

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

If you have sold or transferred all your shares in Mwana Africa plc, please send this document, together with the accompanying form of proxy, as soon as possible to the purchaser or transferee, or to the bank, stockbroker or other agent through whom you made the sale or transfer for transmission to the purchaser or transferee.

---

**MWANA AFRICA PLC**

*(incorporated and registered in England and Wales under number 2167843)*

**Proposal for  
the cancellation of the Share Premium Account of the Company  
and  
the purchase by the Company of its own Ordinary Shares**

---

Notice of an extraordinary general meeting of Mwana Africa plc to be held on 9 November 2006 at 11:00 a.m. at the offices of JP Morgan Cazenove Limited, 20 Moorgate, London EC2R 6DA, is set out on page 15 of this document. Forms of proxy for use in relation to these meetings are enclosed with this document. To be valid, a form of proxy must be completed and returned in accordance with the instructions printed thereon, so as to be received by Computershare Investor Services (Ireland) Limited not later than forty-eight hours before the time of the extraordinary general meeting.

## CONTENTS

DEFINITIONS	3
DIRECTORS, SECRETARY AND ADVISERS	6
EXPECTED TIMETABLE OF PRINCIPAL EVENTS	7
LETTER FROM THE CHAIRMAN	8
APPENDIX	13
NOTICE OF EXTRAORDINARY GENERAL MEETING OF MWANA AFRICA PLC	15

## 1 **DEFINITIONS**

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

### **“Act”**

The Companies Act 1985, as amended;

### **“AIM”**

The AIM Market of the London Stock Exchange;

### **“AIM Rules”**

The AIM Rules of the London Stock Exchange;

### **“Annual General Meeting”**

The annual general meeting of the Company convened for 11.30 a.m. on 20 October 2006 at the offices of Charles Russell LLP 8-10 New Fetter Lane London EC4A 1RS;

### **“Articles”**

The Articles of Association of the Company;

### **“Cancellation”**

The proposed cancellation of the Share Premium Account of the Company;

### **“CREST”**

The computerised settlement system to facilitate the transfer of title to shares in uncertificated form operated by CRESTco;

### **“CRESTco”**

CRESTco Limited;

### **“Court”**

The High Court of Justice in England and Wales;

### **“Court Order”**

The order of the Court confirming the cancellation of the Share Premium Account;

### **“Directors” or “Board”**

The board of directors of Mwana;

**“Effective Date”**

The date on which the proposed cancellation of the Share Premium Account becomes effective;

**“Extraordinary General Meeting”**

The extraordinary general meeting of the Company convened for 11:00 a.m. on 9 November 2006 at the offices of JP Morgan Cazenove Limited, 20 Moorgate, London EC2R 6DA, notice of which is set out at the end of this document;

**“London Stock Exchange”**

London Stock Exchange plc;

**“Mwana” or “Company”**

Mwana Africa plc;

**“Ordinary Shares”**

The ordinary shares, of £0.10 each in the capital of Mwana;

**“Proposal”**

The proposal for the Cancellation and the purchase by the Company of its own Ordinary Shares, each as described in the Chairman’s letter on pages 8 to 12 of this document;

**“Resolution”**

The special resolution of the Shareholders to approve the Cancellation;

**“Share Premium Account”**

The amount credited to the share premium account of the Company;

**“Shareholders”**

The holders of Ordinary Shares;

**“UKLA”**

The UK Listing Authority of the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000;

**“Warrants”**

The warrants issued by the Company on 17 December 2003 to Warrantholders, that to date remain unexercised to subscribe in cash for Ordinary Shares;

**“Warrantholders”**

The holders of the Warrants;

