

**KLEENAIR SYSTEMS INTERNATIONAL PLC**  
(AIM: KSI)

**Proposed acquisition of Inspirit Energy Limited**  
**Proposed change of name to Inspirit Energy Holdings plc**  
**Subscription for 41,000,000 Ordinary Shares at 1p per share**  
**Approval of waiver of Rule 9 of the City Code**  
**Admission of Enlarged Share Capital to trading on AIM**  
**and**  
**Notice of General Meeting**

**Summary of the proposed Acquisition and Subscription**

- KleenAir Systems International plc (“KleenAir” or the “Company”) is pleased to announce that it has today conditionally agreed to acquire the entire issued share capital of Inspirit Energy Limited (“Inspirit”) not already owned by it, for an aggregate deemed consideration of £3.5 million, to be satisfied by the issue of 350,000,000 new Ordinary Shares in the Company.
- The Company also announces that it has conditionally raised £410,000 (gross) by way of a subscription for 41.0 million new Ordinary Shares at a price of 1 pence per ordinary share. The proceeds from the Subscription will be used for general working capital purposes, including the further development of the Appliance.
- The Acquisition constitutes a reverse takeover under the AIM Rules and as such requires the approval of Shareholders which will be sought at a General Meeting of the Company, to be held at the registered offices of KleenAir at 2 London Wall Buildings, London, EC2M 5PP at 11.00 a.m. on 23 July 2013. A shareholder circular, constituting an admission document (the “Admission Document”) and notice of general meeting, is expected to be published and sent to Shareholders by 1 July 2013.
- In addition, certain shareholders of Inspirit are deemed by the Panel on Takeovers and Mergers to be acting in concert. As such, the issue of the Consideration Shares to such shareholders would result in the obligation by the Concert Party to make a general offer for the Company under Rule 9 of the City Code unless there is an independent vote at a general meeting to waive this requirement (the “Waiver”). Accordingly a resolution will be proposed at the Company’s general meeting to approve the Waiver.
- The Acquisition involves the Company entering into the Acquisition Agreement with, among others, the Executive Chairman, John Gunn. At the same time, the Company intends to enter into a number of other agreements with related parties, further details of which, including the recommendations by Directors in relation to the Resolutions, are set out below and in full in the Admission Document.
- A copy of the Admission Document will shortly be available from the Company’s website: [www.kleenair-systems.com](http://www.kleenair-systems.com)

- Following publication of the Admission Document, it is expected that restoration of trading in the Company's Ordinary Shares will occur from 7.30 a.m. on Monday 1 July 2013.

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**1. Introduction**

The Company is pleased to announce that it has today conditionally agreed to acquire the entire issued share capital of Inspirit not already owned by it, for an aggregate deemed consideration of £3.5 million, to be satisfied by the issue of the Consideration Shares.

Inspirit is developing a micro combined heat and power ("mCHP") boiler appliance (the "Appliance") for the commercial and residential market, based on the mCHP technology originally being developed by Disenco, the rights to which were acquired from Disenco by Somemore, a subsidiary of Inspirit. The Appliance will be fired by gas and is being designed to drive a generator that produces up to 3kW of mains voltage electricity (with the capability to be exported to the utility grid) whilst at the same time generating up to 15kW of thermal output for local use.

The electricity generation process in the Appliance uses a Stirling engine, which was invented by Robert Stirling in 1816. Further details on Inspirit and its business are set out in the Admission Document.

KleenAir does not hold any investments other than its 17.05 per cent. shareholding in Inspirit. Accordingly, the nature of its business and financial and trading prospects reflect those of Inspirit, about which further information is set out in the Admission Document.

On 10 June 2013, following a share price movement, trading in the Ordinary Shares on AIM was suspended pending the publication of an admission document by the Company, or an announcement that it will not proceed with the Acquisition. Following

publication of the Admission Document, it is expected that restoration of trading in the Ordinary Shares will occur from 7.30 a.m. on 1 July 2013.

On 10 June 2013, being the day that trading in the Ordinary Shares was suspended, the market capitalisation of KleenAir was c. £1.8 million (including the B Ordinary Shares, which are not quoted but have been given an assumed value equal to the Ordinary Shares, but excluding the Deferred Shares) and the Company proposes to issue Consideration Shares for a deemed consideration in excess of 100 per cent. of its market capitalisation. Accordingly, the Acquisition constitutes a reverse takeover under the AIM Rules for Companies and, as such, is conditional on approval by Existing Shareholders which will be sought at a general meeting of the Company to be held on 23 July 2013, notice of which is set out in the Admission Document.

In addition, certain shareholders of Inspirit are deemed by the Panel to be acting in concert. As such, the issue of the Consideration Shares to the Vendors would result in the obligation by the Concert Party to make a general offer for the Company under Rule 9 of the City Code unless there is an independent vote at a general meeting to waive this requirement (the "Waiver"). Accordingly a resolution will be proposed at the Company's general meeting to approve the Waiver (the "Whitewash Resolution").

Alongside the Acquisition, the Company has also conditionally raised £410,000 (gross) by way of a subscription of 41.0 million new Ordinary Shares (the "Subscription Shares") at a price of 1 pence per ordinary share (the "Subscription Price") (the "Subscription"), from 10 new and existing investors, including Rothschild Nominees Limited, which is a Shareholder in the Company and a member of the Concert Party. The issue of the Subscription Shares is conditional on Admission. As part of the Subscription, the Subscribers will be issued with one warrant for each two Subscription Shares (the "Warrants"), comprising a total of 20.5 million Warrants. The Warrants are exercisable into Ordinary Shares in the Company at a price of 1 pence per Ordinary Share at any time within 12 months from the date of Admission. In the event of an allotment of shares by way of capitalisation of profits or reserves to Shareholders, the number of Ordinary Shares under the Warrant will increase or decrease in due proportion (and exercise price adjusted accordingly). In the event of an adjustment, the number of Ordinary Shares under the Warrant will carry not less than the same proportion of voting rights and entitlement to participate in the profits and assets of the Company as if there was no adjustment. Holders of the Warrant are entitled to participate in offers as if they had rights in the underlying shares. On a liquidation, the holder of the Warrant is entitled to realise out of the assets available *pari passu* with ordinary shareholders such sum as it could have received had it exercised the warrants in full. No application will be made for admission of the Warrants to trading on AIM. The net proceeds of the Subscription receivable by the Company are expected to be approximately £396,000 after the payment to Ascend Capital plc of £14,000 commission.

