

# HALOSOURCE

## NOTICE OF ANNUAL GENERAL MEETING (ANNUAL SHAREHOLDERS MEETING)

To be Held on April 24, 2014

Dear HaloSource, Inc. Shareholder:

Notice is hereby given that the **HaloSource, Inc.** (the "**Company**") Annual General Meeting (Annual Shareholders Meeting) will be held on April 24, 2014 at 9:30 a.m., *pacific daylight time*, at the offices of the Company located at 1725 220<sup>th</sup> Street SE, Suite 103, Bothell, Washington 98021, to consider and act upon the following ordinary matters:

**1. Report and accounts 2013**

To receive the directors' and auditor's reports and the accounts for the year ended 31 December 2013.

**2. Directors' election**

To elect all current directors for the ensuing year and until their successors are elected and qualified:

**Jerry Wetherbee** (Independent, Non-Executive Chairman), who previously served as HaloSource's President and Chief Executive Officer from 1999 to 2004

**Martin Coles** (President and Chief Executive Officer), who has been on the HaloSource Board since 2011 and was previously the President of Starbucks Coffee International

**James Thompson** (Chief Financial Officer and Senior Vice President, Business Development), who joined the Company in 2004 having previously been a Principal at Alexander Hutton Venture Partners, LP

**Kent Johnson** (Non-Executive Director), who has served on the Board since March 2002 and was the founder of Alexander Hutton Ventures Partners, LP

**Alan Matthews** (Non-Executive Director), who has served on the Board since 2008 and was previously managing director of corporate finance at Origo Partners Plc and is currently Chief Financial Officer of Anthesis Consulting Group.

**Michael Ducey** (Independent, Non-Executive Director), who has served on the Board since 2010 and is a former Chief Executive of both Compass Minerals Limited, a NYSE listed salt producer, and Borden Chemical, a diversified chemical company, and has significant experience in listed companies currently serving as a director of Apollo Global Management LLC and Verso Paper Holdings, both NYSE listed companies.

**Massoud Entekhabi** (Independent, Non-Executive Director), who has served on the Board since 2010 and is a member of Zenith Equity Partners, a private investment firm in Southern California, and a Director, Chief Operating Officer and Chief Financial Officer of Prime Focus World N.V., a world leader in offering visual effects and 3D Conversion services to the major film studios globally, who has significant experience in listed technology companies, having been a director of GMarket, Ixia and Fastclick, all of which were NASDAQ listed companies.

**3. Re-appointment of auditor**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution: THAT BDO USA, LLP be hereby re-appointed as auditor of the company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the company.

**4. Remuneration of auditor**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution: THAT the directors be hereby authorized to determine the auditor's remuneration.

**5. Other Matters**

To consider and act upon such other business as may properly come before the meeting or the postponement or adjournment of the meeting.

The Company is a United States corporation incorporated in the state of Washington. Its ordinary shares were first admitted for trading on the London Stock Exchange's AIM market effective October 18, 2010 and current trade on that market under the symbols HALO.

The record date for determination of shareholders entitled to notice of, and to vote at, the meeting or any postponement or adjournment thereof is March 26, 2014.

All shareholders are cordially invited to attend the meeting in person. Shareholders who do not intend to attend the meeting are encouraged to act in accordance with instructions on the Annual Meeting Proxy Card included herewith to ensure the representation of their interests.

A handwritten signature in black ink, appearing to read 'Martin Coles', is centered on the page. The signature is fluid and cursive, with a large initial 'M' and 'C'.

**Martin Coles**  
*President and Chief Executive Officer*  
*HaloSource, Inc., Bothell WA*  
*Date: March 27, 2014*

# HALOSOURCE

## PROXY INFORMATION STATEMENT

For the Annual General Meeting  
(Annual Shareholders Meeting)  
To be Held on 24 April 2014

### INFORMATION CONCERNING SOLICITATION AND VOTING

**This document is important and requires your immediate attention. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional independent adviser authorized under the Financial Services and Markets Act 2000. If you have sold all of your shares, please pass this document and its enclosures to the stockbroker or other agent through whom the sale was effected, for transmission to the purchaser.**

#### General

The enclosed Proxy is solicited on behalf of the Board of Directors of HaloSource, Inc. ("Company") for use at the Company's Annual General Meeting (Annual Shareholders Meeting) to be held on 24 April 2014 at 9:30 a.m., pacific daylight time, or any postponement or adjournment thereof (the "**Annual Meeting**"), for the purposes set forth below and in the Notice of Annual Meeting. The Annual Meeting will be held at the offices of the Company located at 1725 220th Street SE, Suite 103, Bothell, Washington 98021.

