

Burger Fuel Worldwide Limited

Independent Adviser's Report

In Respect of the Proposed Sale of Shares by Entities Associated With Chris Mason and Josef Roberts

August 2011

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1. Introduction

1.1 Background

Burger Fuel Worldwide Limited (**BurgerFuel** or the **Company**) is listed on the alternative market (**NZAX**) operated by NZX Limited (**NZX**) with a market capitalisation of \$19 million as at 22 August 2011 and audited total equity of \$3 million as at 31 March 2011.

BurgerFuel owns and franchises gourmet burger restaurants in New Zealand, Australia and the Middle East. The business was founded by Chris Mason in 1995. Josef Roberts invested in the business in 2003.

The Company's shares were listed on the NZAX on 27 July 2007 following an initial public offering (**IPO**) that raised \$8 million.

A profile of BurgerFuel is set out in section 3.

1.2 Share Transactions

Mason Associates and Roberts Associates

Interests associated with Mr Mason (the **Mason Associates**) currently own 22,008,132 ordinary shares in the Company, representing 41.06% of the total shares on issue. The shares are held in the names of Chris Mason and Christopher Mills as trustees of the Mason Family Trust.

Interests associated with Mr Roberts (the **Roberts Associates**) currently own 24,715,532 ordinary shares in the Company, representing 46.11% of the total shares on issue. The shares are held in the names of:

- JCR Capital Limited and 730 Trustee Company Limited as trustees of the JCR Investment Trust (21,972,632 shares)
- CMJR Trustee Limited as trustee of the CMJR Trust (2,742,900 shares).

Mr Mason (and his associates) and Mr Roberts (and his associates) are likely to be considered to be associates as they were founding shareholders at the time of the IPO and they have always acted and voted in concert at shareholder meetings and on key strategic board decisions.

Collectively, the Mason Associates and the Roberts Associates hold 46,723,664 ordinary shares, representing 87.18% of the total shares on issue.

Share Transactions

Mr Mason and Mr Roberts have advised BurgerFuel that they wish to implement a transaction whereby:

- the Mason Family Trust will transfer certain shares and give certain related undertakings in relation to the balance of its shares in the Company to the JCR Investment Trust
- the BurgerFuel shares held by the Mason Associates and the Roberts Associates will be consolidated into a nominee company, Mason Roberts Holdings Limited (**MRHL**).

We refer to the proposed transactions as the **Share Transactions**.

The terms of the Share Transactions are set out in the Transaction Agreement dated 23 August 2011 (the **Transaction Agreement**) between:

- Chris Mason and Christopher Mills as trustees of the Mason Family Trust
- Chris Mason
- JCR Capital Limited and 730 Trustee Company Limited as trustees of the JCR Investment Trust
- Josef Roberts
- MRHL.

The key terms, as they relate to the BurgerFuel shares, are:

- the Mason Family Trust will:
 - transfer its beneficial interest in 11,322,421 BurgerFuel shares to the JCR Investment Trust for \$4,271,949.44 (\$0.3773 per share), of which \$707,651 is Tranche A consideration payable in cash and the remainder represents Tranche B non cash consideration
 - grant the JCR Investment Trust a call option over 2,650,000 BurgerFuel shares. The call option will be exercisable if the volume weighted average price (**VWAP**) of the Company's shares over any period of 20 consecutive business days reaches or exceeds \$1.50, for a period of 2 years after that price threshold is reached
 - give the following covenants and undertakings in respect of the proposed disposals of the balance of its BurgerFuel shares in favour of the JCR Investment Trust:
 - a prohibition on any transfer of those shares for a period of 4 years without the consent of the JCR Investment Trust and thereafter without the consent of the JCR Investment Trust (which may not be unreasonably withheld)
 - pre-emptive rights on any proposed transfer of shares
 - tag-along and drag-along rights
- MRHL will then acquire the 46,723,664 BurgerFuel shares collectively held by the Mason Associates and the Roberts Associates. MRHL will take a transfer of the bare legal title to the 46,723,664 BurgerFuel shares and will hold those shares as nominee / bare trustee for each of the transferors
- the Share Transactions are conditional on shareholder approval as discussed in section 1.3
- it is intended that the Share Transactions be implemented within 5 business days of shareholder approval and any other required consents being obtained.

Mason Roberts Holdings Limited

MRHL was incorporated on 18 August 2011. It is a special purpose entity formed by Mr Mason and Mr Roberts for the purpose of holding the Mason Associates' and the Roberts Associates' shareholdings in BurgerFuel under a bare trust, as nominee.

