

2 April 2009

**XERO LIMITED ("XERO")
ANNOUNCEMENT OF POTENTIAL CAPITAL RAISING**

Xero notes the recent rise in its share price following its announcements on 31 March 2009 of a doubling of customers in the last 3 months to 6,000 customers and the announcement on 1 April 2009 of the partnership deal it has entered with Telstra.

Xero is also in discussions with potential investors regarding a significant capital raising to enable it to accelerate its international growth plans. The potential investors currently comprise a mixture of institutions, high net worth individuals and other eligible investors.

Currently, it is envisaged that the capital raising would be undertaken by way of a placement and would be followed with a share purchase plan ("SPP") to all eligible shareholders.

Current discussions are on the basis that the pricing of any placement and the SPP will be at NZ\$0.90 per share.

The discussions in relation to the potential capital raising are not complete and may or may not be successfully concluded. Xero will further update the market as events develop and this is currently expected to be early next week.

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