## **DIRECTORS, SECRETARY AND ADVISERS**

<b>Directors</b>	Oliver Baring <i>Executive Chairman</i> Kalaa Mpinga <i>Chief Executive Officer</i> David Fish <i>Finance Director</i> Ken Owen <i>Technical Director</i> Hank Slack <i>Non-Executive Director</i> Stuart Morris <i>Non-Executive Director</i> Tim Wadeson <i>Non-Executive Director</i>
<b>Company secretary</b>	Brian Tuck
<b>Registered office</b>	Devon House 12-15 Dartmouth Street London SW1H 9BL
<b>Nominated Adviser and Joint Broker</b>	Canaccord Adams Limited 1 <sup>st</sup> Floor Brook House 27 Upper Brook Street London W1K 7QF
<b>Joint Broker</b>	JP Morgan Cazenove Limited 20 Moorgate London EC2R 6DA
<b>Solicitors to the Company</b>	Charles Russell LLP 8-10 New Fetter Lane London EC4A 1RS
<b>Auditors</b>	KPMG Audit Plc 8 Salisbury Square London EC4Y 8BB
<b>Registrars</b>	Computershare Investor Services (Ireland) Limited Heron House Corrig Road Sandyford Industrial Estate Dublin 18

## **EXPECTED TIMETABLE OF PRINCIPAL EVENTS**

Latest time and date for receipt of forms of proxy for the Extraordinary General Meeting	11:00 a.m. on 7 November 2006
Extraordinary General Meeting	11:00 a.m. on 9 November 2006
Court hearing of petition to confirm cancellation of the Share Premium Account	6 December 2006
Anticipated Effective Date	13 December 2006
Date from which the purchase by the Company of the Ordinary Shares may commence	18 December 2006

**LETTER FROM THE CHAIRMAN  
MWANA AFRICA PLC**

*(Incorporated and registered in England and Wales under the Companies Act 1985 with  
registered number 2167843)*

**Directors:**

Oliver Baring  
Kalaa Mpinga  
David Fish  
Hank Slack  
Tim Wadson  
Ken Owen  
Stuart Morris

**Registered Office:**  
Devon House  
12-15 Dartmouth Street  
London  
SW1H 9BL

16 October 2006

*To: Shareholders and for information to Warrantholders*

*Dear Sir or Madam*

**Proposed Cancellation of Share Premium Account of the Company and Purchase by the Company of its own Ordinary Shares**

**1 Introduction**

At the Company's forthcoming Annual General Meeting to be held at 11:30 a.m. on 20 October 2006 your Board is seeking a general authority from Shareholders to purchase, on behalf of the Company, up to 10% of its issued and committed share capital. The Directors believe this will be a valuable mechanism for improving liquidity in the Company's Ordinary Shares in the future as well as enhancing shareholder value.

As you will be aware the price of the Company's Ordinary Shares has recently been declining as has been the case for most traded shares in this sector. In addition, as a result of many years of central overheads exceeding income with little or no contribution from the Company's subsidiaries, the Company has a deficit on its profit and loss account. Notwithstanding this, the Company has more than sufficient cash to fund the Group's working capital as well as the Group's current projects and possible future acquisition opportunities.

Consequently, an opportunity exists in the Board's view to enhance value for Shareholders by achieving two objectives. The first is the elimination of deficit on the Company's profit and loss account therefore bringing forward the date upon which the Directors could consider the declaration of dividends out of any future profits which would otherwise have to be applied first in eliminating the deficit and would be likely to take some time. The second objective is a reduction in the number

of issued Ordinary Shares in the Company through a scheme to buy back Ordinary Shares. Your Board believes that the cancellation of the whole of the Share Premium Account will provide the Company with greater flexibility in respect of its balance sheet.

The Board is recommending a special resolution to be proposed at the Extraordinary General Meeting and has recommended a special resolution to be proposed at the Annual General Meeting to authorise the Directors to take steps which will enable the Company to purchase its own Ordinary Shares. The Board will only use this authority to buy back Ordinary Shares if to do so would result in an increase in earnings per share and if the Board considers that such an action, based on the circumstances at the time of purchase, is in the best interests of Shareholders generally.

