

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to what action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, as amended, if you are taking advice in another jurisdiction, from an appropriately authorised independent professional adviser.

If you have sold or otherwise transferred all of your Ordinary Shares in The TEG Group PLC prior to the date on which the shares are marked 'ex-entitlement' you should deliver this document together with the enclosed Application Form but not any personalised Form of Proxy, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. However, this document and any accompanying documents should not be sent or transmitted in, or into, any jurisdiction where to do so might constitute a violation of local securities law or regulations.

This document is not a prospectus for the purposes of the Prospectus Rules and has not been approved by the Financial Services Authority pursuant to sections 85 and 87 of the FSMA. In issuing this document the Company is relying on the exemption from issuing a prospectus in section 85(5) and paragraph 9 of Schedule 11A of FSMA and on paragraphs 43 and 60 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). Further details of these exemptions are set out in Part II of this document. Applications in respect of the Open Offer from persons not falling within such exemptions will be rejected and the Open Offer contained in this document is not capable of acceptance by such persons. In addition, this document does not constitute an admission document drawn up in accordance with the AIM Rules.

The Existing Ordinary Shares are admitted to trading on AIM. Application will be made for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence in the New Ordinary Shares by 8.00 a.m. on 8 July 2011.

AIM is a market designed primarily for emerging and smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Neither the London Stock Exchange plc nor the United Kingdom Listing Authority have examined or approved the contents of this document. This document does not constitute a recommendation regarding securities of the Company.

THE TEG GROUP PLC

(Incorporated in England and Wales with Registration Number 03109613)

Proposed Placing of 30,766,850 new Ordinary Shares and Open Offer of 7,622,635 new Ordinary Shares, each at 10p per share

and

Notice of General Meeting

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of the Company which is set out in Part I of this document and which recommends that you vote in favour of the Resolutions to be proposed at the General Meeting referred to below and to the section headed "Risk Factors" in Part III of this document.

Notice of a General Meeting of the Company to be held at Westmarch House, 42 Eaton Avenue, Buckshaw Village, Chorley, PR7 7NA at 12.00 p.m. on 6 July 2011 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 returned as soon as possible and in any event so as to be received by the Company's registrars, Capita Registrars at PXS, 34 Beckenham Road, Beckenham, BR3 4TU by not later than 12.00 p.m. on 4 July 2011. Completion and posting of the Form of Proxy will not prevent a shareholder from attending and voting in person at the General Meeting.

The New Ordinary Shares to be issued will, following their issue, rank *pari passu* with the Existing Ordinary Shares and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.

The New Ordinary Shares have not been, nor will be, registered under the United States Securities Act of 1933 (as amended) or under the securities laws of any state of the United States or qualify for distribution under any of the relevant securities laws of Canada, Australia, the Republic of South Africa or Japan. Shareholders outside the UK and any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligations to forward this document to a jurisdiction outside the UK should seek appropriate advice before taking any action.

Ambrian Partners Limited ("Ambrian"), which is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority, is acting only for the Company and is not acting for any other person and will not be responsible to any person other than the Company for providing the protections afforded to customers of Ambrian.

This document contains (or may contain) certain forward-looking statements with respect to the Company and certain of its current goals and expectations relating to its future financial condition and performance and which involve a number of risks and uncertainties. The Company cautions readers that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statements. These forward-looking statements sometimes use words such as "aim", "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", or other words of similar meaning. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, including, but not limited to, economic and business conditions, the effects of continued volatility in credit markets, market-related risks such as changes in the price of oil or changes in interest rates and foreign exchange rates, the policies and actions of governmental and regulatory authorities, changes in legislation, the further development of standards and interpretations under International Financial Reporting Standards ("IFRS") applicable to past, current and future periods, evolving practices with regard to the interpretation and application of standards under IFRS, the outcome of pending and future litigation or regulatory investigations, the success of future exploration, acquisitions and other strategic transactions and the impact of competition. A number of these factors are beyond the Company's control. As a result, the Company's actual future results may differ materially from the plans, goals and expectations set forth in the Company's forward-looking statements. Any forward-looking statements made in this document by or on behalf of the Company speak only as at the date they are made. Except as required by the Financial Services Authority, the London Stock Exchange plc or applicable law, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any changes in the Company's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for Open Offer	Close of business on 17 June 2011
Publication and despatch of this document	20 June 2011
Expected ex-entitlement date for the Open Offer	8.00 a.m. on 21 June 2011
Open Offer Entitlements credited to CREST stock accounts of Qualifying CREST Shareholders	21 June 2011
Recommended latest time for requesting withdrawal of Open Offer Entitlements and Excess Open Offer Entitlements from CREST	4.30 p.m. on 28 June 2011
Latest time for depositing Open Offer Entitlements into CREST	3.00 p.m. on 29 June 2011
Latest time for splitting Application Forms (to satisfy <i>bona fide</i> market claims)	3.00 p.m. on 1 July 2011
Latest time and date for receipt of Forms of Proxy	12.00 p.m. on 4 July 2011
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instruction (as appropriate)	11.00 a.m. on 5 July 2011
Expected time and date of announcement of results of Open Offer	7.00 a.m. on 6 July 2011
General Meeting	12.00 p.m. on 6 July 2011
Admission of the New Ordinary Shares to trading on AIM	8.00 a.m. on 8 July 2011
CREST member accounts expected to be credited for the New Ordinary Shares in uncertificated form	8 July 2011
Despatch of definitive share certificates for the issued New Ordinary Shares in certificated form	by 22 July 2011

Notes:

Each of the dates in the above timetable is subject to change at the absolute discretion of the Company. If any of the details should change, the revised times and/or dates will be notified to Shareholders by means of an announcement through a Regulatory Information Service.

If you have any questions on how to complete the Form of Proxy or the Application Form, please contact Capita Registrars on telephone number 0871 664 0321 or +44 208 639 3399 from outside the UK. This helpline is open from 9.00 a.m. to 5.00 p.m. on Business Days (i.e. Monday to Friday). Please note that calls to the helpline cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside of the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones. Please note that calls to the helpline may be monitored or recorded and that the helpline is not able to advise on the merits of the matters set out in this document or provide any legal, financial or taxation advice.