The Company has in issue 1,221,200 B Ordinary Shares which have the same economic rights as the Ordinary Shares but do not have any voting rights. Pursuant to the Company's articles of association, the B Ordinary Shares may be converted to Ordinary Shares at any time at the request of the holder of the B Ordinary Shares. The B Ordinary Shares were created in June 2009 to prevent the original subscriber, Lionel Simons, from carrying voting rights over 30 per cent. or more of the Company. In May 2010, Lionel Simons transferred all his B Ordinary Shares to John Gunn. John Gunn continues to own 1,221,200 B Ordinary Shares, representing 100 per cent. of the issued

B Ordinary Shares and intends to convert them into Ordinary Shares on Admission (the "Conversion"). John Gunn is part of the Concert Party and the Conversion is also conditional on the passing of the Whitewash Resolution.

At Admission, the whole of the £50,000 loan provided by Hebolux to KleenAir will automatically convert into 10,000,000 new Ordinary Shares.

## **2. Background to, and benefits of, the Acquisition**

The Company's sole investment is a 17.05 per cent. equity interest in the share capital of Inspirit.

The Independent Director is of the opinion that the acquisition of the remaining share capital of Inspirit will streamline the companies' corporate structures, potentially leading to a reduction in aggregate corporate overheads and will facilitate funding of the business plan of Inspirit going forward.

## **3. Information on the Concert Party**

Certain shareholders of Inspirit, excluding the Company, are deemed to be acting in concert in respect of the Acquisition for the purposes of the City Code. The Concert Party members are John Gunn, Rothschild Nominees Limited, Rod MacClancy, Hebolux S.A., Sarah Pozner, Ian Sosso and Tita Carmen Byrne.

### *John Gunn*

John Gunn, the Executive Chairman of the Company, is based in the United Kingdom and France and is the beneficial holder of 9,240,160 Ordinary Shares in KleenAir, representing 12.6 per cent. of the voting rights in KleenAir at the date of this announcement. John Gunn holds his interests in Ordinary Shares through the following entities:

|   | <i>Number of<br/>Ordinary Shares</i> | <i>Percentage<br/>voting rights of<br/>KleenAir at the<br/>date of this<br/>announcement</i> |
|---|--------------------------------------|--|
| Hargreave Hale Nominees Limited         | 7,290,160                            | 9.97   |
| KAS Nominees Limited, on behalf of GIS* | 1,500,000                            | 2.05   |
| Pinnacle Investment Management Limited* | 400,000                              | 0.55   |
| GIS*                                    | 50,000                               | 0.07   |

\*John Gunn owns approximately 88 per cent. of GIS and 100 per cent. of Pinnacle Investment Management Limited.

In addition, John Gunn owns 1,221,200 B Ordinary Shares which have the same economic rights as the Ordinary Shares but no voting rights and are convertible into

Ordinary Shares on a one-for-one basis at the option of the holder. John Gunn intends to convert all of the B Ordinary Share into Ordinary Shares with effect from Admission.

Between July 2009 and June 2010, KleenAir entered into three convertible loan agreements with GIS for a total aggregate amount originally of £740,000. Subject to Admission, GIS has agreed to waive its conversion rights in relation to the 2009 Note and 2010 Note and KleenAir and GIS have agreed to extend the term of the notes to 22 December 2014. The outstanding aggregate amount of the loans is currently £207,111 with accrued aggregate interest of £41,433.18 (as at 30 April 2013) at an annual interest rate of five per cent. On 28 June 2013, KleenAir entered into a loan agreement with GIS for £350,000 to be drawn-down at KleenAir's discretion. The loan carried an interest rate of five per cent.

John Gunn holds 10,303,333 ordinary shares in Inspirit representing 67.7 per cent. of the issued share capital of Inspirit. Inspirit has entered into a number of loan agreements directly and indirectly with John Gunn and the aggregate principal outstanding amount of these loans is currently £439,805.73, with an annual interest rate of 7 per cent.

The business of Inspirit was originally owned by Disenco Limited, a wholly owned subsidiary of Disenco Energy PLC (a company previously listed on the TSX Venture Exchange (TSX-V) in Canada) ("Disenco"). The business and certain assets were acquired out of administration by Somemore Limited, funded through a finance agreement with John Gunn. In settlement of the finance provided by John Gunn, Somemore transferred its holdings in Inspirit to John Gunn on 12 January 2011. Since January 2011, John Gunn has transferred a number of his shares in Inspirit to certain of the original shareholders of Disenco and other associates for nil consideration in recognition of their former investment in Disenco. John Gunn was a director and shareholder of Disenco when it was listed on the TSX-V in October 2006 but resigned as a director in November 2008.

John Gunn began his career in 1987 at Hoare Govett and has since worked at Carr Sheppards Crosthwaite, Merchant Securities and Williams de Broe, where he was a senior investment manager until 2002. From 2004, he has worked with renewable energy and cleantech businesses before becoming involved with Disenco in 2004. John Gunn is also a director and major shareholder in GIS, a stockbroking firm based in London.

#### *Rothschild Nominees Limited*

Rothschild Nominees Limited holds 11.4 per cent. of the voting rights in KleenAir and 3.9 per cent. of the voting rights in Inspirit in trust for Humphrey and Wilbur Hamilton. John Gunn has known their father, Alexander Hamilton, for 15 years and has had a number of business dealings with him.

In addition, at Admission, Rothschild Nominees Limited will subscribe for 5,000,000 new Ordinary Shares and will be granted 2,500,000 Warrants as part of the Subscription.

#### *Rod MacClancy*

Mr MacClancy is a lawyer based in the UK and is known in a professional capacity to John Gunn.

*Hebolux S.A.*

Hebolux S.A. is registered in the Grand Duchy of Luxembourg and is beneficially owned by John Jones. John Jones is a property developer and independent businessman known to John Gunn for 15 years. He is an investor in Kleenair, through the Hebolux Loan.

*Sarah Pozner*

Sarah Pozner is resident in the United Kingdom. She is a former director and legal counsel of both KleenAir and Inspirit and acquired her ordinary shares in Inspirit from John Gunn.

*Ian Sosso*

Ian Sosso is resident in Monaco and is a small investor in Inspirit. He has known John Gunn for over 20 years and has co-invested with him in the past.

*Tita Carmen Byrne*

Tita Carmen Byrne is resident in the United Kingdom and has been a family friend of John Gunn's for 15 years.

#### **4. Intentions of the Concert Party**

Other than the changes set out in the Admission Document, the Concert Party has confirmed that the business of the Company would be continued in substantially the same manner as at present, with no major changes, no likely redeployment of the Company's fixed assets and no likely repercussions on employment and the location of the Company's business. The Concert Party does not intend to seek any changes to the Board of Directors (other than as set out in the Admission Document) or to terminate the continued employment of or change the existing employment rights, including pension rights, of any of the employees of the Company.