The shares in MRHL are owned equally by Mr Mason and Mr Roberts. Mr Roberts is currently the sole director of MRHL.

Effect on Shareholding Levels

The Mason Associates currently hold 41.06% of the Company's shares and the Roberts Associates currently hold 46.11%. Collectively they hold 87.18% of the Company's shares.

The transfer of 11,322,421 BurgerFuel shares from the Mason Associates will increase the Roberts Associates' shareholding in the Company from 46.11% to 67.24%.

The exercise by the Roberts Associates of the call option over 2,650,000 BurgerFuel shares held by the Mason Associates will increase the Roberts Associates' shareholding in the Company to 72.18%.

Following the completion of the Share Transactions, the Mason Associates and the Roberts Associates will still control 87.18% of the Company's shares, but the shares will be held in MRHL.

The various shareholdings under the stages of the Share Transactions are set out below.

Impact of the Share Transactions on Shareholding Levels						
	Mason Associates		Roberts Associates		Combined	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Current	22,008,132	41.06%	24,715,532	46.11%	46,723,664	87.18%
Transfer from Mason Family Trust to JCR Investment Trust	(11,322,421)	(21.12%)	11,322,421	21.12%		
	10,685,711	19.94%	36,037,953	67.24%	46,723,664	87.18%
Exercise of call option	(2,650,000)	(4.94%)	2,650,000	4.94%		
	8,035,711	14.99%	38,687,953	72.18%	46,723,664	87.18%
Transfer to MRHL					46,723,664	87.18%
<i>Differences in % due to rounding</i>						

1.3 Regulatory Requirements

Rule 6 of the Takeovers Code (the **Code**) prohibits:

- a person who holds or controls less than 20% of the voting rights in a code company from increasing its holding or control of voting rights (together with its associates) beyond 20% and
- a person holding or controlling 20% or more of the voting rights in a code company from increasing its holding or control of voting rights

unless the person and that person's associates comply with exceptions to this fundamental rule.

One of the exceptions, set out in Rule 7(c) of the Code, enables a person and that person's associates to increase its control of voting rights beyond 20% by an acquisition of shares if the acquisition is approved by an ordinary resolution of the code company.

Because the Share Transactions will result in the Roberts Associates increasing their shareholding in the Company and MRHL acquiring 87.18% of the voting rights in the Company, BurgerFuel is required to seek shareholder approval of the Share Transactions.

Accordingly, the Company's shareholders not associated with the Mason Associates or the Roberts Associates (the **Non-associated Shareholders**) will vote on an ordinary resolution on the Share Transactions (resolution 4) at the Company's annual meeting of shareholders on 7 September 2011.

Rule 18 of the Code requires the directors of a code company to obtain an Independent Adviser's Report on the merits of an acquisition under Rule 7(c).

Rule 15(h) of the Code requires that the notice of meeting in respect of an acquisition of shares under Rule 7(c) must include or be accompanied by an Independent Adviser's Report.

1.4 Purpose of the Report

The directors of BurgerFuel not associated with the Mason Associates or the Roberts Associates, being Peter Brook and Alan Dunn (the **Independent Directors**) have engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Independent Adviser's Report on the merits of the Share Transactions in accordance with Rule 18 of the Code.

Simmons Corporate Finance was approved by the Takeovers Panel on 28 July 2011 to prepare the Independent Adviser's Report.

Simmons Corporate Finance issues this Independent Adviser's Report to the Independent Directors of BurgerFuel for the benefit of the Non-associated Shareholders and to assist them in forming their own opinion on whether to vote for or against the resolution in respect of the Share Transactions.

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits of the Share Transactions in relation to each shareholder. This report on the merits of the Share Transactions is therefore necessarily general in nature.

The Independent Adviser's Report is not to be used for any other purpose without our prior written consent.

2. Evaluation of the Merits of the Share Transactions

2.1 Basis of Evaluation

Rule 18 of the Code requires an evaluation of the merits of the Share Transactions.

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 Takeovers Panel guidance note on the role of independent advisers dated August 2007
- definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transaction
- overseas precedents
- the ordinary meaning of the term *merits*.

We are of the view that an assessment of the merits of the Share Transactions should focus on:

- the rationale for the Share Transactions
- the impact of the Share Transactions on the control of the Company
- the impact of the Share Transactions on BurgerFuel's share price
- other issues associated with the Share Transactions
- the implications if the resolution in respect of the Share Transactions is not approved.

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

2.2 Summary of the Evaluation of the Merits of the Share Transactions

Our evaluation of the merits of the Share Transactions is set out in detail in sections 2.3 to 2.8.

