner as it could appoint a proxy. A proxy does not need to be a shareholder of the Company. The Chairman of the meeting can be appointed as a proxy.

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

By delivery:

Pulse Utilities New Zealand Limited
C/- Link Market Services Limited
Level 16, Brookfields House
19 Victoria Street West
Auckland 1010

By Facsimile: +64 9 375 5990

Email: imsenquiries@linkmarketservices.com (please put the words "Pulse Utilities New Zealand Limited Proxy Form" in the subject line for easy identification)

By mail:

Pulse Utilities New Zealand Limited
C/- Link Market Services Limited
P.O. Box 91976
Auckland, 1142

Alternatively, you may lodge your proxy online. Go to www.linkmarketservices.com and click on the Pulse Utilities voting banner on the screen. Initial information including your CSN, holder name and FIN will be required to successfully validate your holding online before shareholding information and voting pages are displayed. A shareholder will be taken to have signed the Proxy Form by lodging it in accordance with the instructions on the website.

The completed Proxy Form must be received by no later than 48 hours before the meeting, being 12pm on Tuesday, 16 August 2011. Online proxy appointments must also be completed by this time. Voting entitlements of the meeting will also be determined as at this time. Registered shareholders at that time will be the only persons entitled to vote at the meeting and only the shares registered in those holders' names at that time may be voted at the meeting.

Ordinary Resolutions

Resolutions 1, 2, 3 and 5 are ordinary resolutions. An ordinary resolution is a resolution passed by a simple majority of votes of those holders of securities of the Company which carry votes, are entitled to vote and are voting on the resolutions in person or by proxy.

Special Resolution

Resolution 4 is a special resolution. A special resolution is a resolution passed by a majority of 75% or more of the votes of those shareholders entitled to vote and voting on the resolution in person or by proxy.

If Resolution 4 is passed and any shareholder has cast all the votes attached to the shares registered in that shareholder's name and having the same beneficial owner against that Resolution, then that shareholder is entitled to require the Company to purchase those shares in accordance with section 110 of the Companies Act 1993 (**Act**). Appendix One to this Notice of Meeting sets out the applicable procedure for this.

However, shareholders should note that the Act provides for the Company to acquire such shares at a fair and reasonable price as at the close of business on the day before the date of the annual meeting. This notice of meeting and the 2011 Annual Report detail the Company's current financial position. The Company will cease trading if the transactions envisaged by Resolution 4 (**Transactions**) are not passed for the reasons outlined in this Notice of Meeting. The price offered for your shares would not take account of any value that the Transactions may potentially create for your shares and without the benefit of the Transactions it is likely that a fair and reasonable price for shares will only be an amount that is nominal.

On this basis shareholders considering exercising this right are strongly encouraged to first seek independent professional advice from a financial adviser. In particular, if you do desire to exit your shareholding, seek advice on whether you may get better value for your shares by selling on-market against exercising these rights.

Voting Restrictions

In relation to Resolution 3 and pursuant to Listing Rule 9.3.1 and Rule 17(2) of the Takeovers Code (as applicable):

- BEL and its 'Associated Persons' (as that term is defined in the Listing Rules) are prohibited from voting any securities held in the Company.
- The subscribers under the Private Placements (including Dene Biddlecombe, a director of the Company) and their 'Associated Persons' (as that term is defined in the Listing Rules) are each disqualified from voting any securities that they hold in the Company.
- Any "Associate" (as that term is defined in the Takeovers Code) of BEL is prohibited from voting any securities that they hold in the Company.

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

In relation to Resolution 5:

- BEL and its 'Associated Persons' (as that term is defined in the Listing Rules) are prohibited from voting any securities held in the Company; and
- Dene Biddlecombe and his 'Associated Persons' (as that term is defined in the Listing Rules),

are disqualified from voting any securities that they hold in the Company.

The Company will disregard any votes cast on resolution 3 or resolution 5 (as applicable) by any persons to whom the foregoing applies. Any discretionary proxies given to persons disqualified from voting under the requirements set out above will not be valid. Proxies that give express voting instructions to such persons will however be accepted.

NZX Approval

This notice of meeting has been approved by NZX Limited.

Listing Rule References

In this notice of meeting, references to the Listing Rules are references to the listing rules of the NZAX market.

Independent Adviser's Report

Accompanying this notice of meeting is an independent report from Simmons Corporate Finance Limited (the **Independent Report**) on the BEL Allotment as required by Rule 16(h) of the Takeovers Code.