**The Concert Party has no intention to cause the Company to cease to maintain any of the trading facilities in respect of the Ordinary Shares. The Concert Party has confirmed it has no intention of disposing of any interests in the Ordinary Shares outside the Concert Party.**

#### **5. Effect of the Acquisition on the Enlarged Group**

The Acquisition will not have an immediate effect on the day-to-day business or the assets of either KleenAir or Inspirit. The business of KleenAir will continue as a holding company with Inspirit as its trading company subsidiary. KleenAir intends to change its name to Inspirit Energy Holdings plc.

The Directors believe the Acquisition will streamline the corporate structure of the two companies and facilitate capital-raising by giving the Inspirit business direct access to the capital markets.

## **6. Principal terms of the acquisition**

Under the terms of the Acquisition Agreement, KleenAir has conditionally agreed to acquire the entire issued share capital of Inspirit (not already owned by KleenAir). The consideration will be satisfied through the issue by KleenAir of the Consideration Shares (representing 73.2 per cent. of the Enlarged Issued Share Capital on Admission) to the shareholders of Inspirit (other than KleenAir). The Acquisition Agreement contains warranties from each of the Vendors confirming unencumbered title to the Inspirit shares held by them and also from John Gunn in relation to the business assets and affairs of Inspirit. The Acquisition is conditional, *inter alia*, on:

- i. Approval by the Shareholders of the Resolutions;
- ii. The monies for the Subscription being received by the Company prior to Admission; and
- iii. Admission having occurred no later than 30 September 2013.

Further details of the Acquisition Agreement are set out in the Admission Document.

## **7. The market**

Legislation, both in the UK and globally, has increased the need to develop both more efficient and cleaner methods of energy generation. In 2011, Centrica plc, a major UK utility company, estimates the microgeneration market to be worth £4 billion per annum by 2020 across a range of technologies including mCHP. The Directors believe that Inspirit is well placed to take advantage of these changes and has an opportunity to develop a market for the Appliance, particularly in the UK, where they believe there are few competing technologies and where there are regulatory requirements to cut carbon output and financial incentives are available.

In recent years, the small commercial boiler sector has seen a move towards the introduction of smaller modular units and has moved away from large output boilers. The Directors believe that this should facilitate the acceptance by the market of the Appliance as a replacement for one of the units in a typical multi-boiler installation.

Once fully developed and commercialised, the Directors currently intend to market the Appliance and seek commercial opportunities within the small commercial sector whose premises require high heat and power (such as restaurants and nursing homes), as well as the larger residential market.

## **8. Directors, senior management and employees**

Immediately following Admission, the Board will be comprised of three executive and one non-executive directors, brief biographical details of which are set out below.

### **Board of the Company on Admission**

*John Gunn, Executive Chairman, Aged 43*

Mr Gunn has been associated with the Company since 2010 and became a director in November 2011. He is also the majority shareholder of Inspirit. Mr Gunn is the Chief Executive Officer and majority shareholder of GIS. A brief summary of his resumé is set out in the Admission Document.

*Neil Luke, Proposed Non-Executive Director, Aged 59*

Mr Luke is experienced in the gas heating industry. Having begun his career with Ideal Stelrad Group Ltd, developing the first condensing boiler to be manufactured by a UK company, he contributed to the comparative research for high efficiency that led to the introduction of the first government subsidies and the efficiency banding scheme. Mr Luke has held the position of Business Unit Manager for Baxi with full P&L responsibility before being appointed Engineering Director for the Baxi Air Management Group. Later appointments led to the position of Technical Director for Potterton Myson Ltd. with responsibility for both engineering projects and new product development.

Neil Luke entered into an appointment letter dated 28 June 2013 in respect of his services as Non-Executive Director effective from Admission. Mr. Luke's appointment is for an initial term of one year, commencing on Admission. The appointment is terminable by either party on three months' notice or in certain circumstances, including misconduct or bankruptcy, with immediate effect. Mr. Luke is entitled to a monthly fee of £1,000 gross. Mr. Luke is required to work a minimum of one day per week for the Company and is entitled to an additional fee of £300 per day in respect of any additional days worked.

*Jubeenh Nazhat, Proposed Executive Director, Aged 42*

Ms Nazhat is an experienced qualified solicitor, specialising in corporate law, having worked for Trowers & Hamblins LLP. Previously Ms Nazhat worked as in-house legal counsel for London Underground Limited.

Ms Nazhat is currently a Non-Executive Director of the Company.

*Nilesh Jagatia, Finance Director, Aged 45*

Nilesh is currently the Chief Financial Officer of Clear Leisure Plc, an AIM quoted public company that specialises in leisure related investments in Italy. Nilesh is also the Finance Director for Ascend Capital Plc, a specialist corporate finance broker that provides a variety of integrated funding solutions for smaller, fast growing companies. Prior to this, he was Group Finance Director of Media Corporation plc for a period of 5 years until July 2012. During his time at Media Corporation he was responsible for the group's accounting and worked on a number of corporate transactions. Nilesh has over 20 years' experience including senior financial roles in divisions of both Universal Music Group and Sanctuary Group Plc. He served as a Finance Director for an independent record label that expanded into the US. Nilesh is a qualified accountant and has a degree in finance.

The Board intends to identify and appoint an independent non-executive director shortly after Admission to chair the audit and remuneration committees

## **9. Lock-in arrangements**

John Gunn, being the only Director holding shares in the Company at Admission, has agreed not to (and to procure that his respective Connected Persons do not) dispose of any interest in Ordinary Shares for a period of one year following Admission, except in certain restricted circumstances, in accordance with Rule 7 of the AIM Rules for Companies.

Each of the other members of the Concert Party has agreed not to (and to procure that their respective Connected Persons do not) dispose of any interest in Ordinary Shares for a period of one year following Admission, except in certain restricted circumstances.

## **10. Relationship Agreement**

John Gunn has agreed to exercise his votes as a Shareholder and to procure the same in respect of any Connected Person in accordance with certain restrictions set out in a Relationship Agreement entered into between the Company, Westhouse Securities and John Gunn. The restrictions seek to ensure that the Group is capable of carrying on its business and making decisions independently and in the best interests of the Group and that any transactions between any member of the Group and the Controlling Shareholder or any Connected Person are made on an arm's length basis.

