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If you sell or have sold or otherwise transferred all of your ordinary shares in Proton Power Systems plc (“PPS” or the “Company”) please send this document, together with the accompanying Form of Proxy, immediately to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Directors of the Company (the “Directors”), whose names appear on page 4 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of 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.

Noble & Company Limited (“Noble”), which is the nominated adviser and broker to the Company and which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting for the Company and no other person and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Noble nor for advising any other person on the contents of this document or any matter referred to herein.

This document does not contain an offer for the purchase of securities, nor does it contain a comprehensive statement of all factors determining the economic value of the Company.

Proton Power Systems plc

(Incorporated in England & Wales under the Companies Act 1985 with Registered No. 05700614)

**Proposed placing of up to 30,000,000 new Ordinary Shares of 5 pence each
at 10 pence per Ordinary Share**

and

Notice of Extraordinary General Meeting

A letter from the Executive Chairman of the Company explaining the background to and the reasons for the Placing and which recommends that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting is set out on pages 4 to 9 of this document.

A notice convening an extraordinary general meeting of the Company to be held at the offices of Dechert LLP, 160 Queen Victoria Street, London, EC4V 4QQ at 11.00 a.m. on 27 May 2008 is set out at the end of this document. A form of proxy for use at the meeting is enclosed with this document and should be completed, signed and returned in accordance with the instructions thereon as soon as possible but in any event so as to be received by the Company’s registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible but in any event by not later than 11.00 a.m. on 25 May 2008. The completion and return of a form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting should you wish to do so.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM, subject to the Resolutions being passed at the EGM. It is expected that admission to AIM and dealings in the Placing Shares will commence at 8.00 a.m. on 28 May 2008.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document and/or the accompanying Form of Proxy comes should inform themselves about and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities law of any such jurisdiction.

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Expected timetable of principal events

Publication of this document	2 May 2008
Latest time and date for receipt of forms of proxy	11:00 a.m. on 25 May 2008
Extraordinary General Meeting	11:00 a.m. on 27 May 2008
Admission and dealings in the Placing Shares expected to commence on AIM	8:00 a.m. on 28 May 2008
Expected dates for CREST accounts to be credited (where applicable)	28 May 2008
Despatch of definitive share certificates (where applicable)	4 June 2008

References to time in this document and the Notice of Extraordinary General Meeting are to BST/ British Summer Time.

Placing statistics

Total number of existing Ordinary Shares	31,390,863
Maximum number of Placing Shares being placed on behalf of the Company	30,000,000
Placing Price	10 pence
Number of Placing Shares as a percentage of the Enlarged Share Capital*	48.87%
Number of Ordinary Shares in issue immediately following completion of the Placing*	61,390,863
Market capitalisation following completion of the Placing at the Placing Price*	£6.14 million
Gross proceeds of the Placing*	£3.0 million
Estimated net proceeds of the Placing receivable by the Company*	£2.7 million

* Assuming maximum subscription of £3.0 million under the Placing

Letter from the Executive Chairman

Proton Power Systems plc

(Incorporated in England & Wales under the Companies Act 1985 with Registered No. 05700614)

Directors:

John Wall (Executive Chairman)
Felix Heidelberg (Chief Executive Officer)
Achim Loecher (Financial Director)
Benedikt Eska (Chief Operating Officer)
Per Svantesson (Non-Executive Director)

Registered Office:

St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE99 1SB
United Kingdom

2 May 2008

To Shareholders and, for information only, to the holders of options over Ordinary Shares

Dear Shareholder

**Proposed Placing of up to 30,000,000 new Ordinary Shares each
at a price of 10 pence per Ordinary Share to raise up to £3.0 million (before expenses) and
Notice of Extraordinary General Meeting**

1. Introduction

On 10 April 2008 the Company announced, *inter alia*, its intention to raise up to £2.0 million (before expenses) by way of a proposed partially underwritten placing of up to 20,000,000 new Ordinary Shares in the Company at the Placing Price. In addition, as part of the proposed underwriting arrangements, it was proposed that warrants would be issued to the underwriters. Subsequently, the Company has had further discussions with interested parties and now proposes to raise up to £3.0 million (before expenses) pursuant to the Placing at the Placing Price without any underwriting of such placing or the issue of warrants. Subscription Agreements are expected to be entered into shortly between the Company and the proposed placees under the Placing. However, as at the date of publication of this document, no Subscription Agreements have been entered into by the proposed placees and as such there is no certainty on the level of funds which will be raised under the Placing.