The Company's ISIN code is GB0002504529.

All events in the above timetable following the General Meeting are conditional upon approval by Shareholders of the Resolutions to be proposed at the General Meeting. All references are to London time unless otherwise stated.

PLACING AND OPEN OFFER STATISTICS

Issue Price	10p
Number of Existing Ordinary Shares	76,226,345
Number of Placing Shares	30,766,850
Maximum Number of Open Offer Shares	7,622,635
Number of Ordinary Shares in issue following the Placing and Open Offer*	114,615,830
Placing Shares as a percentage of the Enlarged Share Capital*	26.8 per cent.
Open Offer Shares as a percentage of the Enlarged Share Capital*	6.7 per cent.
Estimated gross proceeds of the Placing and Open Offer*	£3.8 million
Estimated net proceeds of the Placing and Open Offer*	£3.7 million
Market capitalisation at the Issue Price following the Placing and Open Offer*	£11.5 million

* assumes the maximum number of Ordinary Shares under the Open Offer are allotted.

DEFINITIONS AND GLOSSARY

The following definitions apply throughout this document and in the accompanying Form of Proxy unless the context requires otherwise:

“Act”	the Companies Act 2006;
“AD”	anaerobic digestion;
“Admission”	admission of the New Ordinary Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules;
“AIM”	the market of that name operated by the London Stock Exchange;
“AIM Rules”	the “AIM Rules for Companies” published by the London Stock Exchange as in force at the date of this document or, where the content requires, as amended or modified after the date of this document;
“Ambrian”	Ambrian Partners Limited, a division of Ambrian Capital PLC, the Company’s Nominated Adviser and Broker;
“Application Form”	the application form accompanying this document to be used by Qualifying Shareholders in connection with the Open Offer;
“Authority”	Greater Manchester Waste Authority;
“Basic Entitlement”	the Open Offer Shares which a Qualifying Shareholder is entitled to subscribe for under the Open Offer calculated on the basis of 1 Open Offer Share for every 10 Existing Ordinary Shares held by that Qualifying Shareholder as at the Record Date;
“Board” or “Directors”	the board of directors of the Company;
“BOO”	build, own and operate;
“Bridges”	Bridges Ventures Fund II;
“Capita Registrars”	a trading name of Capita Registrars Limited;
“Circular” or “this document”	this document dated 20 June 2011;
“Company” or “TEG”	The TEG Group plc;
“CREST”	the system for paperless settlement of trades and the holding of uncertificated shares administered through Euroclear;
“CREST Regulations”	the Uncertificated Securities Regulations 2001;
“Costain” or “the Client”	Costain Group PLC;
“Enlarged Share Capital”	the Existing Ordinary Shares and the New Ordinary Shares;
“Ex-Entitlement Date”	8.00 a.m. on 21 June 2011;
“Excess Applications”	applications pursuant to the Excess Application Facility;
“Excess Application Facility”	the mechanism whereby a Qualifying Shareholder can apply for Excess Shares up to an amount equal to the total number of Open Offer Shares available under the Open Offer less an amount equal to a Qualifying Shareholder’s Basic Entitlement, as more fully set out in Part II of this document;

“Excess CREST Open Offer Entitlements”	the Excess Shares which Qualifying CREST Shareholders subscribe for above their Basic Entitlement under the Excess Application Facility;
“Excess Shares”	the Open Offer Shares which a Qualifying Shareholder is entitled to apply for in addition to their Basic Entitlement by virtue of the Excess Application Facility;
“Excluded Overseas Shareholders”	Overseas Shareholders that are excluded from the Open Offer;
“Existing Ordinary Shares”	the 76,226,345 Ordinary Shares in issue at the date of this document;
“Euroclear”	Euroclear UK & Ireland Limited;
“FITs”	Feed in tariff;
“Form of Proxy”	the form of proxy accompanying this document for use by Shareholders at the General Meeting;
“FSA”	the UK Financial Services Authority;
“FSMA”	the United Kingdom Financial Services and Markets Act 2000, as amended;
“General Meeting” or “GM”	the general meeting of the Company to be held at Westmarch House, 42 Eaton Avenue, Buckshaw Village, Chorley, PR7 7NA at 12.00 p.m. on 6 July 2011, notice of which is set out at the end of this document;
“Group”	the Company and its subsidiary undertakings at the date of this document;
“Issue Price”	10p per new Ordinary Share;
“ITP”	instruction to proceed;
“IVC”	in vessel composting;
“LFT”	any tax on the disposal of material as waste made by way of landfill site charged pursuant to section 40 Finance Act 1996;
“New Ordinary Shares”	the Placing Shares to be issued pursuant to the Placing and the Open Offer Shares to be issued pursuant to the Open Offer;
“Notice of General Meeting”	the notice convening the General Meeting, which is set out at the end of this document;
“Ordinary Shares”	ordinary shares of 5p each in the capital of the Company;
“Open Offer”	an entitlement to subscribe for Open Offer Shares, allocated to a Qualifying Shareholder pursuant to the Open Offer;
“Open Offer Entitlements”	an entitlement to subscribe for Open Offer Shares, allocated to a Qualifying Shareholder pursuant to the Open Offer;
“Open Offer Shares”	the 7,622,635 new Ordinary Shares which are to be made available for subscription by Qualifying Shareholders under the Open Offer;
“Overseas Shareholders”	Qualifying Shareholders resident in, or who are citizens of, or who have a registered address in, countries other than the UK;
“Placing”	the conditional placing by Ambrian of the Placing Shares at the Issue Price;

“Placing Agreement”	the conditional agreement dated 20 June 2011 between (1) The TEG Group PLC and (2) Ambrian;
“Placing Shares”	the 30,766,850 new Ordinary Shares conditionally placed by Ambrian pursuant to the Placing;
“Prospectus Rules”	the Prospectus Rules published by the FSA;
“Qualifying CREST Shareholders”	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company on the Record Date are in uncertificated form;
“Qualifying Non-CREST Shareholders”	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company on the Record Date are held in certificated form;
“Qualifying Shareholders”	holders of Existing Ordinary Shares at the Record Date;
“Record Date”	the close of business on 17 June 2011;
“Registrars” or “Receiving Agent”	Capita Registrars;
“Resolutions”	the special resolution and the ordinary resolution to be proposed at the General Meeting in connection with the Placing and the Open Offer;
“Restricted Jurisdictions”	any of the United States, Canada, Japan, Australia or South Africa;
“ROCs”	Renewable Obligations Certificate;
“Shareholders”	holders of Ordinary Shares;
“SPV”	Viridor Laing;
“UK”	the United Kingdom of England, Scotland, Wales and Northern Ireland.

