

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 otherwise transferred all of your shares in Mwana Africa PLC, you should immediately send this document, together with the accompanying form of proxy, to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

---

# MWANA AFRICA PLC

*(Incorporated in England and Wales with Registered No. 02167843)*

*Directors:*

Oliver Baring (*Executive Chairman*)  
Kalaa Mpinga (*Chief Executive Officer*)  
David Fish (*Finance Director*)  
Ken Owen (*Technical Director*)  
John Anderson (*Non-Executive Director*)  
Stuart Morris (*Non-Executive Director*)  
Etienne Denis (*Non-Executive Director*)

*Registered Office:*

Devon House  
12-15 Dartmouth Street  
London  
SW1H 9BL

5 July 2007

TO: *Shareholders of Mwana Africa PLC ("Mwana" or the "Company")*

Dear Sir or Madam

## **Notice of Extraordinary General Meeting**

### **1 2007 Annual General Meeting**

I have pleasure in enclosing with this letter Mwana Africa PLC's Annual Report and Accounts for the year ended 31 March 2007.

The Company's Annual General Meeting will be held on 31 July 2007 at 11:00 a.m. at the offices of Charles Russell LLP, 8-10 New Fetter Lane, London EC4A 1RS. The notice convening the meeting is set out at the end of this document. I would like to take this opportunity to explain to you the effect of those resolutions which relate to the board or which comprise Special Business to be transacted at the meeting.

### **2 The Board**

#### *Resolutions 2 and 3*

Oliver Baring and Kalaa Mpinga retire as directors by rotation and will stand for re-election in accordance with the Company's articles of association.

#### *Resolutions 4 and 5*

John Anderson and Etienne Denis have been appointed as directors by the board and as their appointments have not yet been approved at a general meeting of the Company, they each retire as directors and stand for re-election in accordance with the Company's articles of association.

Brief biographical details of the directors these may be found on page 9 of the enclosed Annual Report and Accounts.

---

### 3 Special Business

#### *Resolution 9*

##### **Authority to allot shares**

An ordinary resolution (Resolution 9) will be proposed to give the directors authority to allot share capital in the Company in accordance with section 80 of the Companies Act 1985 (the "Act"). The authority will be limited to an aggregate nominal value of £19,409,394.60 (194,093,946 Ordinary Shares), representing approximately 68.15 per cent. of the current issued and committed share capital of the Company<sup>1</sup>. As has been previously announced, the Company intends to make a share for share exchange takeover offer (the "SouthernEra Offer")<sup>2</sup> to acquire all of the outstanding common shares ("SouthernEra Common Shares") of Toronto Stock Exchange listed SouthernEra Diamonds Inc. ("SouthernEra") on the basis of one Mwana Ordinary Share for every 2.3333 SouthernEra Common Shares held. Up to 73,936,455 Mwana Ordinary Shares may need to be issued pursuant to the SouthernEra Offer. A resolution authorising the allotment of Mwana Ordinary Shares pursuant to the SouthernEra Offer was passed at the extraordinary general meeting of Mwana held on 6 June 2007, but such authority expires at the Annual General Meeting convened for 31 July 2007.

After allowing for the grant of options over and the subsequent issue of up to 25,607,267 Ordinary Shares pursuant to the Company's existing unapproved option scheme adopted in September 1997 (the "Existing Scheme") and/or the Company's new share option schemes (details of which are given in relation to Resolutions 10, 11 and 12 below) and up to 73,936,455 Ordinary Shares in respect of the SouthernEra Offer, the directors would have authority to allot a further 94,550,224 Ordinary Shares (representing approximately 24.6 per cent. of the issued and committed share capital of the Company as so enlarged<sup>1</sup>. To the extent that fewer than 73,936,455 Ordinary Shares are allotted in respect of the SouthernEra Offer, the directors will (other than pursuant to the SouthernEra Offer and/or the Company's share option schemes) only use the section 80 authority referred to above to issue such number of Ordinary Shares as in aggregate amounts up to one third of the Company's then enlarged issued share capital<sup>1</sup>. This authority shall replace any existing authority to allot share capital in the Company granted to the directors and will expire 15 months from the date on which this resolution is passed or, if earlier, at the conclusion of the next Annual General Meeting. The percentage of the issued and committed share capital of the Company as so enlarged over which the directors would have authority to allot shares pursuant to Resolution 9 is substantially the same as that approved by shareholders at the extraordinary general meeting held on 6 June 2007, but which expires at the Annual General Meeting convened for 31 July 2007.

#### *Resolutions 10, 11 and 12*

##### **New share based incentives for executives and managers**

The Existing Scheme expires in September 2007. The Company wishes to establish two new share based incentives for executives and managers as follows:

- a share option scheme, to be known as the Mwana Africa Share Option Scheme, which will allow for both tax approved option awards to be made to UK resident employees and unapproved option awards, (which could be made to both UK resident and non-resident employees) (the "Share Option Scheme");

---

<sup>1</sup> This percentage of Mwana share capital includes 2,666,600 Ordinary Shares currently held in treasury as issued shares.

