INVESTMENT VALUATION POLICY
PUNAKAIKI FUND LIMITED

27 November 2017

Version 2.0

1. BACKGROUND

1.1. Punakaiki Fund Limited ("PFL") is a private company which invests in growth companies. This document sets out PFL's policies regarding the valuation of PFL's investments.

2. DELEGATIONS AND AUTHORITIES

2.1. Overall responsibility for this Policy rests with the PFL Board.

2.2. The Board of PFL may delegate the work of proposing valuations of its investments to:

a) the manager of PFL's investments, Lance Wiggs Capital Management Limited ("LWCM"); and/or

b) One or more independent valuers of the Board's selection.

2.3. The Board may request that LWCM review any independent valuation, or for an independent valuer to review any valuations undertaken by LWCM.

2.4. The Board retains the authority and responsibility to make final decisions on the valuation of any investment.

3. REQUIREMENT FOR VALUATION POLICY

3.1. From time to time the investment assets of PFL need to be revalued primarily in order to:

a) Report on the financial performance and position of PFL to its shareholders and other interested parties; and

b) Fix the value of PFL for the purposes of raising new capital.

3.2. This Valuation Policy is intended to provide:

a) Guidance as to when valuations should be undertaken;

b) The preferred approaches when undertaking valuations; and

c) Guidance in respect of dealing with certain special valuation circumstances and events.

3.3. The goal of this policy is to implement a robust, repeatable valuation process that produces timely and reasonable valuations outputs.

4. VALUATION TIMING

4.1. The primary valuation of PFL investments will occur at each financial year-end and will be reflected in PFL's annual financial statements. This valuation will be subject to the scrutiny of PFL's auditor.

4.2. Secondary valuations may be undertaken for the additional purposes of:

a) Disclosure in PFL's interim (half year) financial statements;

b) Disclosure in PFL's quarterly reporting to shareholders; or

c) When determining the pricing of new share issues.

5. VALUATION BASIS

5.1. The annual financial statements of PFL are prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), as appropriate for profit-oriented entities.

5.2. In accordance with these requirements, the financial statements will be prepared on a 'fair value' basis. NZ IFRS defines fair value as an estimate of the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

6. IPEV GUIDLINES

6.1. In order to provide guidelines for determining fair value, PFL has adopted the International Private Equity and Venture Capital Valuation Guidelines (December 2015 edition). All PFL valuations are to be undertaken in accordance with these guidelines.

7. VALUATION POLICIES

7.1. Any adopted valuation methodology will be applied consistently across all investments with similar characteristics wherever possible. The valuation methodology will also be applied consistently between financial periods. A change in the valuation methodology will only be made if it results in a value measurement that is equally or more representative of fair value.

7.2. The carrying value of each investment will be reviewed at least annually, generally at the end of the end of the financial year.

7.3. The fair value of PFL's investment portfolio shall be the sum of the fair values of its individual investments. Techniques that attempt to estimate or make adjustments to the portfolio in aggregate generally do not comply with accounting standards.

7.4. The International Private Equity and Venture Capital Valuation Guidelines (December 2015 edition) sets out the following preferred valuation techniques:

a) Price of Recent Investment (Market Approach);

b) Comparable Company Multiples (Market Approach);

c) Industry Valuation Benchmarks (Market Approach);

d) Available Market Prices (Market Approach);

e) Discounted Cash Flows - of the underlying business (Income Approach);

f) Discounted Cash Flows - from an investment (Income Approach); and

g) Net Asset Value (Replacement Cost Approach).

7.5. There is a preference to use Market Approaches as opposed to Income Approaches or Replacement Cost Approaches when valuing PFL's investments.