PART I

LETTER FROM THE CHAIRMAN OF THE TEG GROUP PLC

THE TEG GROUP PLC

(Incorporated in England and Wales with Registration Number 03109613)

Directors:

Nigel Moore (*Non-Executive Chairman*)
Michael Fishwick (*Chief Executive*)
Tanja Willis (*Finance Director and Company Secretary*)
Doug Benjafield (*Non-Executive Director*)
Ian Hislop (*Non-Executive Director*)

Registered Office:

Westmarch House
42 Eaton Avenue
Buckshaw Village
Chorley
Lancashire
PR7 7NA

20 June 2011

To all Shareholders and, for information only, holders of options granted under the Share Option Schemes.

Dear Shareholder,

**Proposed Placing of 30,766,850 new Ordinary Shares and Open Offer
of 7,622,635 new Ordinary Shares,
each at 10p per share,**

and

Notice of General Meeting

1. Introduction

The Company announced earlier today that it was seeking to raise gross proceeds of up to approximately £3.8 million pursuant to the Placing and the Open Offer.

In order to implement the Placing and the Open Offer, the Directors will need authority from the Shareholders to allot the New Ordinary Shares and to dis-apply statutory pre-emption rights in respect of the Placing Shares.

Such authority will be sought at a General Meeting which is convened for 12.00 p.m. on 6 July 2011 at Westmarch House, 42 Eaton Avenue, Buckshaw Village, Chorley, PR7 7NA. The Notice of General Meeting is set out at the end of this document.

The purpose of this Circular is to (i) explain the background to and reasons for the Placing and the Open Offer, (ii) explain why your Board considers that the Placing and the Open Offer are in the best interests of the Company and its Shareholders as a whole and (iii) give you notice of the General Meeting. The Directors unanimously recommend that you vote in favour of the Resolutions at the General Meeting.

If the Resolutions are duly passed, it is expected that all of the New Ordinary Shares will be admitted to trading on AIM on 8 July 2011.

2. The Placing and the Open Offer

The Company proposes to raise approximately £3.0 million by way of a placing by Ambrian of 30,766,850 new Ordinary Shares at the Issue Price. The Placing Shares will comprise 26.8 per cent. of the Enlarged Share Capital (assuming the Open Offer is subscribed in full) following Admission. The Placing is conditional, amongst other things, on the passing of the Resolutions at the General Meeting and Admission. It is anticipated that Admission will occur and trading in the Placing Shares will commence on 8 July 2011. The Placing is not conditional on the Open Offer being fully subscribed.

The Placing has been supported by a number of new and existing institutional shareholders and the Directors believe that the support of these institutions demonstrates confidence in TEG and the Directors' plans for the future development of the Group.

In addition to the Placing, the Board considers it important that Qualifying Shareholders have an opportunity to participate in the fundraising, and the Directors have concluded that the Open Offer is the most suitable option available to the Company and its Shareholders.

Pursuant to the Open Offer, Qualifying Shareholders will be given the opportunity to subscribe for up to, in aggregate, 1 Open Offer Share for every 10 Existing Ordinary Shares held on the Record Date.

It is expected that the Placing and the Open Offer will raise gross proceeds of up to approximately £3.8 million. Assuming full subscription under the Open Offer, net proceeds to the Company for the Placing and the Open Offer will be approximately £3.7 million.

The Issue Price represents a 57 per cent. discount to the closing price mid-market price of 23.5p per Ordinary Share on 17 June 2011 (being the latest practicable date prior to the posting of this document).

Allocations under the Open Offer

In the event that valid acceptances are not received in respect of any of the Open Offer Shares under the Open Offer, unallocated Open Offer Shares will be allotted to Qualifying Shareholders to meet any valid applications under the Excess Application Facility.

Basic Entitlements

Qualifying Shareholders are being given the opportunity, on and subject to the terms and conditions of the Open Offer, to apply for any number of Open Offer Shares (subject to the limit on the number of Excess Shares that can be applied for using the Excess Application Facility) at the Issue Price. Qualifying Shareholders have a Basic Entitlement of:

1 Open Offer Share for every 10 Existing Ordinary Shares

registered in the name of the relevant Qualifying Shareholder on the Record Date.

Basic Entitlements under the Open Offer will be rounded down to the nearest whole number and any fractional entitlements to Open Offer Shares will be disregarded in calculating Basic Entitlements and will be aggregated and made available to Qualifying Shareholders under the Excess Application Facility. Qualifying Shareholders with fewer than 10 Existing Ordinary Shares will not be able to apply for Excess Shares pursuant to the Excess Application Facility.

The aggregate number of Open Offer Shares available for subscription pursuant to the Open Offer will not exceed 7,622,635 Ordinary Shares.

Excess Application Facility

Subject to availability, and assuming that Qualifying Shareholders have accepted their Basic Entitlement in full, the Excess Application Facility enables Qualifying Shareholders to apply for any whole number of Excess Shares in excess of their Basic Entitlement up to an amount equal to the total number of Open Offer Shares available under the Open Offer less an amount equal to a Qualifying Shareholder's Basic Entitlement.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of the Open Offer Entitlements, such applications will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility.