<sup>2</sup> The SouthernEra Offer will not be made, directly or indirectly, to "U.S. persons" (as such term is defined in Regulation S of the United States Securities Act of 1933, as amended) or in or into the United States of America (including its territories, possessions, each state thereof and the District of Columbia) and the SouthernEra Offer shall not be capable of acceptance by such U.S. persons or from or within the United States of America as so defined.

---

- 
- a separate share incentive scheme, to be known as the Mwana Africa Share Incentive Scheme, to compliment the Share Option Scheme to facilitate awards to selected executives and managers (the “Share Incentive Scheme”). The Share Incentive Scheme would permit awards of any one or a combination of the following incentives:
    - o the sale of Ordinary Shares on deferred payment terms;
    - o share awards as part of a bonus scheme by way of nil cost options in consideration of cash bonuses forgone on terms that would be determined by the remuneration committee of the Company (the “Remuneration Committee”);
    - o the issue of share appreciation rights either by the Company or EBT (as defined below).

The Company also wishes to adopt an employees’ benefit trust (“EBT”), to be known as the Mwana Africa Employee Benefits Trust, which will operate in conjunction with the Share Option Scheme and the Share Incentive Scheme.

Further details of the Share Option Scheme, the Share Incentive Scheme and the EBT are set out below and in the Appendix to this document.

Ordinary resolutions will be proposed (Resolutions 10, 11 and 12) seeking the approvals to and the adoption of the Share Option Scheme, Share Incentive Scheme and the EBT.

#### *Resolution 13*

#### **Disapplication of statutory pre-emption rights**

The provisions of section 89(1) of the Act to the extent that they are not disapplied, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up wholly in cash. Pursuant to this resolution, the provisions of section 89(1) of the Act will be generally disapplied in connection with:

- (a) rights or other pre-emptive issues;
- (b) the allotment of up to 25,607,267 equity securities (including the grant of options under the Existing Scheme and/or the Mwana Africa Share Option Scheme and/or the Mwana Africa Share Incentive Scheme and/or the Mwana Africa Employee Benefits Trust; and
- (c) any other issue of equity securities for cash which do not in aggregate exceed a nominal value of £7,494,834.90 (being 74,948,349 Ordinary Shares).

The 74,948,349 Ordinary Shares over which statutory pre-emption rights are proposed to be disapplied, as referred to in sub-paragraph (c) above, would be approximately 26.32 per cent. of the current issued and committed share capital of the Company<sup>1</sup>. Assuming 73,936,455 Ordinary Shares are allotted pursuant to the SouthernEra Offer and options over all of the Ordinary Shares referred to in sub-paragraph (b) above are granted, the 74,948,349 Ordinary Shares over which statutory pre-emption rights are proposed to be disapplied would be approximately 19.5 per cent. of the issued and committed share capital of the Company as so enlarged<sup>1</sup>. The percentage of the issued and committed share capital of the Company over which statutory pre-emption provisions are to be disapplied would be substantially the same as that approved by shareholders at the extraordinary general meeting held on 6 June 2007, but which expires at the Annual General Meeting convened for 31 July 2007.

The authority sought by this resolution shall replace any existing authority to disapply pre-emption rights granted to the directors and will last until the date of the next Annual General Meeting of the Company or, if sooner, 15 months after the passing of the resolution. The purpose of this resolution is to ask you to continue to give the Board the ability to raise additional funding in a timely manner should appropriate opportunities arise.

---

<sup>1</sup> This percentage of Mwana share capital includes 2,666,600 Ordinary Shares currently held in treasury as issued shares.

---

---

*Resolution 14*

**Authority to purchase own shares**

This resolution is to renew the authority granted to the Company at last year's Annual General Meeting to purchase up to a maximum of approximately 10 per cent of the current issued and committed share capital of the Company<sup>1</sup>, being 28,480,678 Ordinary Shares. The authority to purchase its own shares will only be exercised if so to do would result in an increase in earnings per share and is in the best interests of shareholders generally.

This authority shall continue for the period ending on the date of the next Annual General Meeting of the Company or, if sooner, 15 months after the passing of the resolution. In accordance with best practice, the Company has proposed this resolution as a special resolution.

*Resolution 15*

**Amendment to articles of association**

A special resolution will be proposed to amend the articles of association of the Company. The purpose of the resolution is to allow the Company to take advantage of the new Companies Act 2006 (the "New Act") rules for communications between companies, shareholders and others that came into force on 20 January 2007. The key change made by the New Act is that the Company will be able to send notices and other documents to shareholders by publishing them on its website, provided that certain conditions are met and procedures are followed.

One of the conditions is that the Company's shareholders have resolved that the Company may send or supply notices or documents to members by making them available on a website. Shareholders are being asked to do this by approving relevant amendments to the Company's articles of association. The amendments cover all notices or documents (other than share certificates) that the Company may send to shareholders. This includes, but is not limited to, annual accounts and reports, notices of general meetings and any documents which the Company is required to send to shareholders under the AIM Rules or other rules to which the Company is subject.

