

Botry-Zen Limited

Notice of Special Meeting

Notice is hereby given that a Special Meeting of Shareholders of Botry-Zen Limited (the "Company") will be held at **The Dunedin Public Art Gallery, The Octagon**, Dunedin on Friday, 24 July 2009. The meeting will follow the Company's Annual Meeting to be held at the same venue, on the same date, commencing at 3.00pm.

Business

The Company requires additional capital to enable it to continue to trade and to assist it in its efforts to realise the commercial potential of its products BOTRY-Zen and ARMOUR-Zen for the benefit of shareholders. The Board has carefully considered all available means of raising the required capital, including requirements as to timing and certainty of funds.

In the circumstances the Board considered that it was in the best interests of the Company to develop a proposal for the private placement of \$1 million worth of ordinary shares (the 'Placement') to Melic Innovators Limited ('Melic'). A share subscription agreement contingent on all necessary shareholder approvals for the purposes of the Companies Act 1993, the Listing Rules and the Takeovers Code was executed with Melic on 29 May 2009.

The principal business of the Special Meeting will be to consider the Board's proposal to raise the required capital by way of the placement to Melic and to seek the necessary shareholder approvals to enable the Placement to proceed.

In addition, the Board takes the opportunity of the Special Meeting to seek shareholder approval for two other matters:

- the adoption of a new constitution compliant with the NZAX Listing Rules following the Company's transition to NZAX in December 2008; and
- the ratification of the issue of ordinary shares allotted to Melic and Claus and Margarita Hartge in September 2008 in order to refresh the 25% facility for the issue of ordinary shares provided by NZAX Listing Rule 7.3.5.

The Explanatory Notes provide shareholders with a more detailed explanation of the Placement and the use to which the capital raised will be put. Shareholders are encouraged to read the Explanatory Notes carefully, along with the Company's 2009 Annual Report which contains its audited financial statements for the financial year ending 31 March 2009.

For the purposes of the shareholder approval required by the Takeovers Code, the Company has engaged Simmons Corporate Finance Limited to prepare an independent adviser's report in respect of the merits of the Placement, for the benefit of the Company's shareholders other than Melic. The independent adviser's report is attached to this Notice of Special Meeting and shareholders are encouraged to read the document carefully.

Capitalised terms which are used frequently in this Notice of Special Meeting and the Explanatory Notes are defined in the Definition section of the Explanatory Notes. Others are defined in the context in which they are used.

NZX has approved this Notice of Special Meeting and the Explanatory Notes.

The necessary resolutions are set out below.

Resolutions

1 Adoption of NZAX compliant constitution

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

“That the shareholders resolve pursuant to section 32 of the Companies Act 1993 that the Company’s current constitution be revoked and in its place the shareholders adopt a new constitution in the form tabled at the Special Meeting and signed by the Chairman. Such adoption is to take effect on shareholder approval being obtained.”

See Explanatory Notes

2 Approval of the Melic share placement

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

“That the shareholders authorise the Board, for the purposes of and to the extent required by clause 1.1 of the Company’s constitution, Listing Rules 7.3.1, 7.5, and 9.2.1 and rule 7(d) of the Takeovers Code to proceed with the issue of 45,454,545 ordinary shares to Melic on the terms set out in the accompanying Explanatory Notes.”

See Explanatory Notes

3 Ratification of previous Melic placement (September 2008)

To consider, and if thought fit, to ratify the issue of 25,000,000 ordinary shares comprising at the time of issue 12.05% of the Company’s issued share capital to Melic pursuant to Listing Rule 7.3.5 on 1 September 2008 by passing the following ordinary resolution:

“That the shareholders ratify pursuant to Listing Rule 7.3.5(b)(iii), the issue of a total of 25,000,000 new ordinary shares to Melic Innovators Limited pursuant to Listing Rule 7.3.5 on 1 September 2008.”

See Explanatory Notes

4 Ratification of Claus and Margarita Hartge placement (September 2008)

To consider, and if thought fit, to ratify the issue of 10,372,807 new ordinary shares comprising at the time of issue 5% of the Company's issued share capital to Claus and Margarita Hartge pursuant to Listing Rule 7.3.5 on 19 September 2008 by passing the following resolution:

“That the shareholders ratify pursuant to Listing Rule 7.3.5(b)(iii), the issue of a total of 10,372,807 new ordinary shares to Claus and Margarita Hartge pursuant to Listing Rule 7.3.5 on 19 September 2009.”

See Explanatory Notes

Proxies

Subject to the voting restrictions explained in the attached Explanatory Notes all shareholders are entitled to attend and vote at the meeting or to appoint a proxy to attend and vote in their place. A proxy need not be a shareholder of the Company.

Enclosed with this Notice of Special Meeting is a proxy/corporate representative form. For the appointment of a proxy to be valid, the form must be deposited with the Company's share registrar, Link Market Services Limited, PO Box 384, Ashburton, or sent by facsimile to (03) 308 1311 so as to be received no later than 48 hours before the start of the meeting (being no later than 3.00pm on Wednesday, 22 July 2009).

All of the directors offer themselves as proxy to shareholders and will vote in favour of the resolutions put to the meeting unless otherwise directed. Michael Mellon and Tim Dunn, who are directors of the Company, are considered to be associated with Melic for the purposes of the Listing Rules and on this basis they are restricted by Listing Rule 9.3.1 from voting on Resolutions 2 and 3 (in the event that they held shares).

