



Redline Communications Inc.

Restrictions on Share Transfer

THE PLACING SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OR ANY STATE SECURITIES LAWS AND, UNLESS SO REGISTERED, MAYNOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (BOTH AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT (“REGULATIONS”)), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT. SEE “TRANSFER RESTRICTIONS” BELOW.

NOTICE TO U.S. INVESTORS

The offer and sale of the Placing Shares in the United States to a limited number of investors who are Institutional Accredited Investors is intended to be exempt from the registration requirements of the U.S. Securities Act by reason of not involving any public offering under the U.S. Securities Act. Each purchaser of the Placing Shares located in the United States (a “U.S. Purchaser”) will be deemed to have made the following representations as set forth below, and each U.S. Purchaser must also execute and deliver an investor representation letter for the benefit of the Company, the U.S. Affiliate and the Placing Agents whereby such U.S. Purchaser represents, warrants, undertakes or acknowledges, as the case may be, that:

1. it is (or any account for which it is purchasing under paragraph 2 below is) an Institutional Accredited Investor;
2. it is purchasing the Placing Shares for investment purposes, and not with a view to any resale, distribution or other disposition of the Placing Shares, for (a) its own account (b) the account of another Institutional Accredited Investor for which it is acting as duly authorised agent or (c) a discretionary account or accounts as to which it has complete investment discretion and the authority to make, and does make, such representations;
3. in the normal course of its business, it invests in or purchases securities similar to the Placing Shares and
 - (a) it has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Placing Shares and
 - (b) it is able to bear the economic risk of an investment in the Placing Shares for an indefinite period;
4. it has received a copy of this Placement Memorandum and the Admission Document and it agrees that it has held and will hold this Placement Memorandum and the Admission Document in confidence, it being understood that this Placement Memorandum and the Admission Document received by it are solely for its use and are not to be redistributed or duplicated by it;
5. in making an investment decision to subscribe for and purchase Placing Shares, it is relying only on this Placement Memorandum and the Admission Document and not on any information or representation given by the Company, the Placing Agents or the U.S. Affiliate or any of their respective affiliates or any other person acting on behalf of any of them;
6. it is not purchasing Placing Shares as a result of any general solicitation, general advertising or directed selling efforts in the United States, including advertisements, articles, notices or other

communications published in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees have been invited by general solicitation, general advertising or directed selling efforts in the United States;

7. it has conducted its own investigation with respect to the Company and the Placing Shares and has had access to such financial and other information concerning the Company and the Placing Shares as it has deemed necessary to evaluate the merits and risks of an investment in the Placing Shares, including the opportunity to ask questions and receive answers from the Company concerning the terms and conditions of the placing and to obtain additional information;

8. none of the Company or any of its affiliates, nor the Placing Agents or any of their affiliates (including the U.S. Affiliate), nor any person acting on the Company's, the Placing Agents' or the U.S. Affiliate's behalf, has made any representation to it, express or implied, with respect to the Company and the Placing Shares or the accuracy, completeness or adequacy of the information contained in this Placement Memorandum or the Admission Document or of any other publicly available information;

9. the Admission Document has been prepared in accordance with the AIM rules in format and style, which differ from U.S. format and style;

10. it has made its own assessment and has satisfied itself concerning the relevant tax, legal, currency, and other economic considerations relevant to its investment in Placing Shares;

11. the U.S. Purchaser understands and acknowledges that the Placing Shares will not be and have not been registered under the U.S. Securities Act or the securities laws of any state of the United States, and are therefore "restricted securities" within the meaning of Rule 144 under the U.S. Securities Act, and that if in the future it shall decide to resell, pledge or otherwise transfer such Placing Shares, the same may be resold, pledged or otherwise transferred only

(A) to the Company,

(B) within the United States in accordance with Rule 144A to a person reasonably believed to be a Qualified Institutional Buyer that purchases for its own account or for the account of a Qualified Institutional Buyer to whom notice is given that the offer, sale or transfer is being made in reliance on Rule 144A,

(C) outside the United States, in accordance with Rule 904 of Regulation S under the U.S. Securities Act and in compliance with applicable local laws and regulations,

(D) in a transaction exempt from

registration under the U.S. Securities Act pursuant to Rule 144 and in compliance with any applicable state securities laws of the United States, and it has furnished to the Company an opinion of counsel of recognized standing reasonably satisfactory to the Company to that effect, or