Qualifying Non-CREST Shareholders who wish to apply to subscribe for more than their Basic Entitlement should complete the relevant sections on the Application Form and should refer to paragraph 4.1 of Part III of this document for further information. Qualifying CREST Shareholders will have Excess CREST Open Offer Entitlements credited to their stock account in CREST and should refer to paragraph 4.2 of Part II of this document for information on how to apply for Excess Shares pursuant to the Excess Application Facility.

Excess applications may be allocated in such manner as the Directors determine, in their absolute discretion, and no assurance can be given that applications by Qualifying Shareholders under the Excess Application Facility will be met in full or in part or at all.

Application procedure under the Open Offer

Qualifying Shareholders may apply for any whole number of Open Offer Shares subject to the limit on applications under the Excess Application Facility referred to above. The Basic Entitlement, in the case of Qualifying Non-CREST Shareholders, is equal to the number of Basic Entitlements as shown in Box 4 on their Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Basic Entitlements standing to the credit of their stock account in CREST. Qualifying Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of calculating their Basic Entitlements.

Qualifying CREST Shareholders will receive a credit to their appropriate stock accounts in CREST in respect of their Basic Entitlement and also in respect of their Excess CREST Open Offer Entitlement as soon as practicable after 8.00 a.m. on 21 June 2011.

Application will be made for the Basic Entitlements and Excess CREST Open Offer Entitlements to be admitted to CREST. The Basic Entitlements and Excess CREST Open Offer Entitlements will also be enabled for settlement in CREST as soon as practicable after 8.00 a.m. on 21 June 2011. Applications through the CREST system may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim.

Qualifying CREST Shareholders should note that, although the Basic Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Qualifying Non-CREST Shareholders should note that their Application Form is not a negotiable document and cannot be traded.

Further information on the Open Offer and the terms and conditions on which it is made, including the procedure for application and payment, are set out in Part II of this document and, where relevant, on the Application Form.

Conditionality

The Placing and the Open Offer are conditional, amongst other things, on the passing of the Resolutions at the GM and Admission. It is anticipated that Admission will occur and trading in the New Ordinary Shares will commence on 8 July 2011.

If the Resolutions are not passed or Admission does not take place at 8.00 a.m. on 8 July 2011 (or such later time and/or date as the Company may determine, not being later than 21 July 2011), the Placing and the Open Offer will lapse, any Basic Entitlements and Excess CREST Open Offer Entitlements admitted to CREST will, after that time and date be disabled and application monies under the Open Offer will be refunded to the applicants, by cheque (at the applicant's risk) in the case of Qualifying Non-CREST Shareholders and by way of a CREST payment in the case of Qualifying CREST Shareholders, without interest, as soon as practicable thereafter.

Application for Admission

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. Subject to, among other things, the Resolutions being passed, it is expected that Admission will occur and trading in the New Ordinary Shares will commence at 8.00 a.m. on 8 July 2011. No temporary documents of title will be issued.

The New Ordinary Shares will, following Admission, rank *pari passu* in all respects with the Existing Ordinary Shares in issue at the date of this document and will carry the right to receive all dividends and distributions declared, made or paid on or in respect of the Ordinary Shares after Admission.

Important notice

Shareholders should note that the Open Offer is not a rights issue. Qualifying Shareholders should be aware that in the Open Offer, unlike with a rights issue, any Open Offer Shares not applied for by Qualifying Shareholders under their Basic Entitlements will not be sold in the market on behalf of, or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer, but may be allotted to Qualifying Shareholders to meet any valid applications under the Excess Application Facility and that the net proceeds will be retained for the benefit of the Company.

Any Qualifying Shareholder who has sold or transferred all or part of his registered holding(s) of Existing Ordinary Shares prior to the date on which the shares are marked 'ex-entitlement' is advised to consult his stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him by the purchasers under the rules of the London Stock Exchange.

Effect of the Placing and the Open Offer

Upon completion of the Placing and the Open Offer, the New Ordinary Shares will represent approximately 33.5 per cent., of the Enlarged Share Capital (assuming the Open Offer is subscribed in full).

Following the issue of the New Ordinary Shares (assuming the Open Offer is subscribed in full), a Qualifying Shareholder who does not take up any of his Basic Entitlement (and who therefore does not take up any Excess Shares under the Excess Application Facility) will suffer a dilution of approximately 33.5 per cent., to his economic interests in the Company. If a Qualifying Shareholder subscribes for his Basic Entitlement in full but does not take up any Excess Shares under the Excess Application Facility, he will suffer a dilution of approximately 26.8 per cent. to his economic interests in the Company (assuming the Open Offer is subscribed in full).

Terms of the Placing Agreement

Under the Placing Agreement between the Company and Ambrian:

- (i) Ambrian has agreed to use its reasonable endeavours, as agent for the Company, to procure subscribers under the Placing for all the Placing Shares;
- (ii) the Company has given certain warranties to Ambrian as to the accuracy of the information in this document and certain other matters concerning the Group and the Company and has given an indemnity to Ambrian and its affiliates in respect of certain liabilities and claims that may arise or be made against them in connection with the Placing and the Open Offer (such warranties and indemnity being of a customary nature for this type of an agreement);
- (iii) the Company has agreed to pay to Ambrian a commission equal to 5 per cent. of the aggregate value at the Issue Price of the Placing Shares payable in cash. Ambrian has separately agreed to subscribe for 750,041 new Ordinary Shares as part of the Placing;
- (iv) Ambrian's obligations are conditional, *inter alia*, on: (i) the passing of the Resolutions at the General Meeting and (ii) Admission occurring by 8.00 a.m. on 8 July 2011 (or, if later, by 21 July 2011 if agreed by the Company and Ambrian); and
- (v) Ambrian has the right to terminate its obligations in the event of any breach by the Company of its obligations or warranties under the Placing Agreement which Ambrian considers to be material and in certain force majeure circumstances. Were Ambrian to exercise such right, no shares would be issued under the Placing or the Open Offer.

3. Background to the Placing and the Open Offer

In 2009, TEG was awarded a contract for the provision of four TEG IVC silo cage facilities to the Greater Manchester Waste Authority with an aggregate value of £38 million over three years and a total capacity of 175 ktpa. This followed an Advanced Works Order that was issued in 2008.

