

NOTICE OF SPECIAL MEETING

MERCER GROUP LIMITED

Notice is given that a special meeting of shareholders of Mercer Group Limited (the "**Company**") convened by the Board, will be held on Wednesday, 9 May 2012 commencing at 3:00pm (New Zealand time) at the Company's Auckland offices at 7 Corban Avenue, Henderson, Auckland.

BUSINESS TO BE TRANSACTED

To consider and, if thought fit, to pass the following ordinary resolution (the "**Resolution**"), which is a resolution to be passed by a simple majority of the votes of shareholders entitled to vote and voting on the Resolution:

*That, pursuant to NZSX Listing Rule 7.3.10, the Company agree to amend the specific terms and conditions on which the Series A Options were granted to Rodger David Shepherd ("**Rodger**"), specifically that the exercise date for those options (being 2 February 2013) be amended so that Rodger may exercise the Series A Options at any time on **or before 2 February 2013**.*

Please refer to the explanatory notes that accompany this Notice of Meeting.

By order of the board of directors



Garry Diack
Chairman

20 April 2012

EXPLANATORY NOTES TO THE RESOLUTION

1. PROPOSED AMENDMENT TO THE TERMS OF THE SERIES A OPTIONS

- 1.1 The Company entered into a Chief Executive's individual employment agreement with Rodger David Shepherd ("**Rodger**") dated 17 October 2011 (the "**Employment Agreement**").
- 1.2 Pursuant to the Employment Agreement, the Company agreed to grant to Rodger options as detailed in an option agreement dated 17 October 2011 (the "**Option Agreement**").
- 1.3 The Option Agreement provides that Rodger or his nominee shall be granted options to subscribe for ordinary shares in the Company as follows:
 - (a) An option to subscribe for 18,181,818 ordinary shares at an exercise price of \$0.055 per share exercisable on 2 February 2013 ("**Series A Options**");
 - (b) An option to subscribe for 14,285,714 ordinary shares at an exercise price of \$0.070 per share exercisable on 2 February 2014, provided that Rodger is an employee or director of the Company at any time in the period 30 days prior to the exercise date ("**Series B Options**"); and
 - (c) An option to subscribe for 11,764,706 ordinary shares at an exercise price of \$0.085 per share exercisable on 2 December 2014, provided that Rodger is an employee or director of the Company at any time in the period 30 days prior to the exercise date ("**Series C Options**"),

being options to subscribe for a total of up to 44,232,238 ordinary shares in the Company (together the "**Options**").

- 1.4 The Options are exercisable in full (and not in part) on each of their relevant exercise dates. The Options carry no voting rights or rights to attend meetings however the shares issued pursuant to the exercise of the Options will rank *pari passu* in all respects with all existing ordinary shares in the Company.
- 1.5 The Company and Rodger have agreed (subject to Shareholder approval) that the terms and conditions applying to the Series A Options be amended so that Rodger may exercise the Series A Options on *or before* 2 February 2013 (the "**Proposed Amendment**"). No other changes to the Options are proposed and all other terms and conditions of the Options remain as previously approved.

2. APPLICATION OF THE LISTING RULES TO THE PROPOSED AMENDMENT

Previous Approval for the issue of the Options

- 2.1 The Shareholders of the Company previously approved, by ordinary resolution, the issue of the Options to Rodger (including the terms and conditions of issue) at the Company's annual general meeting on 30 November 2011, in accordance with listing rule 7.3.1.

2.2 Whilst entry into the Employment Agreement would otherwise have required the approval of the Shareholders under Listing Rule 9.2.1, the Shareholders were not required to approve entry into the Employment Agreement in accordance with the exception provided in Listing Rule 9.2.4(d). This exception applied to the Company, provided that:

- (i) the terms of the contract were set on an arms' length, commercial basis and were approved by the Independent Directors of the Company;
- (ii) the Independent Directors who approved the contract, signed and delivered to NZX a certificate stating that Rule 9.2.4(d)(i) had been complied with; and
- (iii) material particulars of the contract (including the Company's use of this exception) were disclosed in the Company's next annual report.

Those conditions have been (or will be in the case of disclosure in the annual report), complied with.

Approval for the Proposed Amendment

- 2.3 As stated above, the issue of the Options was previously approved by the Shareholders of the Company. That approval included approval as to the precise terms and conditions of the proposal to issue the Options pursuant to Listing Rule 7.3.1(a). The Proposed Amendment changes the precise terms and conditions on which the Series A Options were granted by amending the exercise date from 2 February 2013 to any date on *or before* 2 February 2013.
- 2.4 Any amendment to the terms and conditions of securities which were issued to any employee with Shareholders' approval, must be approved by an ordinary resolution of Shareholders pursuant to Listing Rule 7.3.10.
- 2.5 Because the Options form part of the Employment Agreement, the Proposed Amendment will constitute a change not only to the Option Deed, but also to the Employment Agreement. This change represents a material change from the terms previously approved by the Company's Independent Directors under Listing Rule 9.2.4(d) and accordingly, the Company's Independent Directors will be required to reconfirm their approval under Listing Rule 9.2.4(d) (as set out above).