In addition, the Group has put in place Short Term Loans totalling €375,000 which have been advanced to PMFC with immediate effect. Further details are set out in paragraph 4 below.

The Company's existing authority to allot shares is insufficient for the purposes of the Placing and, therefore, the Placing is conditional (amongst other things) upon the passing of certain Resolutions by the Shareholders at an Extraordinary General Meeting of the Company convened for 11.00 a.m. on 27 May 2008 at the offices of Dechert LLP, 160 Queen Victoria Street, London, EC4V 4QQ. A summary of the Resolutions is set out on page 8 of this document and the text of the Resolutions is set out in full in the Notice of Extraordinary General Meeting at the end of this document.

The Board expects that the net proceeds of the proposed Placing, assuming the amount of £2.0 million (after expenses) is raised (plus the amount equal to the total amount of principal outstanding under the Loan Facility with General Capital referred to in paragraph 3 below, being approximately £0.73 million) will give the Company sufficient working capital for the next 12 months. Shareholders should be aware that, as at the date of publication of this document, none of the proposed placees has entered into Subscription Agreements with the Company and as such there is no certainty on the level of funds which will be raised under the Placing. Notwithstanding the Placing being successful, the Company will not have sufficient funds to execute the Company's manufacturing strategy and the Board will have to pursue further sources of funding. Alternative sources of funding, if they are available at all, are likely to be expensive and onerous for the Company.

The Directors believe that it is essential that further permanent capital be raised by the Company to enable it to continue to trade. If the Resolutions are not approved at the Extraordinary General Meeting or the Company does not raise sufficient funds under the Placing, the Directors may have no alternative

but to seek immediately the protection of a formal insolvency procedure (such as administration or liquidation) under the Insolvency Act 1986.

The Placing is also conditional on Admission of the Placing Shares to trading on AIM (the market on which the Company's existing issued Ordinary Shares are currently trading), occurring by no later than 8:00 a.m. on 13 June 2008.

The Company has received irrevocable undertakings to vote in favour of the Resolutions from Directors of the Company holding a total of 800,000 Ordinary Shares representing approximately 2.5 per cent of the existing issued ordinary share capital.

The purpose of this document is to provide you with further information on the Placing which, if the Resolutions are passed, will be carried out on a non pre-emptive basis, and to explain why your Board considers the Placing to be in the best interests of the Company and Shareholders as a whole.

2. Background

The Group is a European leader in the design, development and production of fuel cells and fuel cell electric hybrid systems for the "back-to-base" market and has more than 13 years of experience in the fuel cell market. The Company's wholly owned subsidiary, Proton Motor Fuel Cell GmbH, has developed and produced a fuel cell module running on hydrogen and integrated this with an energy storage system to create a hybrid electric fuel cell system. The system harnesses the excess power generated by the fuel cell during partial load (such as stop-start operations) and uses the stored energy in peak demand times. The system provides lower fuel consumption and more consistent levels of power delivery than conventional combustion engines or fuel cell-only systems, in addition to producing zero harmful emissions.

The Group's market focus lies in industrial applications where "back-to-base" refuelling occurs at the end of each shift or work period, such as in the materials handling and mass transportation sectors. In these markets, the commercialisation of applications is possible at a very early stage, as they do not depend on the existence of an ubiquitous hydrogen infrastructure. Through partnerships with leading OEMs such as Skoda Electric and Bucher, PMFC's technology is being deployed in city buses and utility (street cleaning) vehicles.

The Group is also targeting the growing market for marine transportation applications and provided the hybrid fuel cell propulsion system for Europe's first fuel-cell powered passenger/river boat ferry, which is expected to be operational in Hamburg in 2008.

