

THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek immediately your own financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you sell or have sold or otherwise transferred all of your registered holding of Existing Ordinary Shares in certificated form before the date upon which the Ordinary Shares are marked as ex-entitlement to the Open Offer by the London Stock Exchange (“**Ex-Entitlement Date**”) please send this document, together with the Application Form and the Form of Proxy as soon as possible, if and when received, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of the registration or any other local securities laws or regulations. If you sell or have sold or otherwise transferred all or some of your Existing Ordinary Shares held in uncertificated form before the Ex-Entitlement Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Open Offer Entitlements to the purchaser or transferee. If you have sold or transferred part of your holding of Existing Ordinary Shares prior to the Ex-Entitlement Date, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected and, in the case of Qualifying Non-CREST Shareholders, refer to the instructions regarding split applications set out in the Application Form.

TANFIELD GROUP PLC

(incorporated in England & Wales under the Companies Act 1985 with registered number 04061965)

Open Offer of 20,000,000 new Ordinary Shares at 10 pence per share

Notice of General Meeting

The whole of this document should be read in its entirety. Shareholders and any other persons contemplating a purchase of Open Offer Shares should review the risk factors set out in Part 4 of this document for a discussion of certain factors that should be considered when deciding on what action to take in relation to the Open Offer or deciding whether or not to purchase Open Offer Shares. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Open Offer, including the merits and risks involved.

Notice of a General Meeting of the Company to be held at its registered office, at Vigo Centre, Birtley Road, Washington, Tyne and Wear, NE8 9DA at 9 a.m. on 30 September 2010 is set out at the end of this document on pages 57 and 58. The Form of Proxy for use at the General Meeting accompanies this document and to be valid should be completed, signed and returned in accordance with the instructions printed on it to Capita Registrars Limited, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible and, in any event, so as to arrive by no later than 9 a.m. on 28 September 2010. Completion and return of the Form of Proxy will not prevent a Shareholder from attending and voting in person at the General Meeting.

The latest time and date for acceptance and payment in full for the Open Offer Shares under the Open Offer is expected to be 11 a.m. on 28 September 2010. The procedures for application and payment are set out in Part 3 of this document and, where relevant, in the Application Form. Qualifying CREST Shareholders should refer to paragraph 2.2 of Part 3 of this document.

The Company and each of the Directors, whose names appear on page 7 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Existing Ordinary Shares are admitted to trading on AIM, a market of London Stock Exchange plc. Application will be made to the London Stock Exchange for the Open Offer Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the Open Offer Shares will commence at 8.00 a.m. on 1 October 2010. No application is currently intended to be made for the Existing Ordinary Shares or the Open Offer Shares to be admitted to listing or dealing on any other exchange.

Arbuthnot Securities Limited, which is authorised and regulated in the United Kingdom by the FSA, is acting for the Company and no-one else in connection with the Open Offer and Admission and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Open Offer or Admission and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Open Offer or Admission or any matters referred to in this document or in the Application Form.

Apart from the responsibilities and liabilities, if any, which may be imposed on Arbuthnot Securities Limited by FSMA, Arbuthnot Securities Limited accepts no responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Open Offer Shares, the Open Offer or Admission. Arbuthnot Securities Limited accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this document or any such statement.

Qualifying Non-CREST Shareholders will find an Application Form enclosed with this document. It is expected that Qualifying CREST Shareholders (none of whom will receive an Application Form) will receive a credit to their appropriate stock accounts in CREST in respect of their Open Offer Entitlements which will be enabled for settlement on 9 September 2010. Applications under the Open Offer may only be made by a Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim arising out of a sale or transfer of Ordinary Shares prior to the Ex-Entitlement Date. If the Open Offer Entitlements are for any reason not enabled by 5.00 p.m. on 9 September 2010 or such later time as the Company may decide, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for Open Offer Entitlements credited to stock accounts in CREST. Qualifying CREST Shareholders who are CREST Sponsored Members should refer to their CREST Sponsors regarding the action to be taken in connection with this document and the Open Offer.

Neither the Open Offer Entitlements nor the Open Offer Shares have been, or will be, registered under the US Securities Act or under the securities legislation of any state or other jurisdiction of the United States. The Open Offer Entitlements and the Open Offer Shares may not be taken up or delivered in, into or within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with state securities laws. Application Forms are not being posted to any person in the United States and no Open Offer Entitlements will be credited to a stock or share account of any person in the United States.

Neither the Open Offer Entitlements nor the Open Offer Shares have been or will be registered under the relevant laws of any state, province or territory of any of the Excluded Territories. Subject to certain limited exceptions (i) the Open Offer Entitlements and the Open Offer Shares may not be taken up or delivered in, into or within any of the Excluded Territories, (ii) Application Forms are not being posted to any person in any of the Excluded Territories and (iii) no Open Offer Entitlements will be credited to a stock account of any person in any of the Excluded Territories.

The attention of Overseas Shareholders and other recipients of this document who are residents or citizens of any country other than the United Kingdom or who have a contractual or other legal obligation to forward this document, the Form of Proxy or, where relevant, the Application Form to a jurisdiction outside the United Kingdom (including without limitation custodians, nominees and trustees) is drawn to paragraph 6 of Part 3 of this document.

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IMPORTANT INFORMATION

Notice to all investors

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering an investment in the Open Offer Shares is prohibited. By accepting delivery of this document, each offeree of the Open Offer Shares agrees to the foregoing.

The distribution of this document, the Form of Proxy and/or the Application Form or the transfer of the Open Offer Shares into jurisdictions other than the United Kingdom may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, such documents should not be distributed, forwarded to or transmitted in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. The Application Form and the Open Offer Shares are not transferable, except in accordance with, and the distribution of this document is subject to, the restrictions set out in paragraph 6 of Part 3 of this document.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company or by Arbuthnot. Except to the extent imposed by FSMA and/or the AIM Rules, neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as at any time subsequent to its date.

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult their own legal, financial or tax adviser for legal, financial or tax advice.

No incorporation of website

The content of the Company's website www.tanfieldgroup.com does not form part of this document.

Definitions

Capitalised terms have the meanings ascribed to them in Part 6 of this document.

Where to find help

Part 2 of this document answers some of the questions most often asked by shareholders about open offers. If you have further questions relating to the procedure for acceptance and payment under the Open Offer, please telephone the Shareholder Helpline on the numbers set out below. This helpline is available from 9.00 a.m. to 5.00 p.m. Monday to Friday (except public holidays).

Shareholder Helpline

If you have any questions relating to this document and the completion and return of the Application Form, please telephone Capita Registrars between 9.00 a.m. and 5.00 p.m. (London time) Monday to Friday on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras.

Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes.

Please note that, for legal reasons, the Shareholder Helpline will only be able to provide information contained in this document and information relating to the Company's register of members and will be unable to give advice on the merits of the Open Offer or to provide financial, legal, tax or investment advice.

Forward-looking statements

This document includes statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms anticipates, believes, estimates, expects, intends, may, plans, projects, should or will, or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include, but are not limited to, statements regarding the Company's and/or Directors' intentions, beliefs or current expectations concerning, amongst other things, the Group's results of operations, financial position, prospects, growth, strategies and expectations for the markets in which the Company operates.

Any forward-looking statements in this document reflect the Company's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's operations, results of operations and growth strategy. Investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision. Subject to the requirements of the AIM Rules, none of the Company, the Directors and Arbuthnot undertake any obligation publicly to release the result of any revisions to any forward-looking statements in this document that may occur due to any change in the Company's expectations or to reflect events or circumstances after the date of this document. A number of factors could cause results and developments of the Group to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, changes in regulation, currency fluctuations, changes in its business strategy, political and economic uncertainty and other factors discussed in the section headed "Risk Factors" in Part 4 of this document.

OPEN OFFER STATISTICS

Issue Price per Open Offer Share	10 pence
Open Offer Entitlements under the Open Offer	1 Open Offer Share for every 3.7038609 Existing Ordinary Shares
Number of Ordinary Shares in issue at the date of this document	74,077,218
Number of Open Offer Shares to be issued by the Company	up to 20,000,000
Enlarged Ordinary Share Capital	up to 94,077,218 Ordinary Shares
Open Offer Shares as a percentage of Enlarged Ordinary Share Capital	up to 21.26 per cent.
Gross proceeds of the New Issue	up to £2.0 million
Estimated net proceeds of the New Issue receivable by the Company	£1.8 million

Note:

Of the 20,000,000 Open Offer Shares, undertakings have been received from the Directors to subscribe for 1,614,554 Open Offer Shares (representing the Open Offer Entitlements in respect of their beneficial holdings of Ordinary Shares). In addition, the Underwriting Group has undertaken to subscribe for, in aggregate, up to a further 18,250,000 Open Offer Shares, to the extent that these are not taken up by Qualifying Shareholders. Accordingly, the Company expects to issue at least 19,864,554 Open Offer Shares and to raise minimum gross proceeds of £1.99 million (£1.8 million net of expenses).

EXPECTED TIMETABLE OF PRINCIPAL EVENTS⁽¹⁾

2010

Record Date for Open Offer Entitlements	close of business on Monday 6 September
Announcement of the Open Offer, publication and posting of this document, Forms of Proxy and Application Forms ⁽²⁾	Wednesday 8 September
Ex-Entitlement Date for the Open Offer	Wednesday 8 September
Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders	as soon as possible after 8.00 a.m. on Thursday 9 September
Notice of the Open Offer published in the London Gazette	Friday 10 September
Recommended latest time for requesting withdrawal of Open Offer Entitlements into CREST	4.30 p.m. on Wednesday 22 September
Latest time for depositing Open Offer Entitlements	3.00 p.m. on Thursday 23 September
Latest time and date for splitting of Application Forms (to satisfy bona fide market claims only)	3.00 p.m. on Friday 24 September
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or Settlement of relevant CREST Instruction	11.00 a.m. on Tuesday 28 September
Latest time and date for receipt of Forms of Proxy	9.00 a.m. on Tuesday 28 September 2010
General Meeting	9.00 a.m. on Thursday 30 September 2010
Admission and commencement of dealings in Open Offer Shares	by 8.00 a.m. on Friday 1 October
CREST members' accounts credited in respect of Open Offer Shares in uncertificated form	as soon as possible after 8.00 a.m. on Friday 1 October
Despatch of definitive share certificates for Open Offer Shares in certificated form	within 10 Business Days of Admission

Notes:

- (1) The times set out in the expected timetable of principal events above and mentioned throughout this document are times in London unless otherwise stated, and may be adjusted by the Company, in which event details of the new times and dates will be notified to the London Stock Exchange and, where appropriate, Shareholders.
- (2) Subject to certain restrictions relating to certain Shareholders with registered addresses, or who are resident, outside the UK. See Part 3 of this document.

If you have any queries on the procedure for application and payment then please call Capita Registrars Shareholder Helpline on 0871 664 0321 or, if telephoning from outside the UK, on +44 20 8639 3399 between 9.00 a.m. and 5.00 p.m. Monday to Friday. Calls to the 0871 664 0321 number are charged at 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the Shareholder Helpline from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Capita Registrars cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Jon Pither, <i>Non-Executive Chairman</i> Jeremy Wooding, <i>Non-Executive Deputy Chairman</i> Roy Stanley, <i>Non-Executive Director</i> John Bridge, <i>Non-Executive Director</i> Martin Groak, <i>Non-Executive Director</i> Darren Kell, <i>Chief Executive</i> Charles Brooks, <i>Finance Director</i> Brendan Campbell, <i>Managing Director,</i> <i>Powered Access Division</i> Geoff Allison, <i>Managing Director,</i> <i>Zero Emission Vehicles Division</i>
Company Secretary	Charles Brooks
Registered Office and Directors' Business Address	Vigo Centre Birtley Road Washington Tyne and Wear NE38 9DA
Nominated Adviser and Broker	Arbutnot Securities Limited 20 Ropemaker Street London EC2Y 9AR
Legal Adviser to the Company	Ward Hadaway Sandgate House 102 Quayside Newcastle upon Tyne NE1 3DX
Receiving Agents	Capita Registrars Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA

PART 1

LETTER FROM THE DEPUTY CHAIRMAN

TANFIELD GROUP PLC

(Registered in England and Wales No. 04061965)

Directors

Jon Pither, *Non-Executive Chairman*
Jeremy Wooding, *Non-Executive Deputy Chairman*
Roy Stanley, *Non-Executive Director*
John Bridge, *Non-Executive Director*
Martin Groak, *Non-Executive Director*
Darren Kell, *Chief Executive*
Charles Brooks, *Finance Director*
Brendan Campbell, *Managing Director, Powered Access Division*
Geoff Allison, *Managing Director, Zero Emission Vehicles Division*

Registered Office:

Vigo Centre
Birtley Road
Washington
Tyne and Wear
NE38 9DA

8 September 2010

Dear Shareholder,

Open Offer of 20,000,000 new Ordinary Shares at 10 pence per share Notice of General Meeting

1. Introduction

The Board today announced that the Company was proposing an Open Offer to shareholders of 20,000,000 new Ordinary Shares at 10 pence per Open Offer Share to raise gross proceeds of up to approximately £2.0 million (approximately £1.8 million net of expenses).

Of the 20,000,000 Open Offer Shares, undertakings have been received from the Directors to subscribe for 1,614,554 Open Offer Shares (representing the Open Offer Entitlements in respect of their beneficial holdings of Ordinary Shares). In addition, an Underwriting Group of Directors (Roy Stanley, Darren Kell and Jon Pither (through his management company Surrey Management Services)) and institutional investors has undertaken to subscribe for, in aggregate, up to a further 18,250,000 Open Offer Shares, to the extent that these are not taken up by Qualifying Shareholders. Accordingly, the Company expects to issue at least 19,864,554 Open Offer Shares and to raise minimum gross proceeds of £1.99 million (£1.8 million net of expenses).

The Issue Price represents a discount of approximately 31.0 per cent. to the Closing Price of 14.5 pence per Ordinary Share on 7 September 2010 (being the last business day before the announcement of the Open Offer).

The Open Offer is conditional, *inter alia*, on the passing at the General Meeting of the Resolution, which will provide the Directors with authority to implement the Open Offer.

The purpose of this document is to (i) set out the terms of the Open Offer and (ii) explain why the Independent Directors consider the Open Offer to be in the best interests of the Company and its Shareholders and to recommend you vote in favour of the Resolution to be proposed at the General Meeting and (iii) to convene a General Meeting at which the Resolution will be proposed in order to permit the Open Offer to occur. The notice convening the General Meeting to be held at 9 a.m. on 30 September 2010 at Vigo Centre, Birtley Road, Washington, Tyne and Wear, NE38 9DA is set out at the end of this document.

2. Background to and Reasons for the Open Offer

Reasons for the Open Offer and use of proceeds

On 9 August 2010, the Board of the Company announced that it had signed non-binding Heads of Terms to consolidate its electric vehicle businesses under SEV US, its US associate company.

In its Interim Statement published on 18 August 2010 the Board announced that, despite the Company's focus on cash preservation, its net cash had fallen to £2.2 million at 30 June 2010 and that, as a priority, it was reviewing alternative ways to fund the continuing cash outflow until it could complete the consolidation of its electric vehicle businesses which was under negotiation and successful implementation of which was expected to lead to a cash inflow for the Company.

On 26 August 2010 the Board announced that, in view of the absence of available credit facilities, the Company was in negotiations to finalise a possible equity raising, to be structured on a pre-emptive basis as an open offer to all Shareholders and partially underwritten by certain of its Directors, at a substantial discount to the then share price. The Open Offer announced today represents the culmination of those negotiations.

The Board also announced today that:

- i. certain institutional investors had agreed to underwrite a proportion of the Open Offer in addition to the partial underwriting provided by certain Directors; and
- ii. pending receipt of the Open Offer proceeds and in addition to their underwriting commitments, Roy Stanley, Darren Kell and Jon Pither (through his management company Surrey Management Services) had agreed to provide the Company with facilities under Standby Loan Agreements amounting to £0.75 million. The terms of these facilities are set out in paragraph 5 below.