In our opinion, after having regard to all relevant factors, there are no material negative aspects of the Share Transactions from the perspective of the Non-associated Shareholders:

- the rationale for the Share Transactions is sound. The Share Transactions are transactions between the Mason Associates and the Roberts Associates in order to reweight their shareholdings in the Company and to enable their shareholdings to be managed more efficiently
- the Share Transactions will not change the Mason Associates' and the Roberts Associates' collective 87.18% shareholding in the Company
- the Mason Associates, the Roberts Associates and MRHL have stated that none of them have any intention to utilise the *creep* provisions of the Code to acquire any further shares in the Company at the present time or any time in the future

- the Share Transactions are unlikely to have any material impact on the Company's share price
- the Share Transactions will not have any material impact on the liquidity of BurgerFuel's shares
- the Share Transactions will not have any material impact on the control of the Company
- the Share Transactions will not have any dilutionary impact on the Non-associated Shareholders
- the Share Transactions will not have any material impact on the attraction of BurgerFuel as a takeover target
- the implications of the Share Transactions not being approved by the Non-associated Shareholders are that the Share Transactions cannot proceed. This may lead to the Company seeking shareholder approval of the transactions at a later date (at additional cost).

2.3 The Rationale for the Share Transactions

The Share Transactions represents a reorganisation of the BurgerFuel shareholdings held by the Mason Associates and the Roberts Associates.

Mr Mason and Mr Roberts have advised the Company that their main reasons for undertaking the Share Transactions are:

- Mr Mason, as a major shareholder, wishes to recognise and remunerate the contribution and efforts of Mr Roberts, both as an investor and Group CEO
- to incentivise Mr Roberts to advance the Company's growth strategy
- to recognise Mr Roberts' contribution to enable the meeting of the minimum subscription threshold and thereby enable the IPO to proceed in 2007
- to enable the Mason Associates' and the Roberts Associates' shareholdings to be managed more efficiently through a single nominee entity (MRHL).

We consider the rationale for the Share Transactions to be reasonable. The transactions represent a reweighting of the shareholdings between the Mason Associates and the Roberts Associates to reflect the current arrangements between them based on their relative contributions to the Company and a transfer of the shares to MRHL to enable the shareholdings to be managed more efficiently.

Of key importance to the Non-associated Shareholders is that the combined shareholding of the Mason Associates and the Roberts Associates remains unchanged at 87.18%.

2.4 Transaction Structure

We consider the structure of the Share Transactions to be reasonable.

The transfer of 11,322,421 BurgerFuel shares from the Mason Associates to the Roberts Associates is at a value of \$0.3773 per share, which is in line with the Company's recent share prices as set out in section 3.10.

MRHL is not paying any consideration for the transfer of 46,723,664 BurgerFuel shares from the Mason Associates and the Roberts Associates because the beneficial title to those shares will remain with the Mason Associates and the Roberts Associates and MRHL will only hold the shares as a bare nominee.

We are of the view that the Share Transactions are unlikely to have any material impact on the Company's share price.

2.5 Impact on Control

Share Capital and Shareholders

BurgerFuel currently has 53,597,391 ordinary shares on issue. The names, number of shares and percentage holding of the 10 largest shareholders as at 19 August 2011 are set out in section 3.6.

The Mason Associates and the Roberts Associates collectively hold 46,723,664 ordinary shares, representing 87.18% of the total shares on issue.

Shareholding Voting

The Share Transactions represents a transfer of shares from the Mason Associates to the Roberts Associates and subsequently the transfer of all their shares to a related entity - MRHL. The Share Transactions will result in MRHL holding legal title to 87.18% of the Company's shares rather than the Mason Associates holding 41.06% and the Roberts Associates holding 46.11%. However, the Mason Associates' and the Roberts Associates' combined level of influence over shareholder voting will remain unchanged at 87.18%.

The Mason Associates' and the Roberts Associates' current combined shareholding of 87.18% enables them to control the outcome of an ordinary resolution (which requires the approval of more than 50% of votes cast by the shareholders) and a special resolution (which requires the approval of 75% of the votes cast). Following the Share Transactions, the Mason Associates and the Roberts Associates will have the same level of control over shareholding voting.

The ability for any shareholder to influence the outcome of voting on the Company's ordinary resolutions or special resolutions may be reduced by external factors such as the Company's constitution, the Companies Act and the NZAX Listing Rules.

Board Control

The Company has 4 directors as set out in section 3.5.

We are advised by the Independent Directors that as far as they are aware, the Share Transactions will have no impact on the composition of the Company's board of directors or the Mason Associates' and the Roberts Associates' level of influence at board level.

Operations

We are advised by the Independent Directors that the Share Transactions will have no impact on the Company's operations.