Progress on the facilities has been as follows:

The first site in Rochdale has been in operation since November 2009 and the plant has operated satisfactorily since handover. The warranty and snagging period was due to be completed by November 2010, but before final acceptance of the plant a number of snagging issues were raised that require resolution. This is expected to be completed in the first half of 2011.

Construction was completed on the second site in Bredbury in August 2010 and the plant was commissioned in the first quarter of 2011. Formal "Take Over" has now been agreed with the Client effective from February 2011.

The third site in Trafford, was constructed to schedule and commissioning is currently on schedule. The Company expects handover of the Trafford site to take place during the third quarter of 2011.

There are a number of payments and retentions relating to the three facilities that are now significantly overdue. These relate to various items including acceptance retentions, the return of liquidated damages relating to take over and disputes over payments for variations to initial scope of works. At present these payments amount to approximately £0.9 million. TEG believes these payments are all properly due and is making considerable efforts to resolve all outstanding issues and to secure their release. Issues relating to the release of approximately one third have recently been resolved and payment is expected to follow in due course.

It had been anticipated by the Company that the ITP for the construction of the fourth site in Bolton would be issued in the second quarter of 2010 and though this was initially delayed, the Company had planned for its receipt in the fourth quarter of 2010. TEG announced on 6 January 2011 that it had not received the ITP as the Authority had been unable to complete all its necessary site investigations, partly due to delays caused by severe weather in the latter part of the year. Despite the delays, TEG anticipated that the site investigation works would be completed and the ITP issued in the first half of 2011.

Up until early May 2011, TEG had understood that the SPV would issue the ITP imminently once the site was secured and revised project costs agreed. The SPV subsequently informed the Company in May 2011 that it was reconsidering whether or not to proceed with the construction of the fourth site pending a review it was undertaking into the need for the facility. The Company expects under its contract with the Client that an ITP will be issued to allow the construction programme to commence but the timing of the decision to issue the ITP is not within TEG's control. If the SPV chooses not to proceed, TEG will claim for compensation under its contract with the Client.

TEG has made considerable efforts to secure the ITP and resolve the cash retention issues with all contractual parties and significant progress has been made and agreement reached on a number of items. Internally, TEG has implemented a cost reduction programme across the Group by implementing delayed payment terms with a number of suppliers and commencing a number of cost reduction measures. In the event that the fourth project does not proceed TEG has prepared plans for staff redundancy measures. The Directors agreed to reduce salary and pension benefits in May 2010.

The delay in receiving the ITP has had a significant impact on cashflow as TEG has "carried" significant project and overhead costs in anticipation of the ITP since the second quarter of 2010. The Company had also expected a significant cash injection in the first half of 2011 from the order for the fourth site.

In addition to the delay, significant sums of monies owed to the Company have been withheld, as described above, and this has further compounded the Company's cashflow problems. As such, and with continuing uncertainty around the timing at which the monies subject to retention will be released, and at which time the ITP may be awarded, the Directors believe that it is prudent, and in the best interests of its Shareholders to proceed with the Placing and the Open Offer at this time. When the retentions are released to the Company, and the ITP award and payment is made, these sums will be used to fund the plant roll-out programme of the Company, accretive acquisitions and for general working capital purposes. Please refer to paragraph 5 of this Part I for further details.

4. Current Trading and Prospects

TEG currently owns and operates three IVC facilities, being:

<i>Facility</i>	<i>Capacity</i>
• Perth	37 thousand tonnes per annum (“ktpa”)
• Todmorden	37 ktpa
• Carleton Rode	37 ktpa

In addition, TEG operates six open windrow facilities acquired as part of the acquisition of Simpro Limited in 2010. Together these are known as the “TEG BOO plants”.

TEG BOO Plants

Performance of the Group’s BOO plants during the year to date has been very good. Revenues and profits have increased significantly compared to the same period in 2010 and the TEG BOO plants are ahead of budget both in terms of revenues and profits. Gate fees have increased compared to the same period in 2010 and TEG has secured significant further waste business in 2011. The Company has observed significant growth in volume of waste and its facilities are operating to capacity.

TEG completed extensive improvement works in 2010 to the environmental control systems to meet the requirements of new Defra guidance issued in 2009. These works were completed satisfactorily and the environmental performance of TEG’s facilities has been excellent to date in 2011.

The Board is very pleased with the integration of the Simpro business into the Group which has proceeded to schedule.

Third Party Sales

TEG has constructed and sold six further IVC plants to third parties, being:

<i>Location</i>	<i>Capacity</i>
• Swansea	7 ktpa
• Gwynedd	6 ktpa
• Exeter	14 ktpa
• Rochdale	25 ktpa
• Bredbury	54 ktpa
• Trafford	50 ktpa

The Board believes that TEG has a competitive advantage in the market place as TEG is well established with more plants than any other technology provider, has a high quality management team and is a proven operator with proven technology. TEG’s Silo Cage technology has full animal by-product approval, and is a continuous, single pass operation.

The plant offers very good environmental control and the Board believes it is well positioned to benefit from the increasing focus on raising industry standards with an Environmental Agency hardened policy on containment.

The technology also offers low process energy costs and a small carbon footprint. It produces consistent, high quality end product (all plants have achieved PAS100) and it has a small process footprint.

Anaerobic Digestion

TEG is constructing its first AD plant at its site in Perth, which is due for completion in the third quarter of 2011.

TEG has formed collaboration agreements with UTS and Alkane Energy PLC (“Alkane”) to develop AD facilities in the UK. The UK Government has highlighted the potential for AD as a form of renewable energy, whether as electricity or as a captured methane fuel and the Government is committed to encouraging a significant growth in the use of AD. The Board believes that the collaboration agreements together with its proven IVC technology offers a competitive advantage in the emerging AD market.