Interdependence of Resolutions 3, 4 and 5

Resolutions 3, 4 and 5 are interdependent and must all be passed by shareholders in order for any of those resolutions to be effective.

EXPLANATORY NOTES

Resolution 1: Re-election of Richard Burcher

Richard was appointed to the Board on 16 March 2009 and is a non-executive director of the Company. Richard retires by rotation and, being eligible, offers himself for re-election.

Richard is a Tauranga-based commercial lawyer with some 30 years' experience advising private, public and Crown companies on a wide variety of legal and commercial issues. Richard has a particular interest in issues surrounding the commercialisation of intellectual property. Richard is also a director of NZ Law Limited, a notary public, an associate of the Arbitrators and Mediators Institute of New Zealand and a member of the Institute of Directors.

Resolution 2: Auditors

Ernst & Young is automatically reappointed as auditor under section 200 of the Companies Act 1993. This resolution authorises the Board to fix the fees and expenses of the auditor.

Resolutions 3, 4 and 5: Recapitalisation Proposal

Background

The Company's electricity retailing business is a capital intensive business. The ongoing development of this business has always been dependent on the Company continuing to raise capital to a point where its business plan is fully funded.

The Company has had a successful history of raising this capital. Approximately \$4.5 million was raised in a private capital raising in December 2009 and another approximately \$2 million in private placements has also been raised since that time. Following this success through private offers and strong growth in customer numbers, the Board determined in August last year that it was appropriate to return to shareholders generally with a \$3.6 million Share Purchase Plan offer and seek support. Unfortunately this offer closed in October last year with only \$745,000 raised.

The Company accordingly returned to the private capital markets seeking a new cornerstone investor. A number of potential investors, including high net worth individuals and private equity firms, were approached and some due diligence investigations and investment negotiations ensued.

However when the well-publicised electricity 'price spike' occurred in March this year all prospects for new investment immediately diminished. Although this event was subsequently determined to be an undesirable trading situation by the New Zealand Electricity Authority, with prices reset to reasonable levels in the circumstances (the decision of the New Zealand Electricity Authority currently being subject to appeals by a number of parties), the damage from a capital-raising perspective was done. New investors who were unfamiliar with the electricity industry viewed the electricity pricing risk for small retailers as too significant, particularly with the electricity hedging market still lacking liquidity and being difficult for small retailers to access on reasonable, non-capital intensive terms.

From this time BEL increased its support of the Company further. BEL commenced detailed due diligence and financial analysis of the Company with a view to taking the lead role itself in recapitalising the Company. For the Company's operations to remain viable there were several key issues facing the Company:

- The need to become fully funded. The attention of the Board and management had, by necessity, been distracted for too long on raising capital when focus needed to be on operations. Securing sufficient new cash was vital.
- The Company's balance sheet had become strained by convertible note debt. A significant amount of this debt was also maturing within 12 months. Most Note Holders had been seeking redemption rather than conversion of their convertible notes, probably due to deterioration in the Company's share price. Interest payments on these convertible notes were also draining much needed cash.

- The Company needed access to banking facilities that it could use to meet industry security requirements and to obtain greater hedging cover to mitigate electricity pricing risk and improve its retailing margins.

Without these issues being comprehensively addressed through a recapitalisation plan, the Board considered that the Company would need to cease trading.

Heads of Agreement

On 20 June 2011 agreement between the Company and BEL was reached resulting in a binding Heads of Agreement (**Agreement**) being entered with a plan to recapitalise the Company. The Agreement (as amended) has two key initial conditions:

- **Convertible Notes:** On or before 20 July 2011, the Company was to obtain the unanimous agreement of Note Holders to vary the terms of their convertible notes so that:
 - 40% of the aggregate face value of the notes was restructured into an interest-free five year term loan; and
 - the balance of the notes held then convert into ordinary shares at the rate of 3 new shares for every \$1 of notes held.

This condition has been satisfied and implementation of this variation is contingent on shareholders approving the Transactions.

- **Private Placements:** On or before 20 July 2011, the Company was to obtain subscription commitments from qualified investors for \$1.5 million of new shares at \$0.05 per share. This condition has been satisfied and the Private Placements will occur, subject to shareholders approving the Transactions.