In accordance with the Listing Rules directors who are disqualified from voting on a resolution may not vote discretionary proxies. As such a positive direction in relation to the way a proxy is to be exercised in respect of Resolutions 2 and 3 must be provided if either Michael Mellon or Tim Dunn is appointed a proxy in respect of these resolutions.

The effect of these Listing Rules is explained in more detail in the Explanatory Notes.

Corporate representatives

A corporation which is a shareholder may appoint a person to attend the meeting on its behalf in the same manner as it could appoint a proxy. The form to appoint a proxy/corporate representative which is enclosed with this Notice of Special Meeting must be signed on behalf of the company by a person acting under the company's express or implied authority.

No Postal Voting

Postal voting is not permitted.

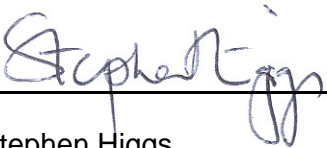
Requisite majorities and voting

Resolution 1 is a special resolution and requires the affirmative vote of a 75% majority of those shareholders voting in person or by proxy in order for them to be passed.

Resolutions 2, 3 and 4 are ordinary resolutions and require affirmative vote of a simple majority of those shareholders voting in person or by proxy in order for them to be passed.

In respect of the special resolution the Companies Act 1993 provides for minority buy-out rights to the benefit of shareholders who vote against a special resolution. If Resolution 1 is passed, any shareholder who has cast all of the votes attached to their shares (and having the same beneficial owner) against Resolution 1, is entitled to require the Company to purchase those shares in accordance with section 111 of the Companies Act 1993. The Company must purchase those shares unless it obtains relief under section 114 or section 115 of the Companies Act 1993. The Company would seek such relief if as a consequence of the exercise of such rights, the Board formed the view that any of the grounds set out in those sections existed.

By order of the board of directors.



Stephen Higgs

Chairman

8 July 2009

Explanatory Notes

Resolution 1 – Adoption of NZAX compliant constitution

The Company is a small, highly specialised company, seeking to successfully commercialise innovative controls of the botrytis fungus. The Company has limited capital and there is a keen focus on cost control. Every dollar counts.

Over the past 2 years a number of capital raising initiatives have been pursued by the Company with limited success. The September 2008 injection of capital from Melic and Claus and Margarita Hartge (the “Hartge Interests”) came about through the near exhaustion of the Company’s financial resources, precipitated in part by the Company’s failure to secure the necessary shareholder support to a convertible note and option issue by way of private placement at a special meeting of shareholders held on 15 August 2008.

In the Board’s view on each occasion the listing of the Company’s securities on the NZSX market aggravated the complexities of the capital raising process and limited the amount of capital that the Company was able to raise and the parties from whom it was able to raise it.

In late 2008 the Board reviewed the cost and efficacy of the listing of the Company’s shares on the NZSX market. On the basis of this review the Board determined that the listing of the Company’s shares on the NZSX market was not at that time, nor would it be in the foreseeable future, cost effective or appropriate to meet the Company’s capital needs. The Board considered that in the Company’s circumstances, particularly having regard to the Company’s size, market capitalisation and likely future capital needs, it was more appropriate for the Company’s securities to be listed on the NZAX market, given the more permissive capital raising regime provided for in the NZAX Listing Rules.

During November and December 2009, the Company, in consultation with NZX, arranged for the transfer of the listing of its securities from the NZSX market to the NZAX market and this transfer was completed on 5 December 2009.

The Board identifies for the benefit of shareholders a number of the advantages and key features of the listing of the Company’s securities on the NZAX market:

- On the NZSX market there are direct annual listing fees of \$15,000 along with substantial internal compliance costs of a direct and indirect nature and substantial external costs, primarily legal and independent reporting costs. By comparison the NZAX market has an annual listing fee of \$5,000 and the Company anticipates lower external costs, particularly in respect of capital raising proposals given the absence of a requirement for an appraisal report as would be required under the NZSX Listing Rules for certain transactions.
- In respect of the issue of equity securities, Listing Rule 7.3.5, provides the flexibility for the Company to issue a limited number of equity securities without shareholder approval. On the NZAX market the Company is entitled to issue a larger number of equity securities without shareholder approval than that it would be entitled to issue on the NZSX market. In broad terms in any 12 month period the Company would be entitled to issue 25% rather than 20% of the shares in the relevant class on issue.
- In respect of related party transactions the NZAX Listing Rules do not require the preparation of an appraisal report on the merits of the transaction to be prepared for

the benefit of shareholders. Similarly no appraisal report is required to be prepared in respect of an issue of securities that would result in a party materially increasing its ability to exercise control of the Company.

Additionally, the NZAX Listing Rules provide a pre-break announcement procedure in Listing Rule 10.2. The proposed new constitution permits the Company to use the pre-break announcement procedure.

The pre-break announcement facility would allow the Company to enter into a transaction, for example the issue of equity securities, if at least 10 business days prior to conducting the issue, or prior to the issue becoming unconditional, as the case may be, the Company has released a pre-break announcement detailing the transaction to the market.