The agreement shall terminate on John Gunn and any "associate" ceasing to hold Shares or instruments capable of converting into Ordinary Shares conferring in aggregate 30 per cent. or more of the rights to vote at general meetings of the Company.

## **11. Use of proceeds of the Subscription**

The proceeds from the Subscription will be used for general working capital purposes, including the further development of the Appliance.

## **12. Dividend policy**

The Board anticipates that any profits will be retained for the development of the Enlarged Group's business and are unlikely to be distributed for the foreseeable future. The Directors will consider the payment of a dividend, if they consider it appropriate to do so, subject to compliance with applicable laws.

## **13. Corporate Governance**

The Board has not adopted the UK Corporate Governance Code; this is only a requirement for premium listed companies and the Board does not consider it appropriate for a company of the size and nature of KleenAir. The Board has, however, adopted the requirements of the Corporate Governance Guidelines for Smaller Companies published by the Quoted Companies Alliance, although, until an independent non-executive director is appointed, Neil Luke will chair each of the committees.

### *Audit Committee*

The Audit Committee is currently chaired by Neil Luke and includes Jubeenh Nazhat and Nilesh Jagatia. The committee provides a forum for reporting by the Group's external auditors. The committee is also responsible for reviewing a wide range of matters, including half-year and annual results before their submission to the Board, and for monitoring the controls that are in force to ensure the integrity of information reported to

shareholders. The Audit Committee will advise the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and will discuss the nature, scope and results of the audit with the external auditors. The committee will keep under review the cost effectiveness and the independence and objectivity of the external auditors.

The Audit Committee is responsible for ensuring the “right tone at the top” and that the ethical and compliance commitments of management and employees are understood throughout the Group.

#### *Remuneration Committee*

The Remuneration Committee is chaired by Neil Luke and includes Jubeenh Nazhat and Nilesh Jagatia. The committee is responsible for making recommendations to the Board, within agreed terms of reference, on the Company’s framework of executive remuneration and its cost. The Remuneration Committee determines the contract terms, remuneration and other benefits for the executive directors, including performance related bonus schemes and compensation payments. The Board itself determines the remuneration of the non-executive directors.

#### **14. Share dealing code**

The Directors intend to comply with Rule 21 of the AIM Rules relating to Directors’ and applicable employees’ dealings in the Company’s securities and to this end, the Company has adopted a share dealing code that the Board considers appropriate for a small AIM Company.

#### **15. Financial information**

In accordance with Rule 28 of the AIM Rules for Companies and with Rule 24.15 of the City Code, the Admission Document does not contain historical financial information on the Company which would otherwise be required by Section 20 of Annex I of the Prospectus Rules. Audited historical financial information on the Company for the three years ended 30 June 2012 and unaudited financial information on the Company for the six months ended 31 December 2012 is available from the Company’s website at [www.kleenair-systems.com](http://www.kleenair-systems.com).

Financial information on Inspirit is set out in the Admission Document.

#### **16. Waiver of Rule 9 of The City Code**

The City Code governs, amongst other things, transactions that may result in a change of control of a public company to which the City Code applies, including the Company. Under Rule 9, where a person acquires an interest (as such term is defined in the City Code) in shares which, when taken together with any shares in which he is already interested and in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company that is subject to the City Code, such person or group is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, when any person together with persons acting in concert with him is interested in shares which, in the aggregate, carry not less than 30 per cent. of the voting rights of

such a company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person.

An offer under Rule 9 must be in cash and at the highest price paid during the preceding 12 months for any interest in shares of the Company by the person required to make the offer or any person acting in concert with him.

Persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control (as defined in the City Code) of, or frustrate the successful outcome of an offer for, the Company.

For the purposes of the City Code, all of the members of the Concert Party are deemed to be acting in concert, and their interests are to be aggregated. Further information about the Concert Party is set out in the Admission Document.

**On Admission, the Concert Party will hold, in aggregate, 381,537,902 Ordinary Shares, representing approximately 79.8 per cent. of the Company's Enlarged Share Capital.**

Rothschild Nominees Limited, a member of the Concert Party has conditionally agreed to subscribe for 5,000,000 new Ordinary Shares and will be granted 2,500,000 Warrants. Shareholders should be aware that, upon full exercise by Rothschild Nominees Limited of the Warrants granted to it, assuming no exercise of any other Warrants and no other changes in the holding of the Concert Party in Ordinary Shares, the Concert Party would hold 79.9 per cent. of the issued share capital of the Company at Admission (as enlarged by the Ordinary Shares issued to Rothschild Nominees Limited upon exercise of all its Warrants).

Pursuant to the exercise by Rothschild Nominees Limited of the Warrants granted to it by the Company, the increase in the holding of the Concert Party could trigger the obligation to make a general offer to all other shareholders to acquire the balance of the shares not held by it at the highest price paid by any of the members of the Concert Party in the preceding 12 months.

In the absence of a waiver granted by the Panel, Rule 9 would require the Concert Party to make a general offer for the balance of the Shares in issue immediately following the Acquisition. The Panel has been consulted and has agreed, subject to the passing on a poll by Independent Shareholders of the Whitewash Resolution, to waive the obligation on the Concert Party that would otherwise arise under Rule 9, as a result of the issue of the Consideration Shares pursuant to the Acquisition, the issue of new Ordinary Shares to Rothschild Nominees Limited, both as part of the Subscription and upon exercise of its Warrants, the issue of the Hebolux Shares and the conversion of the B Ordinary Shares into Ordinary Shares, for a general offer to be made by the Concert Party for the balance of the issued Ordinary Shares not already held by the Concert Party. Accordingly, Resolution 1 is being proposed at the General Meeting and will be taken on a poll of Independent Shareholders.

**On Admission the Concert Party will between them hold Ordinary Shares carrying more than 50 per cent. of the voting rights of the Company's voting share capital**

**and, for as long as they continue to be treated as acting in concert, may accordingly increase their aggregate interests in shares without incurring any obligation under Rule 9 to make a general offer. Individual members of the Concert Party, save for John Gunn who will carry more than 50 per cent. of the voting rights, will not be able to increase their percentage interests in shares through or between a Rule 9 threshold without Panel consent.**

## **17. General Meeting**

Set out in the Admission Document is a notice convening the General Meeting to be held at the registered offices of KleenAir at 2 London Wall Buildings, London, EC2M 5PP at 11.00 a.m. on 23 July 2013. The full terms of the Resolutions are set out in that notice and are summarised below:

### *Resolution 1*

Resolution 1, which is an ordinary resolution and is conditional on the passing of Resolutions 2, 3, 4 and 5, is the Whitewash Resolution, pursuant to which the Independent Shareholders are being asked to approve the Panel's waiver of the Concert Party's obligation to make a general offer under Rule 9. This resolution requires approval by the Independent Shareholders on a poll (voting in person or by proxy at the General Meeting).