3. Position with General Capital

On 17 October 2006, the Company entered into a loan and asset finance facility agreement with General Capital whereby General Capital agreed to lend the Company up to £2 million for working capital and asset finance facilities (the "Loan Facility"). As outlined in the Company's AIM admission document dated 23 October 2006, the Loan Facility was available for draw down for a period of 36 months from the date of the agreement.

Currently, the Company has drawn down £1 million of the Loan Facility and recently sought to draw down the second £1 million tranche of the Loan Facility (which would have provided the Company with sufficient working capital until September 2008). However, following certain breaches by the Company of the loan agreement, General Capital has informed the Company that it is exercising its rights under the terms of the loan agreement not to permit any further draw down of the Loan Facility. The Board of the Company has discussed these breaches with General Capital which has confirmed that the balance of the Loan Facility will not be capable of being drawn down.

In light of these breaches, General Capital may demand immediate repayment of all of the amounts outstanding under the Loan Facility. As at 2 May 2008, the total amount of principal outstanding under the Loan Facility amounted to £0.73 million. If the Placing is successful, the Company is likely to have sufficient funds to repay any amounts due to General Capital under the Loan Facility and will set funds aside from the Placing to enable repayment in full of amounts owed to General Capital.

4. Short Term Loans

The Group has put in place Short Term Loans totalling €375,000 which have been advanced to PMFC with immediate effect. The funds have been provided to PMFC by the Lenders (being the Tundra Alternative Energy Fund (€125,000), Felix Heidelberg (€125,000) and Dr Goetz Heidelberg

(€125,000)) and will be used to satisfy PMFC's immediate working capital requirements. The Short Term Loans will provide the Group with sufficient working capital until the end of May 2008.

The funds are being provided by the Lenders on the basis of loans which will be repayable on the earlier of 14 calendar days following completion of the Placing and 31 July 2008. A fee of 5% will be paid to the Lenders for arranging the loans and will be added to the principal of the loans. No interest will be payable on the Short Term Loans until the end of May 2008. Thereafter, interest will be payable at the rate of 1 per cent. per full calendar month, which will be payable on the last day of each calendar month.

The Company is also in discussions with an additional lender to provide a further loan of €125,000 to PMFC. Any such loan provided to PMFC would be on the same terms as the Short Term Loans.

5. Reasons for the Placing and use of proceeds

The Company has over the past few months been in discussions with potential funders for a further equity and debt capital raising to provide the Company with additional funding to implement its stated business plan. The funds raised by the Company under such a further capital raising would be used to enable the Company to establish a volume manufacturing facility to support the market introduction and commercialisation of the fuel cell and hybrid systems which have been developed by PMFC as well as to provide additional working capital for the Group. However, these discussions have been protracted and at this stage there can be no certainty that any of these long-term financing options will be successful. In parallel with this, the Company is also considering its strategic options including the possible sale of the business, the disposal of assets by the Company or an investment in the Company.

The Directors believe that, given the Company's requirements for additional financing, the Placing is the most appropriate way at the present time for the Company to raise additional funds. The Directors consider that the Placing provides greater certainty than other available means of raising additional funds and minimises transactional costs. The Company intends to use the net proceeds of the Placing for general working capital purposes and to enable the Short Term Loans and the Loan Facility with General Capital to be repaid.

The Directors are confident that the Company will, on the basis of the Company raising £2.73 million (net of expenses), have sufficient working capital for the next 12 months. However, it will not be sufficient to execute the Company's manufacturing strategy.

6. Current trading and prospects

Overall, the rate of order intake during the last 12 months has been in line with the Board's expectations with, as reported during 2007, orders received for the Group's hybrid drive systems for:

- a passenger ferry which will operate on Hamburg's Alster river;
- a utility (street cleaning) vehicle for Bucher/EMPA, Switzerland; and
- a city bus for Skoda Electric which will operate in Prague.