In the event that the pre-break announcement procedure is followed the proposed issue of securities will be conditional on no special meeting of shareholders being called pursuant to the Companies Act within the 10 day period. Under the Companies Act a special meeting may be called by the written request of shareholders holding shares carrying not less than 5 per cent of the voting rights entitled to be exercised. On this basis, significant shareholders would be in a position to veto any initiative by the Company using the pre-break announcement procedure provided for in Listing Rule 10.2.

The benefit of the pre-break announcement facility is that the Company is no longer required to seek shareholder approval for certain transactions (assuming that the pre-break announcement facility is complied with and the transaction is not vetoed).

The Company's current constitution requires it to comply with the NZSX Listing Rules which are no longer applicable to the Company following the transfer of the listing of its ordinary shares to the NZAX market. The Board seeks shareholder approval under Resolution 1 for the adoption of a new constitution aligned with the NZAX Listing Rules as is appropriate.

A copy of the proposed new constitution is available free of charge on the Company's website – www.botryzen.co.nz as well as on request from the Company at P O Box 5664, Moray Place, Dunedin, New Zealand, Attention: Nicola Whiston-d'Ardis.

Shareholders may view a copy of the NZAX Listing Rules on the NZX's website – www.nzx.com.

The proposed new constitution complies with the NZAX Listing Rules and has been reviewed and approved by NZX.

In the event of any inconsistency between the Rules and the Company's proposed new constitution, the Listing Rules shall prevail.

There are no material differences between the Company's constitution and the proposed new constitution other than that the proposed new constitution requires the Company to comply with the NZAX rather than the NZSX Listing Rules by amending the definition of the term 'Rules' the NZSX Listing Rules to the Listing Rules. The proposed new constitution also permits the Company to use the pre-break announcement procedure discussed above.

Why is shareholder approval needed?

Section 32(2) of the Companies Act 1993 provides that the shareholders of a company may, by special resolution, alter or revoke the constitution of the company.

Section 32(1) of the Companies Act 1993 provides that the shareholders of a company that does not have a constitution may, by special resolution, adopt a constitution.

Resolution 1 is put to shareholders to seek the necessary approval for the revocation of the Company's current constitution which requires compliance with the NZSX Listing Rules and the adoption of a new constitution requiring compliance with the NZAX Listing Rules for the purposes of section 32 of the Companies Act 1993.

Requisite Majority and Voting Restrictions

Resolution 1 is a special resolution and requires the affirmative vote of a 75% majority of those voting in person or by proxy in order for it to be passed.

The Board is not aware of any shareholder being restricted from voting on Resolution 1.

Board Recommendation

The Board unanimously recommends that shareholders vote in favour of the revocation of the Company's current constitution and the adoption of the proposed new constitution.

Resolutions 2, 3 and 4 are drafted with reference to the NZAX Listing Rules and assume that shareholder approval for Resolution 1 is obtained and the Company's new constitution requiring compliance with the NZAX Listing Rules has been adopted.

Resolution 2 – Approval of Melic share placement

The Board and General Manager have been reviewing the Company's capital requirements on an ongoing basis. The Company's previous capital raising initiatives and the Company's overdraft facility with the Bank of New Zealand are not sufficient to meet the Company's forecast capital requirements in the short term.

The Company raised \$707,456 in September 2008 through the issues of ordinary shares to Melic and the Hartge Interests. Additional loans were provided by Melic to the Company in September 2008 totalling in aggregate \$600,000, comprising a loan of \$500,000 advanced on 1 September 2008 and a loan of \$100,000 on 22 September 2008. Subsequent loans in the aggregate amount of \$470,000 have been provided by Melic to the Company. The relevant advances are as follows:

- an amount \$100,000 advanced on 18 December 2008;
- an amount of \$150,000 advanced on 31 December 2008;
- an amount of \$100,000 advanced on 31 March 2009; and
- an amount of \$120,000 advanced on 23 April 2009.

The loans are all for a period of 3 years and are to be repaid at the expiry of their terms.

Interest is payable on the loans at the rate prevailing under the Company's overdraft facility with Bank of New Zealand. As at the date of this notice of special meeting the interest rate payable by the Company on the loans is 12.2% per annum.

The loans from Melic are secured by way of a second ranking general security agreement over the Company's present and future acquired personal property.

There are no financial covenants associated with the loans. However, in the event that the BNZ overdraft facility is unable to be repaid if demanded, or of this facility is withdrawn then this would represent an event of default in relation to the loans advanced by Melic. An event of default would mean the Melic loans become payable on demand.

In addition, to provide the Company with funds in advance of the necessary shareholder approvals for the Placement being obtained Melic has extended a loan to the Company in the amount of \$405,000 repayable by the issue of ordinary shares ('Loan'). The Loan is discussed in more detail below.

The Company's facility with Bank of New Zealand was renegotiated in May 2009. The facility is secured by a first ranking security interest over all present and future acquired property of the Company. The facility now includes a term loan of \$750,000 and an overdraft facility of \$450,000 which is now drawn down to the level of \$265,521 leaving \$184,479 undrawn as at the date of this Notice of Special Meeting.

The Company requires additional capital to enable it to continue to trade and to assist it in its efforts to realise the commercial potential of its products BOTRY-Zen and ARMOUR-Zen. In the event that the Company is able to obtain the capital required to ensure its ability to trade in the short term the Board continues to have confidence in the future commercial potential of the Company's products.

