

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the content of this document or about what action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your Ordinary Shares of 1p each in Tanfield Group plc please send this document and the accompanying Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

TANFIELD GROUP PLC

(Incorporated in England and Wales, Number 4061965)

Extraordinary General Meeting

Authority to allot further Ordinary Shares

Proposed Fundraising

Election of Directors

Notice of an Extraordinary General Meeting of the Company, to be held at Unit BT95/2, North Tanfield Industrial Estate, Tanfield Lea, Stanley, Co. Durham, DH9 9NX at 10.30 a.m. on 15 November 2006 is set out at the end of this document. The accompanying Form of Proxy for use at the meeting must be completed and returned to the Company's Registrars, Capita Registrars, Proxy Department, PO Box 25, Beckenham, Kent BR3 4BR to be received as soon as possible and, to be valid, not later than 10.30 a.m. on 13 November 2006. Completion of a Form of Proxy will not preclude a shareholder from attending and voting at the Extraordinary General Meeting in person.

Letter from the Chairman

**Tanfield Group plc
(Incorporated in England and Wales, No.4061965)**

Directors:		Registered Office:
Roy Stanley	Chairman	Unit 95-2 North Tanfield Industrial Estate Tanfield Lea Stanley Co. Durham DH9 9NX
Darren Kell	Chief Executive	
Charles Brooks	Finance Director	
Brendan Campbell	Operations Director	
John Bridge	Non-executive Director	
Martin Groak	Non-executive Director	

23 October 2006

To the holders of Ordinary Shares and, for information only, to the holders of options over Ordinary Shares and the holder of £75,000 nominal of convertible unsecured loan stock 2009 of the Company.

Dear Shareholder,

**Extraordinary General Meeting
Authority to allot further Ordinary Shares
Proposed Fundraising
Election of Directors**

Introduction

It was announced today that the Company intends to raise up to £20 million (before expenses) through an institutional placing of new Ordinary Shares by Daniel Stewart, the Company's Nominated Adviser and Broker.

The purpose of this document is to explain why the Directors consider that the Placing is in the best interests of the Company and its shareholders as a whole and recommend that you vote in favour of the special resolution to be proposed at the Extraordinary General Meeting which is being convened for 10.30 a.m. on 15 November 2006 by the notice at the end of this document.

It is to be noted that the Placing is subject to the terms of the Placing Agreement and is conditional upon, inter alia, the passing of the special resolution at the Extraordinary General Meeting and the Placing Agreement otherwise becoming unconditional in all respects and not being terminated in accordance with its terms.

The Directors will utilise the net proceeds of the Placing as working capital. This will accelerate the growth in output of Tanfield's Powered Access Division, bringing it in line with the exceptional growth in order intake. In addition, the Company is in advanced negotiations with its bankers with a view to extending the debt facilities available to it by approximately £5 million to approximately £9 million.

The order book for Powered Access continues to exceed expectations, with order intake consistently hitting £1 million or more, every week for the past six weeks. This is well ahead of current analyst

projections for 2007, which forecast average output of £500,000 per week for the Powered Access Division.

The Directors believe that recent commercial developments and the fund raising significantly enhance growth prospects for the Group.

The majority of the working capital will be invested in the supply chain, which will allow Tanfield to capitalise on sourcing components from low cost countries. Working capital will also support an expansion of the Company's global network of independent distributors; grow the machine spare parts business; and expand the UpRight model range.

The Placing

The Placing is expected to raise up to £20m (before expenses) for the Company. The Directors have considered alternative methods of raising these funds, however, in the interests of keeping the issue costs to a minimum, the Directors have concluded that a limited marketing exercise without pre-emption for existing shareholders is preferable to offering shares on a pre-emptive basis to existing shareholders. Accordingly the Directors have decided that it would be in the Company's and the shareholders' best interests for the funds to be raised through the Placing.

The Placing is subject to the terms of the Placing Agreement between Daniel Stewart, the Company and the Directors which contains, inter alia, warranties and indemnities in favour of Daniel Stewart in relation to the Group and any information made available to investors relating to the Placing.

The Placing Shares will, when issued, rank pari passu in all respects with the existing Ordinary Shares, including the rights to all dividends and other distributions declared, made or paid following Admission.

Application will be made for the Placing Shares to be admitted to AIM.

