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If you have sold or otherwise transferred all of your Ordinary Shares, please immediately forward this document, together with the accompanying Form of Proxy to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold only part of your holding of Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

**Application has been made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that admission to AIM will become effective and dealings in the Placing Shares will commence at 8.00 a.m. on 29 March 2010 in respect of the Firm Placing Shares and at 8.00 a.m. on 14 April 2010 in respect of the Conditional Placing Shares.**

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. Neither the London Stock Exchange nor the UK Listing Authority has examined or approved the contents of this document.

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## **Hydrodec Group plc**

*(Incorporated and registered in England and Wales under the Companies Act 1985 with registered no. 05188355)*

Proposed cash placing of new Ordinary Shares  
of 0.5 pence each at 10 pence per share

by  
Numis Securities Limited

Notice of General Meeting

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**This document should be read as a whole. Your attention is drawn to the letter from the Chairman of the Company, which is set out on pages 6 to 10 of this document and which recommends that you vote in favour of the Resolutions to be proposed at the General Meeting.**

Numis Securities Limited ("Numis"), which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for the Company in relation to the Placing, First Admission and Second Admission and will not be responsible to any person other than the Company under the Financial Services and Markets Act 2000, the rules of the Financial Services Authority or otherwise for providing the protections afforded to its clients or for advising any other person in relation to the contents of this document, the Placing or any matter, transaction or arrangement referred to in this document. Numis is not making any representation or warranty, express or implied, as to the contents of this document.

The release, publication or distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore any persons into whose possession this document comes should inform themselves about and observe any applicable restrictions or requirements. No action has been taken by the Company or Numis that would permit possession or distribution of this document in any jurisdiction where action for that purpose is required. Any failure to comply with such restrictions or requirements may constitute a violation of the securities laws of any such jurisdiction.

**Notice of a General Meeting of Hydrodec Group plc, to be held at 4<sup>th</sup> Floor, 120 Moorgate, London EC2M 6SS at 10.00 a.m. on 13 April 2010, is set out at the end of this document. To be valid the accompanying Form of Proxy for use in connection with the meeting should be completed and returned as soon as possible and, in any event, so as to reach the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU, by not later than 10.00 a.m. on 11 April 2010. Completion and return of Forms of Proxy will not preclude Shareholders from attending and voting at the General Meeting should they so wish.**

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## PLACING STATISTICS

Placing Price	10 pence
Number of Ordinary Shares currently in issue	341,594,672
Number of Treasury Shares	56,673,333
Number of Issued Voting Shares currently in issue	284,921,339
Number of Firm Placing Shares being placed on behalf of the Company	17,000,000
Number of Conditional Placing Shares being placed on behalf of the Company	3,259,859
Estimated aggregate net proceeds of the Placing receivable by the Company	£1.925 million
Enlarged Share Capital	361,854,531
Number of Issued Voting Shares immediately following Admission of the Firm Placing Shares	301,921,339
Number of Issued Voting Shares immediately following Admission of the Conditional Placing Shares	305,181,198
Number of Placing Shares as a percentage of the Enlarged Share Capital	5.6 per cent.
Number of Placing Shares as a percentage of the Issued Voting Shares immediately following Second Admission	6.6 per cent.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission and commencement of dealings in the Firm Placing Shares and CREST accounts credited	8.00 a.m. on 29 March 2010
Latest time and date for receipt of forms of proxy to be valid at the General Meeting	10.00 a.m. on 11 April 2010
General Meeting	10.00 a.m. on 13 April 2010
Admission and commencement of dealings in the Conditional Placing Shares and CREST accounts credited*	8.00 a.m. on 14 April 2010

\*This event is conditional on the passing of the Resolutions 1 and 2 at the General Meeting.

## DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

“Act”	the Companies Act 2006
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies as published by the London Stock Exchange from time to time
“Company” or “Hydrodec”	Hydrodec Group plc
“Conditional Placing”	the placing by Numis of the Conditional Placing Shares pursuant to the Placing Agreement
“Conditional Placing Shares”	the 3,259,859 Ordinary Shares conditionally placed with investor(s) that will be allotted following the General Meeting provided Resolutions 1 and 2 are passed and the Placing Agreement has become unconditional in all respects and not been terminated
“CREST”	the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear which facilitates the transfer of title to shares in uncertificated form
“Directors” or “Board”	the directors of the Company whose names are set out on page 6 of this document
“Enlarged Share Capital”	the Ordinary Shares in issue immediately following Second Admission
“Firm Placing”	the placing by Numis of the Firm Placing Shares pursuant to the Placing Agreement
“Firm Placing Shares”	the 17,000,000 Ordinary Shares placed firm with investors and to be issued on or around 29 March 2010
“First Admission”	the admission of the Firm Placing Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
“Form of Proxy”	the form of proxy for use in connection with the General Meeting which accompanies this document
“General Meeting”	the General Meeting of the Company to be held at 10.00 a.m. on 13 April 2010
“Group”	the Company, its subsidiaries and its subsidiary undertakings
“Issued Voting Shares”	the Ordinary Shares in issue from time to time, after deduction of the Treasury Shares
“Loan Note Proposal”	the proposal to, inter alia, convert or exchange Loan Notes described in the section of this document entitled “Background to and reasons for the Placing and the Loan Note Proposal” which is set out on page 7 of this document

"Loan Notes"	the fixed rate unsecured convertible loan notes 2012 issued by Hydrodec pursuant to an instrument dated 5 November 2007
"London Stock Exchange"	London Stock Exchange plc
"Notice of General Meeting"	the notice convening the General Meeting which is set out on pages 11 to 13 of this document
"Numis"	Numis Securities Limited
"Ordinary Shares"	ordinary shares of 0.5 pence each in the capital of the Company
"Placing"	the Firm Placing and the Conditional Placing
"Placing Agreement"	the conditional agreement dated 23 March 2010 between the Company and Numis relating to the Placing
"Placing Price"	10 pence per Placing Share
"Placing Shares"	the Conditional Placing Shares and the Firm Placing Shares
"Resolutions"	the resolutions set out in the Notice of General Meeting
"Second Admission"	the admission of the Conditional Placing Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
"Shareholders"	holders of Ordinary Shares
"Treasury Shares"	the 56,673,333 Ordinary Shares which are now held by a member of the Group and in respect of which votes may not be cast at a general meeting of the Company
"UK"	the United Kingdom of Great Britain and Northern Ireland
"US" or "United States"	the United States of America, its territories and possessions

**Hydrodec Group plc**  
(Incorporated and registered in England and Wales  
under the Companies Act 1985 with registered number 05188355)

*Directors:*

Neil Gaskell (Non-executive Chairman)  
John Gunn (Non-executive Deputy Chairman)  
Gillian Leates (Non-executive Director)  
Mark McNamara (Chief Executive Officer)  
John Cowan (Chief Marketing Officer)

*Registered Office:*

120 Moorgate  
London  
EC2M 6SS

26 March 2010

*To Shareholders and, for information only, holders of Loan Notes*

Dear Shareholder

**Proposed cash placing of new Ordinary Shares of 0.5 pence each at 10 pence per Share and proposed conversion or exchange of Loan Notes**

**Notice of General Meeting**

**1. Introduction and summary**

The purpose of this document is to provide you with details of, and the reasons for, the Placing, the Loan Note Proposal and the proposed Resolutions to facilitate the issue of the Conditional Placing Shares, the Loan Note Proposal and other cash placings of Ordinary Shares from time to time.

On 23 March 2010, the Company announced that it proposed to raise approximately £2 million (before expenses) through a placing of Ordinary Shares. The Placing will be split into two tranches, the Firm Placing and the Conditional Placing, both at a placing price of 10 pence per Ordinary Share. The Firm Placing consists of the placing of 17,000,000 Ordinary Shares and the Conditional Placing consists of the placing of 3,259,859 Ordinary Shares. Pursuant to the Placing Agreement, Numis has agreed to use its reasonable endeavours to procure placees for the Firm Placing Shares and the Conditional Placing Shares.