### *Resolution 2*

Resolution 2, which is an ordinary resolution and is conditional on the passing of Resolutions 1, 3, 4 and 5, seeks Existing Shareholders' approval of the Acquisition, which constitutes a "reverse takeover" for the purposes of Rule 14 of the AIM Rules for Companies. A summary of the principal terms of the Acquisition Agreement can be found in the Admission Document.

### *Resolution 3*

Resolution 3, which is an ordinary resolution and is conditional on the passing of Resolutions 1, 2, 4 and 5, seeks Existing Shareholders' approval to grant authority to the Directors to allot Ordinary Shares up to an aggregate nominal value of £1,500,000, such authorities to expire on the conclusion of the Company's next annual general meeting.

### *Resolution 4*

Resolution 4, which is a special resolution and is conditional on the passing of Resolutions 1, 2, 3 and 5 seeks Existing Shareholders' approval to empower the Directors pursuant to section 570(1) to allot equity securities for cash as if section 561(1) of the Act did not apply to such allotments. Such empowerment is to expire on the conclusion of the Company's next annual general meeting.

### *Resolution 5*

Resolution 5, which is a special resolution and is conditional on the passing of Resolutions 1, 2, 3 and 4 seeks Existing Shareholders' approval to change the

Company's name to Inspirit Energy Holdings plc in accordance with section 77(1)(a) of the Act.

## **18. Admission and dealings**

Application will be made to the London Stock Exchange for the Existing Ordinary Shares to be re-admitted, and the Subscription Shares, the Consideration Shares, the Hebolux Shares and the Conversion Shares to be admitted to trading on AIM, conditional upon, *inter alia*, the passing of the Resolutions.

It is expected that Admission will become effective and dealings will commence in the Enlarged Share Capital on 24 July 2013. The Directors anticipate that no application will be made for the Enlarged Share Capital to be admitted to trading or to be listed on any other stock exchange.

The Articles permit the Company to issue Ordinary Shares in uncertificated form in accordance with the CREST Regulations. CREST is a paperless settlement system enabling title to securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument, in accordance with the CREST Regulations.

Settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if Shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

For more information concerning CREST, Shareholders should contact their brokers or Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL. Trading in the Company's Shares on AIM will require Shareholders to deal through a stockbroker or other intermediary who is a member of the London Stock Exchange.

## **19. Further information**

Existing Shareholders and potential investors should read the whole of the Admission Document which provides additional information on the Company, Inspirit and the Resolutions, and should not rely on this announcement or summaries of, or individual parts only of the Admission Document. Investors' attention is drawn, in particular, to the Risk Factors and the Additional Information set out in the Admission Document.

## **20. Related party transactions**

The Acquisition involves the Company entering into the Acquisition Agreement with, among others, the Executive Chairman, John Gunn. Accordingly, the Acquisition is considered a related party transaction under the AIM Rules for Companies and John Gunn has refrained from taking part in the evaluation of the Acquisition by the Board and the Director's recommendations in connection with the Acquisition.

Additionally, the Company has agreed with GIS to extend the terms of the 2009 Note and 2010 Note to 22 December 2014 and to remove the right of conversion into Ordinary Shares. As John Gunn is the majority shareholder in GIS, such variations are considered to be related party transactions under the AIM Rules for Companies.

The Company has entered into a loan agreement with Inspirit in relation to a series of loans provided by the Company to Inspirit between 23 May 2011 and 31 January 2013 for an aggregate amount of £83,658.20. The Company has also entered into a loan agreement with GIS in relation to a £45,000.00 loan provided by GIS to the Company between 2 February 2012 and 13 February 2012. In addition, the Company has entered into a new loan agreement with GIS for £350,000 to be drawn-down at the discretion of the Company. As John Gunn is the controlling shareholder and a director of Inspirit and GIS, entering into the loan agreements are considered to be related party transactions under the AIM Rules.

The Independent Director considers, having consulted with the Company's Nominated Adviser, Westhouse Securities, that each of the Acquisition Agreement, the variation of the 2009 Note and the 2010 Note, and entering into the loan agreements with Inspirit and GIS is fair and reasonable insofar as Shareholders are concerned.

## **21. Action to be taken**

A form of proxy will be sent to Existing Shareholders for use by them in connection with the General Meeting. Whether or not they intend to be present at the General Meeting, Existing Shareholders are asked to complete, sign and return the form of proxy to Share Registrars Ltd at 9 Lion and Lamb Yard, Farnham, Surrey, GU9 7LL, as soon as possible but in any event so as to arrive no later than 11.00 a.m. on 21 July 2013. The completion and return of a form of proxy will not preclude Existing Shareholders from attending the General Meeting and voting in person should they wish to do so. Accordingly, whether or not you intend to attend the General Meeting, you are urged to complete and return the form of proxy as soon as possible.

## **22. Recommendation**

The Independent Director who has been so advised by Westhouse Securities considers the Waiver and the Acquisition to be fair and reasonable and in the best interests of Independent Shareholders and the Company. In providing advice to the Independent Director, Westhouse Securities has taken into account the Independent Director's commercial assessments. Accordingly, the Independent Director recommends that Independent Shareholders vote in favour of the Whitewash Resolution.

The Directors, including John Gunn, who is prohibited from voting on Resolution 1, being the Whitewash Resolution, recommend that Shareholders vote in favour of Resolutions 2, 3, 4 and 5, as John Gunn has irrevocably committed to do in respect of his beneficial holding amounting to, in aggregate, 9,240,160 Existing Ordinary Shares, representing approximately 12.6 per cent. of the voting rights in KleenAir.

## **Information on Inspirit**

### **1. Inspirit's business**

Inspirit, a company based in Sheffield, is currently developing a micro combined heat and power appliance for the commercial and residential markets. The Appliance is powered by natural gas and designed to produce hot water (for tap water or central

heating) and electrical output simultaneously. Once proven, Inspirit intends to explore opportunities to licence out the underlying technology.

A prototype of the Appliance has been independently tested and shown to be capable of simultaneous generation of up to 15kW thermal and up to 3kW electrical output. Once development of the Appliance has been completed and commercialised, the Directors expect that the Appliance will initially be marketed in the UK and Europe and eventually worldwide. Additional revenue streams may be possible through product licensing, sales of warranties and further development of the product.