E) in another transaction that does not require registration under the U.S. Securities Act or any applicable United States state securities laws, and it has furnished to the Company an opinion of counsel of recognized standing reasonably satisfactory to the Company to that effect;

12. the Company has agreed that, for so long as any of the Placing Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is not subject to Section 13 or 15(d) under the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser designated by such holder or beneficial owner, on the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

13. it understands that all Placing Shares sold in the United States as part of this offering will bear a legend to the following effect:

THE SHARES OF COMMON STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND MAY NOT BE OFFERED, SOLD, PLEDGED

OR OTHERWISE TRANSFERRED EXCEPT IF SUCH TRANSFER IS EFFECTED (1) IN AN OFFSHORE TRANSACTION TO NON-U.S. PERSONS AND OTHERWISE MEETING THE REQUIREMENTS OF RULES 901 THROUGH 905 (INCLUDING PRELIMINARY NOTES) OF REGULATION S UNDER THE SECURITIES ACT, (2) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (3) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A “QUALIFIED INSTITUTIONAL BUYER” WITHIN THE MEANING OF SUCH RULE, (4) PURSUANT TO RULE 144(k) UNDER THE SECURITIES ACT, UPON DELIVERY TO THE COMPANY OF EVIDENCE REASONABLY SATISFACTORY TO IT THAT THE CONDITIONS THEREOF ARE SATISFIED, (5) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENT OF THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS AND IN THE CASE OF OFFERS, SALES, PLEDGES OR OTHER TRANSFERS PURSUANT TO (5), AN OPINION OF COUNSEL SHALL BE DELIVERED TO THE COMPANY (AND UPON WHICH THE COMPANY MAY RELY) REGARDING THE AVAILABILITY OF SUCH EXEMPTION. HEDGING TRANSACTIONS INVOLVING THE COMMON STOCK OF THE COMPANY MAY NOT BE CONDUCTED, DIRECTLY OR INDIRECTLY, UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.

If the Placing Shares are being sold under Rule 144, the legend may be removed by delivery to Computershare Shareholder Services, Inc., Computershare Investor Services (Channel Islands) Limited (or their successors) and to the Company of an opinion of counsel of recognized standing and reasonably satisfactory to the Company, to the effect that such legend is no longer required under the U.S. Securities Act or state securities laws;

14. that the Company may make a notation on its records or give instructions to the registrar and the transfer agent of the Placing Shares in order to implement these transfer restrictions;

15. the registrar and the transfer agent for the Placing Shares will not be required to accept the registration of transfer of any Placing Shares acquired by such U.S. Purchaser, except upon presentation of evidence satisfactory to the Company that the applicable transfer restrictions have been complied with; and

16. the Company, the U.S. Affiliate and the Placing Agents, and their respective affiliates, will rely upon the truth and accuracy of these representations, warranties, undertakings and acknowledgements.

RESTRICTIONS ON TRANSFER UNDER THE U.S. SECURITIES ACT

The issue of the Common Stock has not been and will not be registered under the U.S. Securities Act. The shares of Common Stock are “restricted securities” as defined in Rule 144 promulgated under the U.S. Securities Act. The Common Stock may not be offered, sold or delivered in the United States or to, or for the account or benefit of, any U.S. Person (other than a distributor), except in a transaction registered under the U.S. Securities Act or if an exemption from the registration requirements thereof is available. Hedging transactions involving the Common Stock may not be conducted unless they are in compliance with the U.S. Securities Act. Only the Group is entitled to register the offer and the sale of the Common Stock under the U.S. Securities Act and the Group has no obligation to do so. The Company can give no assurances that an exemption from registration will be available to any subscribers for or purchasers of the Common Stock. The certificates issued in respect of shares of Common Stock will bear a legend describing restrictions on transfer and prohibiting hedging transactions in the Common Stock unless in compliance with the U.S. Securities Act.

Accordingly, these shares must be evidenced by paper certificates, and will not be eligible for electronic trading over CREST (for those electing to move to dematerialised trading of their shares) until the legends can be removed in accordance with the U.S. Securities Act. Potential buyers of Common Stock may perceive that these resale restrictions and legends impose a greater limitation on liquidity than apply to shares in UK-domiciled listed companies, which may make it more difficult to resell shares bearing legends than shares without legends in certain cases. Each subscriber for or purchaser of the

Common Stock, by subscribing for or purchasing such shares, agrees to re-offer or resell them only in accordance with the provisions of Regulation S, pursuant to registration under the U.S. Securities Act, or pursuant to any available exemption from registration and agrees not to engage in hedging transactions with regard to such securities unless in compliance with the U.S. Securities Act. Please refer to Part IV of this document for further details of the transfer restrictions applicable to the Common Stock. Stockholders bear responsibility for compliance with applicable securities laws, and the Company urges prospective purchasers to consult with their broker and/or legal advisor if they have further questions.