If the resolution is passed, the Company will in the near future ask each shareholder individually to agree that the Company may communicate in this way. The request will explain that, if the Company has not received a reply within 28 days of the request, the shareholder will be taken to have given his or her consent. Even if a shareholder fails to reply, and is deemed to have consented to website communications, he or she will be able to ask for a hard copy of any document from the Company at any time.

These new arrangements are expected to speed up communications to shareholders in a convenient form whilst saving administrative, printing and postage costs as well as delivering environmental benefits.

The directors are of the opinion that the aforementioned resolutions are in the best interests of the Company and its shareholders as a whole and recommend you to vote in favour of them.

**4 Action to be Taken**

Shareholders will find enclosed with this document a Form of Proxy for the Annual General Meeting. Whether or not you intend to be present at the meeting, you are requested to complete, sign 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, Sandymount Industrial Estate, Dublin 18 as soon as possible and, in any event, so as to arrive not later than 11:00 a.m. on 29 July 2007. The completion and return of a form of proxy will not preclude you from attending the meeting and voting in person should you wish to do so.

---

<sup>1</sup> This percentage of Mwana share capital includes 2,666,600 Ordinary Shares currently held in treasury as issued shares.

---

**5 Recommendation**

**The directors recommend that you vote in favour of the Resolutions as they intend to do in respect of their own beneficial shareholdings, which together amount to 55,242,734 Ordinary Shares representing approximately 21.23 per cent. of the present issued share capital of the Company (excluding shares held in treasury which cannot be voted).**

Yours faithfully

Oliver Baring  
*Executive Chairman*

---

**General Information***Documents for Inspection*

The following information, which is available for inspection during normal business hours at the registered office of the Company on any weekday (Saturdays and public holidays excepted) from the date of this notice until the date of the Annual General Meeting, will also be available for inspection at the place of the Annual General Meeting for a period of 15 minutes prior to the meeting and until the conclusion of the meeting:

Memorandum and Articles of Association of the Company

Register of interests of directors in the share capital of the Company

Copies of service contracts of directors of the Company

A copy of the draft rules of the Share Option Scheme and the Share Incentive Scheme together with the draft trust deed for the EBT

---

**Company Number: 02167843**

**THE COMPANIES ACTS 1985 TO 2006  
PUBLIC COMPANY LIMITED BY SHARES  
NOTICE OF ANNUAL GENERAL MEETING  
OF  
MWANA AFRICA PLC  
(the "Company")**

Notice is hereby given that the 2007 Annual General Meeting of the Company will be held on 31 July 2007 at 11:00 a.m. at the offices of Charles Russell LLP, 8-10 New Fetter Lane, London EC4A 1RS for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 12 will be proposed as ordinary resolutions and resolutions 13 to 15 will be proposed as special resolutions:

**ROUTINE BUSINESS**

**Ordinary Resolutions**

- 1 To receive and adopt the Company's annual accounts for the financial year ended 31 March 2007 together with the directors' report and auditors' report on those accounts..
- 2 To re-appoint Oliver Baring as a director.
- 3 To re-appoint Kalaa Mpinga as a director.
- 4 To re-appoint John Anderson as a director.
- 5 To re-appoint Etienne Denis as a director.
- 6 To approve the directors' remuneration report for the year ended 31 March 2007.
- 7 To re-appoint KPMG Audit Plc as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company.
- 8 To authorise the directors to fix the remuneration of the auditors.

**SPECIAL BUSINESS**

- 9 THAT in substitution for any existing authority subsisting at the date of this resolution (save to the extent that the same may already have been exercised and for any such powers granted by statute), the directors be and they are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985 (the "Act")) up to an aggregate nominal amount of £19,409,394.60, provided that this authority shall expire on the date of the next Annual General Meeting of the Company or 15 months after the passing of this resolution (whichever is earlier), save that the Company may before this authority expires, is replaced or revoked, make an offer or agreement which would or might require relevant securities to be allotted after such expiry, revocation or replacement and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired or, as the case may be, been replaced or revoked.
- 10 THAT the Mwana Africa Share Option Scheme, the rules of which were produced to the meeting and initialled by the Chairman for the purposes of identification be and is hereby approved and adopted with immediate effect and that the directors be and they are hereby authorised to take all steps and make such amendments as they consider to be necessary or desirable to give effect to the same.

- 
- 11 THAT the Mwana Africa Share Incentive Scheme, the rules of which were produced to the meeting and initialled by the Chairman for the purposes of identification be and is hereby approved and adopted with immediate effect and that the directors be and they are hereby authorised to take all steps and make such amendments as they consider to be necessary or desirable to give effect to the same; and
- 12 THAT the Mwana Africa Employee Benefits Trust to be constituted by the trust deed, which as produced to the meeting and initialled by the Chairman for the purpose of identification be and is hereby approved and the directors be and they are hereby authorised to take all steps and make such amendments as they consider to be necessary or desirable to give effect to the same, including without limitation to execute the said trust deed on behalf of the Company.