Current market conditions

The overall market has continued to grow as Local Authorities increasingly implement the separation of organic wastes from the municipal waste stream and the private sector increases its level of organic waste recycling. Statutory obligations to divert waste from landfill are increasing annually and are expected to increase continuously until 2020. Landfill Tax (“LFT”) continues to rise annually; landfill tax rose by £8.00 per tonne in April 2011 increasing the tax to a total of £56.00 per tonne. The UK Government has confirmed that LFT will rise by £8.00 per tonne per annum until at least 2014/2015. This is expected to continue to stimulate market growth for the foreseeable future. In addition, the Welsh Assembly Government has maintained its policy to procure the construction of a number of organic waste facilities in the period from 2011 to 2013 and the Scottish Assembly is intending to progressively introduce a ban on the landfill of organic waste in both the public and private sectors.

Following the Government’s Comprehensive Spending Review, a short term reduction was observed in some waste streams but this appears to have been short lived and the volume of waste secured has grown significantly. Some Local Authorities have delayed implementation of new collection rounds for segregated waste streams to reduce expenditure but this is considered by the Company to be localised and appears to have been offset by overall increases elsewhere. As anticipated by the Company and previously reported, TEG has noted a continued change in procurement policy by Local Authorities with emphasis on the letting of long term contracts in return for private sector investment, as opposed to direct plant procurement.

Encouragingly, the Company has generated significant interest from potential financiers to fund such projects and has secured provisional funding for a number of these projects. The Board will continue to evaluate these opportunities on a case by case basis.

TEG has also noted a continued increase in market interest in energy generation from food waste and the strengthening of interest in technologies such as AD. Government and Local Authorities have placed an emphasis on the implementation of AD and TEG is progressing a number of tender enquiries for AD capacity in addition to a continuing interest in IVC technology. Government incentives for AD and other renewable energy technologies are largely by way of subsidy for sales of power in the form of either renewable obligation certificates (“ROCs”) or feed in tariffs (“FITs”). The level of subsidy available through ROCs and FITs for existing schemes has been determined by the Government.

TEG anticipates that Government policy will continue to support the expansion of the market for the foreseeable future.

The Directors believe that the longer term regulatory environment will also benefit the Group. TEG has further invested in its facilities in 2010 to ensure they meet the enhanced guidance introduced by Defra in 2009 and the Group believes its technology lends itself to the additional level of containment required. In addition, the regulators have introduced policies to reduce the level of low grade green waste disposal which will take effect in the fourth quarter of 2011. This is expected to increase the volume of green waste diverted into the composting sector.

Business Strategy

TEG continues to target growth through:

- Build own and operate projects – these provide sustainable, long term revenues which service the waste outsourcing market while allowing the Company to take advantage of rising prices;
- Third party sales – these provide large revenues to the Company and services the participants in the market preferring to make capital investments (including the PFI market);
- IVC and AD technologies – the Company believes that AD offers both defence and opportunities for growth to the Company.

In addition, the Directors believe that, as a function of the Company's scale and the current financial market, opportunities for complimentary acquisitions are growing. The success of the acquisitions of Simpro and Banham demonstrates the opportunities that exist in the market and the Company has identified a number of complimentary, regional businesses as potential targets. The Directors have also identified opportunities for expansion into the related renewable energy markets.

The Directors believe that local authority activity throughout the UK is greater than ever, with a particular focus on Wales, the Midlands and London/South East and the Company continues to target these local authorities and major waste management companies with long term supply agreements to lock in cashflows. These enhance the Company's ability to obtain project and debt finance.

Project Pipeline

TEG has a strong pipeline of projects and is progressing a further number of high priority BOO projects that if successful would be expected to come to fruition within the next one to three years. These include projects on some of the Simpro sites. The Group anticipates that a number of these will move into construction in 2011 and 2012. Local authority procurement activity levels remain high and in addition to supporting further PFI projects, TEG is actively progressing a number of build, own and operate projects. These projects include a number of tenders directly to Local authorities whereby TEG is bidding to construct plants in return for securing long term waste supply contracts.

The projects under development by TEG include both IVC and AD facilities and the Group has already announced that it is developing a project in Dagenham, East London. This project has been awarded £1.9m in debt funding from London Waste and Recycling Board and TEG has secured provisional funding for the balance of the capital required.

In addition, TEG is bidding for a number of Local Authority contracts including certain hubs in the Welsh Assembly Government procurement process. Some of these contracts are expected to be determined in 2011 and TEG believes it is strongly placed to secure a number of these, where it is already through initial qualification.

Finally, TEG is progressing a significant number of further tenders at various stages of development for plant sales in addition to those previously announced to the market.

5. Use of Proceeds

The cashflow from the contract for the fourth site would have been used for seed funding for the future projects, including the Dagenham project, and for general working capital. In order to secure these projects, which TEG is in prime position to win, TEG must demonstrate a certain level of free working capital. The proceeds of the Placing and the Open Offer would provide the Company with short term working capital during this period until cashflows from the Manchester projects and the new projects are secured.

Should the Placing and the Open Offer not proceed, the contract retentions not be forthcoming and/or the ITP not be awarded, the Directors would expect to need to review the continuing operations of the business. Should the ITP not be made before 30 June 2011, the Directors believe that they will need to review the performance of the Company against current market expectations.

6. Admission, settlement and dealings

Application will be made to the London Stock Exchange for Admission of the New Ordinary Shares. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence at 8.00 a.m. on 8 July 2011. Following Admission and assuming the Open Offer is subscribed in full, the Company will have 114,615,830 Ordinary Shares in issue.

7. General Meeting

You will find set out at the end of this document a notice convening a General Meeting to be held at Westmarch House, 42 Eaton Avenue, Buckshaw Village, Chorley, PR7 7NA at 12.00 p.m. on 6 July 2011 together with the Form of Proxy. The business of the GM is to propose the Resolutions, the purpose of

which is to give the Directors the necessary authorities to issue and allot the New Ordinary Shares. If the Resolutions are not passed, the conditions of the Placing Agreement will not be satisfied and the Placing and Open Offer will not occur.