Key developments since the announcement of interim results on 19 September 2007 are:

- the commissioning of the first triple hybrid forklift demonstrator truck;
- the framework contract with Austrian based AVL, one of the largest Tier 1 & 2 engineering service providers, which enables the Group access to a variety of new applications;
- the signing of a memorandum of understanding with Karmann, an engineering and production company to the car industry, which is expected to convert into a joint product;
- the appointment of Achim Loecher as Financial Director of the Company;
- the appointment of John Wall as Executive Chairman, Bernard Robinson's move from Chairman to a Non-Executive Director role and his subsequent retirement from the Board with effect from 31 January 2008; and
- the hire of key staff in management, R&D and sales.

PMFC's facility at Puchheim near Munich has the capability for modular expansion with minimum disruption to ongoing production. This facility provides the platform for the Group to increase the scale of its volume production and the transition and transformation of the Group from a project-based model (low volume/high cost) to a series-based model (high volume/low cost) in its activities as

a designer, developer and manufacturer of fuel cell hybrid systems for the “back-to-base” applications market.

The facility will enable the Group to invest upfront in automation and staff in order to drive down unit costs and thereby deliver volume orders for customers. The Group’s manufacturing plan is built around the development of a standardised platform and components. The systems developed by PMFC are built on a basic platform which can be re-used across multiple applications. The Directors believe that the manufacturing costs can be reduced substantially through volume production. In particular, the cost for certain fuel cell components, such as membranes and bi-polar plates, is anticipated to decrease significantly with increasing production volumes. On this basis it is expected that automation will allow both capacity increase and cost reductions.

Enquiries and expressions of interest in the Group’s products are being received from a wide variety of potential customers with varying application requirements and with the benefit of the Group’s new manufacturing facilities and the additional funds from the Placing the Directors believe they will be able to convert certain of these enquiries into firm orders during the course of the next few months. The memorandum of understanding with Karmann (referred to above) and the joint presentation given at the Hanover Fair in April 2008 for a joint product illustrate this.

Up to February 2008, PMFC had €6.5 million of secured project development work under contract (of which €4.6 million was still outstanding).

The Company expects to release its results for the year ended 31 December 2007 on 30 June 2008.

7. Terms of the Placing

The Company proposes to raise up to £3.0 million (before expenses) through the issue of up to 30,000,000 new Ordinary Shares at the Placing Price pursuant to the Placing. The Placing Shares will, assuming maximum subscription, represent 48.87 per cent. of the Enlarged Share Capital.

The Placing is conditional, *inter alia*, on:

- proposed placees entering into Subscription Agreements on or before 20 May 2008;
- the passing of the Resolutions at the Extraordinary General Meeting; and
- Admission taking place on or before 13 June 2008.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that dealings in the new Ordinary Shares will commence on or around 28 May 2008. The Placing Shares will rank *pari passu* with the existing Ordinary Shares in the Company. The Placing is being made on a non pre-emptive basis as the time and costs associated with a pre-emptive offer are considered by the Directors to be excessive. The making of a pre-emptive offer to Shareholders would require the production of a prospectus, which would have to comply with the Prospectus Directive and be vetted and approved by the FSA.

Following completion of the Placing, the Board will consider the appointment of additional non-executive directors to the Board taking into account, where appropriate, the views of the placees. Further announcements will be made as appropriate.

8. Related party transactions

On 30 April 2008 Dr Goetz Heidelberg provided a short-term loan of €125,000 to the Company and intends to subscribe for a maximum of 3,500,000 Placing Shares pursuant to the Placing. Dr Goetz Heidelberg is a substantial shareholder of the Company and therefore a related party for the purposes of the AIM Rules. The provision of the loan and proposed subscription for Placing Shares by Dr Goetz Heidelberg constitutes, when aggregated, a related party transaction for the purposes of the AIM Rules.

The Company’s directors consider, having consulted with Noble, the Company’s nominated adviser, that the terms of the transactions being entered into by the Company with Dr Goetz Heidelberg are fair and reasonable insofar as its shareholders are concerned. In discussing the provision of the loan and the proposed subscription for Placing Shares by Dr Goetz Heidelberg with the Company’s directors, Noble has taken into account the Directors’ commercial assessments, the Company’s current funding requirement and the absence of any alternative funding currently available to the Company.