It is expected that the Firm Placing Shares will be issued and admitted to trading on AIM on or about 8.00 a.m. on 29 March 2010, provided the Placing Agreement is not terminated prior to this date. The issue of the Conditional Placing Shares is conditional on the passing by Shareholders of Resolutions 1 and 2, which, *inter alia*, will give the Directors authority to allot, and dis-apply statutory pre-emption rights in respect of the allotment of, the Conditional Placing Shares. Subject, *inter alia*, to the passing of Resolutions 1 and 2 at the General Meeting, the Placing Agreement not having been terminated in respect of the Conditional Placing Shares and Second Admission, the Conditional Placing Shares are expected to be admitted to trading on AIM on or about 8.00 a.m. on 14 April 2010.

Resolution 3 will also give the Directors authority to allot, and dis-apply statutory pre-emption rights in respect of any allotment of new Ordinary Shares required to carry out the Loan Note Proposal in accordance with such terms as the Directors may determine.

The Directors intend to vote in favour of the Resolutions in respect of their holdings of 5,044,167 Ordinary Shares, representing, in aggregate, approximately 1.8 per cent. of the Company's Issued Voting Shares as at the date of this document.

**The purpose of this document is to provide you with information about the background to and the reasons for the Placing and the Loan Note Proposal, to explain why the Board considers the Placing and the Loan Note Proposal to be in the best interests of the Company and its Shareholders as a whole and why the Directors recommend that you vote in favour of the Resolutions to be proposed at the General Meeting, notice of which is set out at the end of this document.**

## **2. Background to and reasons for the Placing and the Loan Note Proposal**

The Board announced on 4 March 2010 and 19 March 2010 that the Group's working capital position had been affected by lower than anticipated sales and margins from December to February and sharply reduced trade credit terms from certain US feedstock suppliers. In addition, as announced on 23 March 2010 two major customers have recently reduced their late March orders by a total of about 800,000 litres. This should not materially affect the forecast cash-flow over the first half of the year but sales in the first quarter of 2010 are expected to be about 25 per cent. below the level for the fourth quarter of 2009, reflecting the continuing weak market.

As explained in the announcement of 23 March 2010, while the Board expects that the prospect of improvement in trade credit terms in the US and increased sales and margins in both the US and Australia should contribute to an improved working capital position going forward, the Company requires additional funding for the short-term to assist in its ongoing operations and growth development. The Board's outlook assumes the continuation of the current gradual recovery in the world economy and specifically in the US, together with a relatively strong crude oil price, which the Board believes should lead to a gradual improvement in demand and sales prices for transformer oil.

The Board believes that Hydrodec is preparing to enter a long term growth phase with a strengthened management team after making significant operational progress over the past year. The Board anticipates that, based on the growth requirements of the Japanese strategic alliance, continued expansion in the US and longer term plans for developing other markets and alternative applications for its core technology, a strengthening of the capital base over and above the Placing will be necessary. To these ends Hydrodec is investigating opportunities for the introduction of a substantial strategic investment into the Company. Initial contact has been received from potentially interested parties but there are no firm indications of intent at present.

As described further below, the Placing is split into two tranches, the Firm Placing and the Conditional Placing. The net proceeds of the Firm Placing are expected to be approximately £1.6 million. The net proceeds of the Conditional Placing are expected to be approximately £0.325 million, assuming Resolutions 1 and 2 put to Shareholders at the General Meeting referred to below are passed. These sums will be used, in conjunction with the Group's existing resources, to provide approximately £0.4 million to pay certain creditors. The balance, together with further remedial measures to be implemented by the Board, should provide working capital to meet the requirements of the Group until the end of June, including the next payment of interest due on the Loan Notes payable on 30 June 2010. These further remedial measures include the limitation of early capital expenditure and continued tight management of all discretionary operating expenditure. The ability of the Group to meet its working capital requirements after the end of June without further fundraising will also, in part, be dependent upon the success of such remedial measures and on a continuation of the current gradual economic recovery.