The Directors believe that the Company needs access to the proceeds of the Open Offer and, in the meantime, the funds available under the Standby Loan Agreements in order to strengthen its financial position. The funds will be used to support its supply chain and for general working capital purposes and are expected to provide funding for a short period within which to complete the consolidation of the Company's electric vehicle businesses. The Directors expect such consolidation, if implemented successfully, to result in a cash inflow in the short-term and in the longer-term to allow the combined electric vehicle business to fulfil its potential.

Consolidation of the electric vehicle businesses

The consolidation of the electric vehicles businesses remains subject to negotiation.

SEV US is currently discussing with potential investors the possibility of raising additional funds to support its ambitious growth plans. The money raised would be used to provide working capital to accelerate the growth of the business and to pay the Company for its electric vehicle operations. This round of SEV US fundraising is seen as a precursor to a possible public offering of SEV US's equity securities on the US NASDAQ exchange, which could take place as early as the first half of 2011.

SEV US's progress to date has been reported in various announcements by the Company and includes the award of a \$32m US Government Department of Energy grant to accelerate the implementation of the electric vehicles. In addition it has successfully implemented its build and delivery plan and won new business with US blue chip clients. The Directors expect that future growth in the US will be significantly more rapid than in the European market, due to the number of Federal and State initiatives to drive demand and application. These factors, together with the opportunities presented in its market place, suggest to the Board that with adequate funding, the growth potential of SEV US is very significant. The Company expects to retain its holding in SEV US in order to benefit from any increased value in the event that this growth potential is realised.

The Directors consider that SEV US has an attractive investment case to present to potential investors. The current round of funding under discussion by SEV US will result in a dilution of the Company's shareholding in SEV US. However, the Directors believe that the potential acceleration in its performance following an injection of additional capital will result in a higher value of the Company's retained holding.

On completion of the expected consolidation and associated cash inflow for the Company, the Company will continue to operate in the powered access market. As indicated in the Company's Interim Statement, the Directors believe that the global market for aerial lifts has bottomed out, but that the low levels of activity mean there is little potential for growth before 2011. However, major buyers of powered access products have been ageing their fleets. Growth may result from some re-investment in new equipment at some point in 2011, dependent also on wider economic indicators and the availability of financing. The Company should be in a position to address this growth.

There can be no assurance that SEV US will secure the necessary funding within the short time available. Without that funding, the Company would not receive a cash inflow and would have to review its financial position and ability to access alternative sources of financing.

3. Principal Terms of the Open Offer

Structure

The Company is proposing to raise gross proceeds of up to £2.0 million (approximately £1.8 million net of expenses) by the issue of up to 20,000,000 new Ordinary Shares through the Open Offer at 10 pence per Open Offer Share. Qualifying Shareholders are being offered the right to subscribe for Open Offer Shares in accordance with the terms of the Open Offer on the basis of one new Open Offer Share for approximately every 3.7038609 Ordinary Shares held.

The Issue Price represents a discount of approximately 31.0 per cent. to the Closing Price of 14.5 pence per Ordinary Share on 7 September 2010 (being the last Business Day before the announcement of the Open Offer).

The New Issue is expected to result in up to 20,000,000 new Ordinary Shares being issued (representing up to approximately 27 per cent. of the existing issued share capital and 21.26 per cent. of the Enlarged Ordinary Share Capital).

The Open Offer is being partially underwritten by the Underwriting Group. Together, they have agreed to subscribe in aggregate for up to 18,250,000 Open Offer Shares to the extent that such shares have not been taken up by Qualifying Shareholders subject to, and in accordance with, the terms and conditions of the Underwriting Agreement, the principal terms of which are summarised in paragraph 5.1 of Part 5 of this document.

Taken together with undertakings received from the Directors to subscribe for 1,614,554 Open Offer Shares (representing the Open Offer Entitlements in respect of their beneficial holdings of Ordinary Shares), the Company expects the Open Offer to result in the issue of at least 19,864,554 Open Offer Shares and to raise minimum gross proceeds of £1.99 million (£1.8 million net of expenses).

Some questions and answers in relation to the Open Offer, together with details of further terms and conditions of the Open Offer, including the procedure for application and payment, are set out in Parts 2 and 3 of this document and, where relevant, are set out in the Application Form.

Open Offer

The Directors recognise the importance of pre-emption rights to Shareholders and consequently all of the Open Offer Shares are being offered to Qualifying Shareholders by way of the Open Offer, which is being made in accordance with the statutory pre-emption provisions of the 2006 Act. The Open Offer provides an opportunity for Qualifying Shareholders to participate in the fundraising by subscribing for their respective Open Offer Entitlements.

In the event that valid applications are not received in respect of all of the Open Offer Shares under the Open Offer, unallocated Open Offer Shares will not be allotted to Qualifying Shareholders and will instead be subscribed by members of the Underwriting Group up to in aggregate 18,250,000 Open Offer Shares. The Directors may arrange for any remaining unallocated Open Offer Shares to be placed with investors, with the net proceeds retained for the benefit of the Company. Any such placing would involve investors paying at least the same price per share as the Issue Price.

Open Offer Entitlements

Qualifying Shareholders are being offered the opportunity to subscribe at the Issue Price for Open Offer Shares on the following basis:

1 Open Offer Share for every 3.7038609 Existing Ordinary Shares

registered in their name at the close of business on the Record Date.

Open Offer Entitlements under the Open Offer will be rounded down to the nearest whole number and any fractional entitlements to Open Offer Shares will not be allocated but will be aggregated and sold for the benefit of the Qualifying Shareholders who subscribe for Open Offer Entitlements save that to the extent that the net proceeds of any such sale for such Qualifying Shareholders shall be less than £3, such amount shall be retained for the benefit of the Company. If you have sold or otherwise transferred all of your Existing Ordinary Shares before the Ex-Entitlement Date, you are not entitled to participate in the Open Offer.

Conditionality

The Open Offer is conditional, *inter alia*, upon:

- the Press Announcement having been released via a Regulatory Information Service by not later than today's date;
- the posting of this document to Qualifying Shareholders by not later than today's date;
- the passing of the Resolution to be proposed at the General Meeting; and
- Admission becoming effective by not later than 8.00 a.m. on 1 October 2010 (or such later time and date as the Company may agree, not being later than 8.00 a.m. on 15 October 2010).

Important notice

The Open Offer Shares are not being made available in whole or in part to the public except under the terms of the Open Offer. The Open Offer is not being made to Shareholders in the United States or in any jurisdiction in which such an offer or solicitation would be unlawful. Accordingly, Application Forms are not being sent to and Open Offer Entitlements are not being credited to Shareholders in the United States or in any Excluded Territory. The attention of Overseas Shareholders is drawn to paragraph 6 of Part 3 of this document.

The Open Offer is not a rights issue. Invitations to apply under the Open Offer are not transferable unless to satisfy bona fide market claims and the Application Form is not a document of title and cannot be traded. Qualifying Shareholders should be aware that, in the Open Offer, unlike in the case of a rights issue, any Open Offer Shares not applied for under the Open Offer will not be sold in the market or placed for the benefit of Qualifying Shareholders, but will instead be subscribed by members of the Underwriting Group up to an aggregate of 18,250,000 Open Offer Shares. The Directors may arrange for any remaining unallocated Open Offer Shares to be placed with investors, with the net proceeds retained for the benefit of the Company. Any such placing would involve investors paying at least the same price per share as the Issue Price.

To be valid, completed Application Forms and payment in full must be received by Capita Registrars no later than 11.00 a.m. on 28 September 2010. Further information on the Open Offer, including the procedure for application and payment, is set out in Part 3 of this document and, where applicable, the Application Form.

4. Impact of the Open Offer

The Open Offer will result in up to 20,000,000 new Ordinary Shares being issued (representing up to approximately 27 per cent. of the existing issued share capital and 21.26 per cent. of the Enlarged Ordinary Share Capital). It is expected that at least 19,864,554 new Ordinary Shares will be issued as a result of the Open Offer (representing approximately 26.8 per cent. of the existing issued share capital and 21.1 per cent. of the Enlarged Ordinary Share Capital).

5. Standby Loan Agreements

In addition to their underwriting commitments as members of the Underwriting Group, three Directors, Roy Stanley, Darren Kell and Jon Pither (through his management company Surrey Management Services), have entered into Standby Loan Agreements with the Company pursuant to which they will make available to the Company on demand £450,000, £225,000 and £75,000 respectively pending receipt of the Open Offer proceeds. The principal terms of the Standby Loan Agreements are summarised in paragraph 5.2 of Part 5 of this document.

Each of the Directors entering into Standby Loan Agreements (in the case of Jon Pither through Surrey Management Services) have a right to set off monies due by them to the Company under the Underwriting Agreement against monies due by the Company to them under their Standby Loan Agreement. Repayment of these loans will be made from the net proceeds of the Open Offer or set off as specified. If the Open Offer is not concluded by 8 October 2010, the loans become repayable on 15 Business Days notice by either party.

The Company's obligations under the Standby Loan Agreements are secured by Debentures granted to Roy Stanley, Darren Kell and Surrey Management Services. The principal terms of the Debentures are summarised in paragraph 5.2.6 of Part 5 of this document.

6. Irrevocable Undertakings

The Company has received irrevocable undertakings from its Directors to apply for their full Open Offer Entitlements amounting in aggregate to 1,614,554 Open Offer Shares in respect of their beneficial holdings of Ordinary Shares.

These undertakings are in addition to the underwriting commitments given by the members of the Underwriting Group that in the event that not all of the Open Offer Shares are taken up by Qualifying Shareholders, they will subscribe for up to an aggregate of 18,250,000 Open Offer Shares in the proportions Roy Stanley 41.1 per cent., Darren Kell 17.8 per cent., Jon Pither (through Surrey Management Services) 8.2 per cent. and Institutional Underwriters 32.9 per cent. respectively.

7. Related Party Transactions

The subscriptions by Roy Stanley, Darren Kell and Jon Pither (through his management company Surrey Management Services) under the Underwriting Agreement and their entry into the Standby Loan Agreements and the Debentures constitute related party transactions within the meaning of the AIM Rules.

The Directors consider, having consulted with Arbuthnot, the Company's nominated adviser, that the terms of these transactions are fair and reasonable in so far as the Shareholders are concerned.

8. General Meeting

On 9 August 2010, the Company announced that it had adjourned its 2010 Annual General Meeting, which was convened at 9.00 a.m. on 9 August 2010, in accordance with the Articles, to a date and place to be determined by the Directors. The 2010 Annual General Meeting remains adjourned to a date and place to be determined by the Directors.

It is proposed to implement the Open Offer pursuant to the Resolution to be proposed at the General Meeting on 30 September 2010. If the Resolution is passed at the General Meeting, the authority of the Directors to allot new shares will be limited to allotting the Open Offer Shares.

Whilst it would have been possible to implement the Open Offer, by the passing of the relevant resolution set out in the Company's Notice of Annual General Meeting dated 19 July 2010, on the resumption of the 2010 Annual General Meeting, the position which has been taken by the Directors, in convening the General Meeting, reflects the need for the Company to secure funding as a priority to other matters and their view that the Shareholders should be able to consider the merits of authorising the Directors to implement the Open Offer in isolation to the other business which will be dealt with at the 2010 Annual General Meeting, on its resumption. Shareholders will appreciate that proxies cast in respect of the 2010 Annual General Meeting will continue to count in relation to the resolutions put to

the meeting on its resumption and so would not have reflected the position of the Shareholders in relation to the Open Offer, had the Directors attempted to make use of the relevant authority set out in the Company's Notice of Annual General Meeting dated 19 July 2010 in relation to the Open Offer. In addition, the Directors believe that beneficial holders of Ordinary Shares may be more active in relation to the General Meeting, given that the Form of Proxy is being circulated with this document.

Following Admission it is the intention of the Directors to resume the 2010 Annual General Meeting, in accordance with the Articles, with the resumed meeting to take place no later than 31 October 2010.

A consequence of the Company not resuming the 2010 Annual General Meeting by 27 September 2010 will be that, in accordance with the Articles, Darren Kell and John Bridge will cease to be Directors on that date as, on that date, they will both have served as Directors for terms of three years without having been re-elected by the Shareholders. It is proposed that Darren Kell and John Bridge continue to serve the Company after 27 September 2010, with Darren Kell continuing to carry out his contractual duties and John Bridge acting as a consultant to the Company.

A notice convening the General Meeting to be held at 9.00 a.m. on 30 September 2010 at the registered office of the Company at Vigo Centre, Birtley Road, Washington, Tyne and Wear, NE38 9DA, for the purpose of considering and, if thought fit, passing the Resolution, is set out at the end of this document. The Resolution proposes to authorise the Directors for the purposes of Section 551 of the 2006 Act to exercise all the powers of the Company to allot shares and/or to grant such rights to subscribe for or to convert any security into shares in the Company in connection with the Open Offer up to an aggregate nominal amount of £1,000,000. If passed, such authority will expire on 30 October 2010.

The Resolution will be proposed as an ordinary resolution, requiring the consent of more than 50 per cent. of the Shareholders or their proxies who vote on such resolution.

9. Overseas Shareholders

The attention of Overseas Shareholders is drawn to the information which appears in paragraph 6 of Part 3 of this document.

This document has been sent to all Shareholders on the register of members of the Company on the Record Date. However, this document does not constitute an offer to sell or the solicitation of an offer to purchase securities in the United States, the Excluded Territories or any other jurisdiction in which it may be unlawful to do so.

10. Taxation

Information regarding taxation in the UK in relation to the Ordinary Shares is set out in paragraph 7 of Part 5 of this document. Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult their appropriate professional adviser as soon as possible.

11. Risk Factors and Additional Information

An investment in Open Offer Shares carries a significant degree of risk. In particular, there can be no assurance that the discussions with SEV US, which remain subject to financing, will lead to a successful outcome and a cash inflow for the Company. If the Company failed to receive the expected cash inflow in the short term, it would have to review its financial position and ability to access alternative sources of funding.

Shareholders' attention is drawn to the risk factors and additional information contained in Parts 4 and 5 of this document. Shareholders are advised to read the whole of the document and not rely only on the summary information presented in this letter.

12. Admission to Trading and Dealing Arrangements

An application will be made to the London Stock Exchange for the Open Offer Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Open Offer Shares will commence at 8.00 a.m. on 1 October 2010.

No application is currently intended to be made for the Existing Ordinary Shares or the Open Offer Shares to be admitted to listing or dealt in on any other exchange.

Subject to the satisfaction of the conditions of the Open Offer, the Open Offer Shares to be issued under the Open Offer will be registered in the names of the persons to whom they are issued, either:

- in certificated form, with the relevant share certificate expected to be despatched by post, at the Applicant's risk, by 15 October 2010; or
- in CREST, with delivery (to the designated CREST account) of the Open Offer Shares applied for expected to take place on 1 October 2010 unless the Company exercises its right to issue Open Offer Shares in certificated form.

The results of the Open Offer will be announced on a Regulatory Information Service.

13. Action to be taken in respect of General Meeting

Shareholders will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether or not you intend to be present at the General Meeting, you are requested to complete, sign and return the Form of Proxy in accordance with the instructions printed on it to Capita Registrars Limited, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible and, in any event, so as to arrive no later than 9.00 a.m. on 28 September 2010. Completion and return of the Form of Proxy will not affect your right to attend and vote in person at the General Meeting if you so wish.

14. Action to be taken in respect of the Open Offer

If you are a Qualifying Non-CREST Shareholder, you will find enclosed with this document an Application Form to apply for Open Offer Shares under the Open Offer. If you wish to take up any or all of your Open Offer Entitlements, you should complete the enclosed Application Form in accordance with the procedure for application set out in paragraph 2 of Part 3 of this document and in the Application Form. Completed Application Forms, accompanied by full payment in accordance with the instruction in paragraph 2.1(d) of Part 3 of this document should be returned by post or by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, in either case as soon as possible and in any event so as to be sent by no later than 11.00 a.m. on 28 September 2010.