## **2. History of and ownership of Inspirit**

Inspirit was incorporated on 17 February 2010 as Start Trade Limited, subsequently changing its name on 16 June 2010 to Inspirit Energy Limited. Inspirit owns 100 per cent. of a non-trading subsidiary, Somemore, which was acquired on 12 January 2011.

The original development of the mCHP technology used in the Appliance was carried out by Disenco Limited ("Disenco"). Disenco entered into administration on 17 February 2010 and, on 17 March 2010, certain assets of Disenco (including the mCHP technology and some associated registered intellectual property rights) were purchased by Somemore.

The Company made an initial investment of £300,000 in Inspirit on 23 August 2010, to enable Inspirit to complete the due diligence process in relation to the acquisition of Somemore, following which the Company's holding in Inspirit represented approximately 10.6 per cent of Inspirit's enlarged issued share capital. On 6 January 2011, the Company made a further investment of £440,000 to increase its investment to 18.7 per cent. The Company's holding was diluted down to 17.05 per cent. following completion of the acquisition of Somemore on 12 January 2011.

Inspirit is currently owned as to 67.7 per cent. by John Gunn and as to 17.05 per cent. by KleenAir. Sarah Pozner holds approximately 2.0 per cent. and the remaining 6 shareholders each hold less than 5 per cent.

John Gunn and Suki Gunn are the current directors of Inspirit.

## **3. The Stirling Engine technology**

Invented in 1816, the Stirling engine technology constitutes a heat engine operating by cyclic compression and expansion of a gas, the working fluid, at different temperature levels such that there is a net conversion of heat energy to mechanical work. Inspirit currently uses Helium as the working fluid in its prototype Appliance. Helium is contained within the system and uses an internal heat exchanger and thermal store, known as the regenerator.

The Stirling engine was originally conceived as an industrial engine and an alternative to the steam engine. The Directors believe its efficiency and noise levels make it particularly suitable for use in mCHP appliances.

## **4. Intellectual Property**

The Inspirit Group currently holds the rights to two patents relating to the design of the Appliance.

The Inspirit Group also co-owns an additional patent in the United States which is not currently used in the Appliance.

The Directors believe that in some instances, the patents owned by the Inspirit Group may be also used in the development of products other than a mCHP appliance.

## **5. Technology partners and key developments**

Prior to entering administration, Disenco carried out initial tests on its prototype of the Appliance sponsored by the Carbon Trust to prove the underlying technology. The Carbon Trust published its findings in 2011 and the full report can be found at: [www.carbontrust.com/resources/reports/technology/micro-chp-accelerator](http://www.carbontrust.com/resources/reports/technology/micro-chp-accelerator)

The report found that by producing both heat and electricity locally, combined heat and power systems can potentially achieve lower overall carbon emissions than conventional heating systems and grid electricity. Inspirit has continued to develop the Appliance to address certain issues raised through the Carbon Trust trials and generally to improve the performance and reliability of the Appliance.

The Appliance has been developed with the assistance of three external engineering partners:

- Adigo A.S. were instrumental in taking the original Stirling Engine design and redeveloping it for the Appliance. This work has now moved in house at Inspirit, with all aspects of work relating to the power generation being carried out at Inspirit's premises in Sheffield.
- Sentec Ltd designed the control system, including the user interface, diagnostics and management of the supply to the Grid Tied Inverter.
- Enertek International Limited ("Enertek") designed the gas combustion system, heat recovery system and the appliance design.

Before being acquired by Somemore, Prodrive Ltd worked alongside Disenco to develop the crankcase and rhombic drive assembly that converts the heat energy into the motion required to generate the electrical output and is now the driving force in the development of the Appliance.

The Inspirit engineers contrive to test the product and develop a supply chain.

## **6. The boiler market**

Legislation, both in the UK and globally, has increased demand for more efficient and greener methods of energy generation. The Directors believe that Inspirit is well placed to take advantage of these changes to demand, particularly in the UK, where they believe there are few competing products using mCHP.

In 2011, Centrica plc, a major UK utility company, estimated the micro generation market to be worth £4bn per annum by 2020, across a range of technologies including mCHP.

According to the Heating and Hot Water Council, approximately 1.5 million boilers are installed in the UK each year.

## **7. Prospective Commercialisation and opportunities for growth**

Inspirit has held discussions with several parties interested in partnering, licensing or purchasing the Appliance as well as with a number of the major boiler manufacturers.

Inspirit is currently focusing its development of the Appliance with a view to supplying the commercial (rather than residential) market as it believes that (i) commercial users (e.g. fast food restaurants, nursing homes, gyms and swimming pools, etc.) of boilers have higher thermal consumption than domestic customers thus shortening the payback of an investment in the appliance; (ii) many commercial user premises have multiple boiler installations, the Directors believe that this will make the decision to replace one of the boilers in a multi-boiler installation with an Appliance less risky and hence more likely to be implemented by early adopters; (iii) noise emissions are usually less of a consideration in a commercial installation environment where the appliances are often installed in a separate boiler room; and (iv) whilst the Appliance is approximately the size of a large washing machine, size and weight considerations are less of an issue in a commercial application environment compared to the domestic market which is dominated by wall mounted boilers.

The Directors believe there may be potential to produce a smaller version of the appliance (producing up to approximately 1kW of electrical output) to appeal to the larger domestic boiler market. Similarly, it may be possible to increase the electrical output of the Appliance to 5-6kW to make it suitable for larger commercial premises.

The Company may seek further capital injections if opportunities arise to accelerate growth and the development of the Appliance.

## **8. Distribution**

Distribution of the initial pre-production version of the Appliance is intended to be limited to a small number of large potential customers who have expressed interest in the Appliance, so that a strong supporting view of the technology can be gained and feedback used to complete the development of the production engineering and manufacturing process. This strategy will allow a controlled release of the production version of the product into the market that meets both Inspirit's initial market focus and the customer's adoption requirements.