7.6. Preference will be given to the various Market Approaches to valuation as follows:

a) All investments quoted in active markets should be valued based on their observed share price (Available Market Price approach), specifically being the last traded price of the investment on that investments most liquid market (if applicable) on the valuation date;

b) For investments not quoted in an active market, for at least the first 12 months after a material transaction in the securities of that investment, the value of that investment will be continued to be held at the value implied by that material transaction, unless there has been a material or observable change in the value of that investment, such as:

   i) the investment being revalued as a result of a material transaction in the securities of that investment (Price of Recent Investment approach); or

   ii) the valuation of that investment when derived from the use of either the Comparable Company Multiples approach or the Industry Valuation Benchmarks approach is different to the value implied by that material transaction by more than 1% of the total assets of PFL or 10% of the value of that investment (whichever is greater in dollar value terms), for investments where the date of the last material transaction in the securities of that investment was more than six months from the valuation; or

iii) Clause 7.7 applies.

c) After the first 12 months referred to in clause 7.6 b), if deemed appropriate, either the Comparable Company Multiples approach or the Industry Valuation Benchmarks approach should be used; and

d) If a Comparable Company Multiples approach or the Industry Valuation Benchmarks approach is used to value an investment, then that investment should not be revalued using the Comparable Company Multiples approach or the Industry Valuation Benchmarks approach for at least 12 months unless the valuation would change by more than 1% of the total assets of PFL or 10% of the value of that investment (whichever is greater in dollar value terms); or if the proposed valuation date coincides with the end of PFL's financial year end. If a material transaction in the securities of that investment occurs within this 12 month period, or clause 7.7 applies, then the investment may be revalued using the appropriate approach.

7.7. Any evidence of impairment in the fair value of an investment arising from the poor performance or negative changes to aspects of the Portfolio Company (as opposed to changes in the Comparable Company Multiples used to value that Portfolio Company) should be investigated immediately and, if the assessed impairment is either at least 25% of the value of the investment or 1% of the value of the total assets of PFL then, the fair value of an investment will be impaired as soon as a value can be reasonably determined. This impairment may be assessed by way of an independent valuation.

8. DEFINITION OF MATERIAL TRANSACTION

8.1. For the purposes of this Policy, a material transaction shall be defined as a transaction in either new or existing shares in a company, the value of which is the greater of NZ$250,000 or 2.5% of the pre-money value of that company as implied by the pricing of that transaction.

8.2. Where Punakaiki Fund exercises a right to purchase shares for a certain price (e.g. via options obtained as part of a prior investment), the implied value of the company will be reassessed with the transaction value per share setting a floor for the valuation. For clarity options over shares in a company would generally only be exercised by the Manager when the Manager believes that the value of the company (on a per share basis) is equal or greater to than the option strike price. Therefore the value of the shares that Punakaiki Fund receives when options are exercised may be greater than the strike price of the option.

8.3. Where Punakaiki Fund agrees to invest over a series of tranches (regardless of whether there are different prices per share for each tranche), and where the tranches are not conditional upon company performance, then the payment of each of the tranches will not be a material event, and the valuation will be fixed at the date of the initial investment taking into account the complete investment proposition. For clarity, payment of the ongoing tranches will not have an impact on the date or value of the initial material transaction.

9. VALUATIONS FOR CAPITAL RAISING

9.1. In the event that PFL undertakes a capital raising event which is not expected to close more than one month prior to either the financial year-end (31 March) or the end of the interim period (30 September), then the PFL Board may choose to value PFL's Investments by applying the timing restrictions set out in clause 7.6 as if it was the respective financial year-end or the end of the interim period as applicable.

10. INDEPENDENT THIRD PARTY VALUERS

10.1. Where an independent valuation is required by the Board, an external valuer will be engaged by the Board. Prior to engagement, the valuer must be assessed for suitability in a number of areas including, but not limited to: relevant qualifications, experience, industry expertise, capacity to undertake the work, reputation, value for money, and independence.

10.2. Independent valuers will be assessed for rotation, at a minimum, every three years.

10.3. PFL may appoint more than one independent valuer, and may request more than one independent valuation of any single investment.

10.4. Independent valuations will be prepared in line with the relevant accounting standards, relevant legislation and these policies, except as is set out in clause 10.5.

10.5. In the case where an independent third party valuer prefers the use of discounted cash flows as their primary valuation method, this will be permitted provided that a cross-check using the Comparable Company Multiples approach or the Industry Valuation Benchmarks approach is also undertaken.

11. REVIEW AND CHANGES

11.1. This Policy:

a) will be reviewed at least every year by the Board; and

b) may be reviewed more frequently as considered appropriate by the Board.

APPENDIX 1 – INDIVIDUAL INVESTMENT VALUATION APPROACH CHART