2.6 Impact on Share Price and Liquidity

Set out in section 3.10 is a summary of BurgerFuel's daily closing share price and daily volumes of shares traded from 5 January 2009 to 19 August 2011.

During the period, the Company's shares have traded between \$0.20 and \$0.50 at a VWAP of \$0.36.

Trading in the Company's shares is extremely thin, reflecting that 87.18% of the shares are held by the Mason Associates and the Roberts Associates.

No new shares will be issued under the Share Transactions and the number of shares held by the Non-associated Shareholders will not change. On this basis, the Share Transactions are unlikely to have a positive or negative effect on the liquidity of BurgerFuel's shares in the near term.

2.7 Other Issues

No Dilutionary Impact

As the Share Transactions are a transfer of shares from the Mason Associates to the Roberts Associates and subsequently to MRHL rather than an issue of new shares, it will have no dilutionary impact on the Non-associated Shareholders.

No Change to the Attraction of BurgerFuel as a Takeover Target

The Share Transactions are unlikely to have any impact on the attraction of BurgerFuel as a takeover target:

- the Mason Associates' and the Roberts Associates' collective shareholding in the Company of 87.18% will not change and therefore there will be no impact on their desire to increase their level of control
- any bidder looking to fully take over the Company currently needs to ensure that the Mason Associates and the Roberts Associates would accept its offer and would need to ensure that MRHL would accept its offer if the Share Transactions proceed.

No Change to Business Risks

As the Share Transactions are a transfer of shares from the Mason Associates to the Roberts Associates and subsequently to MRHL, they will have no impact on the business factors and risks that BurgerFuel faces, as set out in section 3.4.

No Change to Dividend Policy

As the Share Transactions are a transfer of shares from the Mason Associates to the Roberts Associates and subsequently to MRHL, they should not have any impact on the Company's dividend policy.

Ability to Creep

MRHL will hold legal title to 87.18% of the Company's shares following the Share Transactions. MRHL will not be able to increase the level of its shareholding in BurgerFuel unless it complies with the provisions of the Code. It will only be able to acquire more shares in the Company if:

- it makes a full or partial takeover offer or
- the acquisition is approved by way of an ordinary resolution of the Non-associated Shareholders or
- the Company makes an allotment of shares which is approved by way of an ordinary resolution of the Non-associated Shareholders or
- it complies with the *creep* provisions of Rule 7(e) of the Code.

The *creep* provisions enable entities that hold between 50% and 90% of the voting securities in a code company to buy up to a further 5% of the code company's shares per annum. MRHL would be able to acquire up to a further 5% of BurgerFuel's shares commencing 12 months after the Share Transactions are completed. MRHL could use the *creep* provisions to increase its shareholding to 90%, at which point it could compulsorily acquire the remaining shares in the Company.

We are advised by the Mason Associates, the Roberts Associates and MRHL that none of them have any intention to utilise the *creep* provisions to acquire any further shares in the Company at the present time or any time in the future.

Accordingly, the Mason Associates, the Roberts Associates or MRHL will not use the *creep* provisions to increase their shareholding to 90% so as to be in a position to compulsorily acquire the remaining shares in the Company.

MRHL could also increase its level of shareholding in the Company if BurgerFuel undertook a share buyback that was approved by the Company's shareholders and MRHL did not accept the offer of the buyback.

Non-associated Shareholder Approval is Required

Pursuant to Rule 7(c) of the Code, the Non-associated Shareholders must approve by ordinary resolution the Share Transactions.

The Share Transactions will not proceed unless the Non-associated Shareholders approve the resolution.

2.8 Implications of the Resolution not Being Approved

If the resolution is not approved, then the Share Transactions cannot proceed.

If the Share Transactions are not approved, the Mason Associates and the Roberts Associates may decide not to pursue the transfer of shares from the Mason Associates to the Roberts Associates and the subsequent aggregation of their shareholdings.

Alternatively, BurgerFuel may consider seeking shareholding approval of the Share Transactions at a later date, which would incur additional costs.