## **9. Summary special purpose IFRS financial Information on Inspirit**

### **Comprehensive Income Statement**

| <b>Year Ended</b> | <b>Period 18 August</b> | <b>Period 17</b>        |
|-------------------|-------------------------|-------------------------|
| <b>30 June</b>    | <b>2010 to 30 June</b>  | <b>February 2010 to</b> |
| <b>2012</b>       | <b>2011</b>             | <b>17 August 2010</b>   |
| <b>£</b>          | <b>£</b>                | <b>£</b>                |

|   |                  |                  |                  |
|---|------------------|------------------|------------------|
| Administration expenses   | (151,639)        | (250,049)        | (119,796)        |
| <b>Operating Loss</b>   | <b>(151,639)</b> | <b>(250,049)</b> | <b>(119,796)</b> |
| Finance costs   | (29,691)         | -                | -                |
| <b>Loss Before Income Tax</b>   | <b>(181,330)</b> | <b>(250,049)</b> | <b>(119,796)</b> |
| Income tax credit   | 100,060          | -                | -                |
| <b>Loss for the Year/Period</b>   | <b>(81,270)</b>  | <b>(250,049)</b> | <b>(119,796)</b> |
| <b>Total Comprehensive Income for the year / period attributable to Equity Shareholders</b>         |                  |                  |                  |
|   | <b>(81,270)</b>  | <b>(250,049)</b> | <b>(119,796)</b> |
| <b>Earnings per share attributable to the equity owners of the Company during the year / period</b> |                  |                  |                  |
| Basic and Diluted Loss Per Share  | <b>(0.5)p</b>    | (1.6)p           | (40.0)p          |

All costs relate to continuing operations

## Statement of Financial Position

|  | As at 30 June<br>2012<br>£ | As at 30 June<br>2011<br>£ | As at 17 August<br>2010<br>£ |
|--|----------------------------|----------------------------|------------------------------|
| <b>Assets</b>  |                            |                            |                              |
| <b>Non-Current Assets</b>  |                            |                            |                              |
| Intangible assets  | 643,548                    | 479,900                    | 39,000                       |
| Property, plant and equipment  | 7,682                      | 8,884                      | -                            |
| Investment in subsidiaries   | 1                          | 1                          | -                            |
|  | <b>651,231</b>             | <b>488,785</b>             | <b>39,000</b>                |
| <b>Current Assets</b>  |                            |                            |                              |
| Inventories  | 5,238                      | 5,238                      | 5,238                        |
| Trade and other receivables  | 15,678                     | 47,184                     | -                            |
| Income taxes receivable  | 40,232                     | -                          | -                            |
| Cash and cash equivalents  | 50,346                     | 64,715                     | -                            |
|  | <b>111,494</b>             | <b>117,137</b>             | <b>5,238</b>                 |
| <b>Total Assets</b>  | <b>762,725</b>             | <b>605,922</b>             | <b>44,238</b>                |
| <b>Equity and Liabilities</b>  |                            |                            |                              |
| <b>Capital and Reserves Attributable to Equity Shareholders of the Company</b> |                            |                            |                              |
| Ordinary shares  | 15,230                     | 15,230                     | 300                          |
| Share premium  | 737,403                    | 737,403                    | -                            |
| Other reserves   | 22,500                     | 22,500                     | -                            |
| Retained losses  | (451,115)                  | (369,845)                  | (119,796)                    |
| <b>Total Equity</b>  | <b>324,018</b>             | <b>405,288</b>             | <b>(119,496)</b>             |

| <b>Liabilities</b>                  |                |         |         |
|-------------------------------------|----------------|---------|---------|
| <b>Current Liabilities</b>          |                |         |         |
| Trade and other payables            | <b>438,707</b> | 200,634 | 163,734 |
| <b>Total Liabilities</b>            | <b>438,707</b> | 200,634 | 163,734 |
| <b>Total Equity and Liabilities</b> | <b>762,725</b> | 605,922 | 44,238  |

Financial information on Inspirit, including the notes that correlate to the financial information above and the interim financial results for the six months to 31 December 2012, can be found in the full Admission Document.

### Definitions and glossary of terms

In this announcement, unless the context otherwise requires or provides, the expressions set out below bear the following meanings

|                                    |  |
|------------------------------------|--|
| “1985 Act”                         | the Companies Act 1985   |
| “2009 Note”                        | the convertible loan note dated 23 November 2009   |
| “2010 Note”                        | the convertible loan note dated 22 June 2010   |
| “Act”                              | the Companies Act 2006 (as amended)  |
| “Acquisition”                      | the proposed acquisition by the Company of the entire issued share capital of Inspirit   |
| “Acquisition Agreement”            | the agreement relating to the Acquisition, made between, <i>inter alia</i> , the Company and the Vendors, a summary of which is set out in the Admission Document            |
| “Admission”                        | the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules for Companies  |
| “AIM”                              | the market of that name operated by London Stock Exchange  |
| “AIM Rules”                        | the AIM Rules for Companies and the AIM Rules for Nominated Advisers   |
| “AIM Rules for Companies”          | the AIM Rules for Companies published by the London Stock Exchange, as amended from time to time   |
| “AIM Rules for Nominated Advisers” | the AIM Rules for Nominated Advisers published by the London Stock Exchange, as amended from time to time  |
| “Articles”                         | the articles of association of the Company adopted by special resolution on 3 August 2010  |
| “B Ordinary Shares”                | B Ordinary Shares in the Company of £0.001 nominal value having the same economic rights as the Ordinary Shares but no voting rights as more fully described in the Articles |
| “Board” or “Directors”             | the directors of the Company immediately following   |

|                           |  |
|---------------------------|--|
|                           | Admission including the Proposed Director, whose names are set out in the Admission Document   |
| “City Code”               | the City Code on Takeovers and Mergers administered by the Panel   |
| “Company” or “KleenAir”   | KleenAir Systems International plc   |
| “Completion”              | completion of the proposed acquisition by the Company of the entire issued, and to be issued, share capital of Inspirit, pursuant to the Acquisition Agreement   |
| “Concert Party”           | John Gunn, Rothschild Nominees Limited, Rod MacClancy, Hebolux S.A., Sarah Pozner, Ian Sosso and Tita Carmen Byrne, all of whom are regarded for the purpose of the City Code as acting in concert (as defined in the City Code) in relation to the Company and its share capital            |
| “Connected Person”        | means any connected person of the Shareholder as defined in paragraph 2 of Part 1 of Schedule 11B of the Financial Services and Markets Act 2000, as amended from time to time   |
| “Consideration Shares”    | 350,000,000 New Ordinary Shares to be issued on Admission to the Vendors   |
| “Controlling Shareholder” | John Gunn  |
| “Conversion”              | the conversion by John Gunn of his entire holding of B Ordinary Shares into Ordinary Shares  |
| “Conversion Shares”       | the 1,221,200 New Ordinary Shares to be issued upon completion of the Conversion   |
| “CREST Regulations”       | the Uncertificated Securities Regulations 2001, including (i) any enactment or subordinate legislation which amends or supersedes those regulations; and (ii) any applicable rules made under those regulations or any such enactment or subordinate legislation for the time being in force |
| “Deferred Shares”         | the deferred shares of £0.99 each in the Company   |
| “Directors”               | the Existing Directors and the Proposed Director   |
| “Enlarged Group”          | the enlarged group following the acquisition of Inspirit by the Company, comprising the Company, Somemore and Inspirit   |
| “Enlarged Share Capital”  | the 477,860,705 Ordinary Shares in issue immediately following Admission comprising the Existing Ordinary Shares, the Consideration Shares, the Subscription Shares, the Hebolux Shares, the Westhouse Shares and the Conversion Shares  |
| “Euroclear”               | Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales, the operator of CREST  |