The company's issued share capital at 26 March 2014 (the "**Record Date**") was 156,484,041 Ordinary Shares (Common Shares) ("**Common Stock**") carrying one vote each.

Pursuant to Washington Law and the terms of the Company Articles of Incorporation (the "**Articles**") and Bylaws (the "**Bylaws**") as in effect on the date of the Annual Meeting, shareholders holding Common Stock as of the Record Date are entitled to one vote for each share of Common Stock held on all matters on which such stock is entitled to vote at the Annual Meeting.

We are asking you to execute the enclosed Proxy Form or otherwise take action to appoint our representative as your proxy in connection with voting on the matters set forth in this information statement at the Annual Meeting. Any person giving a proxy pursuant to this solicitation has the power to revoke it at any time before it is voted. It may be revoked by filing with the Corporate Secretary of the Company, at 1725 220th Street SE, Suite 103, Bothell, Washington 98021, a written notice of revocation or a duly executed proxy bearing a later date, or it may be revoked by attending the meeting and voting in person. Attendance at the Annual Meeting will not, by itself, revoke a proxy.

To execute the proxy or otherwise authorize a vote on your behalf please follow the instructions on the Proxy Form. The representative will vote your shares in accordance with your directions as set forth on the Proxy Form.

In addition to receiving the directors' and auditor's reports and the accounts for the year ended 31 December 2013, at the meeting, the Shareholders will be asked to vote in connection with the following matters:

#### ELECTION OF DIRECTORS

All seven current directors are up for reelection. In the event that any of the director nominees is unable or declines to serve as a director at the time of the Annual Meeting, the proxy holders will vote in their discretion for a substitute nominee designated by the Board, unless the Board chooses to reduce the number of directors serving on the Board. It is not expected that any nominee will be unavailable.

#### Director Nominees:

##### Jerry Lynn Wetherbee: (aged 68) Non-Executive Chairman

Mr. Wetherbee served as HaloSource's President and Chief Executive Officer from June 1999 to March 2004 when he became Chairman. Prior to joining the Company, he held the position of chief executive officer of Spectrum Aeromed, Inc., a medical-equipment manufacturing firm, for four years to 1998. His career also includes 17 years in the healthcare industry as executive vice president and chief operating officer of Sterling Healthcare Corporation in Bellevue, WA, president and chief executive officer of Crest View Hospital in Casper, WY, and as associate administrator and chief operating officer at Memorial Hospital of Natrona County in Casper, WY where he started in 1977. Mr. Wetherbee spent eight years in the

United States Air Force as an engineer and pilot. He holds both a BS and MS in Mechanical Engineering from the University of North Dakota.

**Martin Patrick Coles: (aged 58) President, Chief Executive Officer and Director**

Mr. Coles joined HaloSource as a member of the Board in July 2011 and was appointed President and Chief Executive officer in October 2011. Prior to joining the Company, he held the positions of Chief Operating Officer and later, President of Starbucks Coffee International. His career also includes 35 years of serving in a variety of senior executive and board roles at companies including Procter & Gamble, PepsiCo, Nike and Reebok. He also served as a non-executive director at Levi Strauss. Mr. Coles began his career at Procter & Gamble UK in 1977 as a graduate entry Production Manager. Mr. Coles currently serves on the not-for-profit International Education Advisory Board which is affiliated with the Seattle School District and as Chairman of the University of Washington Business School at Bothell advisory board, and has previously served as Chairman of the UW Foster Business School advisory board and as a member of the Albers Business School advisory board of Seattle University, where he remains a fellow of the Albers Business School. He is a graduate of the University of Wales at Swansea where he received a BSc in Biochemistry.

**James Allan Thompson: (aged 43) Chief Financial Officer, Senior Vice President, Business Development and Director**

Mr. Thompson joined HaloSource in August 2004 as Chief Financial Officer. Mr. Thompson was re-appointed Senior Vice President Business Development in October 2013, which position he previously served from January 2012 to July 2012. Mr. Thompson also served as General Manager - Americas from July 2012 to October 2013. Prior to joining HaloSource, Mr. Thompson was a principal with Alexander Hutton Venture Partners, LP, a regional venture capital firm investing in emerging growth companies, and formerly an associate with Alexander Hutton Capital, LLC where he raised capital for technology start-ups in the Pacific Northwest of the US. Prior to business school, he was a securities analyst with Security Capital Group and began his career as a credit analyst for Continental Illinois National Bank. Mr. Thompson has a BBA from Gonzaga University and an MBA from the University of Washington.