Authorities to allot new Ordinary Shares

Shareholders are being asked, at the Extraordinary General Meeting referred to below, to give the Directors authority to allot up to 50,000,000 new Ordinary Shares in the Placing.

Share capital

The authorised and issued share capital of the Company at the date of this document is as follows:

Ordinary Shares			
	Authorised		Issued and fully paid
£	Number	£	Number
3,500,000	350,000,000	2,420,724.67	242,072,467

and will, (assuming there are no further allotments of Ordinary Shares prior to Admission and assuming the authorities granted to the Directors at the Extraordinary General Meeting were fully utilised) be:

	Authorised		Issued and fully paid
£	Number	£	Number
4,000,000	400,000,000	2,920,724.67	292,072,467

The new Ordinary Shares so allotted would represent approximately 17.12 per cent. of the enlarged issued share capital.

Extraordinary General Meeting

In order that the Company is able to implement the issue of the Placing Shares it will be necessary for the Company to increase its authorised share capital, authorise the Directors to allot relevant securities under section 80 of the Companies Act 1985 and dis-apply statutory pre-emption rights which arise under the provisions of section 89 of that Act. The authorised share capital is being

increased so as to create flexibility for future issues, although the Directors would need the authority of shareholders to allot further Ordinary Shares.

Accordingly there is set out at the end of this document a notice convening an Extraordinary General Meeting of the Company to be held at the registered office of the Company at 10.30 a.m. on 15 November 2006. At the Extraordinary General Meeting a special resolution will be proposed to increase the authorised share capital and authorise the Directors to allot the Placing Shares without reference to statutory pre-emption rights. The authorities proposed to be conferred pursuant to the special resolution do not affect the authorities granted to the directors to allot new Ordinary Shares at the Annual General Meeting of the Company held on 29 September 2006.

At the Extraordinary General Meeting ordinary resolutions will be proposed to elect Mr. C Brooks and Mr. B Campbell as directors of the Company as, in each case, they were appointed by the Board and, pursuant to the Company's Articles of Association, they are each required to stand for election at the next general meeting of the Company following their appointment.

Action to be taken

A form of proxy for use at the Extraordinary General Meeting is enclosed. **Whether or not you intend to be present at the meeting, you are requested to complete the form of proxy in accordance with the instructions therein and return it to the Company's Registrars, Capita Registrars, Proxy Department, PO Box 25, Beckenham, Kent, BR3 4BR as soon as possible and in any event so that it is received no later than 10.30 a.m. on 13 November 2006.** The completion and return of the form of proxy will not preclude you from attending the Extraordinary General Meeting and voting in person if you so wish.

Copies of this document available for inspection

Copies of this document will be available free of charge to the public during normal business hours on any weekday (except Saturdays and public holidays) from the offices of Daniel Stewart & Company plc, Becket House, 36 Old Jewry, London, EC2R 8DD from today for a period of one month.

Recommendation

Your Directors, who have been advised by Daniel Stewart, consider the passing of the special resolution and the Placing to be in the best interests of the Company and its shareholders as a whole. In giving its advice, Daniel Stewart has taken into account the Directors' commercial assessments of the Company's commercial prospects and funding requirements.

Accordingly, the Directors unanimously recommend shareholders to vote in favour of the special resolution, upon which the Placing is, inter alia, conditional, as they intend to do in respect of their own holdings which together amount to 24,682,952 Ordinary Shares representing approximately 10.2 per cent. of the issued ordinary share capital of the Company at the date of this document.

Yours faithfully,

Roy Stanley
Chairman

Definitions

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

"Admission"	the admission of the Placing Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules;
"AIM"	the Alternative Investment Market of London Stock Exchange plc;
"AIM Rules"	the rules of AIM, as amended from time to time;
"Company"	Tanfield Group plc;
"Daniel Stewart"	Daniel Stewart & Company plc of Becket House, 36 Old Jewry, London, EC2R 8DD;
"Directors"	the directors of the Company whose names are set out on page 2;
"Group"	the Company and its subsidiaries;
"Ordinary Shares"	ordinary shares of 1p each in the capital of the Company;
"Placing"	the conditional placing of the Placing Shares with investors by Daniel Stewart pursuant to the Placing Agreement;
"Placing Agreement"	The conditional agreement dated 20 October 2006 between (1) the Company, (2) Daniel Stewart and (3) the Directors relating to the Placing; and
"Placing Shares"	the new Ordinary Shares to be allotted and issued to investors in the Placing.