2.9 Voting For or Against the Resolution

Voting for or against the resolution in respect of the Share Transactions is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

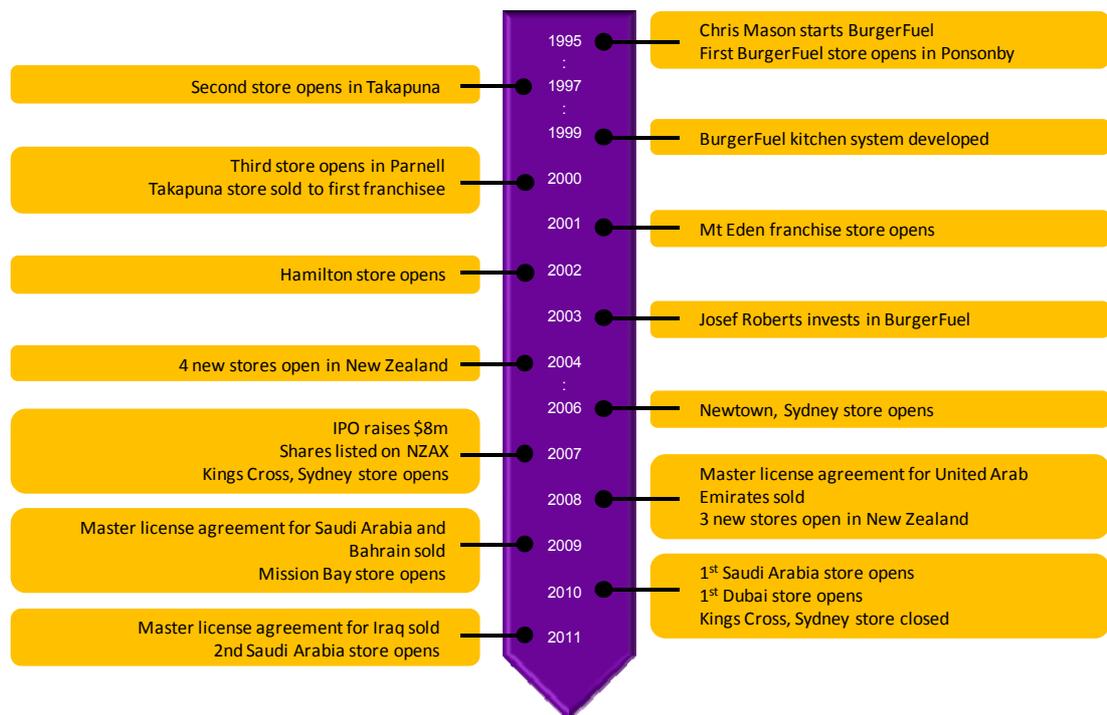
3. Profile of BurgerFuel

3.1 Background

The BurgerFuel business was founded by Mr Mason in 1995.

The Company listed its shares on the NZAX on 27 July 2007 following an IPO that raised \$8 million, including approximately \$2.74 million from the Roberts Associates (through CMJR Trustee Limited) in order to meet the minimum subscription threshold.

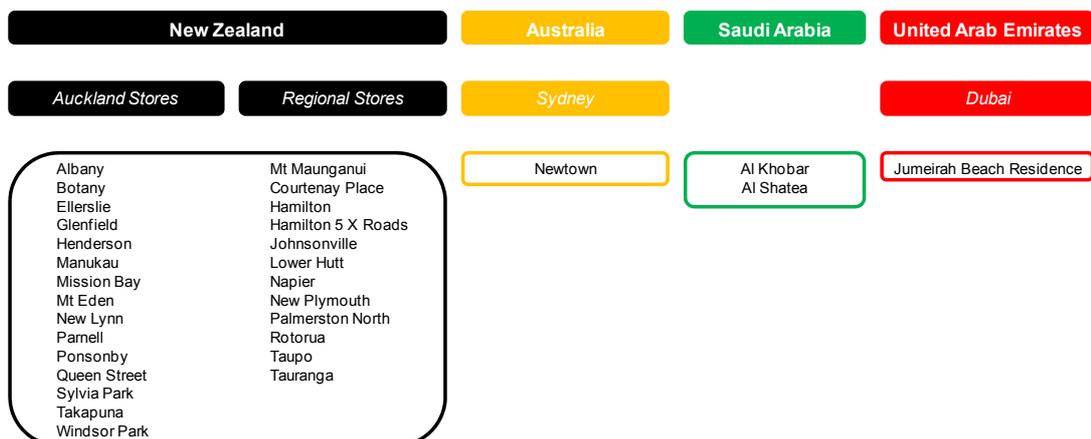
The Company's key events are set out below.



3.2 Nature of Operations

BurgerFuel owns and franchises gourmet burger restaurants in New Zealand, Australia and the Middle East.

The Company currently operates 27 stores in New Zealand, one store in Australia, 2 stores in Saudi Arabia and one store in Dubai.



All of the stores are franchised, other than Ponsonby in Auckland and Newtown in Sydney. The Newtown store is in the process of being sold to a new franchisee.

A further 6 stores are planned for construction in Dubai, one further store in Saudi Arabia and one new store in the new territory of Kurdistan, Northern Iraq.