9. Extraordinary General Meeting

On pages 12 to 14 of this document is a notice convening the Extraordinary General Meeting to be held at the offices of Dechert LLP, 160 Queen Victoria Street, London, EC4V 4QQ on 27 May 2008 at 11.00 a.m, at which the Resolutions set out in such notice will be proposed.

The Resolutions propose:

1. to increase the Company's authorised share capital by the creation of an additional 15,000,000 ordinary shares of 5p each;
2. to grant the Directors generally pursuant to Section 80 of the Act authority to allot relevant securities of up to £930,456.85 in nominal amount;
3. to grant the Directors generally pursuant to Section 80 of the Act authority to allot additional relevant securities of up to £1,500,000 in nominal amount (being the nominal value of the Placing Shares);
4. to authorise the Directors to allot equity securities for cash without regard to Shareholders' statutory pre-emption provisions under the Act of up to £153,477 in nominal amount or pursuant to a rights issue or other pre-emptive offer; and
5. to authorise the Directors to allot additional equity securities for cash without regard to Shareholders' statutory pre-emption provisions under the Act of up to £1,500,000 in nominal amount (being the nominal value of the Placing Shares).

Following completion of the Placing (and assuming the allotment of 30,000,000 Placing Shares) there will remain, authorised but unissued, 18,609,137 Ordinary Shares (representing approximately 30.31 per cent. of the Enlarged Share Capital). If the Resolutions are passed and the Placing is completed in full then the Directors would have authority to allot 3,069,540 Ordinary Shares otherwise than on a pre-emptive basis, representing approximately 5 per cent. of the Enlarged Share Capital.

Shareholders should be aware that if all the Resolutions are not approved by Shareholders at the Extraordinary General Meeting, the Directors may have no alternative but to seek immediately the protection of a formal insolvency procedure (such as administration or liquidation) under the Insolvency Act 1986.

The Board expects that the net proceeds of the proposed Placing, assuming £2.73 million (net of expenses) is raised, will give the Company sufficient working capital for the next 12 months. Shareholders should be aware that, as at the date of publication of this document, none of the proposed placees has entered into Subscription Agreements with the Company and as such there is no certainty on the level of funds which will be raised under the Placing.

Notwithstanding the Placing being successful, the Company will not have sufficient funds to execute the Company's manufacturing strategy and the Board will have to pursue further sources of funding. Alternative sources of funding, if they are available at all, are likely to be expensive and onerous for the Company.

10. Action to be taken

A Form of Proxy is enclosed. Whether or not you intend to attend the Extraordinary General Meeting in person, the Form of Proxy should be completed and signed in accordance with the instructions on it and returned to the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible, but in any event so as to be received not later than 11.00 a.m. on 25 May 2008. The completion and return of a Form of Proxy will not preclude you from attending the Extraordinary General Meeting and voting in person should you so wish.

11. Noble & Company Limited

On 29 April 2008 Noble provided the Board with notice of its intention to step down as nominated adviser and broker to the Company, which will become effective at a date to be agreed between Noble and the Company.

12. Recommendation

The Directors consider the terms of the Placing and the Resolutions to be in the best interests of the Company and its Shareholders as a whole and unanimously recommend that you vote in favour of the Resolutions, as your Directors intend to do or procure to be done in respect of their beneficial holdings of Ordinary Shares, which amount, in aggregate, to 800,000 Ordinary Shares, representing approximately 2.5 per cent. of the current issued share capital of the Company.