**Kent Lawrence Johnson: (aged 70) Non-Executive Director**

Mr. Johnson has served on the Board since March 2002. Mr. Johnson is a managing director of Alexander Hutton Venture Partners, LP, a venture capital fund he co-founded in 1999 and which is a shareholder of the company. He is also a managing director of Aebig & Johnson Business Resolutions, LLC. Mr. Johnson was a founding board member of F5 Networks Inc. (NASDAQ:FFIV) and Ostex International, Inc (NASDAQ:OSTX) and is currently a director of Access Technology Solutions and Vera Whole Health, Inc. In the mid-1990s he was chairman and founder of Alexander Hutton Capital, LLC, a NASD-registered broker/dealer. Mr. Johnson was chief executive officer of two software companies and a forest products company from 1980 to 1994. He started his career as a management consultant and CPA with Arthur Anderson LP in 1971, having previously served as an officer in the US Army. Mr. Johnson has a BA in business administration from the University of Washington and an MBA from Seattle University, where he was formerly a member of the Board of Trustees and audit committee and currently is an adjunct professor. At Seattle University he is also an advisory board member of the Business School's Entrepreneurship Center and endowed the Lawrence K. Johnson Chair of Entrepreneurship in 2001.

**Alan Roy Matthews: (aged 52) Non-Executive Director**

Mr. Matthews has served on the Board since July 2008. He is currently Chief Financial Officer of Anthesis Consulting Group, a newly established global sustainable business practice consultancy. Previously he served for 5 years as managing director of corporate finance at Origo Partners Plc, a London listed private equity investment business focused on Asia. Mr Matthews has held board positions with a number of international companies operating in developing markets, responsible for financial functions, business development and corporate strategy. He brings over 20 years' experience in investment banking with roles in research, corporate finance and corporate broking at ANZ, Beeson Gregory (now Investec), HSBC and Seymour Pierce. He has been involved in a large number of fundraisings for companies in both private and public markets, across a broad range of industry sectors including technology, consumer and business services. After reading history at Cambridge University, he qualified as a Chartered Accountant with PricewaterhouseCoopers in its London office. He is a member of the UK's Securities & Investment Institute and an alumnus of the London Business School.

### **Michael Elliott Ducey: (aged 65) Non-Executive Director**

Mr. Ducey has served on the Board since October 2010. He is the ex-chief executive officer of Compass Minerals International, Inc., a NYSE listed salt producer where he was initially appointed as President in 2002. Mr. Ducey has 40 years of experience in the chemical industry, starting in 1972 with Borden Chemical where he had various roles in management, sales, marketing, planning & commercial development, including serving as president and chief executive officer. He has considerable board experience: currently he is a director of Apollo Global Management, Inc., a NYSE listed private equity organization and Verso Paper Holding, Inc., a NYSE listed paper company. He was the non-executive chairman of TPC Group, Inc., a formally NASDAQ listed hydrocarbons company, ex-director of Smurfit- Stone Container Corp., a formally NYSE listed corrugated container producer and ex-director of UAP Holding, Inc., a formally NYSE listed agricultural chemical company. Mr. Ducey has a BA in Economics from Otterbein College and an MBA from the University of Dayton.

### **Massoud Entekhabi: (aged 59) Non-Executive Director**

Mr. Entekhabi has served on the Board since October 2010. He is currently a member of Zenith Equity Partners, a private investment firm in Southern California which he founded in 2003, and is also a Director, the Chief Operating Officer and Chief Financial Officer at Prime Focus World N.V., a Hollywood California based world leader in offering visual effects and 3D Conversion services to the major film studios globally. Prior to this he was a general partner and a managing director of TL Ventures, a venture capital firm with \$1.4 billion of assets under management, from 2000. Mr. Entekhabi has significant experience with listed technology companies, having been a director of GMarket, Ixia and Fastclick, which are or were all NASDAQ listed companies, as well as having been on the boards of a number of private technology companies. Mr. Entekhabi has over three decades of experience in accountancy having started his career with Coopers and Lybrand (later PricewaterhouseCoopers) in 1973 in London. He is a Fellow of the Institute of Chartered Accountants in England & Wales and a CPA (US).