The above restrictions severely restrict purchasers of Common Stock from reselling such shares in the United States or to a U.S. Person. The Common Stock will not be listed on any U.S. securities exchange in connection with the Placing. In the event that a sale in the United States or to a U.S. Person is permitted, such a purchaser may require a discount to the current market price of the shares due to restrictions on transfer of such shares in the United States or to U.S. Persons. In the event that the market for the Common Stock outside the United States does not develop or becomes illiquid, purchasers of such shares may be unable to access the market within the United States due to the restrictions on transfer of such shares.

The above restrictions severely restrict subscribers of Placing Shares from reselling the Placing Shares in the United States or to a U.S. Person. The Placing Shares will not be listed on any U.S. securities exchange in connection with the Placing.

From Redline Admission Document, Part IV, Paragraph 13

U.S. Restrictions on Transfer of Common Stock

13.1 Each subscriber or purchaser of Common Stock sold pursuant to the Placing on reliance upon Regulation S (which includes all non-U.S. purchasers) will be required to represent and agree as follows:

- (a) the purchaser is not, and is not acting for the account of benefit of, a person in the United States or a U.S. Person (other than a distributor), and is not located in the United States at the time the investment decision is made with respect to the Common Stock;
- (b) the purchaser understands that the Common Stock has not been registered under the U.S. Securities Act and may not be offered, sold, pledged or otherwise transferred by such purchaser except
 - (i) in an offshore transaction to non-U.S. Persons and otherwise meeting the requirements of Regulation S,
 - (ii) pursuant to an effective registration statement under the U.S. Securities Act,
 - (iii) pursuant to Rule 144A under the U.S. Securities Act, to a “qualified institutional buyer” within the meaning of such rule;
 - (iv) pursuant to another exemption under the U.S. Securities Act (which shall require the delivery to the company of an opinion of counsel with respect thereto) and in accordance with all applicable securities laws of the states of the United States and any other applicable jurisdictions;
- (c) the purchaser understands and agrees that, if in the future it decides to resell, pledge or otherwise transfer any shares of Common Stock or any beneficial interests in any shares of Common Stock, it will do so only
 - (i) outside the United States in an offshore transaction to non-U. S. Persons and otherwise in compliance with Regulation S;
 - (ii) pursuant to an effective registration statement under the Securities Act;
 - (iii) pursuant to Rule 144A under the U.S. Securities Act, to a “qualified institutional buyer” within the meaning of such rule;
 - (iv) pursuant to Rule 144(k) under the U.S. Securities Act (which shall require the delivery to the Company of evidence satisfactory to it that the conditions thereof are satisfied); or
 - (v) pursuant to another exemption under the U.S. Securities Act (which shall require the delivery to the Company of an opinion of counsel with respect thereto) and, in each of such cases, in accordance with any applicable securities law of any state of the United States. Hedging

transactions involving the Common Stock may not be conducted, directly or indirectly, unless in compliance with the U. S. Securities Act;

(d) the purchaser agrees to, and each subsequent holder is required to, notify any purchaser of the Common Stock from it of the resale restrictions referred to in paragraphs (b) and (c) above, if then applicable;

(e) the purchaser acknowledges that, prior to any proposed transfer of Common Stock other than pursuant to an effective registration statement the transferred of Common Stock may be required to provide certifications and other documentation to support a determination that such transfer is either not subject to or is exempt from, the registration requirements of the U.S. Securities Act;

(f) the purchaser acknowledges that the Company, the directors and others, will rely upon the truth and accuracy of the foregoing acknowledgement, representations and warranties and agrees that if any such acknowledgement, representation or warranty deemed to have been made by virtue of its purchase of Common Stock is no longer accurate, it shall promptly notify the Company and the Registrars; and

(g) the purchaser acknowledges that the Common Stock will bear a restrictive legend to the following effect, unless the Company determines otherwise in compliance with applicable law:

THE SHARES OF COMMON STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IF SUCH TRANSFER IS EFFECTED (1) IN AN OFFSHORE TRANSACTION TO NON-U.S. PERSONS AND OTHERWISE MEETING THE REQUIREMENTS OF RULES 901 THROUGH 905 (INCLUDING PRELIMINARY NOTES) OF REGULATION S UNDER THE SECURITIES ACT, (2) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (3) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF SUCH RULE, (4) PURSUANT TO RULE 144(k) UNDER THE SECURITIES ACT, UPON DELIVERY TO THE COMPANY OF EVIDENCE REASONABLY SATISFACTORY TO IT THAT THE CONDITIONS THEREOF ARE SATISFIED, (5) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENT OF THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS AND, IN THE CASE OF OFFERS, SALES, PLEDGES OR OTHER TRANSFERS PURSUANT TO (5), AN OPINION OF COUNSEL DELIVERED TO THE COMPANY (AND UPON WHICH THE COMPANY MAY RELY) REGARDING THE AVAILABILITY OF SUCH EXEMPTION. HEDGING TRANSACTIONS INVOLVING THE COMMON STOCK OF THE COMPANY MAY NOT BE CONDUCTED, DIRECTLY OR INDIRECTLY, UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.

13.2 The shares of Common Stock have not been registered under the U.S. Securities Act and are "restricted securities" as defined in Rule 144 promulgated under the U.S. Securities Act. A purchaser of Common Stock may not offer, sell, pledge or otherwise transfer Common Stock except as described in Section 13.1 above.

13.3 Prior to one year after the later of (1) the time when the shares of Common Stock are first offered to persons other than distributors in reliance upon Regulation S, and (2) Admission:

(a) every purchaser of Common Stock (other than a distributor) will be required to certify that it is not a U.S. Person and is not acquiring the securities for the account or benefit of any U.S. Person, or is a U.S. Person purchasing the Common Stock in a transaction that did not require registration under the U.S. Securities Act; and

(b) every purchaser of Common Stock will be required to agree to resell such Common Stock only in accordance with Regulation S, pursuant to registration under the U.S. Securities Act, or pursuant to an available exemption from registration, and will be required to agree not to engage in hedging transactions, directly or indirectly, with regard to the Common Stock unless in compliance with the U.S. Securities Act.

13.4 Pursuant to the Company's by-laws, the Company is required to refuse to register any transfer of its securities not made in accordance with the provisions of Regulation S or the registration requirements under the Securities Act or an available exemption.

In this document, a “U.S. Person” has the meaning as set forth in Regulation S and includes:

- (a) any natural person resident in the United States;
- (b) any partnership or corporation organised or incorporated under the laws of the United States;
- (c) any estate of which any executor or administrator is a U.S. Person;
- (d) any trust of which any trustee is a U.S. Person;
- (e) any agency or branch of a foreign entity located in the United States;
- (f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person;
- (g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated or (if an individual) resident in the United States; and
- (h) any partnership or corporation if: (i) organised or incorporated under the laws of any foreign jurisdiction; and (ii) formed by a U.S. Person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organised or incorporated and owned, by accredited Investors (as defined in Rule 501 (a) under the Securities Act) who are not natural persons, estates or trusts.

RESALE RESTRICTIONS IN CANADA

The distribution of Placing Shares in the Canadian Jurisdictions is being made on a private placement basis only and is exempt from the requirement that the Company prepare and file a prospectus with the securities regulatory authorities in each of the Canadian Jurisdictions. Accordingly, any resale of the Placing Shares must be made in accordance with applicable securities laws that may require resales to be made in accordance with applicable exemptions from registration and prospectus requirements. Purchasers in the Canadian Jurisdictions are advised to seek legal advice prior to any resale of the Placing Shares.

The Company is not a “reporting issuer”, as such term is defined under applicable Canadian securities legislation, in any province or territory of Canada. Under no circumstances will the Company be required to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Placing Shares to the public in any province or territory of Canada. Canadian investors are advised that the Company currently does not intend to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Placing Shares to the public in any province or territory of Canada in connection with this offering. Therefore, there will be no public market in Canada for the Placing Shares and the resale or transfer of the Placing Shares will be subject to restrictions as noted above.