Assuming the relevant resolution is passed at the forthcoming Annual General Meeting, the authority to purchase the Ordinary Shares will not be exercised until after the Effective Date and will last until the earlier of (1) 15 months from 20 October 2006 and (2) the conclusion of the annual general meeting of the Company in 2007. It is the intention of the Board to renew the authority at subsequent annual general meetings if it has not been used in full.

The purpose of this document is to explain the background and mechanism of the Proposal and to explain why your Board recommends that you vote in favour of the Resolution implementing the Cancellation at the Extraordinary General Meeting.

## **2 Purchase of Ordinary Shares**

The Directors intend to use the authority granted to make market purchases on behalf of the Company, of up to 10 per cent. of the Company's issued and committed Ordinary Shares. In making purchases the Company will deal through the market and only with members of the London Stock Exchange. The Company will use the authority to purchase Ordinary Shares by either a single purchase or a series of purchases when market conditions allow. The buy back of Ordinary Shares will be made at the discretion of the Board.

The maximum price to be paid by Mwana in connection with such a buy back must not exceed 5 per cent. above the average of the middle market quotations for an Ordinary Share for the 5 business days immediately preceding the date of the buy back.

The Company will incur a stamp duty charge of £0.50 per £100 of the price paid by the Company for each single purchase of Ordinary Shares by it in connection with the buy back (rounded up to the nearest £5). Further information relating to United Kingdom taxation is provided in the Appendix to this document.

No shares will be purchased by the Company during prohibited periods imposed by the London Stock Exchange. These are currently during the two month periods immediately preceding the announcement of the Company's half-year results and of the preliminary announcement of the Company's annual results and at any time when any information exists in relation to the Company or its shares that is not available to

the public and if made available would have a significant effect on the price of the Company's shares.

### **3 Cancellation of Share Premium Account**

The Act provides that a public company may only purchase its own shares out of distributable profits. The Company does not have distributable profits but as a result of the reverse takeover in October 2005 and past fundraisings it does have a substantial Share Premium Account which currently stands at £87,888,218. The Company is proposing, subject to the passing of the Resolution at the Extraordinary General Meeting and the subsequent confirmation of the Court, to cancel the Share Premium Account to enable the deficit on the profit and loss account to be eliminated and to use the balance (subject to any further losses) to create a special reserve of the Company which may, subject as set out below, be treated as distributable reserves of the Company with which it may, amongst other things, purchase and hold, in treasury up to such number of Ordinary Shares as does not exceed 10% of the Company's issued share capital.

The deficit on the profit and loss account of the Company as at 31 March 2006 was £6,051,000. The deficit has resulted from many years of central overheads exceeding income with little or no contribution from the Company's subsidiaries as well as well documented difficulties with inflation, exchange control and widespread disruption in parts of Africa where many of the Group's assets are located. Notwithstanding this, the Company has more than sufficient cash to fund the Group's working capital as well as the Group's current projects and possible future acquisition opportunities.

The existence of the deficit on the Company's profit and loss account and resulting lack of distributable reserves prevents the Company from operating a share repurchase programme and also prevents the Directors from considering the payment of dividends when and if the Company commences to trade profitably. Any such profits would be required to be set against any deficit on the Company's profit and loss account before any dividend could be declared. In the light of the size of the deficit, it would be likely to be some time before the Company's trading profits eliminate the historic deficit.

Accordingly, the amount released by the proposed Cancellation can first be used to eliminate the deficit on profit and loss account at the Effective Date and the balance, amongst other things, to absorb any further deficit which may have emerged and allow sufficient distributable reserves to fund the purchase by the Company of the Ordinary Shares.

The Court will require protection for the creditors of the Company whose debts remain outstanding at the Effective Date. Appropriate arrangements will be made with the approval of the Court for the protection of any creditors of the Company.