8. Action to be taken in relation to the General Meeting

Shareholders will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether or not you intend to be present at the General Meeting (and any adjournment thereof) you are requested to complete, sign and return the Form of Proxy in accordance with the instructions printed on it so as to be received by the Company's registrars, Capita Registrars at PXS, 34 Beckenham Road, Beckenham, BR3 4TU, as soon as possible but in any event not later than 12.00 p.m. on 4 July 2011. The completion and return of the Form of Proxy will not preclude you from attending and voting at the meeting, should you so wish.

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

Qualifying Non-CREST Shareholders (i.e. holders of Existing Ordinary Shares who hold their Existing Ordinary Shares in certificated form)

If you are a Qualifying Non-CREST Shareholder you will receive an Application Form which gives details of your Basic Entitlement under the Open Offer (as shown by the number of Basic Entitlements set out in Box 4 of the Application Form). If you wish to apply for Open Offer Shares under the Open Offer, you should complete the Application Form in accordance with the procedure for application set out in paragraph 4.1 of Part II and on the Application Form itself.

Qualifying Non-CREST Shareholders who wish to subscribe for more than their Basic Entitlement should complete Boxes 7 & 8 on the Application Form. Completed Application Forms, accompanied by full payment in accordance with the instructions in paragraph 4.1(d) of Part II, should be posted using the accompanying reply-paid envelope (if posted from the UK) or returned by post or by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, in either case, as soon as possible and in any event so as to be received by no later than 11.00 a.m. on 5 July 2011. If you do not wish to apply for any Open Offer Shares under the Open Offer, you should not complete or return the Application Form.

Qualifying CREST Shareholders (i.e. holders of Existing Ordinary Shares who hold their Existing Ordinary Shares in uncertificated form)

If you are a Qualifying CREST Shareholder you will not be sent an Application Form. You will receive a credit to your appropriate stock account in CREST in respect of the Basic entitlement under the Open Offer and also an Excess CREST Open Offer Entitlement for use in connection with the Excess Application Facility. You should refer to the procedure for application set out in paragraph 4.2 of Part II (Terms and conditions of the Open Offer). The relevant CREST instructions must have settled in accordance with the instructions in paragraph 4.2 of Part II (Terms and conditions of the Open Offer) by no later than 11.00 a.m. on 5 July 2011.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

If you are in any doubt as to the action you should take, you should immediately seek your own personal financial advice from an appropriately qualified independent professional adviser.

10. Taxation

Your attention is drawn to the taxation section contained in paragraph 9 of Part II of this document. If you are in any doubt as to your tax position, you should consult your own independent financial adviser immediately.

11. Related Party Transaction

Bridges has agreed to subscribe for 6,559,440 new Ordinary Shares pursuant to the Placing. As Bridges is a substantial shareholder of the Company, this transaction constitutes a related party transaction under rule 13 of the AIM Rules.

The Directors (excluding Ian Hislop given his relationship to Bridges) consider, having consulted with the Company's Nominated Adviser, Ambrian, that the terms of Bridges' participation in the Placing are fair and reasonable in so far as its Shareholders are concerned.

12. Recommendation and Voting Intentions

The Directors believe that the Placing and Open Offer is in the best interests of the Company and its Shareholders as a whole. **Accordingly, the Directors unanimously recommend that you vote in favour of the Resolutions as they and Shareholders connected with them intend to do in respect of their aggregate beneficial holdings of 938,380 Ordinary Shares representing approximately 1.2 per cent. of the Existing Ordinary Shares.**

In addition, the Directors have agreed to subscribe for at least 93,838 Open Offer Shares pursuant to the Open Offer.

Yours sincerely,

Nigel Moore
(Non-Executive Chairman)

PART II

TERMS AND CONDITIONS OF THE OPEN OFFER

1. Introduction

The Company proposes to issue up to 7,622,635 Open Offer Shares in order to raise gross proceeds of approximately £0.8 million by way of the Open Offer (assuming that the Open Offer is subscribed in full). Upon completion of the Open Offer (assuming it is subscribed in full), the Open Offer Shares will represent approximately 6.7 per cent., of the Enlarged Share Capital.

The Open Offer Shares to be issued pursuant to the Open Offer will, following Admission, rank *pari passu* in all respects with the Existing Ordinary Shares and will carry the right to receive all dividends and distributions declared, made or paid on or in respect of the Ordinary Shares after Admission.

The Open Offer is an opportunity for Qualifying Shareholders to apply to subscribe for Open Offer Shares at the Issue Price in accordance with the terms of the Open Offer.

Any Qualifying Shareholder who has sold or transferred all or part of his registered holding of Existing Ordinary Shares prior to the date on which the shares are marked ex-entitlement is advised to consult his stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him by the purchasers under the rules of the London Stock Exchange.

A summary of the arrangements relating to the Open Offer is set out below. This document and, for Qualifying Non-CREST Shareholders, the Application Form contain the formal terms and conditions of the Open Offer. Your attention is drawn to paragraph 4 of this Part II (Terms and conditions of the Open Offer) which gives details of the procedure for application and payment for the Open Offer Shares.

2. The Open Offer

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, in the Application Form), Qualifying Shareholders are being given the opportunity to apply for any number of Open Offer Shares (subject to the limit on the number of Excess Shares that can be applied for using the Excess Application Facility) at the Issue Price (payable in full on application and free of all expenses) and will have a Basic Entitlement of:

1 Open Offer Share for every 10 Existing Ordinary Shares

registered in the name of each Qualifying Shareholder on the Record Date. Applications by Qualifying Shareholders will be satisfied in full up to their Basic Entitlements.

Basic Entitlements will be rounded down to the nearest whole number and any fractional entitlements to Open Offer Shares will be disregarded in calculating Basic Entitlements and will be aggregated and made available to Qualifying Shareholders under the Excess Application Facility. Qualifying Shareholders with fewer than 10 Existing Ordinary Shares will not be able to apply for Open Offer Shares. Qualifying Shareholders may apply to acquire less than their Basic Entitlement should they so wish.