If you are a Qualifying CREST Shareholder, no Application Form is enclosed and you will receive a credit to your appropriate stock account in CREST in respect of your Open Offer Entitlements under the Open Offer. You should refer to the procedure for application set out in paragraph 2 of Part 3 of this document.

The latest time for applications under the Open Offer to be received whether from Qualifying Non-CREST Shareholders or from Qualifying CREST Shareholders is 11.00 a.m. on 28 September 2010. The procedure for application and payment depends on whether, at the time at which the application and payment is made, you have an Application Form in respect of your Open Offer Entitlements under the Open Offer or have your Open Offer Entitlements credited to your stock account in CREST in respect of such entitlements. The procedures for application and payment are set out in Part 3 of this document. Further details also appear in the Application Forms which have been sent to Qualifying Non-CREST Shareholders.

Qualifying CREST Shareholders who are CREST Sponsored Members should refer to their CREST Sponsors regarding the action to be taken in connection with this document and the Open Offer.

The attention of Overseas Shareholders is drawn to paragraph 6 of Part 3 of this document.

Further details of the Open Offer are set out, in the case of Qualifying Non-CREST Shareholders, in the Application Form.

If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA immediately if you are in the United Kingdom or, if you are not, from another appropriately authorised independent professional adviser.

15. Recommendation

The Independent Directors consider the Open Offer to be in the best interests of Shareholders as a whole.

The Open Offer is conditional, *inter alia*, on the passing of the Resolution at the General Meeting. If the Resolution is not passed, the Open Offer will fail to proceed and the Directors would have to consider the Company's ability to continue trading.

The Independent Directors therefore strongly urge Shareholders to vote in favour of the Resolution, as each of the Directors has irrevocably undertaken to do in respect of his own beneficial holding to the extent that he has any such holding, which together amount to 5,980,093 Ordinary Shares, representing approximately 8.07 per cent. of the Ordinary Shares in issue as at 7 September 2010 (being the last practicable date prior to the publication of this document).

Yours sincerely,

Jeremy Wooding
Deputy Chairman

PART 2

QUESTIONS AND ANSWERS ON THE OPEN OFFER

The questions and answers set out in this Part 2 are intended to be in general terms only and, as such, you should read Part 2 of this document for full details of what action you should take. If you are in any doubt as to what action you should take, please consult your stockbroker, bank manager, solicitor, accountant, or other independent financial adviser, duly authorised under FSMA if you are resident in the United Kingdom, or, if not, from another appropriately authorised financial adviser.

This Part 2 deals with general questions relating to the Open Offer and more specific questions relating to Ordinary Shares held by persons resident in the United Kingdom who hold their Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 6 of Part 3 of this document and you should take professional advice as to whether you are eligible and/or need to observe any formalities to enable you to take up any entitlements. If you hold your Ordinary Shares in uncertificated form (that is, through CREST), you should read Part 3 of this document for full details of what action you should take. If you are a CREST Sponsored Member, you should also consult your CREST Sponsor. If you do not know whether your Ordinary Shares are in certificated or uncertificated form, please call the Shareholder Helpline on 0871 664 0321 or, if telephoning from outside the UK, on +44 (0)20 8639 3399 between 9.00 a.m. and 5.00 p.m. Monday to Friday. Calls to the 0871 664 0321 number are charged at 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the Shareholder Helpline from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.

For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Open Offer or to provide legal, financial, tax or investment advice.

1. What is an Open Offer?

An open offer is a way for companies to raise money. Companies do this by giving their existing shareholders a right to buy further shares in proportion to their existing shareholdings.

The offer under the Open Offer is one Open Offer Share for every 3.7038609 Existing Ordinary Shares at a price of 10 pence per Open Offer Share. If you held Ordinary Shares on the Record Date and did not sell them before the Ex-Entitlement Date and are a Qualifying Shareholder you will be entitled to subscribe for Open Offer Shares under the Open Offer. If you hold your Ordinary Shares in certificated form, your Open Offer Entitlement will be set out in your Application Form.

Open Offer Shares are being offered to Qualifying Shareholders in the Open Offer at a discount to the share price on the last dealing day before the details of the Open Offer were announced on 8 September 2010. The Issue Price of 10 pence per Open Offer Share represents a discount of approximately 31.0 per cent. to the Closing Price of 14.5 pence per Ordinary Share on 7 September 2010, the last Business Day prior to the date of announcement of the terms of the Open Offer.

An Open Offer is not a rights issue and therefore, if you are a Qualifying Shareholder and you do not want to buy the Open Offer Shares to which you are entitled, you will not be able to sell or transfer your entitlement to those Open Offer Shares. The Open Offer is being made in accordance with the statutory pre-emption provisions contained in sections 561 and 562 of the 2006 Act.

2. I hold my Ordinary Shares in certificated form. How do I know if I am able to acquire Open Offer Shares under the Open Offer?

If you receive an Application Form and you are a Qualifying Shareholder then you should be eligible to acquire Open Offer Shares under the Open Offer (as long as you did not sell all of your Ordinary Shares before 8.00 a.m. on 8 September 2010 (the time when the Ordinary Shares were marked "ex-entitlements" by the London Stock Exchange)).

3. I hold my Ordinary Shares in certificated form. What do I need to do in relation to the Open Offer?

If you hold your Ordinary Shares in certificated form and are not an Overseas Shareholder, you should have received an Application Form with this document that shows:

- (a) how many Ordinary Shares you held at the close of business on 6 September 2010 (the Record Date for the Open Offer);
- (b) how many Open Offer Shares you are entitled to buy; and
- (c) how much you need to pay if you want to take up your entitlement to buy all the Open Offer Shares which you are entitled to buy.

If you are an Overseas Shareholder, subject to certain exceptions, you will not have received and will not receive an Application Form.

4. I am a qualifying shareholder and I hold my Ordinary Shares in certificated form. What are my choices and what should I do with the application form?

(a) *If you want to take up all of your Open Offer Entitlements*

If you want to take up all of your Open Offer Entitlements to acquire Open Offer Shares, you should complete and sign your Application Form, and send this, together with your cheque or banker's draft in pounds sterling for the full amount of your Open Offer Entitlements, payable to Capita Registrars Limited re: Tanfield Group plc – Open Offer ac and crossed A/C payee only, by post or by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, to arrive by no later than 11.00 a.m. on 28 September 2010. Full instructions are set out in Part 3 of this document and in the Application Form.

Please note third party cheques will not be accepted other than building society cheques or banker's drafts. If payment is made by building society cheque (not being drawn on an account of the Applicant) or a banker's draft, the building society or bank must endorse on the cheque or draft the Applicant's name and the number of an account held in the Applicant's name at the building society or bank, such endorsement being validated by a stamp and an authorised signature.

Subject to Admission, a definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you by no later than 15 October 2010.

(b) *If you want to take up more than your Open Offer Entitlements*

It will not be possible to take up more than your Open Offer Entitlements and any Open Offer Shares not applied for under the Open Offer will not be sold in the market or placed for the benefit of Qualifying Shareholders but will instead be subscribed by members of the Underwriting Group up to in aggregate 18,250,000 Open Offer Shares. The Directors may arrange for any remaining unallocated Open Offer Shares to be placed with investors, with the net proceeds retained for the benefit of the Company. Any such placing would involve investors paying at least the same price per share as the Issue Price.

No application in excess of a Qualifying Shareholder's maximum Open Offer Entitlement will be met, and any Qualifying Shareholder so applying will be deemed to have applied for his maximum Open Offer Entitlement only. Any monies paid in excess of the amount due in respect of an application will be returned to the Applicant (at the Applicant's risk) without interest within 14 days by way of cheque or CREST payment, as appropriate.

(c) *If you do not want to take up your Open Offer Entitlements at all*

If you do not want to take up your Open Offer Entitlements to Open Offer Shares, you do not need to do anything. You will not receive any payment in respect of any entitlement which is not taken up by you.

(d) ***If you want to take up some but not all of your Open Offer Entitlements***

If you want to take up some but not all of your Open Offer Entitlements, you should complete Boxes 2 and 3 on the Application Form and then sign the Application Form and return it together with your cheque or banker's draft in pounds sterling for the full amount due, payable to Capita Registrars Limited re: Tanfield Group plc – Open Offer ac and crossed A/C payee only, by post or by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, to arrive by no later than 11.00 a.m. on 28 September 2010. Full instructions are set out in Part 3 of this document and in the Application Form.

Shareholders are requested, whether or not they wish to take up Open Offer Entitlements, to complete and return the enclosed Form of Proxy for use at the General Meeting to be held at the registered office of the Company at Vigo Centre, Birtley Road, Washington, Tyne and Wear, NE38 9DA at 9.00 a.m. on 30 September 2010.

5. I acquired my Ordinary Shares prior to the Record Date and hold my Ordinary Shares in certificated form. What if I do not receive an application form?

If you have not received an Application Form with this document but hold your Ordinary Shares in certificated form, this probably means that you are not able to participate in the Open Offer. Some Qualifying Non-CREST Shareholders, however, will not receive an Application Form but may still be eligible to acquire Open Offer Shares under the Open Offer, namely:

- (a) Qualifying CREST Shareholders who held their Ordinary Shares in uncertificated form on 6 September 2010 and who have converted them to certificated form;
- (b) Shareholders who bought Ordinary Shares before 6 September 2010 and who hold such Ordinary Shares in certificated form but were not registered as the holders of those Ordinary Shares at the close of business on 6 September 2010; and
- (c) certain Overseas Shareholders.

If you have not received an Application Form but think that you should have received one, please contact the Shareholder Helpline on 0871 664 0321 within the UK or, if telephoning from outside of the UK on +44 (0)20 8639 3399 between 9.00 a.m. and 5.00 p.m. Monday to Friday. Calls to the 0871 664 0321 number are charged at 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the Shareholder Helpline from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. For legal reasons, the Shareholder Helpline will only be able to provide information contained in this document (and in addition information relating to the Company's register of members) and will be unable to give advice on the merits of the Open Offer or to provide financial, tax or investment advice.

If you bought your Ordinary Shares before the Record Date but were not the registered holder of those shares at close of business on the Record Date you should consult your stockbroker, bank manager or other appropriate financial advisor or whoever arranged your share purchase to ensure you can claim your Open Offer Entitlements.

6. If I buy Ordinary Shares after the Record Date will I be eligible to participate in the Open Offer?

If you bought Ordinary Shares after the Record Date but prior to 8.00 a.m. on 8 September 2010 (the time when the Ordinary Shares are expected to start trading ex-entitlements on the London Stock Exchange), you may be eligible to participate in the Open Offer.

If you are in any doubt, please consult your stockbroker, bank manager or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your Open Offer Entitlements. If you buy Ordinary Shares at or after 8.00 a.m. on 8 September 2010, you will not be eligible to participate in the Open Offer in respect of those Ordinary Shares.

7. I hold my Ordinary Shares in certificated form. If I take up my entitlement, when will I receive the certificate representing my Open Offer Shares?

If you take up your entitlement under the Open Offer, share certificates for the Open Offer Shares are expected to be posted by no later than 15 October 2010.

8. What if the number of Open Offer Shares to which I am entitled is not a whole number, am I entitled to fractions of Open Offer Shares?

Your Open Offer Entitlements to Open Offer Shares were calculated at the Record Date (other than in the case of those who bought shares after the Record Date but prior to 8.00 a.m. on 8 September 2010 who are eligible to participate in the Open Offer). If the result is not a whole number, you will not receive an Open Offer Share in respect of the fraction of an Open Offer Share and your Open Offer Entitlements have been rounded down to the nearest whole number. Any fractional entitlements to Open Offer Shares will be aggregated and sold for the benefit of the Qualifying Shareholder, but to the extent the net proceeds of such sale for a Qualifying Shareholder is less than three pounds, such amount will be retained for the benefit of the Company.

9. Will I be taxed if I take up my entitlement?

If you are resident in the UK for tax purposes, you should not have to pay UK tax when you take up your entitlement, although the Open Offer will affect the amount of UK tax you may pay when you subsequently sell your Ordinary Shares.

Further information for Qualifying Shareholders who are resident in the UK for tax purposes is contained in paragraph 7 of Part 5 of this document. This information is intended as a general guide to the current tax position in the UK and Qualifying Shareholders should consult their own appropriately qualified tax advisers regarding the tax treatment of the Open Offer in light of their own circumstances. Qualifying Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult an appropriate professional adviser as soon as possible. Please note that the Shareholder Helpline will not be able to assist you with taxation issues.

10. I hold my Ordinary Shares in certificated form. What if I want to sell the Open Offer Shares for which I have paid?

Provided the Open Offer Shares have been paid for and Admission occurs, you will be able to sell your Open Offer Shares in the normal way. The share certificate relating to your Open Offer Shares is expected to be despatched to you by no later than 15 October 2010. Pending despatch of the share certificate, instruments of transfer will be certified by the Registrar against the register.

Further details are set out in Part 3 of this document.

11. What should I do if I live outside the UK?

Whilst you may have an entitlement to participate in the Open Offer, your ability to take up entitlements to Open Offer Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your entitlement. Your attention is drawn to the information in paragraph 6 of Part 3 of this document.

12. How do I transfer my entitlement into the CREST system?

If you are a Qualifying Non-CREST Shareholder but are a CREST Member and want your Open Offer Shares to be in uncertificated form, you should complete the CREST Deposit Form (set out in Box 11 of the Application Form) and ensure they are delivered to Capita Registrars to be received by 3.00 p.m. on 23 September 2010 at the latest. CREST Sponsored Members should arrange for their CREST Sponsors to do this.

If you have transferred your entitlement into the CREST system, you should refer to paragraph 2.2 of Part 3 of this document for details on how to pay for the Open Offer Shares.

13. What should I do if I think my holding of Shares is incorrect?

If you have bought or sold Ordinary Shares shortly before 6 September 2010, your transaction may not be entered on the register of members in time to appear on the register at the Record Date. If you are concerned about the figure in the Application Form or otherwise concerned that your holding of Shares is incorrect, please contact the Shareholder Helpline on 0871 664 0321 within the UK or, if telephoning from outside the UK, on +44 (0)20 8639 3399 between 9.00 a.m. and 5.00 p.m. Monday to Friday. Calls to the 0871 664 0321 number are charged at 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the Shareholder Helpline from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.

For legal reasons, the Shareholder Helpline will only be able to provide information contained in this document (and, in addition, information relating to the Company's register of members) and will be unable to give advice on the merits of the Open Offer or to provide legal, financial, tax or investment advice.

PART 3

TERMS AND CONDITIONS OF THE OPEN OFFER

Introduction

As explained in the letter from the Deputy Chairman set out in Part 1 of this document, the Company is proposing to raise up to approximately £2.0 million (approximately £1.8 million net of expenses) by way of the issue of up to 20,000,000 Open Offer Shares through the Open Offer. Qualifying Shareholders are being offered the right to subscribe for Open Offer Shares in accordance with the terms of the Open Offer.

Of the 20,000,000 Open Offer Shares, undertakings have been received from the Directors to subscribe for 1,614,554 Open Offer Shares (representing the Open Offer Entitlements in respect of their beneficial holdings of Ordinary Shares). In addition, an Underwriting Group has undertaken to subscribe for, in aggregate, up to a further 18,250,000 Open Offer Shares, to the extent that these are not taken up by Qualifying Shareholders. Accordingly, the Company expects to issue at least 19,864,554 Open Offer Shares and to raise minimum gross proceeds of £1.99 million (£1.8 million net of expenses).

This Part 3 and, where applicable, the accompanying Application Form, contain the formal terms and conditions of the Open Offer. Your attention is drawn to the letter from your Deputy Chairman in Part 1 of this document, which sets out the background to and reasons for the New Issue.