### **Special Resolutions**

- 13 THAT in substitution for any existing authority subsisting at the date of this resolution (save to the extent that the same may already have been exercised and for any such powers granted by statute) and subject to the passing of resolution 9 above, the directors be and are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94(2) of the Act) of the Company for cash pursuant to the general authority conferred on the directors pursuant to resolution 9 as if Section 89(1) of the Act did not apply to such allotment, provided that this power shall be limited to:
- 13.1 the allotment of equity securities which are offered to all the holders of equity securities of the Company (at a date specified by the directors) where the equity securities respectively attributable to the interests of such holders are as nearly as practicable in proportion to the respective number of equity securities held by them, but subject to such exclusions and other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements and any legal or practical problems under any laws or requirements of any regulatory body or stock exchange in any territory or otherwise;
- 13.2 the grant or issue and allotment of up to 25,607,267 equity securities pursuant to the African Gold Public Limited Company Share Option Scheme and/or the Mwana Africa Share Option Scheme and/or the Mwana Africa Share Incentive Scheme and/or the Mwana Africa Employee Benefits Trust; and
- 13.3 the allotment (other than pursuant to paragraphs 13.1 and 13.2 above) of equity securities up to an aggregate nominal value of £7,494,834.90,  
provided that such power shall expire on the date of the next Annual General Meeting of the Company or 15 months after the date of the passing of this resolution (whichever is the earlier) but so that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.
- 14 THAT the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Act to make one or more market purchases (within the meaning of section 163(3) of the Act) of Ordinary Shares provided that:
- 14.1 the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 28,480,678;
- 14.2 the minimum price which may be paid for such shares is 10 pence per share;
-

- 
- 14.3 the maximum price which may be paid for an Ordinary Share shall not be more than 5 per cent. above the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Ordinary Share is purchased;
- 14.4 unless previously renewed, varied or revoked, the authority hereby conferred shall expire on the date of the Company's next Annual General Meeting or, if sooner, 15 months from the date of passing this resolution;
- 14.5 the Company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.
- 15 THAT the articles of association of the Company be amended as follows:
- (i) The definition of "Act" which appears in Article 2 be and is hereby deleted in its entirety and substituted with the following definition in its place:
- "Act" means the Companies Act 1985, as amended, restated or re-enacted (including pursuant to the Companies Act 2006) from time to time;"
- (ii) Article 132:
- Delete: references to the word "sent"; and
- Replace with: the words "made available",
- and at the end of Article 132 insert: "For these purposes "made available" means being sent by post or any other means permitted by the Statutes (including by electronic communications or by making them available on a website)."; and
- (iii) Article 135:
- After "135", insert "135.1"; and
- at the end of new Article 135.1, insert:
- "135.2 Subject to the Statutes and Article 135.1 above, the Company may also send any notice or other document pursuant to these Articles to a member by publishing that notice or other document on a website where:
- (a) the Company and the member have agreed to him having access to the notice or document on a website (instead of it being sent to him);
- (b) the notice or document is one to which that agreement applies;
- (c) the member is notified, in a manner for the time being agreed between him and the Company for the purpose, of;
- (i) the publication of the notice or document on a website;
- (ii) the address of that website; and
- (iii) the place on that website where the notice or document may be accessed, and how it may be accessed;
- (d) the notice or document is published on that website throughout the period beginning with the giving of that notification and ending with the conclusion of the meeting to which it relates, and provided that, if the notice or document is published on that website for a part, but not all of, the publication period, the notice or document shall be treated as being published throughout that

---

period if the failure to publish that notice or document throughout that period is wholly attributable to circumstances which it would not be reasonable to have expected the Company to prevent or avoid; and

- (e) a notice treated in accordance with this Article as sent to any person is to be treated as so sent at the time of the notification mentioned in Article 135.2(c)."

Dated: 5 July 2007

**By Order of the Board**

Brian Tuck, Secretary

Registered Office:

Devon House  
12-15 Dartmouth Street  
London SW1H 9BL

Notes :

A member entitled to attend and vote at the above meeting convened by the above notice shall be entitled to appoint a proxy (or proxies) to attend and, on a poll, vote in his place. Such proxy need not be a member of the Company.

A form of proxy is enclosed. The appointment of a proxy will not prevent a shareholder from subsequently attending and voting at the meeting in person, in which case any votes cast by the proxy will be excluded.

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 29 July 2007. Completion and return of the form of proxy will not preclude shareholders from attending or voting at the meeting in person.

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.

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.

As provided in Regulation 41 of the Uncertificated Securities Regulations 2001, only those members registered in the register of members of the Company 48 hours before the time set for the meeting shall be entitled to attend and vote at the meeting in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries on the relevant register of securities after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

---

## APPENDIX

The following are summaries of the principal features of the Share Option Scheme, the Share Incentive Scheme and the EBT.

### THE SHARE OPTION SCHEME

#### Background

The Share Option Scheme consists of two distinct parts, namely Part A which provides for the grant of tax approved share options that satisfy the requirements of Schedule 4 to the Income Taxes (Earnings and Pensions) Act 2003 and Part B which provides for the grant of unapproved options.