One additional measure the Board has considered relates to mitigating the ongoing finance cost of the Loan Notes, which bear a coupon of eight per cent. per annum, and which currently require the Company to make interest payments of approximately £500,000 twice a year. The Board is considering a proposal (the "Loan Note Proposal") whereby all of the Loan Note holders would be offered an additional one-off limited-period opportunity in the near future to convert or exchange their Loan Notes at the Placing Price (their current conversion price, subject to any adjustment referred to under "Effect of the Placing on the

Loan Notes”, is 17.65p per Ordinary Share). While the precise mechanism for effecting this proposal is still to be settled, the Company is taking the opportunity to present Resolution 3 at the General Meeting, which would authorise the Directors to allot and dis-apply pre-emption rights in respect of the allotment of sufficient Ordinary Shares relating to such a one-off conversion or exchange in accordance with such terms as the Directors may determine. Further details will be provided to Shareholders and holders of Loan Notes in due course.

It should be noted that the Conditional Placing is subject to approval by Shareholders at the General Meeting and that failure to receive the proceeds of the Conditional Placing will have a negative impact on the Company's working capital position. Accordingly, it is important that Shareholders vote in favour of Resolutions 1 and 2 in order that the Conditional Placing can proceed.

### **3. Details of the Placing**

The Placing consists of two tranches of Ordinary Shares: 17,000,000 Firm Placing Shares and 3,259,859 Conditional Placing Shares, all being placed at the Placing Price of 10 pence per Ordinary Share. The Placing Price represents a discount of approximately 5 per cent. to the closing mid-market price of 10.5 pence per Ordinary Share on 22 March 2010, being the last dealing day prior to the announcement of the Placing.

The Firm Placing is expected to raise approximately £1.7 million (before expenses estimated to be approximately £0.1 million). The net proceeds of the Firm Placing are therefore expected to be approximately £1.6 million. The net proceeds of the Conditional Placing are expected to be approximately £0.325 million.

Assuming both the Firm Placing and the Conditional Placing proceed, immediately following Second Admission the Placing Shares will represent approximately 5.6 per cent. of the Company's Enlarged Share Capital and 6.6 per cent. of the Company's Issued Voting Shares at that time.

Pursuant to the terms of the Placing Agreement, Numis, as agent for the Company, has agreed to use reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The obligations of Numis under the Placing Agreement in respect of the Firm Placing Shares are conditional upon, *inter alia*, First Admission becoming effective on or before 8.00 a.m. on 29 March 2010 (or such later time and date as Numis shall agree, not being later than 8.30 a.m. on 9 April 2010). The obligations of Numis under the Placing Agreement in respect of the Conditional Placing Shares are conditional upon, *inter alia*, First Admission becoming effective, Resolutions 1 and 2 being duly passed at the General Meeting and Second Admission becoming effective on or before 8.30 a.m. on 30 April 2010. The Placing Agreement contains provisions entitling Numis to terminate the Placing Agreement at any time prior to the Second Admission in certain circumstances. If this right is exercised before First Admission the Placing will not proceed or, if the Placing Agreement is terminated (in respect of the Conditional Placing only) after First Admission but before Second Admission, the placing of the Conditional Placing Shares will not proceed.

In consideration for arranging the Placing, Numis will be entitled to a commission of 3 per cent. of the value of those Placing Shares placed by Numis on behalf of the Company.

Application has been made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that First Admission will become effective at 8.00 a.m. on 29 March 2010 and that Second Admission will become effective at 8.00 a.m. on 14 April 2010.

The Placing Shares will rank *pari passu* in all respects with the Ordinary Shares, including the right to receive all dividends and other distributions declared on or after the date on which they are issued. It is expected that CREST accounts will be credited with entitlements to Placing Shares as soon as practicable after 8.00 a.m. on the day of First Admission or Second Admission (as the case may be) and that share certificates (where applicable) will be despatched by 30 April 2010.

#### **4. Effect of the Placing on the Loan Notes**

The instrument constituting the Loan Notes provides for certain adjustments to be made to the rights under the Loan Notes following the occurrence of certain specified events.