Upon completion of the Open Offer, the Open Offer Shares are expected to represent between 21.1 and 21.3 per cent. of the Enlarged Ordinary Share Capital and the Existing Ordinary Shares will represent between 78.7 and 78.9 per cent. of the Enlarged Ordinary Share Capital.

The Record Date for entitlements under the Open Offer for Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders is 5.00 p.m. on 6 September 2010. Application Forms are expected to be posted to Qualifying Non-CREST Shareholders on the date of this document. Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST on 9 September 2010. The latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is 11.00 a.m. on 28 September 2010 with Admission and commencement of dealings in the Open Offer Shares is expected to take place at 8.00 a.m. on 1 October 2010.

The Open Offer is an opportunity for Qualifying Shareholders to apply for, in aggregate, 20,000,000 Open Offer Shares pro rata to their current holdings at the Issue Price of 10 pence per share in accordance with the terms of the Open Offer.

Any Qualifying Shareholder who has sold or transferred all or part of his/her registered holding(s) of Ordinary Shares prior to 5.00 p.m. on 6 September 2010 is advised to consult his or her stockbroker, bank or other agent through whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him/her by the purchasers or transferees under the rules of the London Stock Exchange.

Notwithstanding the terms and conditions of this Part 3 and, where applicable, the accompanying Application Form, each of the Underwriting Directors and Surrey Management Services will be entitled to make payment for any Open Offer Shares subscribed for by them pursuant to the Underwriting Agreement by way of setting off corresponding amounts owing to them from the Company pursuant to the Standby Loan Agreements.

1. Details of the Open Offer

Qualifying Shareholders are hereby invited to apply for Open Offer Shares at the Issue Price, payable in full on application.

The Issue Price of 10 pence per Open Offer Share represents a discount of approximately 31.0 per cent. to the Closing Price of 14.5 pence per Ordinary Share on 7 September 2010 (the the last Business Day prior to the date of announcement of the terms of the Open Offer).

The Open Offer is made on the terms and subject to the conditions set out in this Part 3 and, in relation to Qualifying Non-CREST Shareholders, in the Application Form accompanying this document.

Qualifying Shareholders have Open Offer Entitlements of:

One Open Offer Share for every 3.7038609 Existing Ordinary Shares

registered in their name at the close of business on the Record Date and so in proportion for any greater or lesser number of Ordinary Shares then held.

Where appropriate, Open Offer Entitlements of Qualifying Shareholders who subscribe for their Open Offer Entitlements will be rounded down to the nearest whole number of Open Offer Shares and any fractional entitlements to Open Offer Shares will not be allocated but will be aggregated and sold for the benefit of such Qualifying Shareholders save that where the net proceeds of any such sale for a Qualifying Shareholder will be less than three pounds, such amount shall be retained for the benefit of the Company.

The Open Offer Entitlements, in the case of Qualifying Non-CREST Shareholders, is set out in Box 5 on the Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Open Offer Entitlements standing to the credit of their stock account in CREST.

To the extent that valid applications for Open Offer Shares are not received from Qualifying Shareholders, such shares will be subscribed by members of the Underwriting Group up to an aggregate of 18,250,000 Open Offer Shares. Qualifying Shareholders who do not take up any of their entitlements in respect of the Open Offer will suffer a dilution of between approximately 26.8 per cent. and 27.0 per cent. to their interests in the Company.

The Open Offer is not a rights issue. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim raised by Euroclear's claims processing unit. Qualifying Non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded. Any Open Offer Shares not applied for under the Open Offer will not be sold in the market or placed for the benefit of Qualifying Shareholders, but will instead be subscribed by members of the Underwriting Group up to, in aggregate, 18,250,000 Open Offer Shares. The Directors may arrange for any remaining unallocated Open Offer Shares to be placed with investors, with the net proceeds retained for the benefit of the Company. Any such placing would involve investors paying at least the same price per share as the Issue Price.

The attention of Overseas Shareholders is drawn to paragraph 6 of this Part 3.

The Open Offer will remain open for acceptance until 11.00 a.m. on 28 September 2010.

The Open Offer Shares will, when issued and fully paid, rank in full for all dividends and other distributions declared, made or paid after the date of this document and otherwise pari passu in all respects with the Existing Ordinary Shares.

The Open Offer is conditional on:

- (a) the passing of the Resolution to be proposed at the General Meeting;
- (b) the Press Announcement having been released via a Regulatory Information Service by no later than the date of this document;
- (c) the posting of this document to Qualifying Shareholders by no later than the date of this document; and
- (d) Admission of the Open Offer Shares occurring not later than 8.00 a.m. on 1 October 2010 (or such later time and/or date as the Company may agree being no later than 8.00 a.m. on 15 October 2010).

All monies received by the Registrars in respect of Open Offer Shares will be held in a separate account by the Registrars.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will make an appropriate announcement via a Regulatory Information Service giving details of the revised dates.

2. Procedure for Application

If you are in any doubt as to the action you should take, or the contents of this document, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent adviser duly authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

The action to be taken by you in respect of the Open Offer depends on whether at the relevant time you are a Qualifying Non-CREST Shareholder and have an Application Form in respect of your Open Offer Entitlements or you are a Qualifying CREST Shareholder and have your Open Offer Entitlements credited to your CREST stock account.

CREST Sponsored Members should refer to their CREST Sponsor, as only their CREST Sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements of such members held in CREST. CREST Members who wish to apply under the Open Offer in respect of their Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

Subject to the provisions of paragraph 4 of this Part 3 entitled “Settlements and Dealings”, Qualifying Shareholders who hold their Ordinary Shares in certificated form will be allotted Open Offer Shares in certificated form to the extent that their entitlement to the Open Offer Shares arises as a result of holding Ordinary Shares in certificated form. Qualifying Shareholders who hold part of their Ordinary Shares in uncertificated form will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to the Open Offer Shares arises as a result of holding Ordinary Shares in uncertificated form.

Qualifying Shareholders who do not want to apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form.

2.1 *If you have an Application Form in respect of your entitlement under the Open Offer*

(a) *General*

Subject as provided in paragraph 6 of this Part 3 in relation to certain Overseas Shareholders, Qualifying Non-CREST Shareholders will have received an Application Form enclosed with this document. The Application Form shows the number of Ordinary Shares registered in your name at the close of business on the Record Date. It also shows the number of Open Offer Shares which represent your Open Offer Entitlements. You may apply for less but not more than your Open Offer Entitlements should you wish to do so. You may also hold such an Application Form by virtue of a bona fide market claim.

Your Open Offer Entitlement to Open Offer Shares will be rounded down to the nearest whole number. Fractional entitlements arising will not be allocated but will be aggregated and sold for the benefit of Qualifying Shareholders who subscribe for Open Offer Entitlements, save that where the net proceeds of any such sale for such Qualifying Shareholders will be less than three pounds, such amount shall be retained for the benefit of the Company.

The instructions and other terms set out in the Application Form form part of the terms of the Open Offer in relation to Qualifying Non-CREST Shareholders.

(b) *Market claims*

Applications for the Open Offer Shares may only be made on the Application Form which is personal to the Qualifying Non-CREST Shareholder named thereon, and may not be sold, assigned or transferred, except to satisfy bona fide market claims in relation to purchases of

Ordinary Shares through the market prior to the date on which, pursuant to the rules of the London Stock Exchange, the Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer by the London Stock Exchange. Application Forms may be split, but only to satisfy bona fide market claims, up to 3.00 p.m. on 24 September 2010. A Qualifying Non-CREST Shareholder who has, prior to the “ex-entitlement” date, sold or otherwise transferred some or all of their Ordinary Shares should contact their stockbroker, bank or other agent authorised under FSMA through whom the sale or transfer was effected as soon as possible and refer to the instructions regarding split applications set out in the accompanying Application Form, since the invitation to subscribe for Open Offer Shares under the Open Offer may, under the rules of the London Stock Exchange, represent a benefit which can be claimed from them by purchasers or transferees.

If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in section 2.2(e) of this Part 3 below entitled “Deposit of Open Offer Entitlements into, and withdrawal from, CREST”.

(c) *Application procedures*

Qualifying Non-CREST Shareholders wishing to apply for all or any of the Open Offer Shares to which they are entitled should complete and sign the enclosed Application Form in accordance with the instructions thereon and send or deliver it, together with a remittance for the full amount payable, to Capita Registrars, Corporate Actions, either by post or by hand (during normal business hours only) at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive as soon as possible and, in any event, so as to arrive no later than 11.00 a.m. on 28 September 2010, at which time the Open Offer will close. Application Forms received after this time will not be accepted.

Applications, once made, will be irrevocable and will not be acknowledged. Multiple applications will not be accepted.

The Company reserves the right (but shall not be obliged) to treat an Application Form as valid and binding on the person(s) by whom or for whose benefit it is lodged even if such an Application Form is not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required or which otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept either Application Forms and remittances received after 11.00 a.m. on 28 September 2010 but not later than 2.00 p.m. on 28 September 2010 or applications in respect of which remittances are received before 2.00 p.m. on 28 September 2010 from authorised persons (as defined in FSMA) specifying the Open Offer Shares applied for and undertaking to lodge the Application Form in due course but, in any event, within two Business Days. If an Application Form is sent by post, Qualifying Non-CREST Shareholders are recommended to allow at least four Business Days for delivery.

(d) *Payments*

All payments by Qualifying Non-CREST Shareholders must be made by cheque or banker’s draft in pounds sterling drawn on an account to which the applicant has sole or joint title to the funds. The account name must be the same as the applicant detailed in Box 1 on the Application Form. This must be an account at a bank or building society in the United Kingdom, the Channel Islands or the Isle of Man, which is either a settlement member of the Cheque and Credit Clearing Company Limited or of the CHAPS Clearing Company Limited or which has arranged for its cheques and banker’s drafts to be cleared through the facilities provided for members of either of those companies and must bear the appropriate sort code number in the top right hand corner. Third party cheques will not be accepted with the exception of banker’s drafts or building society cheques where the bank

or building society has confirmed the applicant has title to the funds by endorsing the cheque or draft to such effect and adding its branch stamp. Any application which does not comply with these requirements will be treated as invalid.

Cheques or banker's drafts should be made payable to "Capita Registrars Limited – Tanfield Group plc – Open Offer" and crossed "A/C Payee only".

Any person returning an Application Form with a remittance in the form of a cheque thereby warrants that the cheque will be honoured on first presentation. If cheques or banker's drafts are presented for payment before the conditions of the Open Offer are satisfied, the monies will be kept in a separate bank account until the conditions are fully met. In the event that the Open Offer does not become unconditional by 8.00 a.m. on 1 October 2010 (or such later time and/or date, being not later than 8.00 a.m. on 15 October 2010, as the Company may agree), the Open Offer will lapse and all application monies will be returned (at the Applicant's sole risk) to Applicants without interest by way of cheque within 14 days thereafter. If any cheque is not honoured on first presentation, the relevant application may be deemed to be invalid.

(e) *Effect of application*

All documents and remittances sent by post by or to an Applicant (or as the Applicant may direct) will be sent at the Applicant's own risk. By completing and delivering an Application Form, you (as the Applicant(s)):

- (i) agree with the Company that all applications under the Open Offer, and contracts resulting therefrom, and any non-contractual obligations related thereto, shall be governed by, and construed in accordance with, the laws of England;
- (ii) confirm to the Company that in making the application you are not relying on any information or representation other than that contained in this document, and you accordingly agree that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and you further agree that, having had the opportunity to read this document, you will be deemed to have had notice of all the information concerning the Company contained herein;
- (iii) represent and warrant to the Company that you are the Qualifying Shareholder originally entitled to the Open Offer Entitlements or, if you have received some or all of your Open Offer Entitlements from a person other than the Company, you are entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a bona fide market claim;
- (iv) represent and warrant to the Company that you have the right, power and authority, and have taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise your rights, and perform your obligations under any contracts resulting therefrom and that you are not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (v) request that the Open Offer Shares to which you will become entitled be issued to you on the terms set out in this document and the Application Form and subject to the Articles;
- (vi) represent and warrant to the Company that you are not and nor are you applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986; and

- (vii) confirm to the Company that in making the application you are not relying and have not relied on the Company or any person affiliated with the Company in connection with any investigation of the accuracy of any information contained in this document in your investment decision.

All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Please note Capita Registrars cannot provide financial advice on the merits of the Open Offer or as to whether you should take up your Open Offer entitlements.

If you do not wish to apply for the Open Offer Shares under the Open Offer, you should take no action and should not complete or return the Application Form. Shareholders are nevertheless requested to complete and return the enclosed Form of Proxy for use at the General Meeting to be held at the registered office of the Company at Vigo Centre, Birtley Road, Washington, Tyne and Wear, NE38 9DA at 9.00 a.m. on 30 September 2010.

2.2 *If your Open Offer Entitlements are credited to your stock account in CREST*

(a) *General*

Subject as provided in paragraph 6 of this Part 3 in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his Open Offer Entitlement under the Open Offer. Open Offer Entitlements to Open Offer Shares will be rounded down to the nearest whole number. Any fractional entitlements to Open Offer Shares arising will be aggregated and sold for the benefit of the Qualifying Shareholders who subscribe for their Open Offer Entitlements save that where the net proceeds of any such sale for such Qualifying Shareholders will be less than three pounds, such amount shall be retained for the benefit of the Company.

The CREST stock account to be credited will be an account under the Participant ID and Member Account ID that apply to the Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements have been allocated.

If for any reason the Open Offer Entitlements cannot be admitted to CREST by, or the stock accounts of Qualifying CREST Shareholders cannot be credited by, 5.00 p.m. on 9 September 2010 or such later time as the Company may decide, an Application Form will be sent out to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlement which should have been credited to his stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive Application Forms.

CREST Members who wish to apply for some or all of their entitlements to Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact Capita Registrars between 9 a.m. and 5 p.m. (London time) Monday to Friday on 0871 664 0321 from within the UK or +44 208 639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls may be recorded and monitored for training and security purposes. Please note that Capita Registrars cannot provide financial advice on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlements. If you are a CREST Sponsored Member you should consult your CREST Sponsor if you wish to apply for Open Offer Shares as only your CREST Sponsor will be able to take the necessary action to make this application in CREST.

(b) *Market claims*

The Open Offer Entitlements will constitute a separate security for the purposes of CREST. Although Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim transaction. Transactions identified by the Euroclear claims processing unit as “cum” the Open Offer Entitlements will generate an appropriate market claim transaction and the relevant Open Offer Entitlements will thereafter be transferred accordingly.

(c) *USE instructions*

Qualifying CREST Shareholders who wish to apply for Open Offer Shares in respect of all or some of their Open Offer Entitlements in CREST must send (or, if they are CREST Sponsored Members, procure that their CREST Sponsor sends) an Unmatched Stock Event (“USE”) instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of Capita Registrars under the Participant ID and Member Account ID specified below, with Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of Capita Registrars in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph 2.2(c)(i) above.

(d) *Content of USE instructions in respect of Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear’s specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlements being delivered to Capita Registrars);
- (ii) the ISIN of the Open Offer Entitlements. This is GB00B63DHB78;
- (iii) the Participant ID of the accepting CREST Member;
- (iv) the Member Account ID of the accepting CREST Member from which the Open Offer Entitlements is to be debited;
- (v) the Participant ID of Capita Registrars, in its capacity as a CREST Registrar. This is 7RA33;
- (vi) the Member Account ID of Capita Registrars, in its capacity as a CREST Registrar. This is 27194TAN;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 28 September 2010; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 28 September 2010.

In order to assist prompt settlement of the USE instruction, CREST Members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (x) a contact name and telephone number (in the free format shared note field); and
- (xi) a priority of at least 80.

CREST Members and, in the case of CREST Sponsored Members, their CREST Sponsors, should note that the last time at which a USE instruction may settle on 28 September 2010 in order to be valid is 11.00 a.m. on that day.

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 1 October 2010 (or such later time and date as the Company shall agree, being not later than 8.00 a.m. on 15 October 2010), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Registrar will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, within 14 days thereafter.