BurgerFuel owns and operates 2 satellite kitchen operations in Auckland and Sydney.

The Company also exports all its beef as well as other BurgerFuel proprietary products from New Zealand to the Middle East. This both maintains quality and consistency and helps to promote BurgerFuel's New Zealand story.

3.3 Corporate Strategy

The Company's strategy revolves around building scale and establishing the Company around the world as a respected franchisor / licensor offering a quality product, an exciting brand and highly supportive systems.

Strategies for the territories are:

- growth of total system sales in New Zealand by way of increased store sales as well as an increased number of franchised stores as and when economic conditions improve
- consolidation of the Australian operation
- expansion in the Middle East. Master license agreements have so far been sold for 4 territories – United Arab Emirates, Saudi Arabia, Bahrain and Iraq.

The focus on growth in the Middle East saw Mr Mason relocate to Dubai in 2009 to take up the role of CEO International Business and Mr Roberts to take on the role of Group CEO.

3.4 Key Issues Affecting BurgerFuel

The main industry and specific business factors and risks that BurgerFuel faces include:

- general economic conditions in the territories that BurgerFuel operates in can affect the levels of demand for the Company's products
- competition from other fast food / fast-casual providers is significant and may impact on the Company's market share and profitability
- poor performance by franchisees may damage the Company's reputation and profitability
- being able to manage growth opportunities and ensuring the Company's operating systems and distribution networks keep pace with the growth demands
- maintaining relationships with suppliers
- protection of the Company's trademarks and intellectual property
- product liability issues arising from non-compliance with food hygiene protocols
- dependence on key personnel
- the inability to adequately finance the Company's operations.

3.5 Directors and Executive Management

The directors of BurgerFuel are:

- Peter Brook, chair and independent director
- Alan Dunn, independent director
- Chris Mason, executive director, CEO International Business
- Josef Roberts, executive director, Group CEO.

In addition to Mr Mason and Mr Roberts, the Company's executive management team includes:

- Paul Devereux, Company Secretary and Corporate Counsel
- Andrew Kingstone, Chief Financial Officer.

3.6 Capital Structure and Shareholders

The Company's IPO in July 2007 raised \$8 million through the issue of 8,000,000 ordinary shares at \$1.00 per share.

BurgerFuel currently has 53,597,391 ordinary shares on issue held by 2,585 shareholders.

The names, number of shares and percentage holding of the 10 largest shareholders as at 19 August 2011.

BurgerFuel's 10 Largest Shareholders		
Shareholder	No. of Shares Held	%
Chris Mason and Christopher Mills	22,008,132	41.06%
JCR Capital Limited and 730 Trustee Company Limited	21,972,632	41.00%
CMJR Trustee Limited	2,742,900	5.12%
Trumpeter Consulting Limited	332,380	0.62%
Peter Brook	300,011	0.56%
Motu Trustee Pty Limited	115,000	0.21%
Michael Daniel, Nigel Burton and Michael Benjamin	105,000	0.20%
Ginostra Capital Pty Limited	100,000	0.19%
Grant Samuel & Associates Limited	100,000	0.19%
Private Nominees Limited	77,500	0.14%
Subtotal	47,853,555	89.28%
Others (2,575 shareholders)	5,743,836	10.72%
Total	53,597,391	100.00%

Source: NZX Data

Mr Mason and Mr Mills are trustees of the Mason Family Trust.

JCR Capital Limited is wholly owned by Mr Roberts. 730 Trustee Company Limited is a corporate trustee. The 2 entities are corporate trustees of the JCR Investment Trust.

CMJR Trustee Limited is a corporate trustee that is jointly owned by Mr Mason and Mr Roberts. It is the corporate trustee of the CMJR Trust, which is a trust that was settled by Mr Roberts.

Trumpeter Consulting Limited is wholly owned by interests associated with Mr Dunn.

3.7 Financial Performance

A summary of BurgerFuel's recent financial performance is set out below.

Summary of BurgerFuel Financial Performance				
	9.5 Mths to 31 Mar 08 (Audited) \$000	Year to 31 Mar 09 (Audited) \$000	Year to 31 Mar 10 (Audited) \$000	Year to 31 Mar 11 (Audited) \$000
Revenue	4,478	7,316	8,658	8,260
Operating expenses	(6,639)	(7,890)	(8,968)	(8,097)
EBITDA	(2,161)	(574)	(310)	163
EBIT	(2,338)	(856)	(604)	(25)
Net profit / (loss) attributable to shareholders	(2,149)	(710)	(553)	34
Diluted EPS (cents)	(4.03)	(1.34)	(1.04)	0.06

EBITDA: Earnings before interest, taxation, depreciation and amortisation
EBIT: Earnings before interest and taxation
EPS: Earnings per share

Source: BurgerFuel audited financial statements

The Company derives most of its revenue from 2 sources:

- sales of product
- royalties and various fees charged to franchisees and master licensees.