More particularly, following any issue of Ordinary Shares or other instruments convertible into Ordinary Shares in the Company (other than an issue which is ten per cent. or less below the average closing trading price of an Ordinary Share over the five trading days immediately preceding the announcement of the issue of such securities or instrument) and for so long as any Loan Notes remain capable of being converted, the Company's auditors are required to certify to the Company in writing the adjustments to the number and value of the Ordinary Shares into which any outstanding Loan Notes would convert which they consider necessary so that, after such adjustment and conversion, each holder of Loan Notes shall be placed in the same position in relation to capital (as nearly practicable) as would have been the case had no such issue of Ordinary Shares (or instruments convertible into Ordinary Shares) occurred.

Accordingly, as the Placing Price is more than ten per cent. below the average closing trading price of an Ordinary Share over the five trading days immediately prior to the announcement of the Placing, the Company will refer the matter to its auditors in order for them to determine if any adjustment should be made and, if so, what that adjustment should be.

#### **5. General Meeting**

Set out on pages 11 to 13 of this document is a notice convening the General Meeting to be held on 13 April 2010 at 10.00 a.m. at the Company's offices at 4<sup>th</sup> Floor, 120 Moorgate, London EC2M 6SS, at which the Resolutions will be proposed.

The Resolutions to be proposed at the General Meeting are as follows:

- Resolution 1 is an ordinary resolution which will authorise the Directors to allot the Conditional Placing Shares in connection with the Conditional Placing and otherwise to allot shares or grant rights to subscribe for or to convert any security into shares in the Company of up to £600,000 in nominal value (representing approximately one third of the Enlarged Share Capital) and, for use in a rights issue only, up to a further £600,000 in nominal value (representing a further one third of the Enlarged Share Capital). Save for the issue of the Conditional Placing Shares, the Directors have no present intention of exercising this authority. Unless revoked, varied or extended, such authority shall expire on the date falling 15 months after the date of the resolution or the next annual general meeting of the Company, whichever is the earlier.
- Resolution 2 is a special resolution which disapplies Shareholders' statutory pre-emption rights in relation to the issue of the Conditional Placing Shares and grants further authority to the Directors to allot equity securities (as defined in section 560 of the Act) of the Company for cash on a non-pre-emptive basis up to an aggregate nominal value of £181,000 (representing approximately 10 per cent. of the Enlarged Share Capital) and in certain other limited circumstances. Unless revoked, varied or extended, such authority shall expire on the date falling 15 months after the date of the resolution or the next annual general meeting of the Company, whichever is the earlier.
- Resolution 3 is a special resolution which will (i) authorise the Directors to implement the Loan Note Proposal, (ii) authorise the Directors to allot shares or grant rights to subscribe for or to convert any security into shares in the Company of up to £650,000 in nominal value (representing approximately 36 per cent. of the Enlarged Share Capital) only in connection with the Loan Note Proposal, and (iii) disapply Shareholders' statutory pre-emption rights in relation to the issue of equity securities in connection with the Loan Note Proposal. Unless revoked, varied or extended, such powers and authorities shall expire on the date falling 15 months after

the date of the resolution or the next annual general meeting of the Company, whichever is the earlier.

In accordance with section 571(5) of the Act, the Directors believe that the proposed disapplication of pre-emption rights in Resolutions 2 and 3 will be necessary in order to issue the Conditional Placing Shares, implement the Loan Note Proposal and to give the Company the ability to issue a limited number of shares for cash to third parties in the future should that be considered desirable.

## **6. Directors' Subscription and Interests**

John Gunn, a non-executive Director, will be participating in the Placing. Mr Gunn will subscribe for 200,000 Ordinary Shares at the Placing Price, representing a total subscription of £20,000. Following the completion of the Placing (assuming both elements of the Placing take place), Mr Gunn's beneficial holding of ordinary shares will be 4,837,500 (representing 1.6 per cent. of the Company's issued voting shares). Mr Gunn also has an interest in options over 3,000,000 Ordinary Shares and in £110,000 of Loan Notes.