Yours faithfully

John Wall
Executive Chairman

Definitions

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

“Act”	the Companies Act 1985, as amended
“Admission”	the admission of the Placing Shares to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules”	the rules for AIM companies and their nominated advisers published by the London Stock Exchange governing admission to and the operation of AIM, as amended from time to time
“Board” or “Directors”	the Directors of the Company at the date of this document whose names are set out on page 4 of this document
“Company” or “PPS”	Proton Power Systems plc, a company incorporated in England and Wales with registered number 05700614 and having its registered office at St Ann’s Wharf, 112 Quayside, Newcastle upon Tyne, NE99 1SB
“Enlarged Share Capital”	the issued share capital of the Company immediately following Admission and the Placing
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at the offices of Dechert LLP, 160 Queen Victoria Street, London, EC4V 4QQ at 11.00 a.m. on 27 May 2008, notice of which is set out at the end of this document
“Form of Proxy”	the form of proxy for use in connection with the Extraordinary General Meeting
“General Capital”	General Capital Venture Finance Limited, a company incorporated in and registered in England No 02505924 and having its registered office at The Oaks, Kirby Road, Trowse, Norwich, Norfolk, NR14 8RS
“Group”	the Company and its subsidiaries
“Lenders”	the Tundra Alternative Energy Fund, Felix Heidelberg (Chief Executive Officer) and Dr Goetz Heidelberg, all of whom are providing the Company with the Short Term Loans
“Loan Facility”	a loan and asset finance facility between the Company and General Capital dated 17 October 2006 pursuant to which General Capital agreed to lend the Company up to £2 million for working capital and asset finance facilities
“London Stock Exchange”	London Stock Exchange plc
“Noble”	Noble & Company Limited, the Company’s nominated adviser and broker, which is authorised and regulated by the Financial Services Authority and has its registered address at 76 George Street, Edinburgh, EH2 3BU
“Notice of Extraordinary General Meeting”	the notice of Extraordinary General Meeting set out at the end of this document
“Ordinary Shares”	ordinary shares of 5 pence each in the capital of the Company
“Placees”	the persons who subscribe for Placing Shares
“Placing”	the proposed placing of the Placing Shares at the Placing Price
“Placing Price”	10 pence per Placing Share
“Placing Shares”	up to 30,000,000 new Ordinary Shares to be allotted and issued to certain institutions and other investors pursuant to the Placing
“PMFC”	Proton Motor Fuel Cell GmbH, a subsidiary of the Company
“R&D”	research and development

“Resolutions”	the resolutions to be proposed at the Extraordinary General Meeting set out in the notice of Extraordinary General Meeting on pages 12 to 14 of this document
“Shareholders”	the persons who are registered as holders of Ordinary Shares from time to time
“Short Term Loans”	the loans totalling €375,000 being provided to PMFC by the Lenders
“Subscription Agreements”	the conditional agreements to be entered into between the Company and certain of its Shareholders and other subscribers relating to the Placing at the Placing Price
“UK”	the United Kingdom of Great Britain and Northern Ireland

Notice of Extraordinary General Meeting

Proton Power Systems plc

(Incorporated in England & Wales under the Companies Act 1985 with Registered No. 05700614)

Notice is hereby given that a Extraordinary General Meeting of Proton Power Systems plc (the “**Company**”) will be held at 11.00 a.m. on 27 May 2008 at the offices of Dechert LLP, 160 Queen Victoria Street, London, EC4V 4QQ to consider and, if thought fit, pass the following resolutions, of which resolutions 1, 2 and 3 will be proposed as ordinary resolutions and resolutions 4 and 5 will be proposed as special resolutions:

ORDINARY RESOLUTIONS

1. That the share capital of the Company be increased to £4,000,000 by the creation of 15,000,000 ordinary shares of 5p each.
2. That, in substitution for the authority granted to the directors pursuant to an ordinary resolution passed at the annual extraordinary general meeting of the Company held on 25 July 2007, and subject to the passing of resolution numbered 1 in the notice convening this meeting, the directors be generally and unconditionally authorised for the purpose of section 80 of the Companies Act 1985 (the “**Act**”) to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to an aggregate nominal amount of £930,456.85 provided that:
 - 2.1 (except as provided in paragraph 1.2 below) this authority shall expire on the conclusion of the next annual general meeting of the Company after the passing of this resolution or 15 months from the date of this resolution (whichever is earlier), but may be previously revoked or varied by an ordinary resolution of the Company; and
 - 2.2 the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

All authorities previously conferred under section 80 of the Act are revoked, but such revocation shall not have retrospective effect.