Under the Agreement and subject to the satisfaction of all conditions, BEL agreed to:

- **Cash Subscription:** Subscribe for 100,000,000 new shares in the Company at \$0.05 per share representing an investment of \$5 million in aggregate.
- **Bank Facilities:** Guarantee \$9 million of banking facilities for the Company for a period of two years. These facilities comprise a \$1 million overdraft facility and an \$8 million letter of credit facility which Pulse can utilise to meet industry security requirements and security requirements for electricity hedging contracts. BEL would retain its current general security over the Company's assets and receive a guarantee fee of 15% per annum on the total guaranteed amount, representing \$2.7 million in aggregate. If the Transactions are approved by shareholders this guarantee fee will be settled through the issue of 54,000,000 new shares at \$0.05 per share shortly following the meeting.
- **Loan Capitalisation:** The Company capitalising advances of \$1.12 million that BEL has made by issuing 22,400,000 new shares at \$0.05 per share.

All of the above Transactions are interdependent and conditional on shareholders approving Resolution 3 and 4.

If the Transactions are approved by shareholders the Transactions will be completed and all relevant shares issued shortly following the meeting. The Company then intends to offer a new Share Purchase Plan to shareholders in September (**SPP**). The SPP will seek to raise a maximum of \$1.5 million at \$0.05 per share giving all shareholders an opportunity to subscribe for shares at this price. It is intended that if any shortfall arises from the SPP, these will be placed to qualified investors within three months of the SPP closing. Expressions of interest in taking this shortfall (but not binding commitments) have been received by the Company and accordingly the Company is confident that the full \$1.5 million will be raised.

Effect of Resolutions 3, 4 and 5 Passing

If resolutions 3, 4 and 5 are passed, the Transactions and SPP will have the following effects on the Company:

- **Enhanced Working Capital/Cash flow:**
 - \$6.5 million in new cash through the Private Placements and the BEL Allotment.

- Up to \$1.5 million in new cash following the SPP (and any SPP shortfall placements).
 - The ability to use the new banking facilities to meet industry security requirements releasing approximately \$2 million in cash security deposits back to the Company and ceasing this drain on cash flow moving forward.
 - Access to a \$1 million overdraft facility.
 - The cessation of interest payments on convertible notes and BEL's capitalised debt (presently costing the Company approximately \$477,000 per annum).
- **Reduced Debt:**
 - \$2.5 million of debt owing to Convertible Note Holders will be capitalised.
 - \$1.12 million of debt owing to BEL will be capitalised.
 - The Company's balance sheet will be improved as a consequence.
- **Control Position:**
 - BEL holding 73.08% of all shares on issue in the Company, increasing from 8.48% at present.
 - BEL's holding possibly reducing to a minimum of 65.11% following the SPP (and any SPP placements).
 - BEL will have the ability to control the composition of the Company's board of directors and BEL representatives will immediately be invited to join the Board of the Company.
 - All existing shareholders will be diluted from owning 100% of the Company to 12.63% of the Company.
- **Operational:**
 - Enhanced capability to enter electricity hedging contracts and mitigate price risk.
 - The ability to leverage off the industry knowledge and expertise of BEL.
 - The funding to better resource critical areas of the Company's business such as credit control.

In summary, shareholders will be significantly diluted but the Company will finally be fully funded and have a strong platform from which to grow its business.

Effect of Resolutions 3, 4 and 5 Not Passing

If the Transactions are not approved, the Company considers that the Company's capital raising efforts will be exhausted and that BEL will no longer be minded to support the Company. Accordingly the directors consider that it will be necessary for the Company to immediately cease trading.

As a secured creditor of the Company it is likely that BEL would then appoint a receiver and the Company would be subsequently liquidated. In this situation it is considered that Convertible Note Holders, as unsecured creditors, will receive nothing or a highly nominal return. Shareholders would certainly receive no return on their shares. The Company's 65 staff would be likely to all lose their jobs. The Company's success in promoting competition in the retail electricity market will be lost.

Requirements for Shareholder Approval

Shareholder approval is required of the Transactions under a number of applicable Listing Rules, the Takeovers Code and the Companies Act 1993. How the Transactions trigger these requirements and relevant disclosures against these requirements are set out below.

Companies Act 1993

Shareholder approval is required under section 129 of the Companies Act 1993 as the Transactions constitute a 'major transaction'. In particular, the issue of 214,022,100 new shares under the Transactions represents an obligation of the Company the value of which is more than half the value of the Company's assets before the Transactions.