Neil Gaskell, the non-executive Chairman, has an interest in £50,000 of Loan Notes.

## **7. Action to be taken**

A Form of Proxy for use at the General Meeting accompanies this document. The Form of Proxy should be completed in accordance with the instructions thereon and returned to the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU, as soon as possible, but in any event so as to be received by no later than 10.00 a.m. on 11 April 2010. The completion and return of a Form of Proxy will not preclude Shareholders from attending the General Meeting and voting in person should they so wish.

## **8. Recommendation**

**The Directors consider the Placing and the Loan Note Proposal to be in the best interests of the Company and its Shareholders as a whole and accordingly unanimously recommend Shareholders to vote in favour of the Resolutions to be proposed at the General Meeting as they intend to do in respect of their beneficial holdings amounting, in aggregate, to 5,044,167 Ordinary Shares, representing approximately 1.8 per cent. of the Issued Voting Shares as at the date of this document.**

Yours sincerely



Neil Gaskell  
Chairman

## NOTICE OF GENERAL MEETING

### Hydrodec Group plc

*(Incorporated and registered in England and Wales  
under the Companies Act 1985 with registered no. 05188355)*

**NOTICE IS HEREBY GIVEN THAT** a General Meeting of Hydrodec Group plc (the “**Company**”) will be held at **4<sup>th</sup> Floor, 120 Moorgate, London EC2M 6SS** at 10.00 a.m. on 13 April 2010. The business of the meeting will be to consider as special business and, if thought fit, to pass the following resolutions (the “**Resolutions**”), of which Resolutions 1 will be proposed an ordinary resolution of the Company and Resolutions 2 and 3 will be proposed as special resolutions of the Company:

#### ORDINARY RESOLUTION

- 1 **THAT**, in substitution for all subsisting authorities to the extent unused except, for the avoidance of doubt, any authority conferred under Resolution 3, the directors of the Company (**Directors**) be and they are hereby generally and unconditionally authorised in accordance with section 551 Companies Act 2006 (**CA 2006**) to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company:
- A. up to an aggregate nominal amount of £600,000; and
  - B. comprising equity securities (within the meaning of section 560 CA 2006) up to a further aggregate nominal amount of £600,000 in connection with an offer by way of a rights issue:
    - i. to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
    - ii. to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

and so that that Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter (including any such problems arising by virtue of equity securities being represented by depositary receipts).

The authorities conferred on the Directors under paragraphs (A) and (B) above shall expire at the conclusion of the next annual general meeting of the Company after the passing of this Resolution or 15 months after the passing of this Resolution, whichever is the earlier save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for, or to convert any security into, shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for, or to convert any security into, shares (as the case may be) in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

#### SPECIAL RESOLUTIONS

- 2 **THAT**, subject to the passing of Resolution 1 above and in substitution for all subsisting authorities to the extent unused except, for the avoidance of doubt, any authority conferred under Resolution 3, the Directors be and they are empowered pursuant to sections 570 and 573 of the CA 2006 to allot equity securities (within the meaning of section 560 of the CA 2006) for cash pursuant to the authority conferred under Resolution 1, as if section 561(1) of the CA 2006 did not apply to such allotment provided that the power conferred by this resolution shall be limited to:

- (i) the allotment of 3,259,859 new ordinary shares of 0.5 pence each in the capital of the Company in connection with the Placing of the Conditional Placing Shares (as such terms are defined in the circular of the Company dated 26 March 2010);
- (ii) the allotment, otherwise than pursuant to paragraph (i) above or Resolution 3 below, of equity securities of the Company in connection with an issue or offer of equity securities to the holders of ordinary shares in the capital of the Company in proportion (as nearly as may be) to their existing holdings of such shares (excluding any shares held by the Company as treasury shares (within the meaning of section 724 of the CA 2006)) on the record date for such allotment or in accordance with the rights attached to such shares but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or as a result of legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange, in any territory; and
- (iii) the allotment, otherwise than pursuant to paragraphs (i) and (ii) above or Resolution 3 below, of equity securities of the Company up to an aggregate nominal value equal to £181,000;

and unless previously renewed, revoked, varied or extended this power shall expire on the earlier of the date which is 15 months from the date of the passing of this resolution and the conclusion of the next annual general meeting of the Company except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired.