TANFIELD GROUP PLC

(Incorporated in England and Wales with Registered Number 4061965)

NOTICE is hereby given that an **EXTRAORDINARY GENERAL MEETING** of Tanfield Group plc will be held at Unit BT95-2, North Tanfield Industrial Estate, Tanfield Lea, Stanley, Co. Durham, DH9 9NX at 10.30 a.m. on 15 November 2006 for the purpose of considering and, if thought fit, passing the following resolutions numbered (1) and (2) below as ordinary resolutions and the following resolution numbered (3) below as a special resolution:

ORDINARY RESOLUTIONS

- (1) To elect Mr. C Brooks as a director.
- (2) To elect Mr. B Campbell as a director.

SPECIAL RESOLUTION

- (3) THAT:
 - (a) the Company's authorised share capital be increased from £3,500,000 divided into 350,000,000 ordinary shares of 1p each ("Ordinary Shares") to £4,000,000 by the creation of an additional 50,000,000 new Ordinary Shares;
 - (b) without prejudice to the authority to the Directors under Section 80 of the Companies Act 1985 ("the Act") given by Ordinary Resolution of the Company on 29 September 2006 the Directors be generally and unconditionally authorised in accordance with Section 80 of the Act to exercise all the powers of the Company to allot up to 50,000,000 new Ordinary Shares in the Placing (as defined in the Circular from the Company to shareholders dated 23 October 2006 of which this Notice of Extraordinary General Meeting forms part ("the Circular")). Such authority shall, unless and to the extent previously revoked, varied or renewed by the Company in general meeting, expire at 8 a.m. on 16 December 2006; and
 - (c) without prejudice to the power given to the Directors pursuant to Section 95 of the Act by Special Resolution of the Company on 29 September 2006 the Directors be given power pursuant to Section 95 of the Act to allot up to 50,000,000 new Ordinary Shares in the Placing (as defined in the Circular) for cash pursuant to the Section 80 authority referred to in paragraph (b) above as if Section 89(1) of the Act did not apply to any such allotment, such power to expire when the authority under paragraph (b) of this Resolution is revoked or would (if not revoked) expire.

By Order of the Board

Charles Brooks
Company Secretary

Registered Office:
Unit 95-2
North Tanfield Industrial Estate
Tanfield Lea
Stanley
Co. Durham
DH9 9NX

Dated: 23 October 2006

Explanatory Notes

1. Votes

All shareholders who wish to attend and vote at the meeting must be entered on the Company's register of members no later than 48 hours before the time fixed for the meeting. Changes to entries on the register after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

2. Proxy

Shareholders entitled to attend and vote at the meeting may appoint a proxy or proxies to attend on their behalf. A proxy need not be a member of the Company. Investors who hold their Ordinary Shares through a nominee may wish to attend the meeting as a proxy, or to arrange for someone else to do so for them, in which case they should discuss this with their nominee or stockbroker. Whilst proxies may vote on a poll on any resolution, they are not entitled to vote on a show of hands. Proxies may ask questions at the meeting, if, in his discretion, the Chairman of the meeting allows it. Shareholders are invited to complete and return the enclosed Proxy Form. Completion of the Proxy Form will not prevent a shareholder from attending and voting at the meeting if subsequently he/she finds they are able to do so. To be valid, completed Proxy Forms must be received at the office of the Company's Registrars, Capita Registrars, Proxy Department, PO Box 25, Beckenham, Kent, BR3 4BR not less than 48 hours before the time fixed for the meeting.

3. Corporate shareholders

Representatives of shareholders which are corporations attending the meeting should produce evidence of their appointment by an instrument executed in accordance with Section 36A of the Act or signed on behalf of the corporation by a duly authorised officer or agent.

4. CREST

The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the Register of Members of the Company at 10.30 a.m. on 13 November 2006 shall be entitled to attend and vote at the aforesaid Extraordinary General Meeting in respect of such number of Ordinary Shares registered in their name at that time. Changes to entries on the Register of Members after 10.30 a.m. on 13 November 2006 shall be disregarded in determining the rights of any person to attend or vote at the meeting.