3. PURPOSE OF THE PROPOSED AMENDMENT

- 3.1 The purpose of the Proposed Amendment is to permit Rodger to exercise the Series A Options at a date earlier than the original exercise date, being 2 February 2013. Rodger has agreed that he will exercise the Series A Options as soon as practicable following approval of the Proposed Amendment by the Shareholders.
- 3.2 The Proposed Amendment is for the benefit of the Company because it will result in the Company receiving the exercise price for the Series A Options (being \$1,000,000) earlier than anticipated.
- 3.3 The Proposed Amendment is beneficial to Rodger in that Rodger will have the flexibility to be able to exercise the Series A Options on or before 2 February 2013, taking into consideration the Company's share price at the time of exercise. At the time of the Notice of Meeting, the Company's share price is \$0.120 per share whilst the exercise price of the Series A Options is \$0.055 per

share. This means that if Rodger exercises the Series A Options at the current share price, he will be able to subscribe for shares in the Company at a significant discount to market price.

4. GENERAL

Voting

- 4.1 Pursuant to Listing Rule 9.3.1, any person who is a party to, or a beneficiary of, or an Associated Person thereof, the Proposed Amendment contemplated by the Resolution, is disqualified from voting on the Resolution. That means that Rodger and his Associated Persons are disqualified from voting on the Resolution to the extent that they hold any shares in the Company. As at the date of this notice, neither Rodger nor any person Associated with Rodger, holds shares in the Company. Pursuant to Listing Rule 9.3.3, Rodger and his Associated Persons are also disqualified from acting as discretionary proxies on the Resolution but may act as proxies in accordance with a shareholder's express voting instructions.
- 4.2 The chairman of the meeting is willing to act as proxy if shareholders wish to appoint him. The chairman will vote in favour of the Resolution if appointed as a discretionary proxy.

Ordinary resolution

- 4.3 An *ordinary resolution* is a resolution that is approved by a simple majority of the votes of those Shareholders entitled to vote and voting on the question.

Approval of notice of meeting

- 4.4 This Notice of Meeting has been approved by NZX Market Supervision in accordance with Listing Rule 6.1. NZX Market Supervision takes no responsibility for any statement in this Notice of Meeting or any Explanatory Notes accompanying this Notice of Meeting.

Attendance of Meeting and Proxies

- 4.5 Shareholders are entitled to attend the meeting in person, or to appoint a proxy to attend and vote in their place. If Shareholders do not wish to, or are unable to attend the meeting in person and wish to appoint a proxy, a proxy form is enclosed. This form must be completed and returned to the Company by delivering, posting, faxing or emailing it intact to be received by Link Market Services Limited by 3:00pm, 7 May 2012 for an appointment of a proxy to be effective. The person appointed as your proxy does not need to be a Shareholder in the Company.

MERCER GROUP LIMITED

NOTICE OF PROXY

Regn Line 1
Regn Line 2
Regn Line 3
Regn Line 4
Regn Line 5
Regn Line 6

CSN/Holder Number: 123456789

Barcode

I/We named above, being a shareholder of **Mercer Group Limited**, hereby appoint:

_____ as my/our proxy for the **Meeting** of the Company to be held on Wednesday, 9 May 2012 at 3.00pm at the Company's Auckland offices at 7 Corban Avenue, Henderson, Auckland and at any adjournment thereof.

I/We direct my/our proxy to vote in the following manner:
applies)

(Tick the box that

For **Against**

1. *That, pursuant to Listing Rule 7.3.10, the Company agree to amend the specific terms and conditions on which the Series A Options were granted to Rodger David Shepherd ("**Rodger**"), specifically that the exercise date for those options (being 2 February 2013) be amended so that Rodger may exercise the Series A Options at any time on **or before** 2 February 2013.*

Signature/(s) of Shareholder(s):

Signed this day of _____ of _____ 2012

Notes:

1. All shareholders are entitled to attend and vote at the meeting.
2. A shareholder entitled to vote may appoint a proxy to attend and vote in their place.
3. This notice of proxy must be completed and returned to the to the Company by delivering, posting, faxing or emailing it intact to be received by Link Market Services Limited by 3:00pm, 7 May 2012 for your proxy to be effective as per the instructions below.
4. The person appointed as your proxy does not need to be a shareholder in the Company.

5. The chairman of the meeting is willing to act as proxy if shareholders wish to appoint him. The chairman will vote in favour of the Resolution if appointed as a discretionary proxy.
 6. Neither Rodger, nor any Associated Person of Rodger, may act as a proxy in respect of the Resolution unless they are required to act in accordance with a shareholder's express instructions to vote for or against the resolution.
 7. If you return this form without directing the proxy how to vote on any particular matter, the proxy may vote as he or she thinks fit.
 8. If the proxy is signed under a power of attorney, the power of attorney must be produced for noting by the Company, if not already noted. A declaration of non-revocation of the power of attorney must also be attached.
 9. Companies appointing a proxy must do so either under the signature of two directors, or have an authority produced for noting by the Company.
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Please return your completed Proxy Form to Link Market Services Limited, in one of the following ways

Mail

New Zealand

If mailing Proxy Form from within New Zealand, please use the reply-paid envelope provided.

Outside New Zealand

Place in envelope and affix the postage from the country of mailing and address to Link Market Services, PO Box 91976, Victoria Street West, Auckland, 1142, New Zealand.

Deliver

Link Market Services Limited, Level 16, Brookfields House, 19 Victoria Street, Auckland, 1010.

Fax

+ 64 9 375 5990

Scan & email

operations@linkmarketservices.com. Please put the words "*Mercer Proxy Form*" in the subject line for easy identification.