### **Director Elections, Vote Required and Board Recommendation**

In accordance with the Bylaws, the business affairs and property of the Company are managed by the directors. Directors need not be shareholders of this Corporation or residents of the State of Washington, but must have reached the age of majority.

Except as otherwise provided in the Bylaws, each director shall be elected by the vote of the majority of the votes cast. A majority of votes cast means that the number of shares cast "for" a director's election exceeds the number of votes cast "against" that director. The following shall not be votes cast: (a) a share whose ballot is marked as withheld; (b) a share otherwise present at the meeting but for which there is an abstention; and (c) a share otherwise present at the meeting as to which a shareholder gives no authority or direction. In a Contested Election (as defined below), the directors shall be elected by the vote of a plurality of the votes cast.

The following procedures apply in a non-contested election. A nominee who does not receive a majority vote shall not be elected. Except as otherwise provided in this paragraph, an incumbent director who is not elected because he or she does not receive a majority vote shall continue to serve as a holdover director until the earliest of (a) ninety (90) days after the date on which an inspector determines the voting results as to that director pursuant to Section 23B.07.290 of the Washington Business Corporation Act (the "**Act**"); (b) the date on which the Board of Directors appoints an individual to fill the office held by such director; or (c) the date of the director's resignation. Any vacancy resulting from the non-election of a director may be filled by the Board of Directors. If no director receives a majority vote in an uncontested election, then the incumbent directors (a) will nominate a slate of directors and hold a special meeting for the purpose of electing those nominees as soon as practicable, and (b) may in the interim fill one or more offices with the same director(s) who will continue in office until their successors are elected.

A "Contested Election" is one in which as of the last day for delivery of a notice under Bylaw requirements, a qualified shareholder has complied with the requirements with respect to one or more nominees and the Board of Directors determines that there are more candidates for election than the number of directors to be elected. In making such determination the Board of Directors may include the number of directors that it intends to nominate and may exclude one or more nominees proposed by a noticing shareholder which it concludes does not create a bona fide election contest. Nothing herein is intended to limit the authority of the Board of Directors to change its determination as to the existence of a Contested Election at a later date, in which event it shall disclose the applicable voting regime in the notice of meeting or if such determination occurs after such notice has been sent issue a new notice which shall include disclosure of the applicable voting regime.

The directors shall be elected by the shareholders at each annual shareholders' meeting to hold office until the next annual meeting of the shareholders and until their respective successors are elected and qualified. If, for any

reason, the directors shall not have been elected at any annual meeting, they may be elected at a special meeting of shareholders called for that purpose in the manner provided by these Bylaws.

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**The Board of the Company recommends a vote FOR each of the nominees listed above for election to the Board of Directors of the Company.**

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#### **OTHER MATTERS**

##### **Re-appointment of auditor**

The company is required to appoint an auditor to serve for each financial year of the company. The current auditor of the Company is BDO USA, LLP, One Union Square, 600 University Street, Suite 2528, Seattle WA 98101, which was engaged in connection with and performed audit services for the financial years ended 31 December 2009 through 2013. BDO LLP, of 55 Baker Street, London W1U 7EU, served as Reporting Accountant in connection with our October 2010 AIM listing.

The shareholders are asked to consider and, if thought fit, to pass the following resolution as an ordinary resolution:

THAT BDO USA, LLP be hereby re-appointed as auditor of the company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the company.

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**The Board of the Company recommends a vote FOR reappointment of BDO USA, LLP as auditors.**

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##### **Remuneration of auditor**

The shareholders are asked to consider and, if thought fit, to pass the following resolution as an ordinary resolution:

THAT the directors be hereby authorized to determine the auditor's remuneration.

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**The Board of the Company recommends a vote FOR granting the directors authority to determine the auditor's remuneration.**

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##### **Other Matters**

The shareholders are asked to consider and act upon such other business as may properly come before the meeting or the postponement or adjournment of the meeting.

##### **General Recommendation of the Board of Directors**

The Board considers that the resolutions contained in this Annual Meeting notice and to be proposed at the Annual Meeting are in the best interests of the company and shareholders as a whole and recommend that you vote in favour of them. Directors who hold shares in the company intend to vote in favour of these resolutions in respect of their own beneficial holdings.