(e) *Deposit of Open Offer Entitlements into, and withdrawal from, CREST*

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a bona fide market claim). Similarly, Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to deposit the entitlement set out in such form is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 28 September 2010.

In particular, having regard to normal processing times in CREST and on the part of Capita Registrars, the recommended latest time for depositing an Application Form with the Euroclear Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Open Offer Entitlements in CREST, is 3.00 p.m. on 23 September 2010, and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements is 4.30 p.m. on 22 September 2010, in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements prior to 11.00 a.m. on 28 September 2010.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and Capita Registrars by the relevant CREST Member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed "Instructions for Depositing Entitlements under the Open Offer into CREST" on page 3 of the Application Form, and a declaration to the Company and Capita Registrars from the relevant CREST Member(s) that it/they is/are not citizen(s) or resident(s) of the United States or any Excluded Territory and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST Member(s) is/are entitled to apply under the Open Offer by virtue of a bona fide market claim.

(f) *Validity of application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 28 September 2010 will constitute a valid application under the Open Offer.

(g) *CREST procedures and timings*

CREST Members and (where applicable) their CREST Sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST Member concerned to take (or, if the CREST Member is a CREST Sponsored Member, to procure that his CREST Sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 28 September 2010. In this connection CREST Members and (where applicable) their CREST Sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(h) *Incorrect or Incomplete Applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company through Capita Registrars reserves the right:

- (i) to reject the application in full and refund the payment to the CREST Member in question (without interest);
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST Member in question (without interest); or
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction refunding any unutilised sum to the CREST Member in question (without interest).

(i) *Effect of Valid Application*

A CREST Member who makes or is treated as making a valid application in accordance with the above procedures will thereby:

- (i) pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to Capita Registrars payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST Member to pay to the Company the amount payable on application);
- (ii) agree with the Company that all applications under the Open Offer and contracts resulting therefrom and any non-contractual obligations related thereto shall be governed by, and construed in accordance with, the laws of England;
- (iii) confirm to the Company that in making such application he is not relying on any information in relation to the Company other than that contained in this document and agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such other information and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all the information concerning the Company contained herein;

- (iv) represent and warrant to the Company that he is the Qualifying CREST Shareholder originally entitled to the Open Offer Entitlements or, if he has received some or all of his Open Offer Entitlements from a person other than the Company, that he has received such Open Offer Entitlements by virtue of a bona fide market claim;
 - (v) represent and warrant to the Company that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
 - (vi) request that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the Articles;
 - (vii) represent and warrant to the Company that he is not and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986; and
 - (viii) confirm to the Company that in making the application he is not relying and has not relied on the Company or any person affiliated with the Company in connection with any investigation of the accuracy of any information contained in this document or his investment decision.
- (j) *Company's Discretion as to Rejection and Validity of Applications*
- The Company may in its sole discretion:
- (i) treat as valid (and binding on the CREST Member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part 3;
 - (ii) accept an alternative properly authenticated dematerialised instruction from a CREST Member or (where applicable) a CREST Sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
 - (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the "first instruction") as not constituting a valid application if, at the time at which Capita Registrars receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or Capita Registrars have received actual notice from Euroclear of any of the matters specified in CREST Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
 - (iv) accept an alternative instruction or notification from a CREST Member or CREST Sponsored Member or (where applicable) a CREST Sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST Member or CREST Sponsored Member or (where applicable) CREST Sponsor, the CREST Member or CREST Sponsored Member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by Capita Registrars in connection with CREST.

3. Money Laundering

3.1 Holders of Application Forms

The verification of identity requirements of the Money Laundering Regulations 2007 will apply and verification of the identity of the Applicant(s) for Open Offer Shares may be required. If an Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations 2007, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Registrar. In such case, the lodging agent's stamp should be inserted in the Application Form. If the value at the Issue Price of the Open Offer Shares for which you are applying does not exceed fifteen thousand euros (€15,000) (or the sterling equivalent) (and is not one of a series of linked applications, the aggregate value of which exceeds that amount), you may not be required to satisfy the verification of identity requirements described below. However, if such value exceeds that amount, then failure to provide the necessary evidence of identity may result in your application being treated as invalid or in delaying acceptance of your application. In order to avoid this, all payments should be made by means of a cheque drawn by the person named in the Application Form (or one of such persons). If this is not practicable and you use a cheque drawn by a third party (this will only be acceptable if it is a building society cheque or banker's draft), you should:

- (a) write the name, address and date of birth of the person named on the Application Form (or one of such persons) on the back of the cheque, building society cheque or banker's draft;
- (b) if a building society cheque or banker's draft is used, ask the building society or bank to endorse the name and account number of the person whose building society or bank account is being debited on the cheque or banker's draft; and
- (c) if you are making the application as agent for one or more persons, indicate on the Application Form whether you are a UK or EC regulated person or institution (e.g. a bank or broker) and specify your status. If you are not a UK or EC regulated person or institution, you should contact Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

If you deliver your Application Form personally by hand, you should ensure that you have with you evidence of your identity bearing your photograph (e.g. your passport). In any event, if it appears to Capita Registrars that an Applicant is acting on behalf of some other person, further verification of the identity of any person on whose behalf the Applicant appears to be acting may be required. In relation to any application in respect of which the necessary verification of the identity of the Applicant or the person on whose behalf the Applicant appears to be acting has not been received on or before 11.00 a.m. on 28 September 2010 the Company may, in its absolute discretion, elect to treat the relevant application as invalid and/or delay the allotment of the relevant number of Open Offer Shares until the necessary verification has been provided. If an Application Form is treated as invalid the money paid in respect of the application will be returned (at the Applicants' risk and without interest).

By lodging an Application Form, each Qualifying Shareholder undertakes to provide such evidence of its identity at the time of lodging the Application Form or, at the absolute discretion of the Company, at such specified time thereafter as may be requested to ensure compliance with the Money Laundering Regulations 2007.

Capita Registrars is entitled, in its absolute discretion, to determine whether verification of identity requirements apply to any Applicant and whether such requirements have been satisfied. Neither Capita Registrars nor the Company shall be responsible or liable to any person for any loss or damage suffered as a result of the exercise of their discretion hereunder.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of identity, Capita Registrars has not received evidence satisfactory to it as aforesaid the Company

may treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned (at the Applicant's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.

Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company and Capita Registrars from the Applicant that the Money Laundering Regulations 2007 will not be breached by such application and remittance.

3.2 *Open Offer Entitlements in CREST*

If you hold your Open Offer Entitlements in CREST and apply for Open Offer Shares in respect of all or some of your Open Offer Entitlements as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, Capita Registrars is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact Capita Registrars before sending any USE or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the Applicant to provide promptly to Capita Registrars such information as may be specified by Capita Registrars as being required for the purposes of the Money Laundering Regulations 2007. Pending the provision of evidence satisfactory to Capita Registrars as to identity, Capita Registrars may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

4. **Settlements and Dealings**

The result of the Open Offer is expected to be announced on 30 September 2010. Application will be made to the London Stock Exchange for Admission. Subject to the Open Offer becoming unconditional in all respects (save only as to Admission), it is expected that Admission will become effective and that dealings in the Open Offer Shares for normal settlement will commence at 8.00 a.m. on 1 October 2010.

Application has been made for the Open Offer Entitlements to be admitted to CREST. The conditions to such admission having already been met, the Open Offer Entitlements are expected to be admitted to CREST with effect from 1 October 2010. Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 28 September 2010 (the latest date for applications under the Open Offer). If the conditions to the Open Offer described above are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company on the day on which such conditions are satisfied (expected to be 11.00 a.m. on 28 September 2010). On this day, Capita Registrars will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to Open Offer Shares with effect from Admission (expected to be 1 October 2010). The stock accounts to be credited will be accounts under the same participant IDs and Member Account IDs in respect of which the USE instruction was given.

Subject to the conditions of the Open Offer being satisfied, all Open Offer Shares to be issued in uncertificated form are expected to be credited to the appropriate CREST stock accounts on 1 October 2010, unless the Company exercises the right to issue such Open Offer Shares in certificated form, in which case definitive certificates are expected to be despatched by post on or before 15 October 2010. No temporary documents of title will be issued. Pending despatch of definitive share certificates, transfers of the Open Offer Shares by Qualifying Non-CREST Shareholders will be certified against the share register held by Capita Registrars. All documents or remittances sent by or to an Applicant (or his agent as appropriate) will (in the latter case) be sent through the post and will (in both cases) be at the risk of the

Applicant. Qualifying Shareholders whose Ordinary Shares are held in CREST should note that they will be sent no confirmation of the credit of the Open Offer Shares to their CREST stock account nor any other written communication by the Company in respect of the issue of the Open Offer Shares.

Notwithstanding any other provision in this document, the Company reserves the right to send you an Application Form instead of crediting the relevant stock account with Open Offer Entitlements and/or to issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST), or on the part of the facilities and systems operated by Capita Registrars in connection with CREST.

5. Taxation

Your attention is drawn to the section headed “United Kingdom Taxation” set out in paragraph 7 of Part 5 of this document.

6. Overseas Shareholders

6.1 General

The making of or acceptance of the Open Offer to or by persons who have registered addresses outside the United Kingdom, or who are resident in countries outside the United Kingdom, may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consent or need to observe any other formalities to enable them to take up their rights.

It is also the responsibility of all persons (including, without limitation, custodians, nominees, agents and trustees) outside the United Kingdom wishing to take up their entitlements under the Open Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

The comments set out in this paragraph 6 are intended as a general guide only and any Shareholders who are in doubt as to their position should consult their professional adviser without delay.

Subject to certain exceptions, Application Forms will not be sent to Overseas Shareholders, nor will Open Offer Entitlements be credited to a stock account of Overseas Shareholders, who are in the United States or in any Excluded Territory or to US persons except that Application Forms may be sent to, or Open Offer Entitlements may be credited to the stock account in CREST of, certain of these Overseas Shareholders if they can prove to the satisfaction of the Company that such action would not result in a contravention of any applicable legal or regulatory requirements.

Receipt of this document and/or any Application Form and/or the crediting of any Open Offer Entitlements to a stock account in CREST will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this document and/or an Application Form must be treated as sent for information only and should not be copied or redistributed.

No person receiving a copy of this document and/or an Application Form and/or receiving Open Offer Entitlements in a stock account in CREST with a bank or financial institution in any jurisdiction other than the UK may treat the same as constituting an invitation or offer to him nor should he in any event use the Application Form unless, in the relevant jurisdiction, such an invitation or offer could lawfully be made to him or the Application Form could lawfully be used or dealt with without contravention of any registration or other legal requirements. In such circumstances, this document and the Application Form are to be treated as sent for information only and should not be copied or redistributed.

Persons (including, without limitation, custodians, nominees and trustees) receiving a copy of this document and/or an Application Form and/or receiving a credit of Open Offer Entitlements to a stock account in CREST should not, in connection with the Open Offer, distribute or send the

same or transfer the Open Offer Entitlements in or into any jurisdiction where to do so would or might contravene local security laws or regulations. If an Application Form or a credit of Open Offer Entitlements to a stock account in CREST is received by any person in any such jurisdiction, or by his agent or nominee, he must not seek to take up the Open Offer Entitlements referred to in the Application Form or in this document or credited to the stock account in CREST unless the Company (at its absolute discretion) determines that such actions would not violate applicable registration or other legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees) who does forward this document or an Application Form or transfers the Open Offer Entitlements into any such jurisdictions (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 6.

Subject to paragraphs 6.5 and 6.6 below, any person (including, without limitation, agents, nominees and trustees) outside the UK wishing to accept his Open Offer Entitlements under the Open Offer must satisfy himself as to full observance of the applicable laws of any relevant jurisdiction, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such jurisdictions.

The comments set out in this paragraph 6 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

The Company reserves the right to treat as invalid and will not be bound to allot or issue any Open Offer Shares in respect of any acceptance or purported acceptance of the offer of Open Offer Shares which:

- (a) appears to the Company or its agents to have been executed, effected or despatched in a manner which may involve a breach of the legislation of any jurisdiction or if it believes, or its agents believe that the same may violate applicable legal or regulatory requirements; or
- (b) in the case of an Application Form, provides an address for delivery of the share certificates in or, in the case of a credit of Open Offer Shares in CREST, to a CREST Member or CREST Sponsored Member whose registered address would be, in any jurisdiction outside the UK in which it would be unlawful to deliver such share certificates or make such a credit unless the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement.

The provisions of paragraph 2 above will apply to Overseas Shareholders who are not credited with Open Offer Entitlements or do not or are unable to take up Open Offer Shares provisionally credited to them because such action would result in a contravention of applicable registration or other legal or regulatory requirements. Accordingly, such Shareholders will be treated as Shareholders that have not taken up their entitlement for the purposes of paragraph 2 above.

Despite any other provision of this document or the Application Form, the Company reserves the right to permit any Shareholder to take up under the Open Offer his Open Offer Entitlements if the Company in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the registration or other legal or regulatory requirements giving rise to the restrictions in question.

Those Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraphs 2.1 (Qualifying Non-CREST Shareholders) and 2.2 (Qualifying CREST Shareholders) above.

Overseas Shareholders should note that all subscription monies must be in pounds sterling by cheque or banker's draft and should be drawn on a bank in the UK, made payable to Capita Registrars Limited – re: Tanfield Group plc – Open Offer and crossed A/C payee only.

6.2 *United States*

The Open Offer Shares have not been and will not be registered under the US Securities Act and, subject to certain exceptions, may not be directly or indirectly offered, sold, taken up, delivered or transferred in or into the United States or to, or for the account or benefit of, a US person. This document does not constitute an offer for, or an invitation to apply for, or an offer or invitation to purchase or subscribe for, Open Offer Shares and Application Forms are not being sent to, and no Open Offer Entitlements will be credited to a stock account in CREST of, and applications will not be accepted from, any Shareholder or other person with a registered address in the United States, unless otherwise determined by the Company in its sole discretion and effected in a lawful manner. Subject to certain exceptions, envelopes containing Application Forms should not be postmarked or otherwise despatched from the United States. Application Forms which appear to the Company to have been sent from or which are postmarked in the United States may be deemed to be invalid and the Company will not be bound to authorise the delivery of any Open Offer Shares in the United States or to any person who provides an address in the United States for receipt of Open Offer Shares or who fails to make the representations and warranties set out on page 2 of the Application Form and in paragraph 6.5 below to the effect that such person is not in the United States and is not acting for the account or benefit of a US person. Until 40 days after the commencement of the Open Offer, an offer or sale of Open Offer Shares within the United States by a dealer that is not participating in the Open Offer may violate the registration requirements of the US Securities Act.

6.3 *Overseas territories*

Due to restrictions under the securities laws of the United States and the Excluded Territories no Application Forms in relation to the Open Offer will be sent to Qualifying Shareholders who have registered addresses, or are resident or located, in the United States or in any of the Excluded Territories. Similarly, Open Offer Entitlements will not be credited to the CREST accounts of Qualifying Shareholders who have registered addresses, or are resident or located in the United States or any Excluded Territory. Qualifying Shareholders who have a registered address, or are resident or located, in the United States or any Excluded Territory will not be entitled to take up rights under the Open Offer unless the Company is satisfied that such action would not result in the contravention of any registration or other legal or regulatory requirement in any jurisdiction. No offer of Open Offer Shares is being made by virtue of this document or the Application Forms into the United States or any Excluded Territory.

The notice in the London Gazette referred to in paragraph 6.4 below will state where a copy of this document and the Application Form may be inspected or obtained. Any person in the United States or an Excluded Territory who obtains a copy of an Application Form is required to disregard it, except with the express consent of the Company.

Application Forms will be posted to all Overseas Shareholders who are Qualifying Non-CREST Shareholders other than, Qualifying Shareholders who have a registered address, or are resident or located in the United States or any Excluded Territory, and Open Offer Entitlements will be credited to the CREST accounts of all Overseas Shareholders who are Qualifying Shareholders other than, Qualifying Shareholders who have registered addresses, or are resident or located, in the United States or any Excluded Territory. Such Overseas Shareholders may, subject to the laws of the relevant jurisdictions, accept their rights under the Open Offer in accordance with the instructions set out in this document and, if relevant, the Application Form.