3 **THAT**, the Directors:

- (i) be and they are hereby authorised to implement the Loan Note Proposal (as defined in the circular of the Company dated 26 March 2010) in accordance with such terms as the Directors may determine;
- (ii) for the purposes of such Loan Note Proposal and in addition to any authorities conferred under Resolution 1, be and they are hereby generally and unconditionally authorised in accordance with section 551 Companies Act 2006 (**CA 2006**) to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal amount of £650,000 and so that that Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter (including any such problems arising by virtue of equity securities being represented by depositary receipts); and
- (iii) for the purposes of such Loan Note Proposal and pursuant to the authority conferred under paragraph (ii) above and in addition to any authorities conferred under Resolution 2, be and they are empowered pursuant to sections 570 and 573 of the CA 2006 to allot equity securities (within the meaning of section 560 of the CA 2006) for cash, as if section 561(1) of the CA 2006 did not apply to such allotment.

The authorities and powers conferred on the Directors under paragraphs (i) to (iii) above shall, unless previously renewed, revoked, varied or extended, expire at the conclusion of the next annual general meeting of the Company after the passing of this Resolution or 15 months after the passing of this Resolution, whichever is the earlier save that the Company may before such expiry make an offer or agreement for the purposes of such Loan Note Proposal which would or might require shares to be allotted or rights to subscribe for, or to convert any security into, shares to be granted after such expiry and the Directors may allot shares or grant rights to

subscribe for, or to convert any security into, shares (as the case may be) in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

*By Order of the Board*  
Michael Preen  
Company Secretary

*Registered Office*  
120 Moorgate  
London  
EC2M 6SS

26 March 2010

**NOTES:**

1. A member of the Company entitled to attend, speak and vote at this meeting is entitled to appoint one or more proxies to attend, speak and vote in that member's place. A member may appoint more than one proxy in relation to this meeting provided that each proxy is appointed to exercise rights attached to a different share or shares held by that member. A proxy need not also be a member. Completion and return of a Form of Proxy (or any CREST Proxy Instruction, as described in notes 6 to 8) will not preclude a member from attending and voting at the meeting should the member so decide. A pre-paid form of proxy accompanies this notice. If you wish to appoint multiple proxies please photocopy the Form of Proxy, fill in each copy in respect of different shares and send the multiple forms together to the Company's registrars, Capita Registrars in accordance with note 2 below. Alternatively you may appoint multiple proxies by CREST Proxy Instruction in accordance with note 6 below.
2. To be valid, the enclosed Form of Proxy and any power of attorney or other authority (if any) under which it is signed (or a copy certified notarially, or in some other manner approved by the Board) must be completed and returned so as to reach the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU by 10.00a.m. on 11 April 2010 (or, if the meeting is adjourned, not less than 48 hours before the time fixed for the holding of the adjourned meeting).
3. In the event that a poll is demanded at the meeting, and such poll is to be taken more than 48 hours thereafter, the enclosed Form of Proxy (together with any documents of authority required by note 2) may be returned to the Company's registrars, Capita Registrars at the address in note 2 above so as to arrive not later than 24 hours before the time appointed for such poll. In the event that a poll is demanded at the meeting, and such poll is not taken at the meeting, but is taken less than 48 hours after the meeting, the enclosed Form of Proxy (together with any documents of authority required by note 2) may be delivered at the meeting to the chairman of the meeting or to the secretary or any director of the Company.
4. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, to be entitled to attend and vote at the General Meeting (and for the purpose of determining the number of votes a member may cast), members must be entered on the Register of Members of the Company by 6.00 p.m. on 11 April 2010.
5. In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy, but the vote of the senior (by order in the register of members) who tenders a vote will be accepted to the exclusion of the others.
6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("Euroclear") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent (ID RA10) by the latest time for proxy appointments set out in note 2 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
8. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.