Information regarding recent developments in respect of the commercialisation and sale of the Company's products in New Zealand and in key markets internationally is provided in the Company's 2009 annual report. The Chairman will be presenting on these developments to shareholders at the Annual Meeting to be held immediately before the Special Meeting.

The Board has considered various possible capital raising initiatives. In light of the Company's financial position the Board does not consider that there is any prospect of securing additional funding from Bank of New Zealand or any other institution or of increasing the size of the Company's current overdraft facility. The Board did consider a rights issue but in the prevailing economic conditions considered that an offer of this type would be unlikely to secure the funds required by the Company to secure its short term future.

In the Company's circumstances the Board identified a private placement of ordinary shares to a party not requiring disclosure by way of prospectus or investment statement for the purposes of the Securities Act 1978 as the most appropriate means of raising the capital required with the requisite degree of certainty and within the necessary timeframe.

Melic was critical to the Company's September 2008 capital raising efforts which ensured its financial survival at that time. Melic is familiar with the commercial potential of the Company's products and indicated a willingness to the Company to invest additional funds should the Company require additional capital. The Board approached other major shareholders in respect of proposals for the private placement of securities but Melic was the only party from whom a commitment was able to be obtained.

On this basis the Board developed its proposal to issue Melic with 45,454,545 ordinary shares at an issue price of \$0.022 per ordinary share being in aggregate an investment of \$1,000,000, subject to all necessary approvals for the purposes of the Companies Act 1993, the Listing Rules and the Takeovers Code being obtained at the Special Meeting. A share subscription agreement contingent on all necessary approvals being obtained was executed with Melic on 29 May 2009.

The three month volume weight average price of the Company's ordinary shares to 28 May 2009, the day before the share subscription agreement was executed and the Placement announced to the market, was \$0.021 per ordinary share. On this basis at the date that the share subscription agreement was executed Melic had agreed to pay a \$0.001 premium for the shares to be acquired under the Placement relative to the prevailing market price.

As at the date of this Notice of Special Meeting the Company's shares traded on the NZAX market at the higher price of \$0.025 per ordinary share. On the basis of the subsequent increase in the Company's share price, Melic will acquire ordinary shares under the Placement at a discount of 12% to the Company's share price as at the date of this Notice of Special Meeting.

Subject to the necessary shareholder approvals being obtained, the issue of shares to Melic will be completed within 3 business days of shareholder approval being obtained. The ordinary shares issued to Melic will rank *pari passu* with all other ordinary shares on issue in the Company.

The Company currently has 207,456,139 ordinary shares on issue. The ordinary shares to be issued to Melic under the Placement will represent 17.97% of the shares on issue in the Company following the Placement.

As previously explained, to provide the Company with funds in advance of the necessary shareholder approvals for the Placement being obtained Melic extended the Loan to the Company in the amount of \$405,000. The Loan was documented in a loan agreement executed between the Company and Melic on 29 May 2009. The Loan is to be repaid by the issue of ordinary shares pursuant to the Placement in the event that the necessary shareholder approvals are obtained by the Company at the Special Meeting. In the event that the necessary shareholder approvals are not obtained, the Loan must be repaid in cash on 3 months notice from Melic. The interest rate payable under the Loan mirrors the rate paid by the Company on the drawn down balance of its overdraft facility with Bank of New Zealand. As at the date of this notice of meeting the interest rate payable by the Company under the Loan is 12.2%.

The capital raised by the Company by way of the Placement (including that part of the capital advanced to the Company by way of the Loan) will be used by the Company to reduce its Bank of New Zealand overdraft and to fund its working capital requirements through to the end of the 2010 financial year. If shareholders do not approve the Offer the Board considers that there is a significant likelihood that the Company will not be able to continue to trade.

Why is shareholder approval needed?

Shareholder approval for the allotment of ordinary shares to Melic pursuant to the Placement is being obtained for the purposes of the Company's constitution, the Companies Act 1993, the Listing Rules and the Takeovers Code.

Constitution

Clause 1.1 of the Company's Constitution provides that while the Company is listed, the Board may issue new equity securities provided it does so in a manner permitted by the Listing Rules, the Companies Act 1993 and the Company's Constitution.

Listing Rules

Listing Rule 7.3.1 provides that the Company cannot issue new equity securities (the ordinary shares are equity securities for the purposes of the Listing Rules) unless either:

- a shareholder approval is obtained for the precise terms and conditions of the offer pursuant to Listing Rule 7.3.1(a); or
- b the offer is made within a number of limited exceptions provided by Listing Rules 7.3.4 to 7.3.11.

In this case the Company is seeking shareholder approval pursuant to Listing Rule 7.3.1(a) for the issue of the ordinary shares to Melic by way of the Placement.

Listing Rule 7.5 provides that the Company shall not issue equity securities without shareholder approval if there is a significant likelihood that the issue will result in any person

or group of associated persons materially increasing their ability to exercise effective control of the Company. For the provision to be applicable, the person or group of persons must be entitled to exercise not less than 1% of the votes attaching to the Company's securities before the issue.