Takeovers Code

The Company is a "Code Company" under the Takeovers Code, meaning that there are restrictions on persons acquiring or being allotted voting rights (or control of voting rights) above 20%. As an exception to this general rule, the Company's shareholders may approve the issue of the shares to BEL and Resolution 3 seeks such approval.

The table below sets out the specific disclosures required by rule 16 of the Takeovers Code in respect of the proposed allotment of shares under the Transactions:

	Rule 16, Takeovers Code	Compliance Information
(a)	the identity of the allottee	Buller Electricity Limited
(b)	particulars of the voting securities to be allotted, including:	176,400,000 ordinary shares
	(i) the number being allotted;	
	(ii) the percentage of the aggregate of all existing voting securities and all voting securities being allotted that that number represents;	72.01%
	(iii) the percentage of all voting securities that will be held or controlled by the person to whom the voting securities are being allotted after completion of the allotment; and	73.08%
	(iv) the aggregate of the percentages of all voting securities that will be held or controlled by the person to whom the voting securities are being allotted and by that person's associates after completion of the allotment.	73.08%
(c)	if the voting securities being allotted are voting securities of a body corporate other than the code company: (i) the number of voting securities in the code company that are held or controlled by that body corporate; and (ii) the percentage of the total voting securities of the code company that that number represents; and	N/A
(d)	the issue price for the voting securities to be allotted and when it is payable.	\$0.05 per ordinary share (\$8.82 million in aggregate) payable within five (5) business days of the Transactions being approved in the following manner: <ul style="list-style-type: none"> • \$5 million in cash. • \$1.12 million through the capitalisation of loans. • \$2.7 million as a capitalised guarantee fee (as detailed on page 5 of this notice of meeting).
(e)	the reasons for the allotment.	To provide working capital for the Company, to provide access to banking facilities for the Company and to reduce debt of the Company.
(f)	a statement to the effect that the allotment, if approved, will be permitted under rule 7(d) of the Takeovers Code as an exception to rule 6 of the Takeovers Code.	The allotment of 176,400,000 ordinary shares to BEL as part of the Transactions, if approved, will be permitted under rule 7(d) of the Takeovers Code as an exception to rule 6 of the Takeovers Code.

	Rule 16, Takeovers Code	Compliance Information
(g)	a statement by the allottee setting out particulars of any agreement or arrangement (whether legally enforceable or not) that has been, or is intended to be, entered into between the allottee and any other person (other than between the allottee and the code company in respect of the matters referred to in paragraphs (a) to (e) relating to the allotment, holding, or control of the voting securities to be allotted, or to the exercise of voting rights in the code company.	BEL, has not, nor intends to, enter into any arrangement or agreement with any other person, apart from the Company relating to the allotment, holding or control of the voting securities to be allotted, or the exercise of the voting rights in the Company.
(h)	the report from an independent adviser that complies with rule 18.	The Independent Report from Simmons Corporate Finance Limited accompanies this notice of meeting.
(i)	the statement by the directors of the Code company referred to in rule 19.	The directors of the Company unanimously recommend approval of Resolution 3 for the reasons set out in the section entitled " <i>Directors Recommendation</i> " below.

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

Resolution 3 authorises the Company to issue:

- 176,400,000 ordinary shares to BEL on the terms described in this Notice of Meeting.
- 7,622,100 ordinary shares to Convertible Note Holders on the terms described in this Notice of Meeting. A director of the Company, Dene Biddlecombe, holds \$630,000 of Convertible Notes and accordingly will receive 1,134,000 of these shares.
- 30,000,000 ordinary shares to subscribers under the Private Placements on the terms described in this Notice of Meeting. A director of the Company, Dene Biddlecombe, has entered a subscription commitment with the Company to subscribe for \$482,500 of these shares. However, it is likely that prior to allotment of the Private Placements Mr. Biddlecombe will nominate a third party (not being another director of the Company, related party of the Company or any associated person of such persons) to undertake part of his subscription commitment and that he will ultimately only subscribe for a maximum of \$282,500 of shares under the Private Placements.

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

Listing Rule 7.5 – Issues of Securities Affecting Control

Listing Rule 7.5 provides that no issue of securities shall be made by the Company if there is a significant likelihood that the issue will result in any person or group of associated persons materially increasing their ability to exercise, or direct the exercise of (either then or at any future time) effective control of the Company. This applies where that person or group of associated persons is entitled before the issue to direct the exercise of not less than 1% of the total votes attaching to securities of the Company unless the precise terms and conditions of the issue have been approved by an ordinary resolution of the Company.