**The following is a summary of the principal terms of the Share Option Scheme. The Share Option Scheme will operate for a maximum period of ten years from the date of its adoption**

#### Part A – Approved Options

##### *Participation*

All full-time employees and directors of the Company are eligible to participate in the Share Option Scheme and will be selected at the discretion of the Remuneration Committee. In the case of directors, full-time working requirements means 25 hours a week (excluding meal breaks). Employees who have a material interest in the Company cannot participate in Part A of the Share Option Scheme. A material interest is either beneficial ownership of, or the ability to control directly or indirectly, more than 25% of the ordinary share capital of the Company.

##### *Grant of Options*

Options may be granted under the Share Option Scheme over unissued or issued Ordinary Shares of the Company including issued shares held in treasury. No consideration will be payable for the grant of an option.

Each option is personal to the option holder and any transfer, assignment, charge, pledge or other disposal of or dealing with the option will cause it to lapse.

Options may be granted when the Remuneration Committee resolves that circumstances exist which justify the grant of options within 42 days of the announcement by the Company of its full or interim results. Options may be granted outside that 42-day period if the Remuneration Committee considers there to be exceptional circumstances. The grant of approval to the Share Option Scheme by Her Majesty's Revenue and Customs ("HMRC") outside that 42-day period or where it is reasonably necessary to grant options outside the 42 day period in order to recruit employees is, in each case, deemed to constitute exceptional circumstances.

Options must be granted such that their exercise is subject to performance conditions being satisfied. The performance conditions must be objective and save where the Remuneration Committee determines there to be exceptional circumstances, the performance conditions must relate to the overall financial performance of the Company or the market value of Ordinary Shares and where appropriate, its subsidiaries over a period of at least 3 years. That three year period may commence on the date of grant but in any event not before the first day of the accounting period current at the date of grant. The performance conditions can be waived or amended if the Remuneration Committee determines that a change of circumstances means that the performance conditions cannot be fairly and reasonably met.

---

### ***Exercise Price***

The Remuneration Committee determines the exercise price of options before they are granted. Options cannot be granted at an exercise price that is below the market value of a share on the date of grant. The prevailing market price must be agreed with HMRC as the Company's Ordinary Shares are regarded as unquoted for the purposes of Part A of the Share Option Scheme.

### ***Share Option Scheme Limits***

Part A of the Share Option Scheme rules incorporates an individual limit relevant to approved executive schemes, namely that an individual employee may not acquire options over more than £30,000 worth of Ordinary Shares (taking the market value of the Ordinary Shares at the date of grant) and taking into account any other options obtained under other approved schemes held by the employee.

The Share Option Scheme contains an overall limit that the percentage of share capital that can be used for options granted under the Share Option Scheme and any other employees' share scheme adopted by the Company granting rights over unissued or treasury shares in any rolling ten year period is limited to a maximum of 10% of the issued share capital (including treasury shares) of the Company for the time being plus 8,100,000 Ordinary Shares.

### ***Exercise of Options***

Options can only be exercised on or after the third anniversary of the date of grant provided the performance conditions have been satisfied. In any event, an option will not be exercisable after the tenth anniversary of its grant. In the case of death, a participant's personal representatives may exercise his options within 12 months after the date of death. Where an option holder ceases to be an employee by reason of injury, disability, redundancy within the meaning of the Employment Rights Act 1996, the company that employs that option holder ceasing to be a subsidiary of the Company, retirement, pregnancy or in any other circumstances determined by the Remuneration Committee the options held by that option holder may be exercised within six months of the termination of employment otherwise they lapse.

### ***Takeovers and Liquidations***

In the event of a takeover, scheme of arrangement, change of control or voluntary winding up of the Company, all options will vest and become immediately exercisable. There is a provision allowing the roll-over of options following such an event. The options must be exercised within six months and any options that are not so exercised, lapse.

### ***Variation of Share Capital***

In the event of any variation in the share capital of the Company including by way of rights issue, capitalisation, reduction, sub-division or consolidation of capital, the number of Ordinary Shares which may be transferred to a participant pursuant to the Share Option Scheme and the exercise price shall be adjusted in such manner as the Company's auditors shall in their opinion consider and confirm in writing to the Remuneration Committee to be fair and reasonable.

### ***Tax***

Where a tax liability arises on the exercise of an option, the Company may make deductions from payments due to the option holder to meet such liability. If such payments are insufficient, the option holder must pay the Company the balance of the liability before Ordinary Shares are allotted or transferred to him. Alternatively, the directors may sell as many of the option holder's Ordinary Shares as are necessary to cover the liability.

---

### ***Amendment, Assignability and Termination***

The directors of the Company may make amendments to the rules of the Share Option Scheme but no amendment can be made to the advantage of existing or new participants without the prior approval of shareholders in general meeting unless the alteration is in the opinion of the Remuneration Committee minor and to the benefit of the administration of the Share Option Scheme or to take account of any legislation or to maintain approval of HMRC for the Share Option Scheme or obtain or maintain favourable tax exchange, control or regulatory treatment for existing or new participants or any member of the group. Furthermore, no amendment to any key feature of the Share Option Scheme can have effect unless and until the amendment has been approved in advance by HMRC.