6.4 *Notice in the London Gazette*

Pursuant to section 562 of the 2006 Act, the Open Offer to Qualifying Shareholders who have no registered address within a member state of the European Economic Area and who have not supplied to the Company an address within a member state of the European Economic Area for the service of notices will (subject to the Open Offer becoming unconditional) be made by the Company publishing a notice in the London Gazette on 10 September 2010 stating where copies of this document and the Application Form may be inspected or obtained on personal application by or on behalf of such Qualifying Shareholders. However, in order to facilitate acceptance of the

Open Offer by Qualifying Shareholders by virtue of such publication, this document and, subject to paragraphs 6.1 to 6.3 above, Application Forms, have also been posted to such Qualifying Shareholders. Such Shareholders, if it is lawful to do so, may accept the Open Offer either by returning the Application Form posted to them in accordance with the instructions set out therein or, subject to surrendering the original Application Form posted to them, by obtaining a copy thereof from the place stated in the notice in the London Gazette and returning it in accordance with the instructions set out therein. Similarly, Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders (other than, Qualifying Shareholders who have registered addresses, or are resident or located, in the United States or any Excluded Territory).

6.5 *Representations and warranties relating to Overseas Shareholders*

Any person completing and returning an Application Form or requesting registration of the Open Offer Shares comprised therein represents and warrants to the Company and the Registrars that, except where proof has been provided to the Company's satisfaction that such person's use of the Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction: (i) such person is not requesting registration of the relevant Open Offer Shares from within the United States or any Excluded Territory; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares in respect of the Open Offer or to use the Application Form in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person located within the United States or any Excluded Territory at the time the instruction to accept was given; and (iv) such person is not acquiring Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into the United States or any Excluded Territory. The Company and/or the Registrars may treat as invalid any acceptance or purported acceptance of the allotment of Open Offer Shares comprised in an Application Form if it: (i) appears to the Company or its agents to have been executed, effected or dispatched from the United States or an Excluded Territory or in a manner that may involve breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or (ii) provides an address in the United States or an Excluded Territory for delivery of the share certificates of Open Offer Shares (or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates); or (iii) purports to exclude the representation and warranty required by this paragraph.

6.6 *Times and Dates*

The Company shall after consultation with its financial and legal advisers, be entitled to amend the dates that Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances notify the London Stock Exchange, and make an announcement on a Regulatory Information Service but Qualifying Shareholders may not receive any further written communication.

6.7 *Further information*

Your attention is drawn to the further information set out in this document and also, in the case of Qualifying Shareholders to whom the Company has sent Application Forms, to the terms, conditions and other information printed on the accompanying Application Form.

6.8 *Waiver*

The provisions of this paragraph 6.8 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company in its absolute discretion. Subject to this, the provisions of this paragraph 6.8 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 6.8 to Shareholders shall include references to the person or persons executing an Application Form and in the event of more than one person executing an Application Form, the provisions of this paragraph 6.8 shall apply to them jointly and to each of them.

7. Governing law

The terms and conditions of the Open Offer as set out in this Part 3 of this document and the Application Form shall be governed by, and construed in accordance with, English law. The Courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document and the Application Form.

By taking up their entitlements under the Open Offer in accordance with the instructions set out in this document and (where applicable) the Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the Courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART 4

RISK FACTORS

Any investment in shares is subject to a number of risks. Prior to investing in Ordinary Shares, prospective investors should carefully consider all the information in this document, including the risks described below. The risks below are all those which the Directors are aware of and which they consider material and are not presented in any order of priority. However, additional risks and uncertainties not currently known to the Directors, or that the Directors currently consider immaterial, may also adversely affect the Group's business, results of operations or financial condition. If any or a combination of the following risks materialise, the Group's business, financial condition and/or operational performance could be materially adversely affected. In that case, the trading price of the Ordinary Shares may decline and investors may lose all or part of the value of their investment.

An investment in the Ordinary Shares is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result from the investment. Accordingly, prospective investors are recommended to obtain independent financial advice from an adviser authorised under FSMA (or another appropriately authorised independent professional adviser) who specialises in advising upon investments in shares or other securities.

1. Company Specific Risks

The expected consolidation of the Company's electric vehicles business and Smith Electric Vehicles US (SEVUS) may not complete

The Company announced on 9 August 2010 that it had signed heads of terms with SEVUS in relation to the consolidation but these are non-binding. Any consolidation will be subject to certain customary terms and conditions some of which are outside of the control of the Company and SEVUS. There can be no assurance that binding agreement will be reached with SEVUS in relation to the Smith Electric Vehicles business on the terms expected or at all or that SEVUS will be able to complete any financing required to fund the proposed transaction. If the expected consolidation of the Electric Vehicle businesses failed to complete within a short period, the Company would have to review its financial position and ability to access alternative sources of funding.

The Open Offer is not a solution to the Company's uncertain financial position

The Company is loss making and there are no signs that its markets have improved or will improve in the near future. The Company has not been able to make any significant improvements in its overhead cost base since the first part of this year. In its Interim Statement published on 18 August 2010, the Board announced that, despite the Company's focus on cash preservation, the Company had a net cash outflow of £3.2m in the first 6 months of the year, while reporting a loss of £9.8m. The Company's cash balance at 30 June 2010 was £2.2m.

In the event that the Open Offer proceeds given the above, it is clear that the funds raised are only sufficient to tide the business over for a short period, which may allow the Company to complete the SEV US consolidation.

In assessing this working capital situation, the Company has assumed that the current payment terms from suppliers and payment arrangements from customers will remain the same. In view of the Company's uncertain financial position, these working capital assumptions may be subject to change, and any change would likely shorten the period that the funds realised will last. In that event, the Company may have to seek further funds and there is no guarantee that in such circumstances such funds would be forthcoming.

The Company is subject to various direct and indirect credit risks

Credit risk is the risk that a counterparty to a transaction entered into by the Company will be unable or unwilling to meet a commitment that it has entered into with the Company. The Company's exposure to credit risk arises from its trading receivables and cash deposits with financial institutions.

Significant fluctuations in foreign currency exchange rates can have a material impact on the Group's business, results of operations and overall financial position

The Company is exposed to movements in foreign exchange rates due to its commercial trading being denominated in foreign currencies, the net assets of its foreign operations and foreign currency denominated costs. The material foreign currency denominated costs include the purchase of components from low cost based countries, principally in US dollars. Consequently, the reported revenues and profits are dependent on the prevailing average exchange rates. Material fluctuations in the exchange rate of pounds sterling against other currencies, in particular US dollars, could therefore have an adverse impact on the Company's operations and reported results.

Interest rate fluctuations could impact on the financial performance of the Group

The Company is exposed to interest rate risk due to its cash deposits and interest rate collar. Cash and cash equivalents are the only interest bearing financial assets held by the Group.

As at 31 December 2009 the Company had no borrowings. Future risk is limited to new borrowings of the Company, were it to enter into any borrowing agreements. Any interest costs in respect of borrowings would increase, in the event of rising interest rates.

Rising interest rates may also have a more general effect upon demand for products in the markets in which the Company participates, with a potential adverse impact upon its financial performance.

The markets in which the Company operates have declined in recent years and any further decline could adversely affect the Company's business, financial condition and results of operations

The Company's business is reliant on continued sales within its end markets, the pricing levels in those markets and the continued performance of its supply chain. These markets have been subject to falling demand and future performance in these markets is uncertain. There can be no assurance that these markets will not decline further.

Pricing of the Company's products in non US dollar markets may be affected by fluctuations in the US dollar exchange rate

The Company buys the majority of its powered access components and sells the majority of its powered access products in US dollars. Whilst that allows a natural hedge of those products, it does affect pricing in non US dollar markets.

The Company's operating results may fluctuate significantly due to factors beyond management's control

The Company's operating results may fluctuate significantly in the future due to a variety of factors, many of which are beyond management's control. Accordingly, investors should not rely on comparisons with the Company's historical results to date as an indication of future performance. Factors that may affect the Group's operating results include exchange rates, interest rates, inflation, investor sentiment, the availability and cost of credit and the liquidity of the global financial markets as well as increased competition, increased employment costs, and changes to statutory and regulatory regimes. It is possible that, in the future, the Company's operating results will fall below the expectations of securities analysts or investors. If this occurs, the trading price of the Ordinary Shares may decline significantly.

Current global market and trading conditions in general, may adversely affect the operating and financial performance of the Group

The operating and financial performance of the Group is influenced by a variety of factors, some of which are not within its control. The current uncertain economic environment and the volatility of international markets is adversely affecting the demand for the Group's products. Any deterioration of economic conditions is likely to have a further negative impact on the overall levels of demand for the Group's products, and therefore on the financial performance of the Group.

The Company is dependent on key personnel

The Group's future success is substantially dependent on the continued services and continuing contributions of its directors, senior management and other key personnel. The loss of the services of any of the Group's key personnel could have a material adverse effect on the Group's business.

The Group's business, results of operations and financial condition could be materially adversely affected by the actions of its competitors

The Group operates within a competitive environment. The Group's business, results of operations and financial condition could be materially adversely affected by the actions of its competitors, including competitors' marketing strategies and product development, as well as by the Group's actions to maintain its competitiveness. The Board has adopted a strategy which seeks to ensure that the Group maintains its competitive position within its markets. However, competitive pressures may be an adverse effect on the Group's businesses.

Legislative and regulatory requirements

Governmental, legal or regulatory restrictions may have a negative impact on the Group's profitability by restricting the Group's ability to operate in a competitive manner, thus having a detrimental impact on its business and reputation.

2. Risks relating to the Open Offer

Market price fluctuation and liquidity

The market price of the Open Offer Shares and/or the Existing Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Open Offer Shares and/or the Existing Ordinary Shares (or similar securities). Shareholdings in the Company could be illiquid. Such risks depend on the market's perception of the likelihood of completion of the Open Offer, and/or in response to various facts and events. Stock markets have, from time to time, experienced significant price and volume fluctuations and liquidity issues that have affected the market prices for securities and which may be unrelated to the Company's operating performance or prospects. Furthermore, the Company's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Open Offer Shares and/or the Existing Ordinary Shares.

Shareholders may experience dilution in their ownership of the Company

Shareholders will experience dilution in their ownership of, and voting interest in, the Company to the extent they do not subscribe in full for their Open Offer Entitlements. Overseas Shareholders, subject to certain exceptions, will not be able to participate in the Open Offer.

Overseas Shareholders may not be eligible to participate in the Open Offer

Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Overseas Shareholders in the Open Offer. In particular, this applies to holders of Ordinary Shares who are located in any Excluded Territory and holders of Ordinary Shares who are located in the US may not be able to exercise their pre-emption rights unless a registration statement under the US Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. The Open Offer will not be registered under the US Securities Act. Securities laws of certain other jurisdictions may restrict the Company's ability to allow participation by Shareholders in such jurisdictions in any future issue of shares carried out by the Company. Qualifying Shareholders who have a registered address in, or who are resident in, or who are citizens of, countries other than the UK should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to apply for and/or receive Open Offer Shares.

The ability of Overseas Shareholders to bring actions or enforce judgments against the Company or the Directors may be limited

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England and Wales. The rights of holders of Ordinary Shares are governed by English law and by the Articles. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations. An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors. The Directors are residents of the UK. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors within the Overseas Shareholder's country of residence or to enforce against the Directors judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Directors or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors in any original action based solely on foreign securities laws brought against the Company or the Directors in a court of competent jurisdiction in England or other countries.

PART 5

ADDITIONAL INFORMATION

1. Responsibility

The Company and each of the Directors (whose names are set out in paragraph 3.1 below accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Share Capital and Options

2.1 Issued Share Capital

The issued share capital of the Company (i) as at the date of this document and (ii) as it is expected to be after Admission is set out below:

	<i>As at the date of this document</i>	<i>Immediately following Admission (assuming full take up of the Open Offer)</i>
Fully paid Ordinary Shares of 5p each	74,077,218	94,077,218

2.2 Options

The Company has granted options over the issued ordinary share capital of the Company to various persons (other than the Directors, in respect of whom options granted to them over the issued Ordinary Share Capital is set out at paragraph 3.3 of this Part 5). The share options that have been granted are as follows:

<i>Date Granted</i>	<i>Exercise Price (p)</i>	<i>Number of Ordinary Shares under option</i>
08.11.2005	5	40,000
02.03.2006	100	100,000
03.01.2008	100	100,000
02.09.2006	200	345,000
03.01.2008	300	120,000

3. Directors' Interests

3.1 The Directors and their respective functions are set out below:

Jon Pither, *Non-Executive Chairman*

Jeremy Wooding, *Non-Executive Deputy Chairman*

Roy Stanley, *Non-Executive Director*

John Bridge, *Non-Executive Director*

Martin Groak, *Non-Executive Director*

Darren Kell, *Chief Executive*

Charles Brooks, *Finance Director*

Brendan Campbell, *Managing Director, Powered Access Division*

Geoff Allison, *Managing Director, Zero Emission Vehicles Division*

- 3.2 The interests of the Directors as (i) at the date of this document and (ii) as they are expected to be on Admission are as follows:

	<i>As at the date of this document</i>		<i>Immediately following Admission (assuming full take up of the Open Offer)</i>		<i>Immediately following Admission (assuming full take up of underwritten commitment and Open Offer Entitlements)</i>	
	<i>No. of Ordinary Shares</i>	<i>% of Issued Share Capital</i>	<i>No. of Ordinary Shares</i>	<i>% of Issued Share Capital</i>	<i>No. of Ordinary Shares</i>	<i>% of Issued Share Capital</i>
	<i>Ordinary Shares</i>					
RRE Stanley	5,553,858	7.50	7,053,335	7.50	14,553,335	15.47
DS Kell	340,000	0.46	431,796	0.46	3,656,796	3.89
CD Brooks	22,491	0.03	28,563	0.03	28,563	0.03
BJ Campbell	22,395	0.03	28,441	0.03	28,441	0.03
GE Allison	20,841	0.03	26,467	0.03	26,467	0.03
JN Bridge	20,508	0.03	26,044	0.03	26,044	0.03
JP Pither (through Surrey Management Services Ltd)	—	—	—	—	1,500,000	1.59

- 3.3 The interests of the Directors in share options over the Company's issued Ordinary Share Capital as (i) at the date of this document and (ii) as they are expected to be on Admission are as follows:

	<i>Exercise Price (p)</i>	<i>Number of Ordinary Shares under option</i>
<i>Share Options</i>		
B J Campbell	5	140,000
B J Campbell	100	370,000
CD Brooks	100	200,000
DS Kell	100	1,271,334
JN Bridge	100	30,000
M Groak	100	30,000
RRE Stanley	100	800,000
CD Brooks	115	250,000
GE Allison	200	40,000

Save as disclosed above, no Director has any interests (beneficial or non-beneficial) in the share capital of the Company or any of its subsidiaries.

4. Major Shareholders

Insofar as has been notified to the Company, and in addition to the holdings of the Directors disclosed in paragraph 3.2 of this Part 5, the following persons hold, as at the date of this document, and are expected to hold following Admission, directly or indirectly 3 per cent. or more of the Enlarged Ordinary Share Capital.