Melic currently owns 26,841,500 ordinary shares in the Company, comprising 12.94% of the ordinary shares on issue in the Company prior to the Placement. In the event the Placement is approved by shareholders, Melic's percentage shareholding will increase to 28.59% of the ordinary shares on issue in the Company. Maureen Hore and Kelvin Coe are directors and shareholders of Melic. In their personal capacities Maureen Hore and Kelvin Coe hold 300,000 and 500,000 ordinary shares in the Company respectively representing in aggregate 0.38% of the ordinary shares on issue in the Company. Maureen Hore and Kelvin Coe could be considered, by virtue of their directorships of Melic, to be associated with Melic for the purposes of the Listing Rules. Following the Placement, Melic and its associates will hold 28.90% of the ordinary shares on issue in the Company. The Company considers that this increase in Melic and its associates' percentage shareholding will result in a significant likelihood that Melic and its associates will materially increase their ability to exercise effective control of the Company. On this basis the Company seeks shareholder approval for the purposes of Listing Rule 7.5.

Melic is a related party of the Company for the purposes of the Listing Rules as it holds more than 10% of the ordinary shares on issue in the Company. Listing Rule 9.2.1 provides that the Company must not enter into a material transaction with a related party unless the transaction is approved by ordinary resolution of the Company's shareholders. The Placement is a material transaction as defined in the Listing Rules because it will involve the Company issuing securities having a market value in excess of 10% of the Company's average market capitalisation. The Company seeks shareholder approval for this purpose.

Takeovers Code

Rule 6 of the Takeovers Code prohibits any person and their associates from becoming the holder or controller of more than 20% of the voting rights in a 'Code Company' (which as defined for the purposes of the Takeovers Code includes the Company by virtue of its listing on NZAX), except as provided for in Rule 7. Rule 7(d) permits such an increase in voting rights if the allotment to that person has first been approved by an ordinary resolution of shareholders entitled to vote in accordance with the requirements of the Takeovers Code. The Board seeks shareholder approval, for the purposes of Rule 7(d), at the Special Meeting.

The Company currently has 207,456,139 ordinary shares on issue.

Melic currently holds and controls 26,841,500 ordinary shares in the Company, representing 12.94% of its total issued share capital of 207,456,139 ordinary shares. Maureen Hore and Kelvin Coe are directors and shareholders of Melic. In their personal capacities Maureen Hore and Kelvin Coe hold 300,000 and 500,000 ordinary shares respectively representing in aggregate 0.38% of the ordinary shares on issue in the Company. Maureen Hore and Kelvin Coe could be considered, by virtue of their directorships and shareholdings in Melic, to be associated with Melic for the purposes of the Takeovers Code. On this basis Melic and its associates, being Maureen Hore and Kelvin Coe, could be considered to hold 13.32% of the ordinary shares on issue in the Company.

The 45,454,545 ordinary shares to be issued to Melic under the Placement will represent 17.97% of the Company's ordinary shares on issue after the Placement. Following the Placement Melic and its associates, Maureen Hore and Kelvin Coe, will hold 73,096,045 ordinary shares in the Company representing 28.90% of the shares on issue in the Company. The effect of Rule 6(1)(a) of the Takeovers Code is that Melic and its associates are prohibited from increasing their aggregate holding to in excess of 20%.

The Company seeks shareholder approval for the allotment of ordinary shares in the Company to Melic under to the Placement pursuant to Rule 7 of the Takeovers Code.

Rule 16 of the Takeovers Code sets out the information shareholders must receive before voting on any resolution under Rule 7(d) of the Takeovers Code.

The following information is set out for the purposes of Rule 16:

- a. the allottee of the voting securities will be Melic Innovators Limited;
- b. the voting securities to be allotted to Melic under the Placement will comprise 45,454,545 fully paid ordinary shares in the Company;
- c. the table below sets out:
 - i. the table below sets out:
 - ii. the percentage of the aggregate of all existing voting securities and all voting securities being allotted that the ordinary shares allotted to Melic under the Placement represents; and
 - iii. the percentage of all voting securities that will be held or controlled by Melic following the allotment of ordinary shares to Melic under the Placement; and
 - iv. the aggregate of the percentages of all voting securities that will be held or controlled by Melic and its associates after completion of the allotment of ordinary shares under the Placement.

<i>Name of Shareholder</i>	<i>Percentage of the voting securities on issue that the Placement represents</i>	<i>Percentage of the voting securities that will be held or controlled by Melic following the Placement</i>	<i>Percentage of the voting securities that will be held or controlled by Melic and its associates following the Placement</i>
Melic	17.97%	28.59%	28.90%

- d. The issue price of \$0.022 per ordinary share being in aggregate \$1,000,000 is payable on shareholder approval being obtained (an amount of \$405,000 has already been advanced by way of the Loan);
- e. The allotment is being made because the Company requires capital to meet its working capital requirements in the short term. The Board, having

considered the capital raising options available to the Company, considers that the Placement is the most appropriate means of raising the capital required with the necessary certainty of funds within the required timeframe;

- f. If the allotment is approved, it will be permitted under Rule 7(d) as an exception to Rule 6 of the Takeovers Code;
- g. There is no agreement or arrangement (whether legally enforceable or not) that has been, or is intended to be, entered into between Melic and any other person (other than the share subscription agreement executed between the Company and Melic on 29 May 2009), between Melic and the Company in respect of the ordinary shares relating to the allotment, holding, or control of the voting securities to be allotted to Melic under the Placement or to the exercise of voting rights in the Company.