It is anticipated that the Court Order confirming the cancellation of the Share Premium Account will be made on or about 6 December 2006. The cancellation of the Share Premium Account will only take effect when an office copy of the Court Order is duly registered by the Registrar of Companies which is expected to take place on or about 13 December 2006. The Board intends to make arrangements for

the Company to be able to purchase its Ordinary Shares as soon as practicable thereafter.

#### 4 **Effect on Shareholders**

The Board believes that the overall value of the Shareholders investments in the Company will be improved by the Proposal.

#### 5 **Options over Ordinary Shares**

As at today's date options are outstanding over 11,865,000 Ordinary Shares, representing approximately 4.78 per cent. of the issued share capital of the Company. If authority to purchase the Ordinary Shares is approved at the Annual General Meeting and is fully used, the percentage of options outstanding over the Ordinary Shares will increase to approximately 5.35 per cent.

#### 6 **Warrants**

As at today's date Warrants are outstanding to subscribe in cash for 2,250,000 Ordinary Shares at a subscription price of £0.30 per Ordinary Share, representing approximately 0.91 per cent. of the issued share capital of the Company. If authority to purchase the Ordinary Shares is approved at the Annual General Meeting and is fully used, the percentage of Warrants outstanding will increase to approximately 1.01 per cent.

#### 7 **Extraordinary General Meeting**

You will find at the end of this document a notice convening the Extraordinary General Meeting to be held at 11:00 a.m. on 9 November 2006 at the offices of JP Morgan Cazenove Limited, 20 Moorgate, London EC2R 6DA. Implementation of the Proposal is conditional upon, and requires the passing of, the Resolution at the Extraordinary General Meeting and of resolution 13 proposed at the Annual General Meeting.

These special resolutions will, if passed:-

- (a) approve the cancellation of the Share Premium Account in order to create distributable profits to enable the Company to purchase Ordinary Shares; and
- (b) grant authority to the Company to make market purchases of Ordinary Shares.

#### 8 **Warrantholders' Consent**

Appropriate Warrantholders' consent to the Proposal has been obtained in accordance with the terms and conditions of the Warrants.

#### 9 **Action to be taken**

Shareholders will find enclosed a Form of Proxy for use at the Extraordinary General Meeting to be held at 11:00 a.m. on 9 November 2006 at the offices of JP Morgan Cazenove Limited, 20 Moorgate, London EC2R 6DA. **Whether or not you propose to attend the meeting, you are requested to complete and return the Form of**

**Proxy in accordance with the instructions printed on it. The Form of Proxy should be returned to Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18 as soon as possible and in any event so as to arrive not later than 11:00 a.m. on 7 November 2006. The completion and return of a Form of Proxy will not prevent you from attending and voting in person if you wish to do so.**

**10 Additional Information**

Your attention is drawn to the additional information in the Appendix which forms part of this document.

**11 Recommendation and Voting Intentions**

The Directors consider that the Proposal is in the best interests of the Shareholders taken as a whole. The Directors unanimously recommend all Shareholders to vote in favour of the Resolution as they intend to do in respect of their own beneficial holdings of Ordinary Shares, amounting in aggregate to 60,748,347 Ordinary Shares (representing approximately 24.5 per cent. of the issued share capital of the Company).

Yours faithfully,

**Oliver Baring**  
**Chairman**

## Appendix

### Additional Information

#### 1 TAXATION

The comments set out below summarise certain aspects of the UK taxation treatment of the Proposal. They are based on existing law and on what is understood to be current HM Revenue & Customs practice. They are intended as a general guide and apply to Shareholders resident or ordinarily resident for tax purposes in the UK (save where express reference is made to persons resident outside the UK) who hold Ordinary Shares as an investment and who are the absolute beneficial owners thereof. The comments below may not apply to certain classes of persons such as dealers in securities or trustees of certain trusts. *Shareholders who are in any doubt about their taxation position, or who are resident or otherwise subject to taxation in a jurisdiction outside the UK, should consult their own professional advisers immediately.*

##### 1.1 Effect on the Company

The cancellation of the Share Premium Account and the creation of the resulting reserve will have no tax consequences for the Company.