Approximately three quarters of the Company's revenue in the 2010 and 2011 financial years were derived from New Zealand operations.

The significant improvement in the Company's earnings in the 2011 financial year was due primarily to:

- solid trading in the Middle East
- consolidation of the existing New Zealand stores and a focus on system health and franchisee profitability
- implementation of cost efficiency initiatives
- closure of the Company-owned Kings Cross store in Sydney in November 2010 and a reduction of overheads in Australia.

3.8 Financial Position

A summary of BurgerFuel's recent financial position is set out below.

Summary of BurgerFuel Financial Position				
	As at 31 Mar 08 (Audited) \$000	As at 31 Mar 09 (Audited) \$000	As at 31 Mar 10 (Audited) \$000	As at 31 Mar 11 (Audited) \$000
Current assets	3,843	2,790	2,622	2,809
Non current assets	1,893	2,078	1,938	1,520
Total assets	<u>5,736</u>	<u>4,868</u>	<u>4,560</u>	<u>4,329</u>
Current liabilities	(894)	(706)	(1,099)	(1,060)
Non current liabilities	(208)	(286)	(193)	(41)
Total liabilities	<u>(1,102)</u>	<u>(992)</u>	<u>(1,292)</u>	<u>(1,101)</u>
Total equity	<u>4,634</u>	<u>3,876</u>	<u>3,268</u>	<u>3,228</u>

Source: BurgerFuel audited financial statements

The Company's main current assets are cash and cash equivalents (\$1.2 million as at 31 March 2011) and trade and other receivables (\$1.2 million).

Non current assets consist mainly of property, plant and equipment (\$0.8 million as at 31 March 2011) and loans to franchisees (\$0.5 million).

The Company's liabilities consist mainly of trade and other payables (\$0.9 million as at 31 March 2011).

3.9 Cash Flows

A summary of BurgerFuel's recent cash flows is set out below.

Summary of BurgerFuel Cash Flows				
	9.5 Mths to 31 Mar 08 (Audited) \$000	Year to 31 Mar 09 (Audited) \$000	Year to 31 Mar 10 (Audited) \$000	Year to 31 Mar 11 (Audited) \$000
Net cash flow from / (used in) operating activities	(2,344)	(1,104)	(84)	294
Net cash from / (used in) investing activities	(617)	(802)	(160)	(103)
Net cash from / (used in) financing activities	<u>5,686</u>	<u>268</u>	<u>(100)</u>	<u>(101)</u>
Net increase/(decrease) in cash held	2,725	(1,638)	(344)	90
Net foreign exchange differences	-	-	(14)	(35)
Opening cash balance	430	3,155	1,517	1,159
Closing cash balance	<u>3,155</u>	<u>1,517</u>	<u>1,159</u>	<u>1,214</u>

Source: BurgerFuel audited financial statements

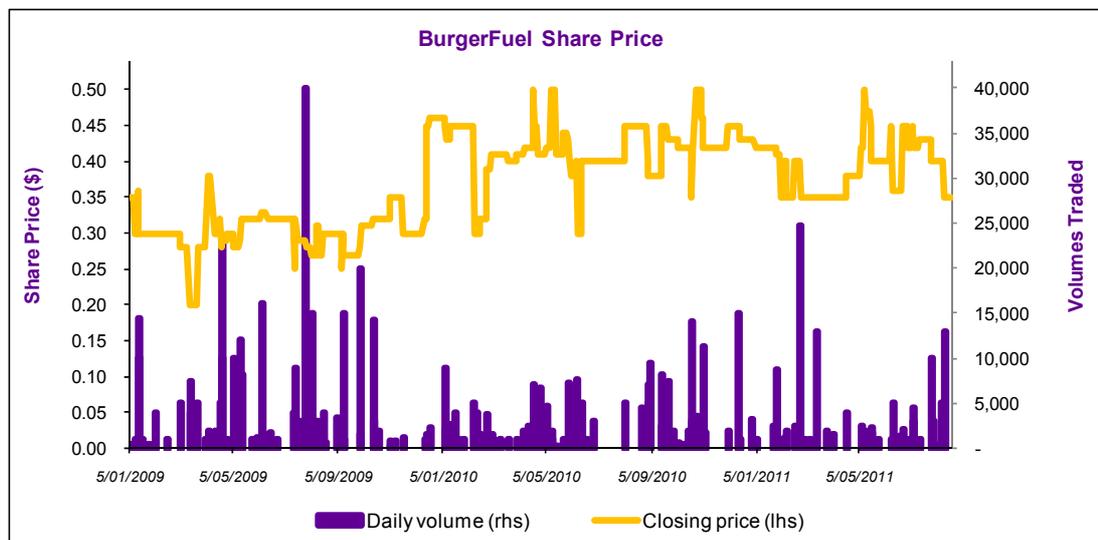
BurgerFuel generated positive cash flows from its operating activities for the first time in the 2011 financial year.