Independent adviser's report

In accordance with Rule 18 of the Takeovers Code, the Company's directors, other than Michael Mellon and Tim Dunn who are considered to be associated with Melic for the purposes of the Takeovers Code, have obtained an independent adviser's report from Simmons Corporate Finance Limited on the merits of the proposed allotment of ordinary shares to Melic under the Placement having regard to the interests of the shareholders, other than Melic and its associates, Maureen Hore and Kelvin Coe, who may not vote on this matter.

A copy of the independent adviser's report accompanies this notice and concludes that:

In our opinion, after having regard to all relevant factors, the positive aspects of the Melic Allotment outweigh the negative aspects of the Melic Allotment from the perspective of the Non-associated Shareholders.

All shareholders are encouraged to read the independent adviser's report. The directors (other than Michael Mellon and Tim Dunn who have played no part in this matter), agree with the independent adviser's conclusions.

Directors' statement

In accordance with Rule 19 of the Takeovers Code, the directors, other than Michael Mellon and Tim Dunn, recommend the approval of Resolution 2 seeking the necessary shareholder approvals for the allotment of ordinary shares to Melic under the Placement.

The directors consider that the Placement is the most appropriate means of raising the capital required by the Company to ensure its short term commercial future. They carefully considered a number of other options in respect of capital raising before deciding to proceed with proposals for the Placement on the basis that it was the only available means of raising the capital required by the Company with the requisite certainty and within the necessary timeframe.

Michael Mellon and Tim Dunn have abstained from the above recommendation because they are considered to be associated with Melic for the purposes of the Takeovers Code.

Requisite Majorities

Listing Rules 7.3.1(a), 7.5 and 9.2.1 require approval to be by way of ordinary resolution.

An ordinary resolution requires the affirmative vote of a simple majority of those shareholders voting in person or by proxy in order for it to be passed.

Listing Rule 9.3.1 provides that:

- in respect of a resolution pursuant to Listing Rule 7.3.1 any person to whom it is proposed to issue the securities referred to the resolution and that person's associates are disqualified from voting; and
- in respect of a resolution pursuant to Listing Rule 7.5 any person whose effective control of the Issuer would be materially increased and that person's associates are disqualified from voting; and
- in respect of a resolution pursuant Listing Rule 9.2.1 any related party who is a party to or beneficiary of the transaction and that person's associates are disqualified from voting.

In accordance with Listing Rule 9.3.1, Melic, is restricted from voting on Resolution 2.

Additionally, Michael Mellon, Maureen Hore, Kelvin Coe and Tim Dunn are restricted from voting on Resolution 2 on the basis that they are considered to be associated with Melic for the purposes of the Listing Rules (in the event that Michael Mellon or Tim Dunn held shares).

In accordance with the Listing Rules directors who are disqualified from voting on a resolution may not vote discretionary proxies. As such a positive direction in relation to the way a proxy is to be exercised in respect of Resolution 2 must be provided if either Michael Mellon or Tim Dunn is to be appointed a proxy in respect of this resolution.

Rule 17 of the Takeovers Code includes similar voting restrictions in respect of a resolution passed for the purposes of Rule 7(d). In accordance with Rule 17, Melic, Maureen Hore and Kelvin Coe, who might be considered to be associated with Melic for the purposes of the Takeovers Code, are additionally restricted from voting on Resolution 2.

Resolutions 3 and 4 – Ratification of previous Melic and Hartge Interest placements

In September 2008, the Company urgently required capital to ensure its financial survival as a consequence of its failure to secure the necessary shareholder approvals to enable a convertible note and option issue by way of private placement to proceed.

The capital required by the Company was obtained, in part, by way of the issue of fully paid ordinary shares by private placement to Melic and the Hartge Interests.

On 2 September 2008, the Company allotted 25,000,000 fully paid ordinary shares to Melic at an issue price of \$0.020 per ordinary share, being in aggregate an investment of \$500,000, pursuant to a share subscription agreement. On 2 September 2008, \$0.020 per ordinary shares was the market price for the Company's ordinary shares on the NZSX market, so Melic received no discount to the market price of the Company's ordinary shares on this private placement.

On 19 September 2008, the Company allotted 10,372,807 to the Hartge Interests at an issue price of \$0.020 per ordinary share, being in aggregate an investment of \$200,000, pursuant to a share subscription agreement. On 19 September 2008, \$0.020 per ordinary shares was the market price for the Company's ordinary shares on the NZSX market, so the Hartge Interests received no discount to the market price of the Company's ordinary shares on this private placement.

The shares issued to Melic and the Hartge Interests were issued pursuant to NZSX Listing Rule 7.3.5 which provides the flexibility to issue a limited number of shares without shareholder approval (Listing Rule 7.3.5 provides an equivalent though larger facility). The capital raised has provided the Company with additional funding for its working capital requirements, and to allow it to continue to fully pursue its business objectives in New Zealand and in overseas markets.

There is a limit to the number of shares that can be issued under Listing Rule 7.3.5 in any rolling 12 month period and the Company is now in a position where its ability to issue further shares pursuant to Listing Rule 7.3.5 in the short-term is constrained. The Board has previously found NZSX Listing Rule 7.3.5 to be a very effective means of raising additional capital and wishes to have the flexibility to take advantage of Listing Rule 7.3.5 going forward. If shareholders ratify the issue to Melic and the Hartge Interests, the Board will have the full flexibility to issue further shares under that Listing Rule.