The Company in general meeting or the directors can terminate the Share Option Scheme so that no further options are granted but any subsisting options granted before such termination shall not be affected.

### **Part B – Unapproved Options**

Part B provides for the grant of unapproved options. All the provisions of Part A described above apply except:

- the £30,000 individual limit necessary for approved options does not apply;
- all provisions and definitions in Part A included to make the Share Option Scheme compliant with the provisions of Schedule 4 of ITEPA do not apply and will be disregarded; and
- the Remuneration Committee has discretion at the time of grant to grant options such that any employers' National Insurance Contributions that arise will be payable by option holders.

### **Addendum**

The addendum to the Share Option Scheme provides for the grant of options to non-employee consultants and managers on terms identical to the terms of the unapproved options but outside the Share Option Scheme. The principal purpose of the addendum is to enable the Share Option Scheme to be an employees' share scheme for the purposes of the Act, but facilitate the grant of options, where possible, to non-employee managers outside the United Kingdom.

## **THE SHARE INCENTIVE SCHEME**

### **Background**

The Share Incentive Scheme provides for the grant of three types of awards, namely:

- the acquisition of Ordinary Shares on deferred payment terms from the EBT or, where there is no regulatory impediment, such as any provision of the AIM Rules, from the Company ("deferred payment share awards");
- the award of nil cost Options where participants agree to forgo any entitlement to bonus ("bonus awards");
- the award of share appreciation rights ("SARs") that will provide for the cash to be paid by reference to a formula measuring the growth in the value of a specified number of Ordinary Shares over a specified period. It is intended that SARs will principally be used for making awards where owing to regulatory or tax constraints in any particular country share based awards are not permitted or may involve material tax or non-tax costs.

The Share Incentive Scheme provides for the Remuneration Committee to select as appropriate awards of deferred payment share awards, bonus awards and SARs (each an "award"). The

---

---

Remuneration Committee intends to adopt best market practice prevailing for the time being. The Remuneration Committee is granted flexibility under the Share Incentive Scheme because the group engages employees and managers in a number of jurisdictions and it is recognised that awards under the Share Option Scheme may not be permitted by regulatory constraints or owing to tax, exchange control or regulatory reasons, the costs of such awards may make them unduly disadvantageous. It is also intended that the Share Incentive Scheme may be generally operated by the Remuneration Committee to make awards which are tax efficient or provide effective incentives to executive and managers subject to best practice prevailing for the time being.

The Share Incentive Scheme is divided into four parts as follows, namely:

Part A general provisions applicable to the Share Incentive Scheme;

Part B deferred payment share awards;

Part C bonus awards;

Part D SARs

#### **Part A – General Provisions**

##### ***Operation of the Scheme***

Awards may be made under the Share Incentive Scheme when the Remuneration Committee resolves that circumstances exist which justify the grant of awards within 42 days of the announcement by the Company of its full or interim results. Awards may be made outside that 42-day period where the Remuneration Committee considers there to be exceptional circumstances and where it is reasonably necessary to grant options outside the 42 day period in order to recruit employees those circumstances will be deemed to constitute exceptional circumstances.

##### ***Participation***

All employees and directors of the Company and its associated undertakings (“the Group”) are eligible to participate in the Share Incentive Scheme. Participants will be selected at the discretion of the Remuneration Committee.

##### ***Scheme Limits***

The rules of the Share Incentive Scheme provide that the maximum number of Ordinary Shares that may be issued pursuant to any award made under the Share Incentive Scheme and any other employees’ share scheme (including the Share Option Scheme) adopted by the Company granting rights over unissued or treasury shares in any rolling ten year period is limited to a maximum of 10% of the issued share capital (including treasury shares) of the Company for the time being plus 8,100,000 Ordinary Shares.

##### ***Variation of Share Capital***

In the event of any sub-division or consolidation of share capital or any other variation in the share capital of the Company, the number of Ordinary Shares comprised in an award and where appropriate the acquisition or exercise price shall be adjusted by the grantor subject to confirmation by the auditors of the Company for the time being or other suitable professional advisor selected by the directors that such adjustment is fair and reasonable.

##### ***Tax***

Where a tax liability arises in connection with an award, the Company may make deductions from payments due to the participant to meet such liability. If such payments are insufficient, the participant must pay the Company the balance of the liability. Alternatively, the directors may sell as many of the participant’s Ordinary Shares as are necessary to cover the liability or require the

---

participant to enter into such other arrangements satisfactory to the Company and where appropriate the trustees of the EBT for the discharge of such tax liability. The Remuneration Committee has discretion, at the time of the grant of an award, to pass the cost of employers' National Insurance Contributions that arise in connection with the award to participants.