Net cash used in investing activities have mainly been in respect of the purchase of property, plant and equipment.

The Company raised \$8 million through its IPO in July 2007.

3.10 Share Price History

Set out below is a summary of BurgerFuel’s daily closing share price and daily volumes of shares traded from 5 January 2009 to 19 August 2011.



During the period, BurgerFuel’s shares have traded between \$0.20 and \$0.50 at a VWAP of \$0.36.

An analysis of VWAP, traded volumes and liquidity (measured as traded volumes as a percentage of shares outstanding) is set out below.

BurgerFuel Share Trading					
Period	Low ¹ (\$)	High ¹ (\$)	VWAP ¹ (\$)	Volume Traded ¹ (000)	Liquidity
1 month	0.35	0.45	0.39	32	0.1%
3 months	0.35	0.45	0.40	52	0.1%
6 months	0.35	0.50	0.39	111	0.2%
12 months	0.35	0.50	0.40	238	0.4%

¹ to 19 August 2011

Trading in the Company’s shares is extremely thin, reflecting that 87.18% of the shares are currently held by the Mason Associates and the Roberts Associates. Only 0.4% of the Company’s shares have traded in past year on 59 days.

4. Sources of Information, Reliance on Information, Disclaimer and Indemnity

4.1 Sources of Information

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

- the notice of annual meeting
- the Transaction Agreement
- the BurgerFuel annual reports for the years ended 31 March, 2009 to 2011
- the BurgerFuel management accounts for the 3 months ended 30 June 2011
- the BurgerFuel IPO prospectus dated 18 June 2007
- data in respect of BurgerFuel from NZX Data and Capital IQ.

During the course of preparing this report, we have had discussions with and/or received information from the Independent Directors and executive management of BurgerFuel and BurgerFuel's legal advisers.

The Independent Directors have confirmed that we have been provided for the purpose of this Independent Adviser's Report with all information relevant to the Share Transactions 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 desirable for the purpose of preparing this Independent Adviser's Report.

In our opinion, the information to be provided by BurgerFuel to the Non-associated Shareholders is sufficient to enable the Independent Directors and the Non-associated Shareholders to understand all the relevant factors and to make an informed decision in respect of the Share Transactions.

4.2 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 BurgerFuel 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 BurgerFuel. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

4.3 Disclaimer

We have prepared this report with care and diligence and the statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of BurgerFuel will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of BurgerFuel and its directors and management. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the 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 or undertaking 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 this report.

We have had no involvement in the preparation of the notice of annual meeting issued by BurgerFuel and have not verified or approved the contents of the notice of annual meeting. We do not accept any responsibility for the contents of the notice of annual meeting except for this report.

4.4 Indemnity

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

5. Qualifications and Expertise, Independence, Declarations and Consents

5.1 Qualifications and Expertise

Simmons Corporate Finance is a New Zealand owned specialist corporate finance advisory practice. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice.

The person in the company responsible for issuing this report is Peter Simmons, B.Com, DipBus (Finance), CFIP.

Simmons Corporate Finance and Mr Simmons have significant experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

5.2 Independence

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with BurgerFuel, the Mason Associates, the Roberts Associates or MRHL or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to the transaction.

Simmons Corporate Finance has not had any part in the formulation of the Share Transactions or any aspects thereof. Our sole involvement has been the preparation of this report.

Simmons Corporate Finance will receive a fixed fee for the preparation of this report. This fee is not contingent on the conclusions of this report or the outcome of the Share Transactions. We will receive no other benefit from the preparation of this report.

5.3 Declarations

An advance draft of this report was provided to the Independent Directors for their comments as to factual accuracy of the contents of the report. Changes made to the report as a result of the circulation of the draft have not changed the methodology or our conclusions.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of the report.

5.4 Consents

We consent to the issuing of this report in the form and context in which it is to be included in the notice of annual meeting to be sent to BurgerFuel'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.



Peter Simmons
Director

Simmons Corporate Finance Limited
23 August 2011