How does NZSX Listing Rule 7.3.5 and Listing Rule operate?

NZSX Listing Rule 7.3.5 and Listing Rule 7.3.5 recognise the need to strike a balance between shareholder protection and the need for listed companies to have some flexibility to issue additional shares quickly to provide additional capital, or to form part of a larger transaction (for example, by issuing shares in part or full payment of the purchase price of certain assets).

In any 12 month period ending on the date of an issue of shares under NZSX Listing Rule 7.3.5 (or since listing if the relevant company has not been listed for 12 months), Listing NZSX Rule 7.3.5 allows a listed company to issue, in total:

- 20% of the number of shares in the relevant class on issue at the start of the period; plus
- 20% of the number of shares in the relevant class issued under Listing Rules 7.3.1(a), 7.3.4, 7.3.6, and 7.3.11 during the period; plus
- the number of shares in the relevant class issued under Listing Rule 7.3.5 which have been ratified by shareholders during the period; **less**
- 20% of the number of shares in the relevant class acquired or redeemed by the company during the period (unless those shares are being held as treasury stock).

As previously explained Listing Rule 7.3.5 provides an equivalent though larger facility which the Company may wish to utilise in the future.

At the time that the September 2008 share placements were made to Melic and the Hartge Interests, NZSX Listing Rule 7.3.5 provided for a 15% facility. The issue of ordinary shares to the Hartge Interests along with the ordinary shares previously issued to Melic meant that the Company had in effect issued 20.56%, in excess of the then 15% facility provided by NZSX Listing Rule 7.3.5. The issue to the Hartge Interests was only permissible on the basis of a waiver from the terms of NZSX Listing Rule granted by NZX on 17 September 2009.

NZSX Listing Rule was amended in April 2009 to provide for a 20% rather than 15% facility. Similarly, the Listing Rules were amended to increase the 20% facility for the issue of shares under Listing Rule 7.3.5 from 20% to 25%.

Why does the Board want Shareholders to Ratify the Share Issues?

By ratifying the previous issues, the calculation in Listing Rule 7.3.5 (identical to NZSX Listing Rule set out above but for the larger issue threshold of 25% rather than 20%), will be modified so that the 25% limit imposed by Listing Rule 7.3.5 will be calculated by adding the number of ratified shares (the shares issued to Melic and the Hartge interests via NZSX Listing Rule 7.3.5) to the number previously on issue, thereby increasing the number of shares that can be issued.

The shares issued to Melic and the Hartge Interests under NZSX Listing Rule 7.3.5 which shareholders are being asked to ratify were not issued at a discount to the Company's share price at the time.

The Board considers that the total net cost to shareholders of issues under Listing Rule 7.3.5 (in terms of the dilutionary impact on the value of existing shares and shareholders' percentage holdings in the Company) is less than the cost the Company would likely have incurred by seeking funding from other sources (assuming that alternative funding would have been available to the Company, which it was not) such as borrowings from a bank (where fees and interest would be payable).

If the issues to the Melic and the Hartge Interests are not ratified, then the Board's ability to make further issues under Listing Rule 7.3.5 will be limited by the number of shares already issued in the 12 months before the proposed issue date.

Requisite Majorities

Listing Rules 7.3.5(a)(iii) requires approval to be by way of ordinary resolution. Resolutions 3 and 4 must be passed as ordinary resolutions.

An ordinary resolution requires the affirmative vote of a simple majority of those shareholders voting in person or by proxy in order for it to be passed.

Listing Rule 9.3.1 provides that in respect of a resolution pursuant to Listing Rule 7.3.5(a)(iii) any person who has been issued or has acquired the securities which are the subject of ratification by the resolution and that person's associates are disqualified from voting.

In accordance with Listing Rule 9.3.1, Melic is restricted from voting on Resolution 3.

In accordance with Listing Rule 9.3.1, the Hartge Interests are restricted from voting on Resolution 4.

Michael Mellon, Tim Dunn, Maureen Hore and Kelvin Coe are considered to be associated with Melic for the purposes of the Listing Rules and on this basis are restricted by Listing Rule 9.3.1 from voting on Resolution 3 (in the event that Michael Mellon or Tim Dunn held shares). In accordance with the Listing Rules directors who are disqualified from voting on a resolution may not vote discretionary proxies. As such a positive direction in relation to the way a proxy is to be exercised in respect of Resolution 3 must be provided if either Michael Mellon or Tim Dunn is to be appointed a proxy in respect of this resolution.

Board Recommendation

The Board, other than Michael Mellon and Tim Dunn who abstain from making any recommendation in respect of the ratification of the Melic issue made in September 2008 (Resolution 3), unanimously recommends that shareholders vote in favour of the ratification of the ordinary shares allotted to Melic and the Hartge Interests in September 2009. By voting in favour of resolutions 3 and 4 shareholders will provide the Company with the greatest flexibility in respect of its future ability to raise capital.