|                            |   |
|----------------------------|---|
| “Existing Directors”       | John Gunn, Jubeenh Nazhat and Nilesh Jagatia, being the directors of the Company as at the date of this announcement  |
| “Existing Ordinary Shares” | the Ordinary Shares in issue at the date of this announcement   |
| “Existing Share Capital”   | the issued ordinary share capital of the Company at the date of this announcement   |
| “Existing Shareholders”    | holders of Existing Ordinary Shares   |
| “FCA”                      | the Financial Conduct Authority   |
| “FSMA”                     | the Financial Services and Markets Act 2000 (as amended)  |
| “General Meeting”          | the general meeting of the Company convened for 11.00 a.m. on 23 July 2013 (or any adjournment thereof), notice of which is set out in the Admission Document;  |
| “GIS”                      | Global Investment Strategy UK Limited   |
| “Hebolux”                  | Hebolux S.A.  |
| “Hebolux Loan”             | the £50,000 loan made to KleenAir in July 2012, details of which are set out in the Admission Document  |
| “Hebolux Shares”           | the 10,000,000 New Ordinary Shares to be issued to Hebolux pursuant to the conversion of the Hebolux Loan at Admission  |
| “IFRS”                     | International Financial Reporting Standards   |
| “Independent Director”     | Nilesh Jagatia  |
| “Independent Shareholders” | the Shareholders other than those who are participating in the Subscription and/or those who are also Vendors   |
| “Inspirit”                 | Inspirit Energy Limited, a company incorporated under the laws of England and Wales   |
| “Inspirit Group”           | together Inspirit and its 100 per cent. owned subsidiary Somemore   |
| “Introduction Agreement”   | the agreement dated 28 June 2013, between the Company, the Directors and Westhouse Securities, details of which are set out in the Admission Document   |
| “Lock-In Agreement”        | the agreement dated 28 June 2013, between the Company, Westhouse and John Gunn, details of which is set out in the Admission Document   |
| “London Stock Exchange”    | London Stock Exchange plc   |
| “mCHP”                     | micro combined heat and power   |
| “New Ordinary Shares”      | the new Ordinary Shares to be subscribed for by the Subscription under the Subscription or to be issued to the Vendors under the Acquisition Agreement or issued to Hebolux pursuant to the conversion of the Hebolux |

|                          |  |
|--------------------------|--|
|                          | loan or issued to John Gunn upon conversion of the B Ordinary Shares, or issued to Westhouse Securities as the case may be   |
| “Official List”          | the Official List of the UK Listing Authority, a division of the FCA, acting as competent authority for the purposes of Part VI of FSMA  |
| “Ordinary Shares”        | the ordinary shares of 0.1 pence each in the capital of the Company and “Ordinary Share” shall be construed accordingly  |
| “Panel”                  | the Panel on Takeovers and Mergers   |
| “Proposed Director”      | Neil Luke  |
| “Prospectus Directive”   | Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC and any relevant implementing measure in each member state of the European Economic Area which has implemented the Prospectus Directive |
| “Prospectus Rules”       | the prospectus rules of the UK Listing Authority, pursuant to the FSMA   |
| “QCA Guidelines”         | the Quoted Companies Alliance guidelines for AIM companies   |
| “Registrars”             | Share Registrars Ltd, the Company’s registrars   |
| “Regulations”            | the Uncertificated Securities Regulations 2001 including any modification or re-enactment of them for the time being in force  |
| “Relationship Agreement” | the relationship agreement between John Gunn and the Company dated 28 June 2013  |
| “Resolutions”            | the resolutions to be proposed at the General Meeting, the full text of which is set out in the notice of General Meeting set out in the Admission Document  |
| “Shareholders”           | holders of Ordinary Shares   |
| “Somemore”               | Somemore Limited, a company incorporated under the laws of England and Wales   |
| “Subscribers”            | the subscribers or purchasers of Subscription Shares pursuant to the Subscription  |
| “Subscription”           | the conditional subscription by the Subscribers on behalf of the Company of the Subscription Shares pursuant to the Subscription Agreement   |
| “Subscription Agreement” | the conditional agreement dated 28 June 2013 between the Company, the Directors and the Subscribers relating to the Subscription, details of which are set out in the Admission Document   |

|                           |  |
|---------------------------|--|
| “Subscription Price”      | 1p per Subscription Share  |
| “Subscription Shares”     | the New Ordinary Shares which are the subject of the Subscription  |
| “Substantial Shareholder” | any person who holds any legal or beneficial interest directly or indirectly in 10 per cent. or more of any class of AIM security, as defined in the AIM Rules for Companies   |
| “Taxes Act”               | the Income & Corporation Taxes Act 1988 (as amended)   |
| “United Kingdom” or “UK”  | the United Kingdom of Great Britain and Northern Ireland   |
| “Vendors”                 | John Gunn, Rothschild Nominees Limited, Rod MacClancy, Hebolux S.A., Sarah Pozner, Oceanside Overseas Group Limited, Ian Sosso and Tita Carmen Byrne, being the current shareholders of Inspirit, not including the Company, who will be selling their shares in Inspirit to the Company pursuant to the Acquisition Agreement |
| “Warrant Agreement”       | the warrant agreement under which the Warrants are issued  |
| “Warrants”                | warrants issued by the Company to Subscribers on the basis of one warrant for every two Subscription Shares exercisable into Ordinary Shares on a one-for-one basis at a price of 1p per Ordinary Share at any time within 12 months from the date of Admission  |
| “Waiver”                  | the waiver of the obligations that would otherwise arise under Rule 9 of the City Code for the Concert Party to make a general cash offer for the whole of the Company’s Existing Share Capital  |
| “Westhouse Securities”    | Westhouse Securities Limited, the Company’s nominated adviser and broker   |
| “Westhouse Shares”        | the New Ordinary Shares to be issued to Westhouse Securities pursuant to the Introduction Agreement  |
| “Whitewash Resolution”    | the ordinary resolution concerning the Waiver to be proposed on a poll at the General Meeting and set out in the notice of the General Meeting as Resolution 1   |