BEL currently holds approximately 8% of all shares on issue in the Company. The BEL Allotment will result in BEL crossing both:

- a 20% control threshold in the Company, which is recognised by the Takeovers Code as a significant control threshold; and
- a 50% control threshold in the Company being the threshold at which an ordinary resolution of the Company can be passed meaning that BEL will control the passage of future ordinary resolutions of the Company (except in circumstances where it is disqualified from voting under applicable law or Listing Rules).

As a result the BEL Allotment requires shareholder approval as this will result in BEL materially increasing its effective control of the Company with its control percentage increasing to 73.08%.

Listing Rule 9.2.1 – Transactions with Related Parties

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

Dene Biddlecombe is a subscriber under the Private Placement and a Convertible Note Holder that is receiving shares under the Transactions. Mr. Biddlecombe is a related party of the Company because he is a director of the Company and presently a substantial security holder of the Company.

BEL has agreed, solely for the purposes of resolution 5, to be treated as a related party of the Company on the basis of being an 'Associated Person' (as that term is defined in the Listing Rules) of the Company.

The Transactions are a material transaction under the Listing Rules because they are a series of related transactions and, taken together are an issue of securities that has a value (\$12,860,700) in excess of 10% of the average market capitalisation of the Company (approximately \$460,000).

Directors Recommendation – Rule 19 of the Takeovers Code

The Board of the Company unanimously recommends that shareholders vote in favour of the Transactions and, in particular, the BEL Allotment.

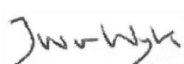
The reasons for this recommendation are:

1. If the Transactions are not approved by shareholders the Board considers that the Company will have to immediately cease trading and that BEL will appoint a receiver to the Company. Should this occur the Board believes that shareholders will receive nothing for their shares.
2. BEL is a New Zealand owned and operated electricity distribution company with significant experience in the New Zealand electricity market. The Board considers these to be highly attractive attributes for a majority shareholder which the Company can leverage off to enhance its future prospects. In addition, the Board believes that the financial support that has been given to the Company to date by BEL (as only an 8% shareholder) demonstrates its commitment to the success of the Company.
3. While BEL will become the majority shareholder of the Company and ultimately hold between 65.11% and 73.08% of the Company's shares, the Board considers that this level of shareholding is commensurate with the level of investment being provided by BEL and the level of risk it is assuming under the Transactions (in particular, as guarantor of the new banking facilities).
4. The Company has made extensive efforts to raise capital over the past two years to fully fund the Company's operations. This has included:
 - (a) a share purchase plan offer to all shareholders that was not well supported;
 - (b) extensive negotiations with a number of high net worth investors; and
 - (c) extensive negotiations with a number of private equity firms.

Accordingly, while the issue price of \$0.05 per share under the Transactions is less than what the Board of the Company would have liked to achieve for shareholders, this issue price is the outcome of considerable efforts to attract new capital. It is considered to be a fair reflection of the current financial position of the Company and unlikely to be bettered by any other party. Importantly, all shareholders will also be offered an opportunity to subscribe for shares at this price through the SPP.

5. Notwithstanding the current financial position of the Company, the Board strongly believes in the Company's business model. In particular:
 - (a) Customer numbers have grown by over 20,000 in the last 12 months.

- (b) The funding the Company will receive through the Transactions will allow the Company to be resourced properly to support this and future customer growth.
 - (c) Regulatory changes that have already taken effect and are also proposed to take effect remove barriers and promote competition in the electricity industry. These changes significantly assist small retailers like the Company in growing a profitable retail electricity business in New Zealand.
 - (d) Large electricity retailers have been using the Company's financial position as a marketing tool to try and attract customers. This demonstrates their concern at having a competitor like the Company and reinforces our success to date in the market.
6. The Transactions transform the balance sheet of the Company so that it can operate from a platform that has significantly reduced debt, strong access to working capital and bank facilities to meet the security requirements of New Zealand electricity market (thereby relieving significant stress to the Company's cash flows).



Joseph van Wijk



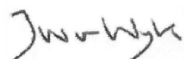
Richard Burcher



Dene Biddlecombe

Directors Certificate – Listing Rule 9.2.5(b)*

We, the undersigned directors of the Company certify that in our opinion the terms of the Transactions are fair and reasonable and in the best interests of the Company for the reasons set out in the Directors Recommendation above.