	<i>As at the date of this document</i>		<i>Immediately following Admission (assuming full take up of the Open Offer)</i>	
	<i>No. of Ordinary Shares</i>	<i>% of Issued Share Capital</i>	<i>No. of Ordinary Shares</i>	<i>% of Issued Share Capital</i>
<i>Ordinary Shares</i>				
Nortrust Nominees Limited	9,211,757	12.44	11,701,421	12.44
TD Waterhouse Nominees (Europe)	6,759,775	9.13	8,586,741	9.13
Barclayshare Nominees Limited	5,899,426	7.96	7,493,865	7.96
HSDL Nominees Limited	4,811,349	6.50	6,111,713	6.50
UBS Private Banking Nominees Limited	4,325,962	5.84	5,495,140	5.84
HSBC Global Custody Nominee (UK)	3,884,940	5.24	4,934,923	5.24
L R Nominees Limited	3,246,283	4.38	4,123,656	4.38
Hargreaves Lansdown (Nominees)	2,729,060	3.68	3,466,643	3.68
Prudential Client HSBC GIS Nominee	2,607,898	3.52	3,312,735	3.52
James Capel (Nominees) Limited	2,569,923	3.47	3,264,496	3.47

In the event that the Institutional Underwriters are required to take up their full commitments under the Underwriting Agreement the holdings of the Institutional Underwriters in the Company's issued share capital will be, on Admission, 3.75 per cent. held by Killik & Co. and 5.10 per cent. held by Close.

5. Material Contracts

Save as described below, no contracts have been entered into by the Company or any of its subsidiaries, other than in the normal course of business, within two years prior to the publication of this document which are still in force and material.

5.1 Underwriting Agreement

On 7 September 2010 the Company entered into an Underwriting Agreement with the Underwriting Group relating to the Open Offer. Under the terms of the Underwriting Agreement, the Underwriting Group has agreed to subscribe for, in aggregate, up to a further 18,250,000 Open Offer Shares in the proportions Roy Stanley 41.1 per cent., Darren Kell 17.8 per cent., Jon Pither (through Surrey Management Services) 8.2 per cent. and Institutional Underwriters 32.9 per cent. respectively, to the extent that these are not taken up by Qualifying Shareholders. Each of the Underwriting Directors and Surrey Management Services is entitled to set off against subscription monies due under the Underwriting Agreement corresponding amounts owing to them by the Company under the Standby Loan Agreements. No warranties or indemnities are given under the Underwriting Agreement (other than that the Open Offer Shares to be issued to the Underwriting Group shall be issued free from all encumbrances). No fees or commissions are payable in respect of these underwriting obligations. The obligations of the Underwriting Group are conditional, *inter alia*, on the passing of the Resolution at the General Meeting.

5.2 *Standby Loan Agreements and Debentures*

5.2.1 Three directors of the Company have each entered into Standby Loan Agreements with the Company pursuant to which they will make available to the Company the respective amounts set out below:

Roy Stanley	£450,000
Darren Kell	£225,000
Jon Pither (through his management company Surrey Management Services)	£75,000

5.2.2 Each of the loans has been made available on the same principal terms. The loans are available for draw down and are repayable on a *pari passu* basis. The terms of the facilities are as follows:

5.2.2.1 The purpose is to assist the Company and its subsidiaries with their general working capital requirements.

5.2.2.2 Repayment – Each of the loans is repayable on the earlier to occur of Admission and 8 October 2010. If Admission does not occur by 8 October 2010 (the “Repayment Date”) the directors in their position as lenders can demand repayment of monies due on 15 Business Days notice. The Company is also able to repay or prepay the whole or part of the loans on 15 Business Days notice. The loans can be repaid, at the option of the relevant lender by setting off monies due by that lender to the Company under the Underwriting Agreement against monies due by the Company to that lender under the Standby Loan Agreement.

5.2.2.3 Interest – Interest is payable on the loans at the rate of 1 per cent. of the principal amount of the loan until the Repayment Date. If the loans are not repaid by the Repayment Date then interest is payable at 12 per cent. per annum from the Repayment Date until the monies are repaid.

5.2.2.4 Events of Default – The loans will become immediately due and payable on the occurrence of certain events of default which are specified in the Standby Loan Agreements. These include non payment of any sum due under the Standby Loan Agreements; failure to comply with any provision of the Standby Loan Agreements or any provision of the Debentures; if any other indebtedness of the Company (in excess of £50,000) becomes due or becomes capable of being declared due and payable by reason of default; any representation made in the Standby Loan Agreements is incorrect in any material respect; or if an insolvency event occurs.

5.2.2.5 Representations and Undertakings – The Standby Loan Agreements contain limited representations, warranties and undertakings by the Company. The representations are limited to the Standby Loan Agreements and Debentures constituting legal valid and binding obligations, that all necessary corporate and shareholder action has been taken to ensure that the Standby Loan Agreements and the Debentures have been duly authorised, that the execution delivering performance of the Standby Loan Agreements and the Debentures does not contravene any existing regulation or contract to which the Company is subject and that no event of default has occurred. The undertakings comprise a negative pledge, i.e. that the Company will not grant create or allow to subsist any mortgage, charge, lien or other security interest, that the loans will rank at all times at least *pari passu* with all other present or future unsecured indebtedness and that the Company will use all reasonable endeavours to progress the Open Offer and to achieve Admission on or before 1 October 2010.

5.2.2.6 Security – Each of the Standby Loan Agreements is secured by a Debenture. The Debentures are in a form which is relatively standard and constitute fixed and floating charges over the Company’s assets. Fixed charges are granted over freehold and leasehold properties; plant and machinery, furniture furnishings and equipment; present and future uncalled capital and goodwill; intellectual property rights;

policies of insurance; shares and other securities owned by the Company; bank accounts and cash balances and book debts. A floating charge is created over all other assets of the Company or if any of the fixed charges does not constitute a fixed charge a floating charge is granted over those assets. There are limited covenants in the Debentures which prohibit the Company from creating any other security, selling or otherwise disposing of any property and granting leases. The Debentures contain covenants requiring the Company to maintain its assets including keeping all the Company's assets insured and in good and substantial repair; punctually paying all rents, taxes, rates and duties and running its business in a proper and efficient manner. There are limited representations and warranties, these include: the Company being the legal and beneficial owner of all charged properties and the charged property is free of any encumbrance. Under the terms of the Debentures the lenders are entitled to give notice to the Company's banks of the charges over book debts, but they cannot do this until an event of default has occurred.

- 5.2.2.7 Enforcement – The lenders have agreed between themselves that their debt will rank *pari passu* with the others loans in the proportion to which their individual loan bears to the total amount of the loans being made available. No enforcement action can be taken without the lenders holding two thirds of the amount of the outstanding loans agreeing. If no agreement is reached within 60 days any lender can then enforce their security.
- 5.2.2.8 Release of Security – If the Open Offer proceeds to Admission and the amounts owing by the Company to the Directors entering into the Standby Loan Agreements and Surrey Management Services are either set off against amounts due from them under the Underwriting Agreement, in the event the Open Offer is not taken up in full, or repaid to them, in the event that the Open Offer is taken up in full, the Debentures are discharged and the Directors entering into the Standby Loan Agreements and Surrey Management Services are under an obligation under the Standby Loan Agreements to release the Debentures. The Company is authorised under the Standby Loan Agreements to apply to the Companies Registry to remove the Debentures from the relevant registers upon either method of repayment occurring.

6. The Articles

6.1 The Articles contain provisions, *inter alia*, to the following effect:

6.1.1 *Voting Rights*

- 6.1.1.1 On a show of hands every member who is present in person shall have one vote and upon a poll every member present in person or by proxy shall have one vote for every share held by him.
- 6.1.1.2 No member shall, unless the Directors otherwise determine, be entitled in respect of any share held by him to vote (either in person or by proxy) at any shareholder's meeting, or to exercise any other right conferred by membership in relation to such meetings of the Company if any call or other sum presently payable by him to the Company in respect of that share or shares remains unpaid until all amounts due are paid, together with all costs, charges and expenses incurred by the Company by reason of the non-payment.
- 6.1.1.3 Subject to the requirements of the London Stock Exchange, if any member or other person appearing to be interested in shares held by such member has been duly served with a notice under Section 212 of the 1985 Act (requiring disclosure of interests in shares) and is in default for the prescribed period in supplying to the Company the information required by such notice then (unless the Directors otherwise determine) the member shall not (for as long as the default continues), nor shall any transferee to whom any of such shares are transferred (other than

pursuant to an approved transfer or pursuant to Article 75.5.3 of the Articles) be entitled to vote, either personally or by proxy, at shareholders meetings or to exercise any other right conferred by membership in relation to such meetings. Where on the basis of information obtained from a member in respect of a share held by him, the Company issues a notice under Section 212 of the 1985 Act to another person, it shall at the same time send a copy of the notice to the member.

6.1.2 *Variation of class rights and changes in capital*

Whenever the capital is divided into different classes of shares, the special rights attached to any class of share may, subject to the provisions of the Act, be varied or abrogated (either whilst the Company is a going concern or during or in contemplation of a winding up) in such manner as may be provided by those rights or in the absence of provision either with the consent in writing of the holders of three quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the issued shares of that class. At any such separate general meeting (other than an adjourned meeting) the necessary quorum is two persons holding or representing by proxy one third in nominal value of the issued shares of the class in question.

The Company may from time to time by ordinary resolution (save for 6.1.2.5 below):

6.1.2.1 consolidate and divide all or any of its share capital into shares of a larger amount;

6.1.2.2 sub-divide its share capital into shares of a smaller amount;

6.1.2.3 cancel any shares which have not been taken up or agreed to be taken up by any person and diminish its authorised capital by the amount of the shares so cancelled;

6.1.2.4 increase its authorised share capital by such sum to be divided into shares of such amount, as the resolution shall prescribe; and

6.1.2.5 with the sanction of a special resolution and subject to any confirmation or consent required by law, reduce its authorised and issued share capital or any capital redemption reserve fund or any share premium account or other undistributable reserve.

6.1.3 *Dividends*

Subject to any preferential or other special rights attached to any shares issued by the Company the profits of the Company available for dividend and which the Company shall so determine to distribute by way of dividend shall be apportioned and paid to the members entitled thereto proportionately to the amounts paid up on the shares.

The Directors may, in their absolute discretion, withhold the payment of any dividend or other moneys payable to a member in respect of any shares held by him over which the Company has a lien and may apply the same towards satisfaction of the moneys payable to the Company in respect of those shares. The Directors may also retain dividend payments until a person is entitled to transfer those shares and has transferred the same.

Any dividend unclaimed after a period of 12 years from the date for payment thereof shall be forfeited, shall cease to remain owing and shall revert to the Company.

6.1.4 *Distribution of assets on winding-up*

If the Company is wound-up, the liquidator may, with the authority of an extraordinary resolution and subject to the Act, divide among the members in specie or in kind the whole or any part of the assets of the Company and may determine how such division shall be carried out as between different classes of members (if any).

6.1.5 *Transfer*

A transfer of shares shall be effected by a transfer in writing in the usual common form or in any other form approved by the Directors. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the Register of Members in respect thereof.

The Directors may (subject to the restrictions on voting in particular circumstances contained in the Articles and the requirements of the London Stock Exchange) in their absolute discretion and without giving any reason refuse to register the transfer of a certificated share (or in the case of 6.1.5.3 refuse to register the transfer of a certificated share or a renunciation of a renounceable letter of allotment):

6.1.5.1 which is not fully paid up; or

6.1.5.2 on which the Company has a lien;

(if that share has been admitted to trading on AIM or to the London Stock Exchange's market for listed securities, the Directors may not refuse to register the transfer if this would prevent dealings in the share from taking place on an open and proper basis) or;

6.1.5.3 unless it is in respect of only one class of share, in favour of a single transferee or renounee or not more than four joint transferees or renounees, is duly stamped and is delivered for registration to the transfer office or such other place as the Directors may decide accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to prove the title of the transferor or person renouncing and the due execution by him of the transfer or renunciation or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so.

If a member has been duly served with a notice under section 212 of the 1985 Act and is in default for the prescribed period in supplying the information required by such notice and the shares in relation to which the default has occurred constitute at least 0.25 per cent. of the issued shares of the class in question, the Directors may, by giving notice to the relevant member, direct that no transfer of any certificated relevant shares shall be registered unless the transfer is an approved transfer or the member himself is not in default as regards the supply of the information or the transfer is part only of the members holding and the Directors receive satisfactory evidence to this effect.

For the purposes of this Part 5 "approved transfer" means a transfer to an offeror by way or in pursuance of acceptance of a takeover offer for the Company (within the meaning of section 428 (1) of the 1985 Act), or the Directors are satisfied that the transfer is made pursuant to a bona fide sale of the whole of the beneficial ownership of the shares to a party unconnected with the member or with any person appearing to be interested in such shares.

If any member is served with a notice under section 212 of the 1985 Act and the shares in respect of which the notice has been served represent at least 0.25 per cent. of the issued shares of the class in question, the Board may by notice to the relevant member direct that the whole or any part of any dividend which would otherwise be payable in respect of the said shares shall be retained by the Company without any liability to pay interest when they are finally paid to the member.

Save as aforesaid, the Articles contain no restrictions as to the free transferability of fully paid shares.

6.1.6 *Directors*

6.1.6.1 No shareholding qualification is required of a Director.

- 6.1.6.2 The Directors may from time to time appoint any other person to be a Director either to fill a vacancy or as an additional Director. A Director so appointed shall hold office until the conclusion of business at the next Annual General Meeting following next after his appointment when he shall retire but shall then be eligible for re-election at that meeting.
- 6.1.6.3 The ordinary remuneration of the Directors for their services in that capacity shall be determined by the Remuneration Committee but shall not exceed £100,000 per annum in aggregate or such higher amount as may from time to time be determined by ordinary resolution of the Company, such sum (unless provided otherwise by ordinary resolution) to be divided among such Directors in such proportion as they may agree or, in default of agreement, equally, and accrues daily. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses properly incurred by them respectively in and about the performance of their duties as Directors, including their expenses of travelling to and from meetings of the Directors of any committee thereof.
- 6.1.6.4 The Directors may grant such reasonable extra remuneration to any Director who holds any executive office or who serves on any committee of the Board or who performs services which in the Board's opinion are outside the scope of the Director's ordinary duties which may be payable in addition to or in substitution for his ordinary remuneration (if any) as a Director and may be payable by way of salary, commission or other means as the Directors shall determine.
- 6.1.6.5 The Directors may from time to time appoint one or more of their body to be the holder of any executive office on such terms and for such period as they may determine.
- 6.1.6.6 The Directors may confer upon a Director holding an executive office any of the powers exercisable by Directors upon such terms and conditions and with such restrictions as they think fit.
- 6.1.6.7 Any Director may be party to or interested in any contract or arrangement to which the Company is a party. He may also hold or be remunerated in respect of any office or position (other than auditor) under or in the Company or any other company in which the Company is in any way interested. He may also retain for his own absolute use and benefit all profits, benefits and advantages which he may derive as a result.
- 6.1.6.8 A Director may hold office as a director or other officer or be otherwise interested in any other company of which the Company is a member or in which the Company is otherwise interested and unless otherwise agreed shall not be liable to account to the Company for any remuneration or other benefits receivable by him as director or other officer or by virtue of his interest in such other company.
- 6.1.6.9 A Director who to his knowledge is in any way (directly or indirectly) interested in a contract, arrangement, transaction or proposal with the Company should declare the nature of his interest at the meeting of the Board at which the question of entering into the contract, arrangement, transaction or proposal is first considered if he knows his interest then exists or in any case at the first meeting of the Board after he knows that he is or has become interested.
- 6.1.6.10 At every Annual General Meeting one third of the Directors for the time being who are subject to retirement by rotation shall retire from office. A retiring Director shall be eligible for re-election.

6.1.7 *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets both present and future, including uncalled capital, and to issue debentures and other securities.

6.1.8 *Untraced shareholders*

Subject to the notice and advertising requirements set out in the Articles, the Company may sell any member's shares in the Company or any shares to which a person is entitled by transmission if during the period of not less than 12 years prior to such notice at least three dividends in respect of the shares in question have become payable, all warrants, cheques or money orders in respect of such shares have remained uncashed and no indication has been received by the Company of the whereabouts or existence of such member or person entitled by transmission. The Company will account to such member or person (without interest) on the basis set out in the Articles.