There will be a distribution to the extent that the purchase price paid for Ordinary Shares that are being purchased exceeds the nominal value and any premium received by the Company on the issue of those Ordinary Shares provided the Ordinary Shares were issued otherwise than by way of a bonus issue or a scrip dividend. However, there will be no tax consequences for the Company in respect of the element deemed to be a distribution.

##### 1.2 Effect on UK Shareholders

There are no tax implications for UK Shareholders of a cancellation by the Company of its Share Premium Account. A UK Shareholder who sells Ordinary Shares in the market to the Company via any market intermediary acting as principal will be treated for the purposes of tax on chargeable gains as disposing of their shares and a chargeable gain or allowable loss may arise (subject to the application of certain anti-avoidance provisions and the intermediary obtaining beneficial ownership of the Ordinary Shares in question). A UK Shareholder who sells Ordinary Shares in the market to the Company via any market intermediary not acting as principal may be treated as receiving a distribution. Such UK Shareholders should consult their professional advisers.

##### 1.3 Effect on Non-UK Shareholders

The implications of the Proposal for Non-UK Shareholders who are not resident or ordinarily resident in the UK for UK tax purposes will depend upon the laws of their respective jurisdictions and such Non-UK Shareholders should take their own advice on the tax implications of selling their Ordinary Shares under this Proposal. It is the responsibility of Non-UK Shareholders to satisfy themselves as to the full observance

of the laws of each relevant jurisdiction in connection with the Proposal, including obtaining of any governmental, exchange control or other consents which may be required, compliance with other necessary formalities which are required to be observed and/or payment of any issue, transfer or other taxes due in each such jurisdiction.

#### 1.4 **Stamp Duty**

The Company will incur a stamp duty charge of £0.50 per £100 of the price paid by the Company for each single purchase of Ordinary Shares by it in connection with the buy back (rounded up to the nearest £5).

Company Number: 2167843

## NOTICE OF EXTRAORDINARY GENERAL MEETING

of

**MWANA AFRICA PLC**

**(the “Company”)**

Notice is hereby given that an Extraordinary General Meeting of the above-named Company will be held at the offices of JP Morgan Cazenove Limited, 20 Moorgate, London EC2R 6DA on 9 November 2006 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed as a Special Resolution:

### **SPECIAL RESOLUTION**

THAT the sum standing to the credit of the share premium account of the Company at the date of this resolution be cancelled.

Dated: 16 October 2006

**BY ORDER OF THE BOARD**

Registered Office:  
Devon House  
12-15 Dartmouth Street  
London SW1H 9BL

**Brian Tuck**  
**Secretary**

### *Notes:*

- 1 A member entitled to vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company. A form of proxy is enclosed with this notice for use at the meeting.
- 2 To be valid, the form of proxy (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority) must be completed in accordance with the instructions set out on the form and deposited at or posted to the offices of the Company’s Registrars, Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, so as to be received no later than 11:00 a.m. on 7 November 2006. Completion and return of the form of proxy will not preclude shareholders from attending or voting at the meeting in person.
- 3 In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other joint holders. For these purposes, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

- 4 In the case of a corporation, the form of proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or duly authorised officer of the corporation.
- 5 The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 11:00 a.m. on 7 November 2006 shall be entitled to attend and vote, whether in person or by proxy, at the Extraordinary General Meeting, in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries in the register of members after 11:00 a.m. on 7 November 2006 shall be disregarded in determining the rights of any person to attend or vote at the Extraordinary General Meeting. If the Extraordinary General Meeting is adjourned, entitlements to attend and vote will be determined by reference to the register of members of the Company 48 hours before the time of the adjourned meeting.