##### **NOTES AND INFORMATION**

(1) The documents noted at (i) and (ii) below are available for inspection during normal business hours at the company's current headquarters located at 1725 220th Street SE, Suite 103, Bothell, Washington 98021 on any business day and will be available at the place where the Annual Meeting is being held from 15 minutes prior to and during the meeting:

- i. Copies of the directors' service contracts (or, where appropriate, letters of appointment); and
- ii. Copies of the Company Articles of Incorporation and Bylaws as currently in effect.

**(2) To be admitted to the meeting, shareholders are asked to bring identification and their admittance pass or notice of availability card, if any, that they have received through the post and be able to confirm their name and address as it appears on the register.**

(3) Any shareholder attending the Annual Meeting has the right to ask questions. The company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on the company's website (www.halosource.com) in the form of an answer to a question, or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.

(4) Only holders of Ordinary Shares (Common Stock) on the register at and as of 6.00 pm on the Record Date shall be entitled to attend and/or vote at the Annual Meeting. Such shareholders can vote in respect of the number of shares registered in their names at that time, but any subsequent changes to the register shall be disregarded in determining rights to attend and vote. All votes will be tabulated by the inspector of elections appointed for the Annual Meeting, who will separately tabulate affirmative and negative votes and abstentions. A shareholder who is present in person or by proxy and who abstains from taking any of the shareholder action described in this proxy statement will be included in the number of shareholders present at the Annual Meeting for the purpose of determining the presence of a quorum. Abstentions will not be counted in any of the proposals because they are not considered votes cast.

(5) The Bylaws provide that except as otherwise provided in the Act or the Articles, at any meeting of the shareholders, a majority in interest of all the shares entitled to vote on a matter, represented by shareholders of record in person or by proxy, shall constitute a quorum of that voting group for action on that matter. The following specific terms of the Bylaws and others not summarized here may be applicable in connection with the Annual Meeting and votes of the shareholders as the Annual Meeting:

Once a share is represented at a meeting, other than to object to holding the meeting or transacting business, it is deemed to be present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for the adjourned meeting. At such reconvened meeting, any business may be transacted that might have been transacted at the meeting as originally notified.

If a quorum exists, action on a matter is approved by a voting group if the votes cast within the voting group favoring the action exceed the votes cast within the voting group opposing the action, unless the question is one upon which by express provision of law or of the Articles of Incorporation or of these Bylaws a different vote is required.

Shareholders of record may vote at any meeting either in person or by proxy. A shareholder may appoint a proxy to vote for the shareholder by submission of (a) a written appointment form signed by the shareholder or the shareholder's attorney-in-fact, or (b) an electronic transmission sent in accordance with the provisions for electronic notice under the Bylaws. An appointment of proxy is effective when an appointment form or an electronic transmission (or documentary evidence thereof, including verification information) is received by the person authorized to tabulate votes for the Company. The proxy has the same power to vote as that possessed by the shareholder, unless the appointment form or electronic transmission contains an express limitation on the power to vote or direction as to how to vote the shares on a particular matter, in which event the Company must tabulate the votes in a manner consistent with that limitation or direction. Any proxy regular on its face shall have a rebuttable presumption of validity. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the appointment form or electronic transmission.

A majority of the shares represented at the meeting, even if less than a quorum, may adjourn the meeting from time to time. At such reconvened meeting at which a quorum is present any business may be transacted at the meeting as originally notified. If a meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time, or place if a new date, time, or place is announced at the meeting before adjournment; however, if a new record date for the adjourned meeting is or must be fixed in accordance with the corporate laws of the State of Washington, notice of the adjourned meeting must be given to persons who are shareholders as of the new record date

No business may be transacted at an annual or special meeting of shareholders other than business that is:

(a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof);

(b) otherwise properly brought before the meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof); or

(c) otherwise properly brought before the meeting:

(i) by a shareholder that holds of record stock of the Company entitled to vote at the meeting on such matter (including any election of a director) ("Record Holder") or a person (a "Nominee Holder") that holds such stock through a nominee ("street name" or depository interest registrar) holder of record of such stock and can demonstrate to the Company such indirect ownership of, and such Nominee Holder's entitlement to vote, such stock on such matter; and

(ii) such shareholder complies with the specific notice procedures set forth in the Bylaws (such Record and Nominee Holders are referred to as "Noticing Shareholders").

In order for a Noticing Shareholder to properly bring any item of business before a meeting of shareholders, timely notice must be given in proper written form to the secretary of the Company.