6.1.9 *1985 Act references*

The Articles do not reflect provisions of the 2006 Act, which apply to the Company following the implementation of the 2006 Act, as they were adopted prior to the implementation of the 2006 Act. References in this paragraph 6 to the 1985 Act reflect this position. In addition, references in this paragraph 6 to the Company's authorised share capital reflect Company law when the Articles were adopted and not current Company law.

7. United Kingdom Taxation

The following statements are intended as a general guide only, based on current UK tax legislation and HM Revenue and Customs practice, the UK tax position of UK residents who are the absolute beneficial owners of their shares and who are holding their shares as investments and not as trading stock. Any person who is in any doubt as to his tax position, or who is or may be subject to tax in a jurisdiction other than the UK, should consult an appropriate professional adviser.

Dividends

Under current UK tax legislation, no tax will be withheld from any dividend paid by the Company.

A UK resident individual Shareholder is entitled to a tax credit in respect of the dividend received. The value of the tax credit is currently an amount equal to one ninth of the dividend received.

A UK resident individual Shareholder is subject to tax on the gross dividend, being the aggregate of the dividend received from the Company and the tax credit. For the purpose of higher rate and additional rate tax, the gross dividend will be treated as the top slice of the Shareholder's income. A starting rate or basic rate taxpayer will be subject to tax on the gross dividend at the rate of 10 per cent., the tax credit satisfying his liability in full. A higher rate taxpayer will be subject to income tax on the gross dividend at the rate of 32.5 per cent., but will be able to set off the tax credit against this liability, resulting in an effective rate of tax of 25 per cent. on the dividend received.

A taxpayer paying income tax at the additional rate (which applies to taxable income in excess of £150,000) will be subject to income tax on the gross dividend at the rate of 42.5 per cent. but will be able to set off the tax credit against this liability, resulting in an effective rate of tax of 36.1 per cent. of the dividend received.

A UK resident Shareholder who holds Ordinary Shares in a PEP or ISA will be exempt from income tax on dividends in respect of such shares.

UK resident Shareholders whose income tax liability is less than the tax credit are not entitled to claim a repayment of any part of the tax credit associated with dividends paid by the Company.

UK pension funds will not be entitled to reclaim the tax credit attaching to any dividend paid by the Company.

Subject to certain exceptions for some insurance companies, a UK resident corporate Shareholder should not (unless carrying on a trade of dealing in shares) be liable to UK corporation tax on any dividend received from the Company.

A non-UK resident Shareholder is not generally entitled to a tax credit in respect of the dividend received. However, such a shareholder may be entitled to a payment from HM Revenue and Customs of a proportion of the tax credit under a double tax convention or agreement between the UK and the country in which he is a resident.

A non-UK resident Shareholder may be subject to foreign tax on the dividend received. Such a shareholder should consult his own tax adviser on the incidence of taxation in the country in which he is resident, whether he is entitled to the benefit of any tax credit and the procedure for claiming payment.

Chargeable Gains

A Shareholder resident (or ordinarily resident) for tax purposes in the UK who sells or otherwise disposes of his Ordinary Shares may incur a liability to tax on any capital gain which is realised. As regards an individual Shareholder, the principal factors that will determine the extent to which a gain will be subject to UK capital gains tax are the extent to which he or she realises any other capital gains in the tax year of assessment in which the gain arises, the extent to which he or she has incurred capital losses in that or any earlier tax year of assessment and the level of the annual allowance of tax-free gains in the tax year of assessment in which the disposal takes place.

Special rules apply to individuals at a time when they are temporarily not resident or ordinarily resident in the UK.

A Shareholder who is neither resident nor ordinarily resident for tax purposes in the UK who sells or otherwise disposes of his Ordinary Shares will not normally be liable to UK capital gains tax on the gain which is realised. A liability to UK tax may arise in respect of a gain if such shareholder carries on a trade in the UK through a branch or agency and such Ordinary Shares are or have been used, held or acquired for the purposes of a trade carried on by the branch or agency.

A UK resident Shareholder who holds Ordinary Shares in a PEP or an ISA will be exempt from capital gains tax on gains accruing to him on a disposal or deemed disposal of Ordinary Shares.

Stamp duty and stamp duty reserve tax (“SDRT”)

The subscription for Ordinary Shares pursuant to the Open Offer will be free of SDRT unless the Ordinary Shares are acquired for the purposes of an arrangement for the provision of clearance services or the issue of depositary receipts. If shares are issued direct into a clearance or depositary service there is a stamp duty charge of 1.5 per cent. The Company will not be responsible for the payment of stamp duty or stamp duty reserve tax in any such case.

Agreements to transfer Ordinary Shares within CREST (where there is a change in the beneficial ownership of Ordinary Shares) will attract SDRT normally at the rate of 0.5 per cent. of the amount or value of the consideration. The charge to SDRT arises, in the case of an unconditional agreement to transfer such shares within CREST, on the date of the agreement, and in the case of a conditional agreement, on the date the agreement becomes unconditional. The SDRT is deducted on the earlier of T + ten business days (where T is the trade date/date of agreement) or settlement.

There is no additional stamp duty or SDRT liability where Ordinary Shares are taken out of CREST (otherwise than pursuant to a transfer on sale), and there is no additional stamp duty or SDRT liability if Ordinary Shares are deposited into CREST for conversion into uncertificated form (otherwise than pursuant to a transfer on sale or in contemplation of such sale).

Transfers on sale of existing Ordinary Shares outside CREST will be liable to ad valorem stamp duty normally at the rate of 0.5 per cent. of the amount or value of the chargeable consideration. A charge to SDRT, normally at the rate of 0.5 per cent. of the consideration, arises, in the case of an unconditional agreement to transfer shares outside CREST, on the date of the agreement and in the case of a conditional agreement, on the date the agreement becomes unconditional. The SDRT is payable on the seventh day of the month following the month in which the charge arises. However, where an instrument

of transfer is executed and duly stamped before the expiry of a period of six years beginning with the date of that agreement (or, if the agreement is conditional, the date on which the condition is satisfied), the SDRT charge is cancelled to the extent that the SDRT has not been paid and, if any of the SDRT has been paid, a claim may be made for its repayment, generally with interest. SDRT and stamp duty are normally the liability of the purchaser.

Liabilities to stamp duty will be rounded up to the nearest multiple of £5.

The above statements are intended as a general guide to the current stamp duty and SDRT position. Certain categories of person, including market makers, brokers, dealers and persons connected with depositor arrangements and clearance services, are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

8. Availability of Documents

This document will be available for a period of twelve months from the date of this document on the Company's website www.tanfieldgroup.com free of charge. A copy of the Underwriting Agreement will be available for review until the end of the Open Offer period at the registered office of the Company during normal business hours on any weekday other than Saturdays, Sundays and public holidays.

Dated: 8 September 2010

PART 6

DEFINITIONS

In this document the following expressions have the meaning ascribed to them unless the context otherwise requires:

1985 Act	the Companies Act 1985, as amended
2006 Act	the Companies Act 2006, as amended
Admission	the admission of the Open Offer Shares to trading on AIM becoming effective in accordance with the AIM Rules
AIM	AIM, a market of the London Stock Exchange
AIM Rules	means the rules of AIM governing the admission to and the operation of AIM
Applicant	a Qualifying Shareholder or a person entitled by virtue of a bona fide market claim who lodges an Application Form or a relevant CREST instruction under the Open Offer
Application Form	the application form accompanying this document on which Qualifying Non-CREST Shareholders may apply for Open Offer Shares under the Open Offer
Arbuthnot	Arbuthnot Securities Limited of 20 Ropemaker Street, London EC2Y 9AR
Articles	the articles of association of the Company, details of which are set out in paragraph 6 of Part 5 of this document
Board	the Directors of the Company
Business Day	a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in the City of London for the transaction of normal banking business
Capita Registrars	a trading name of Capita Registrars Limited
certificated or in certificated form	in relation to a share or other security, a share or other security which is not in uncertificated form
Close	means Close Asset Management Limited
Closing Price	the closing middle market quotation as derived from the Daily Official List of the London Stock Exchange on a particular day
Company	Tanfield Group plc
CREST	the relevant system, as defined in the CREST Regulations (in respect of which Euroclear is the operator as defined in the CREST Regulations)
CREST Manual	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST

	Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended since)
CREST Member	a person who has been admitted to Euroclear as a system-member (as defined in the CREST Regulations)
CREST Participant	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations)
CREST Regulations or Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended
CREST Sponsor	a CREST participant admitted to CREST as a CREST sponsor
CREST Sponsored Member	a CREST member admitted to CREST as a sponsored member
Debentures	the debentures securing the Company's obligations under the Standby Loan Agreements
Directors	the directors of the Company, whose names appear on page 7 of this document
Enlarged Ordinary Share Capital	the issued share capital of the Company immediately following completion of the Open Offer (assuming the Open Offer is taken up in full)
EU	the European Union
Euroclear	Euroclear & Ireland Limited, the operator of CREST
Excluded Territories	Australia, Canada, Japan, New Zealand and the Republic of South Africa
Ex-Entitlement Date	the date on which the Ordinary Shares trade ex-entitlement to participate in the Open Offer, expected to be 8 September 2010
Existing Ordinary Shares	the 74,077,218 Ordinary Shares in issue as at the date of this document
Form of Proxy	the form of proxy relating to the General Meeting sent to Shareholders with this document
FSA	the Financial Services Authority of the United Kingdom
FSMA	the Financial Services and Markets Act 2000, as amended
General Meeting	the general meeting of the Company convened for 30 September 2010, notice of which is set out at the end of this document
Group	the Company and its subsidiaries at the date of this document
Independent Directors	Jeremy Wooding, Martin Groak, John Bridge, Charles Brooks, Brendan Campbell and Geoff Allison
Institutional Underwriters	Killik & Co and Close
ISIN	International Securities Identification Number
Issue Price	10 pence per Open Offer Share

London Stock Exchange	London Stock Exchange plc
Member Account ID	the identification code or number attached to any member account in CREST
Money Laundering Regulations	the Money Laundering Regulations 2007 (SI 2007/2 157) as amended
New Issue	the issue of up to 20,000,000 Open Offer Shares pursuant to the Open Offer
Non-CREST Shareholder	a Shareholder who holds their Ordinary Shares in certificated form, that is not in CREST
Open Offer	the conditional invitation to Qualifying Shareholders to subscribe for the Open Offer Shares at the Issue Price on the terms and subject to the conditions set out in this document and in the case of Qualifying Non-CREST Shareholders only, the Application Form
Open Offer Entitlements	the <i>pro rata</i> entitlement of Qualifying Shareholders to subscribe for one Open Offer Share for every 3.7038609 Existing Ordinary Shares registered in their name as at the Record Date
Open Offer Shares	up to 20,000,000 new Ordinary Shares to be allotted and issued pursuant to the Open Offer
Ordinary Shares or Shares	ordinary shares of 5 pence each in the share capital of the Company.
Overseas Shareholders	Shareholders with registered addresses outside the United Kingdom or who are citizens or residents of countries outside the United Kingdom
Participant ID	the identification code or membership number used in CREST to identify a particular CREST Member or other CREST Participant
pounds sterling, sterling or £	the lawful currency of the United Kingdom
Press Announcement	the press announcement giving details, <i>inter alia</i> , of the Open Offer
Qualifying CREST Shareholders	Qualifying Shareholders holding Ordinary Shares in uncertificated form in CREST at close of business on the Record Date
Qualifying Non-CREST Shareholders	Qualifying Shareholders holding Ordinary Shares in certificated form at close of business on the Record Date
Qualifying Shareholders	holders of Ordinary Shares on the register of members of the Company at the Record Date with the exclusion (subject to certain exemptions) of Overseas Shareholders
Record Date	5.00 p.m. on 6 September 2010
Registrars	Capita Registrars
Regulatory Information Service	one of the regulatory information services authorised by London Stock Exchange to receive, process and disseminate regulatory information in respect of listed companies

Resolution	the resolution set out in the notice of General Meeting at the end of this document
SEV US	Smith Electric Vehicles US Corp
Shareholders	holders of Ordinary Shares
Standby Loan Agreements	the standby facilities dated 7 September 2010 between the Company and each of Roy Stanley, Darren Kell and Surrey Management Services and further described in paragraph 5.2 of Part 5 of this document
Surrey Management Services	Surrey Management Services Limited, a management company wholly owned by Jon Pither
uncertificated or in uncertificated form	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
Underwriting Agreement	the underwriting agreement dated 7 September 2010 between the Company and the Underwriting Group relating to the Open Offer and further described in paragraph 5.1 of Part 5 of this document
Underwriting Directors	Roy Stanley and Darren Kell who have agreed to subscribe for Underwritten Open Offer Shares pursuant to the Underwriting Agreement
Underwriting Group	the Underwriting Directors, Surrey Management Services and the Institutional Underwriters
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
US Securities Act	the United States Securities Act 1933, as amended
United States or US	the United States of America
VAT	value added tax

PART 7

NOTICE OF GENERAL MEETING

TANFIELD GROUP PLC (“the Company”)

(Incorporated in England and Wales with registered number 04061965)

Notice of General Meeting

NOTICE is hereby given that a General Meeting of the Company will be held at the registered office of the Company at Vigo Centre, Birtley Road, Washington, Tyne and Wear, NE38 9DA on 30 September 2010 at 9.00 a.m for the following purposes:

To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution of the Company.

Ordinary Resolution

That the directors of the Company be and are hereby generally and unconditionally authorised (in substitution for any previous authority) for the purposes of Section 551 of the Companies Act 2006 (as amended) to exercise all the powers of the Company to allot shares in the Company, or to grant rights to subscribe for or to convert any security into shares in the Company (such shares and such rights to subscribe for or to convert any security into shares in the Company being “relevant securities”) on such terms and in such manner as they shall think fit, up to a maximum aggregate nominal amount of £1,000,000 at any time, provided that this authority shall be limited to the allotment no later than 30 October 2010 of the Open Offer Shares (as that expression is defined in a Circular from the Company to its Shareholders dated 8 September 2010 of which this Notice of General Meeting forms part).

By order of the Board

C D Brooks ACA
Company Secretary

Registered Office:
Vigo Centre,
Birtley Road,
Washington,
Tyne and Wear
NE38 9DA

8 September 2010

Notes

1. Entitlement to Attend and Vote

Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), the Company specifies that only those holders of ordinary shares of 5p each in the capital of the Company registered in the Company’s Register of Members at:

1.1. 6.00 p.m. on 28 September 2010; or

1.2. if this meeting is adjourned, at 5.00 p.m. two working days prior to the adjourned meeting;

shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares of 5p each in the capital of the Company registered in their name at that time. Subsequent changes to entries in the Register of Members as at 6.00 p.m. on 28 September 2010 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

2. Appointment of Proxies

2.1. If you are a member of the Company at the time set out in paragraphs 1.1 or 1.2 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend and on a poll vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to your proxy form.

2.2. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box on your proxy form. If you sign and return your proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.

2.3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. In the event of a conflict between a blank proxy form and a proxy form which states the number of shares to which it applies, the specific proxy form shall be counted first, regardless of whether it was sent or received before or after the blank proxy form, and any remaining shares in respect of which you are the registered holder will be apportioned to the blank proxy form. You

may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy you must complete a separate Form of Proxy for each proxy. Members can copy their original Form of Proxy.

- 2.4. To direct your proxy how to vote on the resolutions mark the appropriate box on your proxy form with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
- 2.5. To appoint a valid proxy using the proxy form, the form must be:
 - 2.5.1 completed and signed;
 - 2.5.2 sent or delivered to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU; and
 - 2.5.3 received by Capita Registrars no later than 48 hours before the meeting.
- 2.6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
- 2.7. Any power of attorney or any other authority under which your proxy form is signed (or a duly certified copy of such power or authority) must be included with your proxy form.
- 2.8. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
- 2.9. You may not use any electronic address provided in your proxy form to communicate with the Company for any purposes other than those expressly stated.

3. Attending in Person

The sending of a completed form of proxy to the Company's Registrar will not preclude members from attending and voting at the meeting, or any adjournment thereof, in person, should they so wish.