Joseph van Wijk



Richard Burcher

*As a subscriber under the Private Placements and as a Convertible Note Holder the third director of the Company, Dene Biddlecombe, is "interested" in the Transactions and in accordance with the Listing Rules does not give the above certificate under Listing Rule 9.2.5(b). Nonetheless, Mr. Biddlecombe is one of the directors giving the unanimous directors recommendation in support of the Transactions under the Takeovers Code that is set out above.

APPENDIX ONE: Minority Buyout Rights Procedure

If the shareholders of the Company pass a special resolution approving Resolution 4 set out in this Notice of Meeting, a shareholder who casts all the votes attached to the shares registered in that shareholder's name (and having the same beneficial owner) against that special resolution is entitled to require the Company to purchase those shares in accordance with section 110 of the Companies Act 1993 (the **Act**).

To exercise that right, that shareholder must give notice requiring the Company to repurchase those shares within 10 working days of the passing of the special resolution. The Board of the Company must, within 20 working days of receiving the notice:

- (a) agree to purchase the shares; or
- (b) arrange for some other person to agree to purchase the shares; or
- (c) apply to the Court for an order exempting it from purchasing the shares under section 114 or section 115 of the Act; or
- (d) arrange, before the resolution becomes effective, for the resolution to be rescinded by special resolution in accordance with section 106 of the Act or decide in the appropriate manner not to take the action concerned (as the case may be); and
- (e) give written notice of the Board's decision to the relevant shareholder.

Where the Board agrees to the purchase of the shares by the Company, it must within 5 working days of giving notice under (e) above, give written notice of the price to the shareholder that it offers for those shares. The price must be a fair and reasonable price (as at the close of business on the day before the date that the resolution was passed) and calculated as follows:

- (a) first, the fair and reasonable value of the total shares in each class to which the shares belong must be calculated (the **Class Value**);
- (b) secondly, each Class Value must be adjusted to exclude any fluctuation (whether positive or negative) in the Class Value that has occurred (whether before or after the resolution was passed) that was due to, or in expectation of, the event proposed or authorised by the resolution;
- (c) thirdly, a portion of each adjusted Class Value must be allocated to the shareholder in proportion to the number of shares they hold in the relevant class.

However, a different methodology from that set out above may be used to calculate the fair and reasonable price for the shares if using the methodology set out above would be clearly unfair to the shareholder or the Company. The written notice to the shareholder must state how (a) to (c) above was calculated or why using this methodology was clearly unfair to the Company or the shareholder.

A shareholder may object to the price offered for the shares by giving notice of their objection to the Company within 10 working days of receiving notice of the price offered. If the shareholder does not object or accepts the offer, the Company must purchase the shares at the nominated price no later than 10 working days after the date that the offer is accepted or the date that is 10 working days after the date that notice of the price offered was given to the shareholder. These time periods may be adjusted by agreement between the Company and the shareholder.

If a notice of objection to the price has been received by the Company, the following issues must be submitted to arbitration:

- (a) the fair and reasonable price for the shares, on the basis set out in section 112(2) and (3) of the Act; and
- (b) the remedies available to the shareholder or the Company in respect of any price for the shares that differs from that determined by the Board of the Company under section 112 of the Act.

The Company must, within 5 working days of receiving the objection, pay to the shareholder a provisional price in respect of each share equal to the price offered by the Board. If the price determined for the shares by the arbitrator:

- (a) exceeds the provisional price paid, the arbitrator must order the Company to pay the balance owing to the shareholder; or
- (b) is less than the provisional price paid, the arbitrator must order the shareholder to pay the excess to the Company.

Except in exceptional circumstances, the arbitrator must award interest on any balance owing or excess to be paid. If a balance is owing to the shareholder, the arbitrator may award to the shareholder, in addition to or instead of an award of interest, damages for loss attributable to the shortfall in the initial payment. Any sum that must be paid in accordance with the arbitrator's decision must be paid no later than 10 days after the date of the arbitrator's determination, unless the arbitrator specifically orders otherwise.

Where the Company agrees to arrange a third party to purchase the shares, the provisions set out above apply (subject to such modifications as may be necessary) to that purchase of the shares. Every shareholder whose shares are purchased through a third party pursuant to such an arrangement is indemnified by the Company in respect of loss suffered by reason of the failure by the third party who has agreed to purchase the shares to purchase them at the price nominated or fixed by arbitration, as the case may be.