To be timely, a Noticing Shareholders' notice shall be delivered to the secretary at the principal executive offices of the Company:

(i) as to an annual meeting, not earlier than the close of business on the 120th day and not later than the close of business on the 90th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the shareholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to the date of such annual meeting and not later than the close of business on the later of the 90th day prior to the date of such annual meeting or, if the first public announcement of the date of such annual meeting is less than 100 days prior to the date of such annual meeting, not later than the 10th day following the day on which public announcement of the date of such meeting is first made by the Company; or

(ii) as to a special meeting, not later than the close of business on the date of delivery of the first shareholder demand in compliance with Section 23B.07.020(a) of the Act.

In no event shall any adjournment or postponement of an annual or special meeting, or the announcement thereof, commence a new time period for the giving of a shareholder's notice as described above.

To be in proper form, a Noticing Shareholder's notice to the secretary of the Company must:

(i) set forth, as to the Noticing Shareholder and, if the Noticing Shareholder holds for the benefit of another, the beneficial owner, on whose behalf the nomination or proposal is made:

(A) the name and address of such Noticing Shareholder, as they appear on the Company's books and, if the Noticing Shareholder holds for the benefit of another, the name and address of such beneficial owner (collectively "Holder"),

(B) the following information:

(1) the class or series and number of shares of the Company which are, directly or indirectly, owned beneficially and/or of record;

(2) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Company or with a value derived in whole or in part from the value of any class or series of shares of the Company, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock of the Company or otherwise (a "Derivative Instrument") that is directly or indirectly owned beneficially and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Company;

(3) any proxy, contract, arrangement, understanding, or relationship pursuant to which such Holder has a right to vote or has granted a right to vote any shares of any security of the Company;

(4) any short interest in any security of the Company (for purposes of this Bylaw a person shall be deemed to have a short interest in a security if such Holder directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security);

(5) any rights to dividends on the shares of the Company owned beneficially by such Holder that are separated or separable from the underlying shares of the Company;

(6) any proportionate interest in shares of the Company or Derivative Instruments held, directly or indirectly, by a general or limited partnership or limited liability company or similar

entity in which such Holder is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, is the manager, managing member or directly or indirectly beneficially owns an interest in the manager or managing member of a limited liability company or similar entity;

(7) any performance-related fees (other than an asset-based fee) that such Holder is entitled to which is based on any increase or decrease in the value of shares of the Company or any Derivative Instruments; and

(8) the information called for by (1) through (7) for any members of such Holder's immediate family sharing the same household;

(C) such information shall be provided as of the date of the notice required by (B) and any changes in the information required by (B) between the initial disclosure and the record date for the meeting shall be disclosed by such Holder in a supplemental notice to be provided to the Company not later than 10 days after the record date for the meeting;

(D) any other information relating to such Holder, that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder;

(ii) if the notice relates to any business other than a nomination of a director or directors that the shareholder proposes to bring before the meeting, such notice must set forth:

(A) a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest of such Holder, in such business, and

(B) a description of all agreements, arrangements and understandings, direct and indirect, between such Holder, and any other person or persons (including their names) in connection with the proposal of such business by such shareholder;

(iii) set forth, as to each person, if any, whom the Holder proposes to nominate for election or reelection to the Board of Directors the specific information required in the Bylaws; and

(iv) with respect to each nominee for election or reelection to the Board of Directors, include a completed and signed questionnaire, representation and agreement required by the Bylaws.

The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as an independent director of the Company or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such nominee.

In the event that the number of directors to be elected to the Board of Directors is increased and there is no public announcement by the Company naming all of the nominees for director or specifying the size of the increased Board of Directors at least 100 days prior to the first anniversary of the preceding year's annual meeting, a shareholder's notice required by the Bylaws shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the secretary at the principal executive offices of the Company not later than the close of business 10 days following the day on which such public announcement is first made by the Company.

Only such persons who are nominated in accordance with the procedures set forth in the Bylaws shall be eligible to serve as directors and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in the Bylaws. Except as otherwise provided by law, the Articles or the Bylaws, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in the Bylaws and, if any proposed nomination or business is not in compliance with the Bylaws, to declare that such defective proposal or nomination shall be disregarded.