In addition to the resale restrictions applicable to purchasers in Canada under Canadian securities laws, the Placing Shares sold in the Canadian Jurisdictions will also be subject to resale restrictions under U.S. securities laws. The Placing Shares will be “restricted securities” within the meaning of Rule 144 under the U.S. Securities Act, and will be subject to the same restrictions and bear the same restrictive legend as set forth in paragraphs 11 and 13 above under the heading “Transfer Restrictions in the United States”. Further, until one year after the later of the time that the Placing Shares are first offered to persons other than distributors in reliance upon Regulation S under the U.S. Securities Act, and the date of admission of the Placing Shares on AIM: (i) every purchaser of Placing Shares (other than a distributor) will be required to certify that it is not a U.S. person and is not acquiring the securities for the account or benefit of any U.S. person, or is a U.S. person purchasing the Placing Shares in a transaction that did not require registration under the U.S. Securities Act; and (ii) every purchaser of Placing Shares will be required to agree to resell such Placing Shares only in accordance with Regulation S, pursuant to registration under the U.S. Securities Act, or pursuant to an available exemption from registration, and will be required to agree not to engage in hedging transactions, directly or indirectly, with regard to the Placing Shares unless in compliance with the U.S. Securities Act. Canadian purchasers should carefully review paragraph 13 of Part IV of the Admission Document, which applies in its entirety to all Placing Shares sold in the Canadian Jurisdictions.

REPRESENTATIONS OF CANADIAN PURCHASERS

Each purchaser of Placing Shares resident in the Canadian Jurisdictions will be deemed to have represented to the Company, the Agents, the Canadian Affiliate and any dealer who sells Placing Shares to such purchaser that:

(a) the offer and sale of the Placing Shares was made exclusively through this Placement Memorandum and the Admission Document (which is incorporated by reference herein) and was not made through an advertisement of the Placing Shares in any printed media of general and regular paid circulation, radio, television or telecommunications, including electronic display, or any other form of advertising in Canada;

(b) such purchaser has reviewed and acknowledges the terms referred to above under "Resale Restrictions in Canada";

(c) where required by law, such purchaser is purchasing as principal for its own account and not as agent; and

(d) such purchaser or any ultimate purchaser for which such purchaser is acting as agent, as permitted by NI 45-106, is entitled under applicable Canadian securities laws to purchase such Placing Shares without the benefit of a prospectus under such securities laws, and without limiting the generality of the foregoing:

(i) in the case of a purchaser resident in one of the Canadian Jurisdictions other than Ontario, without the dealer having to be registered,

(ii) such purchaser, or any ultimate purchaser for which such purchaser is acting as agent, as permitted by NI 45-106, is an "accredited investor" as defined in section 1.1 of NI 45-106, a 150K Purchaser, or an Employee Purchaser and (iii) in the case of a purchaser resident in Ontario, such purchaser is purchasing Placing Shares from a dealer registered as such under the *Securities Act* (Ontario) and, if such purchaser is an individual, is purchasing Placing Shares from a fully registered investment dealer within the meaning of section 98 of the Regulation to the *Securities Act* (Ontario).

In addition, each purchaser of Placing Shares resident in the Canadian Jurisdictions will be deemed to have represented to the Company, the Placing Agents, the Canadian Affiliate and any other dealer from whom a purchase confirmation was received, that such purchaser:

(a) has been notified by the Company

i) that the Company is required to provide information ("personal information") pertaining to the purchaser as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the number and value of any Placing Shares purchased), which Form 45-106F1 is required to be filed by the Company under NI 45-106;

(ii) that such personal information will be delivered to the Canadian securities regulators in one or more Canadian Jurisdictions in accordance with NI 45-106;

(iii) that such personal information is being collected indirectly by the applicable Canadian Securities regulatory authority under the authority granted to it under the securities legislation of the applicable province;

(iv) that such personal information is being collected for the purposes of the administration and enforcement of the securities legislation of the applicable province; and

(v) that the public official in Ontario who can answer questions about the Ontario Securities Commission's (the "OSC") indirect collection of such personal information is the Administrative Assistant to the Director of Corporate Finance at the OSC, Suite 1903, Box 5520 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-8086; and

(b) has authorized the indirect collection of the personal information by the applicable Canadian securities regulatory authority. Further, the purchaser acknowledges that its name, address, telephone number and other specified information, including the number of Placing Shares it has purchased and the aggregate purchase price paid by purchaser, may be disclosed to Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable laws. By purchasing Placing Shares, the purchaser consents to the disclosure of such information.