#### ***Amendment to the Share Incentive Scheme***

The directors of the Company cannot make any amendments to the rules of the Share Incentive Scheme to the advantage of existing or future participants without prior approval of the shareholders in general meeting except for minor amendments to benefit the administration of the bonus or to take account of any change in law or to obtain or maintain favourable tax, exchange, control or regulatory treatment for participants or any member of the Group. Amendments that would prejudice participants cannot be made without the prior written consent of existing participants unless every existing participant who would be affected by the amendment is invited to give approval and the amendment is approved by a majority of those participants who respond to the invitation.

Participant's rights under any award are separate from their contracts of employment and pension rights.

#### **Part B – “Deferred payment share awards”**

##### ***Acquisition of Ordinary Shares***

Participants will acquire Ordinary Shares pursuant to the Share Incentive Scheme under a model form of agreement. Under the agreement to be entered into between the participant and the trustees of the EBT (the “trustees”) or as appropriate, the Company (the “grantor”) the participant would agree to acquire Ordinary Shares at a price equal to the market value of fully paid Ordinary Shares determined by the Remuneration Committee at the time the agreements are approved by the Remuneration Committee. The acquisition price would be left outstanding (the “deferred payment amount”) and would be payable in accordance with the terms of the said agreement. The Remuneration Committee expects that the grantor of the deferred payment share awards will be the trustees rather than there being the issue of nil paid or partly paid Ordinary Shares directly from the Company.

##### ***Restrictions***

Participants will not be permitted to deal with the Ordinary Shares the subject of a deferred payment share award, including sell or charge them, until the deferred payment amount has been satisfied in full.

The Share Incentive Scheme provides that the grantor will determine, at the time of making the award, when the deferred payment amount will become due, including upon the occurrence of a default event. A default event includes a liquidation, an employee leaving and in any event the tenth anniversary of the date of acquisition.

##### ***Cessation of Employment***

Where a participant ceases to be an employee for any reason other than the employee's death, retirement at contractual retirement age or retirement due to illness or disability, redundancy, the business in which the participant works being sold outside the Group or in other circumstances permitted by the grantor (and where the grantor is the trustees, in consultation with the Remuneration Committee) within thirty days of the cessation of employment, the participant must pay the deferred amount within ninety days of the cessation of employment otherwise the grantor will have the power to rescind the deferred share award. In the event of death the personal representatives may within twelve months of the death pay up the deferred payment amount in full and sell the Ordinary Shares.

---

### ***Dividends and Voting Rights***

The Ordinary Shares will carry rights to bonus shares in the event of any capitalisation as in the case for each other fully paid issued Ordinary Share. Each model agreement provides that the Ordinary Shares shall not carry voting rights or rights on a capital reduction or liquidation until they are fully paid up although the grantor may in its absolute discretion permit participants to vote on matters determined by the grantor from time to time. Where the grantor is the trustees, the trustees would have acquired fully paid Ordinary Shares, therefore in practice the Ordinary Shares would carry rights to dividends, voting rights in the normal way and the trustees may pay dividends that accrue to them to the participant at the discretion of the trustees. The trustee will have the power to apply accrued undistributed dividends towards satisfying the deferred amount

### ***Takeovers and Liquidations***

In the event of any takeover, scheme of arrangement or voluntary winding up of the Company each participant will be required to pay up the deferred payment amount in full and participate in the sale on the same term as other shareholders. If, however, a participant fails to pay up the deferred payment amount within thirty days after the date upon which there is a change of control of the Company or after a notice is given to shareholders for a voluntary liquidation or scheme of arrangement, the Share Incentive Scheme provides that there shall be a default event and the and the deferred payment share award may be rescinded by the grantor.

### ***Variation of Share Capital***

In the event of any rights issue or other variation of share capital participants as beneficiaries of a deferred payment share award will be able to participate on the same terms as any other shareholder.

### ***Amendment, Assignability and Termination***

Any variation to an acquisition agreement must be by agreement of all parties. An acquisition agreement cannot be assigned by the participant and any rights under it are personal only to him.

## **Part C – “Bonus awards”**

### ***Composition of the Bonus Award***

When the Remuneration Committee determines to make bonus awards, it may invite executives to agree to forgo a certain proportion of their bonus (up to a maximum of 100% of the bonus) in consideration of an award of nil cost options over Ordinary Shares (“NC Options”) having a market value on the date of grant equal to the amount of the bonus forgone.

### ***Performance Conditions***

In each financial year of the Company the Remuneration Committee decides to offer a bonus to eligible participants, it will determine the objective performance conditions which must be satisfied for an eligible participant to be entitled to the bonus. It is intended that the performance conditions will be based on the overall financial performance of the Company or the market value of the Ordinary Shares.

The Remuneration Committee may vary the performance conditions if it determines that they have become inappropriate due to any change in circumstances so that the revised performance conditions are a fairer measure of performance.

### ***The Bonus Award***

It is intended that when the financial results are announced for any financial year, the Remuneration Committee will determine whether or not the performance conditions have been satisfied. Where the performance conditions are met in full, the amount of the overall bonus (in

---

cash and value of Ordinary Shares comprised in NC Options) may be no greater than 100 per cent of the basic salary of the participants.