(6) Any shareholder is entitled to appoint one or more proxies to exercise all or any of his/her rights to attend the Annual Meeting and to speak and act on his/her behalf. If a member appoints more than one proxy, each proxy must be appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a shareholder of the company. A Form of Proxy which may be used to make such appointment and give proxy instructions is enclosed with these materials and is available from the Company's assistant corporate secretary, Mark Daniel, by email at [mdaniel@halosource.com](mailto:mdaniel@halosource.com). To be effective, a duly completed Form of Proxy, together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority, must reach Computershare USA, the Company's agent for receipt of proxies, or, in the case of a proxy appointed

electronically, the electronic address specified for this purpose on the form of proxy delivered herewith or company's website (please see 'Electronic Voting' on the homepage of [www.halosource.com](http://www.halosource.com)) by 9:30 a.m. on Tuesday, 22 April 2014 (or not less than 48 hours before the time fixed for any adjourned meeting).

If two or more valid but differing appointments of a proxy are received in respect of the same share for use at the same meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the others as regards that share; if the company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.

(7) Unless voting instructions are indicated on the Form of Proxy, a proxy may vote or withhold his vote as he thinks fit on the resolutions or on any other business (including amendments to resolutions) which may come before the meeting. A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes for or against a resolution.

(8) If you are an ordinary shareholder and wish to attend the Annual Meeting, the return of the Form of Proxy or the appointment of a proxy via the electronic voting instructions on the annual meeting proxy card enclosed herewith will not prevent you from attending and voting in person. In the case of joint holders, any one holder may vote. If more than one holder is present at the meeting, only the vote of the senior will be accepted, seniority being determined by the order in which names appear on the register.

(9) A shareholder must inform the company in writing of any termination of the authority of a proxy.

(10) Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares.

(11) At, or as soon as practicable following the Annual Meeting, the results of the voting at the meeting and the number of votes cast for and against and the number of votes withheld in respect of each resolution will be announced publicly and placed on the company's website ([www.halosource.com](http://www.halosource.com)).

(12) A copy of this Annual Meeting notice can be found at the company's website ([www.halosource.com](http://www.halosource.com)).

(13) Any electronic address provided either in this Annual Meeting notice or any related documents may not be used to communicate with the company for any purposes other than those expressly stated.

(14) The Company's Ordinary Shares trade on the London Stock Exchange's AIM Market and the trading symbol is HALO.

(15) Shares sold in the Placings completed on 18 October 2010 and 19 October 2012, respectively, were/are for United States securities law purposes considered restricted shares and for a period after original issuance traded in certificated form. The ISIN for such restricted certificated shares is USU406391077, and the trading symbol is HAL. Shares issued on exercise of employee stock options and on cash exercise of existing warrants are for United States securities law purposes considered restricted shares and for a period after original issuance trade in certificated form. The ISIN for such restricted certificated shares is USU406391077, and the trading symbol is HAL. The ISIN for shares that have entered the market as a result of selling shareholders or that have past the restriction period and trade electronically on CREST is US40638H1086, and the trading symbol is HALO.

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The 2013 Annual Report can be viewed at or downloaded from the company's investor relations website ([ir.halosource.com](http://ir.halosource.com)) or a copy requested by writing to Investor Relations, HaloSource Inc., 1725 220th Street SE, Suite 103, Bothell, Washington 98021, United States of America.

## Electronic communications

HaloSource encourages its shareholders to help it reduce the environmental impact by registering to receive shareholder communications electronically by email and via the Internet. Receiving documents electronically helps us reduce our printing, paper and postage costs. We believe shareholders who register also receive information more quickly and simply.

To receive communications and documents electronically, please register your email address at the address for electronic voting set forth on the enclosed annual meeting proxy card and we will send you an email letting you know that the shareholder documents are available online at our website ([ir.halosource.com](http://ir.halosource.com)) for you to view or download.

The Board of Directors knows of no other matters to be submitted to the shareholders at the Annual Meeting. If any other matters properly come before the meeting, the proxy holders will vote the shares they represent in such manner as the Board may recommend.

By Order of the Board of Directors



**Martin Coles**  
President and Chief Executive Officer  
27 March 2014

## Company Information

[ir.halosource.com](http://ir.halosource.com)

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### Corporate Secretary

Lisa Wakida  
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United States of America

### Lawyers to the Company

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and  
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### Registered Office

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### Reporting Accountant

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and  
BDO USA, LLP  
One Union Square  
600 University Street, Suite 2528 Seattle WA  
98101

### Principal Place of Business

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001-425-881-6464

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### Nominated Adviser and Broker

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### Registrars

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