Definitions

In the Resolutions and the Explanatory Notes:

“**Annual Report**” means that the Annual Report for the period ending 31 March 2009;

“**Associated Person**” has the same meaning as in the Listing Rules;

“**Board**” means the board of directors of the Company;

“**Company**” means Botry-Zen Limited;

“**Companies Act**” means the Companies Act 1993;

“**Explanatory Notes**” means these explanatory notes attached to the Notice of Special Meeting;

“**Hartge Interests**” means Claus and Margarita Hartge;

“**Independent Adviser’s Report**” means the independent adviser’s report independently prepared by Simmons Corporate Finance Limited for the purposes of the Takeovers Code;

“**Listing Rules**” means the NZAX Listing Rules unless otherwise stated;

“**Melic**” means Melic Innovators Limited;

“**Notice of Special Meeting**” means the notice of special meeting of shareholders attached to these Explanatory Notes;

“**NZX**” means NZX Limited;

“**Placement**” means the issue of 45,454,545 fully paid ordinary shares to be issued to Melic pursuant to the share subscription agreement executed on 29 May 2009 subject to all necessary shareholder approvals for the purposes of the Companies Act 1993, the Listing Rules and the Takeovers Code;

“**Related Party**” has the same meaning as in the Listing Rules;

“**Takeovers Code**” means the Takeovers Code Approval Order 2000.

All dollar amounts in this Notice of Special Meeting are in New Zealand dollars unless specified otherwise.

SHAREHOLDERS' PROXY FORM

If you do not propose to attend the Special Meeting of Shareholders of Botry-Zen Limited (the "Company") to be held at **The Dunedin Public Art Gallery, The Octagon**, Dunedin on Friday, 24 July 2009 following the Company's annual meeting, but wish to be represented by proxy/corporate representative, complete the form below and return it to the Company at the postal address supplied below no later than 3:00pm on Wednesday 22 July 2009. The Chairman and any other director of the Company are willing to act as a proxy if a shareholder wishes to appoint them, however, in accordance with the Listing Rules directors who are disqualified from voting on a resolution may not vote discretionary proxies and as such a positive direction in relation to the way the proxy is to be exercised is required.

To be completed by the holders of shares in Botry-Zen Limited.

I/We:

(full name of shareholder)

being a shareholder of Botry-Zen Limited hereby appoint (please tick appropriate box and enter the necessary details):

Chairman

Stephen James Higgs

(full name of Chairman)

of:

C/- 27 Willis Street, Dunedin

(full address)

or:

Other party (please specify)

(full name)

of:

(full address)

as my/our proxy/corporate representative to vote for me/us on my/our behalf at the Special Meeting of Shareholders of the Company to be held on 24 July 2009 and at any adjournment thereof.

I/We direct my/our proxy/corporate representative to vote in the following manner.

Unless otherwise directed below my/our proxy may vote as he/she thinks fit.

Vote

YES

NO

ABSTAIN

(Indicate with a tick or cross)

Resolution 1

“That the shareholders resolve pursuant to section 32 of the Companies Act 1993 that the Company’s current constitution be revoked and in its place the shareholders adopt a new constitution in the form tabled at the Special Meeting and signed by the Chairman. Such adoption is to take effect on shareholder approval being obtained.”

Resolution 2

“That the shareholders authorise the Board, for the purposes of and to the extent required by clause 1.1 of the Company’s constitution, Listing Rules 7.3.1, 7.5, and 9.2.1 and rule 7(d) of the Takeovers Code to proceed with the issue of 45,454,545 ordinary shares to Melic on the terms set out in the accompanying Explanatory Notes.”

Resolution 3

“That the shareholders ratify pursuant to Listing Rule 7.3.5(b)(iii), the issue of a total of 25,000,000 new ordinary shares to Melic Innovators Limited pursuant to Listing Rule 7.3.5 on 1 September 2008.”

Resolution 4

“That the shareholders ratify pursuant to Listing Rule 7.3.5(b)(iii), the issue of a total of 10,372,807 new ordinary shares to Claus and Margarita Hartge pursuant to Listing Rule 7.3.5 on 19 September 2009.”

Signature(s) of shareholder(s):

Date: _____

Please return completed proxy form to: Link Market Services Limited, PO Box 384, Ashburton or send by facsimile to (03) 308 1311 no later than 28 hours before the start of the meeting (that is, by 3.00pm on Wednesday, 22 July 2009)

Notes

1. As a shareholder you may attend the meeting and vote, or you may appoint a proxy to attend the meeting. A proxy need not be a shareholder of the Company. The Chairman or any other director of the Company is willing to act as a proxy if a shareholder wishes to appoint them, however, in accordance with the Listing Rules directors who are disqualified from voting on a resolution may not vote discretionary proxies and as such a positive direction in relation to the way the proxy is to be exercised is required.
2. If you are joint holders of shares each of you must sign this proxy form and the appointment made in this section is made on behalf of each joint holder. If you are a company this proxy form must be signed on behalf of the company by a person acting under the company's express or implied authority.
3. For this proxy form to be valid you must complete it and send it to the Company at the above address so as to ensure that it is received not less than 48 hours before the start of the meeting being no later than 3.00pm on 22 July 2009. If it has been signed under a power of attorney please send a copy of the power of attorney (unless already deposited with the Company) and a signed certificate of non-revocation of the power of attorney with this proxy form.
4. If you return this form without directing the proxy how to vote on any particular matter, the proxy will vote as he or she thinks fit. Directors will vote in favour of all resolutions put to the meeting unless otherwise directed. A director cannot vote a discretionary proxy on a particular resolution if they themselves are disqualified from voting.