A bonus cannot be awarded and NC Options cannot be granted at any time that such award, grant or exercise would be contrary to the London Stock Exchange' "Model Code" on directors' dealings in securities as it applies to the Company. The NC Options will be granted within 42 days of and announcement of the Company's full or interim results unless there are exceptional circumstances in which case they can be granted outside the said 42 day period.

The number of Ordinary Shares over which NC Options will be granted will be such number having a value equal to the amount of the bonus forgone divided by the market value of the Ordinary Shares on the date of grant. The Remuneration Committee has the power to reduce the number of Ordinary Shares comprised in NC Options if exceptional or extraordinary events between the end of the relevant financial year and the date of grant have a materially adverse impact on the market value of the Ordinary Shares. Any participant holding a substantial proportion of Ordinary Shares who would be required to make a bid under the City Code on Takeovers and Mergers may, instead of accepting a grant of or exercising NC Options accept a cash equivalent of the value of Ordinary Share comprised in the NC Options at the relevant time.

The NC Options will be granted by the trustees for no consideration or further payment on the exercise of the NC Options over existing Ordinary Shares held within the EBT.

#### ***Exercise of NC Options***

NC Options can only be exercised on or after the date of grant determined by the Remuneration Committee. In any event, an NC Option will not be exercisable after the tenth anniversary of its grant. In the case of death, a participant's personal representatives may exercise his NC Options within 12 months after the date of death. Where a participant ceases to be an employee by reason of injury, disability, redundancy within the meaning of the Employment Rights Act 1996, the company that employs that option holder ceasing to be a subsidiary of the Company, retirement, pregnancy or in any other circumstances determined by the Remuneration Committee the NC Options held by that option holder may be exercised within six months of the termination of employment otherwise they lapse.

#### ***Takeovers and Liquidations***

In the event of a takeover, scheme of arrangement, change of control or voluntary winding up of the Company, the NC Options become immediately exercisable provided that any applicable performance conditions have been satisfied. There is a provision allowing the roll-over of NC Options following such an event. The NC Options must be exercised within six months and any NC Options that are not so exercised, lapse.

#### **Part D – "SARs"**

##### ***Grant of SARs***

The grant of SARs will be made on almost identical terms to the grant of NC Options comprised in a bonus award save that:

1. SARs will provide for the payment of cash determined by applying the following formula, namely:

$$A = N(MV - EP)$$

Where

"A" is the amount payable on the exercise of the SAR;

"N" is the number of Ordinary Shares comprised in the SAR;

---

“MV” is the market value of an Ordinary Share on the date on which the SAR is exercised; and

“EP” is the exercise price;

2. the grant or exercise of SARs will not involve the issue or transfer of any Ordinary Shares;
3. the exercise of the SAR may be subject to performance conditions in contrast to an NC Option, the grant of which would be subject to performance conditions;
4. the number of Ordinary Shares comprised in an SAR would be determined at the time an SAR is granted.

### **Addendum**

The addendum to the Share Incentive Scheme provides for the grant of awards to non-employee consultants and managers on terms identical to the terms of any award under Parts B, C or D but outside the Share Incentive Scheme. The principal purpose of the addendum is to enable the Share Incentive Scheme to be an employees' share scheme for the purposes of the Act, but facilitate the grant of awards, where possible, to non-employee managers outside the United Kingdom.

### **SUMMARY OF TRUST DEED CONSTITUTING THE EBT**

It is intended that the EBT be established by a deed to be entered into between the Company and the trustees that will be selected in due course (“the trust deed”). It is intended that the trustees will be resident for tax purposes outside the United Kingdom. The initial contribution to the trust will be £1000.

The trust will be a discretionary trust. It will give the trustees absolute and uncontrolled discretion in the exercise of powers conferred by the trust deed or by law. There will, however, be a number of matters on which the trustees will be required to consult the Company (see below comments on change of trustees) or as appropriate the Remuneration Committee.

The beneficiaries of the EBT will be the employees and former employees (and their spouses and children) of the members of the Group.

The Company may make contributions to the EBT or lend money to the EBT. The trust deed will contain a restriction that the EBT should not at any time hold Ordinary Shares representing more than 5% of the Company's share capital for the time being.

The trustees will be given wide powers to confer benefits on the beneficiaries including granting awards to the beneficiaries and wide powers of investment and management to enable them to operate the EBT with the Share Option Scheme and the Share Incentive Scheme.

There are limitations on the trustees' liability for losses arising out of the acts of the trustees except due to wilful or individual fraud or dishonesty on the part of the trustees who is sought to be made liable.

The Company will indemnify the trustees against any liabilities, including costs and expenses, other than liabilities, costs or expenses arising and attributable to wilful misconduct or negligence on the part of the trustees to the extent that such liabilities cannot be discharged out of the trust fund.

There will be a wide power to make alterations to the trust deed subject to certain restrictions specified in the trust deed, the principal one being the requirement for the prior consent of the Company. The Company will also have the power to appoint new or additional trustees.