3. That, in addition but subject to the passing of the authority in resolution numbered 2 above in the notice convening this meeting, the directors be generally and unconditionally authorised for the purpose of section 80 of the Companies Act 1985 (the “**Act**”) to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) during the period from the date of the passing of this resolution numbered 3 until 13 June 2008 up to a maximum nominal amount of £1,500,000 provided that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

SPECIAL RESOLUTIONS

4. That, subject to the passing of and pursuant to the general authority conferred by the resolution numbered 2 in the notice convening this meeting and in substitution for the authority granted to the directors pursuant to a special resolution passed at the annual general meeting of the Company held on 25 July 2007, the directors be empowered pursuant to section 95 of the Companies Act 1985 (the “**Act**”) to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority so conferred or where the equity securities are held by the Company as qualifying shares (to which sections 162A to 162G of the Act apply), in each case as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

- 4.1 the allotment of equity securities in connection with any rights issue, open offer or other pre-emptive offer to holders of ordinary shares in the Company and other persons entitled to participate therein in proportion (as nearly as may be practicable) to the shareholdings of such members (or, as appropriate, to the number of shares which such other persons are for these purposes deemed to hold), but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and
- 4.2 otherwise than pursuant to paragraph 4.1 above, the allotment of equity securities up to an aggregate nominal amount of £153,477

and shall expire on the conclusion of the next annual general meeting of the Company after the passing of this resolution or 15 months from the date of this resolution (whichever is earlier) except 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 any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

5. That, subject to the passing of and pursuant to the general authority conferred by the resolution numbered 3 in the notice convening this meeting and in addition to the authority granted to the directors pursuant to resolution numbered 4 in the notice convening this meeting, the directors of the Company be and they are hereby generally empowered pursuant to section 95 of the Companies Act 1985 (the “Act”) to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority so conferred or where the equity securities are held by the Company as qualifying shares (to which sections 162A to 162G of the Act apply), in each case as if section 89(1) of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to the allotment of equity securities up to an aggregate nominal amount of £1,500,000 and this power (unless previously renewed, varied or revoked) shall expire at the end of the next annual general meeting of the Company to be held after the date of the passing of this resolution or fifteen months from the date of the passing of this resolution, whichever is the earlier, but 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 any such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

Registered Office:
St Ann’s Wharf
112 Quayside
Newcastle upon Tyne
NE99 1SB

BY ORDER OF THE BOARD

John Wall
Secretary and Executive Chairman

DATED: 2 May 2008

Notes:

1. Only those members registered in the Register of Members of the Company as at 6.00 pm on 25 May 2008 shall be entitled to attend and vote at the meeting convened above in respect of the number of shares registered in their names at that time. This time will still apply for the purpose of determining who is entitled to attend and vote if the General Meeting is adjourned from its scheduled time by 48 hours or less. If the General Meeting is adjourned for longer, members who wish to attend and vote must be on the Company’s register of members by 6.00 pm two days before the time fixed for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.
2. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at a meeting of the Company. Any such member may

appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such member. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's Registrars. A proxy need not be a member of the Company. Appointing a proxy will not prevent a shareholder from attending in person and voting at the meeting. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman of the meeting) and give your instructions directly to them.

3. A form of appointment of proxy is enclosed. To appoint a proxy using this form in hard copy form, this form must be completed and signed, sent or delivered to Capita Registrars, The Registry, at 34 Beckenham Road, Beckenham, Kent, BR3 4TY. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney of the company. If you return more than one proxy appointment, that received last by the registrar before the latest time for the receipt of proxies will take precedence.
4. The form of proxy includes a vote withheld option. Please note that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against any particular resolution.
5. The appointment of a proxy and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated should be deposited at the address shown on the proxy form not later than 48 hours before the time for holding any adjourned meeting or (in the case of a poll not taken on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used.
6. In the case of joint holders of shares, 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).