Subject to availability, and assuming that Qualifying Shareholders have accepted their Basic Entitlement in full, Qualifying Shareholders may apply to acquire Excess Shares using the Excess Application Facility. The Excess Application Facility enables Qualifying Shareholders to apply for any whole number of Excess Shares in excess of their Basic Entitlement up to an amount equal to the total number of Open Offer Shares available under the Open Offer less an amount equal to a Qualifying Shareholder's Basic Entitlement.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of the Open Offer Entitlements, such applications will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility.

Please refer to paragraphs 4.1(c) and 4.2(c) of this Part II (*Terms and conditions of the Open Offer*) for further details of the Excess Application Facility.

Please note that holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating Basic Entitlements, as will holdings under different designations and in different accounts.

Qualifying CREST Shareholders will have their Basic Entitlements and Excess CREST Open Offer Entitlements credited to their stock accounts in CREST and should refer to paragraphs 4.2(a) to 4.2(l) of this Part II (*Terms and conditions of the Open Offer*) and also to the CREST Manual for further information on the relevant CREST procedures.

Qualifying Shareholders may apply to acquire any number of Open Offer Shares subject to the limit on applications under the Excess Application Facility referred to above. The Basic Entitlement, in the case of Qualifying Non-CREST Shareholders, is equal to the number of Open Offer Shares shown in Box 4 on the Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Basic Entitlements standing to the credit of their stock account in CREST.

The Excess Application Facility enables Qualifying Shareholders to apply for any whole number of Excess Shares in excess of their Basic Entitlement up to an amount equal to the total number of Open Offer Shares available under the Open Offer less an amount equal to a Qualifying Shareholder's Basic Entitlement. Qualifying Non-CREST Shareholders who wish to apply to subscribe for more than their Basic Entitlement should complete Boxes 6, 7, 8 and 9 on the Application Form. Excess applications may be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that applications by Qualifying Shareholders will be met in full or in part or at all.

Shareholders should note that the Open Offer is not a rights issue. Qualifying Shareholders should be aware that in the Open Offer, unlike with a rights issue, any Open Offer Shares not applied for by Qualifying Shareholders under their Basic Entitlements will not be sold in the market on behalf of, or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer, but may be allotted to Qualifying Shareholders to meet any valid applications under the Excess Application Facility and that the net proceeds will be retained for the benefit of the Company.

Any Qualifying Shareholder who has sold or transferred all or part of his registered holding(s) of Existing Ordinary Shares prior to 8.00 a.m. on 21 June 2011 is advised to consult his stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him by the purchasers under the rules of the London Stock Exchange.

Application will be made for the Basic Entitlements and Excess CREST Open Offer Entitlements to be admitted to CREST. The conditions for such admission having already been met, the Basic Entitlements and Excess CREST Open Offer Entitlements are expected to be admitted to CREST with effect from 21 June 2011.

The Open Offer Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares. The Open Offer Shares are not being made available in whole or in part to the public except under the terms of the Open Offer.

3. Conditions and further terms of the Open Offer

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

- (a) the passing of the Resolutions to be proposed at the GM; and
- (b) Admission of the New Ordinary Shares becoming effective by not later than 8.00 a.m. on 8 July 2011 (or such later time and/or date as the Company may determine, not being later than 21 July 2011).

Accordingly, if any of these conditions is not satisfied or waived (where capable of waiver), the Open Offer will not proceed and any applications made by Qualifying Shareholders will be rejected. In such circumstances, application monies will be returned (at the applicant's sole risk), without payment of interest, as soon as practicable thereafter. Revocation of applications for Open Offer Shares cannot occur after dealings have begun.

No temporary documents of title will be issued in respect of Open Offer Shares held in uncertificated form. Definitive certificates in respect of Open Offer Shares taken up are expected to be posted to those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form on or before 22 July 2011. In respect of those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in uncertificated form, the Open Offer Shares are expected to be credited to their stock accounts maintained in CREST on or before 8 July 2011.

Application will be made for the New Ordinary Shares to be admitted to trading on AIM. Admission is expected to occur on 8 July 2011, when dealings in the New Ordinary Shares are expected to begin.

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

4. Procedure for application and payment

The action to be taken by Qualifying Shareholders in respect of the Open Offer depends on whether, at the relevant time, a Qualifying Shareholder has an Application Form in respect of his Basic Entitlement or a Qualifying Shareholder has Basic Entitlements and Excess CREST Open Offer Entitlements credited to his CREST stock account in respect of such entitlement.

Qualifying Shareholders who hold their Existing Ordinary Shares in certificated form will be allotted Open Offer Shares in certificated form. Qualifying Shareholders who hold all or part of their Existing Ordinary Shares in uncertificated form will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to Open Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit Basic Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 4.2(g) of this Part II (*Terms and conditions of the Open Offer*).

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

Qualifying Shareholders who do not want to take up or apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form. Qualifying Shareholders are, however, encouraged to vote at the GM by attending in person or by completing and returning the Form of Proxy enclosed with this document.

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

(a) *General*

Subject as provided in paragraph 6 of this Part II (*Terms and conditions of the Open Offer*) in relation to Overseas Shareholders, Qualifying Non-CREST Shareholders will receive an Application Form. The Application Form shows the number of Existing Ordinary Shares registered in their name on the Record Date in Box 3. It also shows the number of Open Offer Shares which represents their Basic Entitlement under the Open Offer, as shown by the total number of Basic Entitlements allocated to them set out in Box 4. Box 5 shows how much they would need to pay if they wish to take up their Basic Entitlement in full. Qualifying Shareholders wishing to take up their Basic Entitlement in full should complete Boxes 6 and 9.

Any fractional entitlements to Open Offer Shares will be disregarded in calculating Qualifying Shareholders' Basic Entitlements and will be aggregated and made available to Qualifying Shareholders under the Excess Application Facility. Any Qualifying Non-CREST Shareholders with fewer than 10 Existing Ordinary Shares will not receive a Basic Entitlement. Any Qualifying Non-CREST Shareholder with fewer than 10 Existing Ordinary Shares will not be able to apply for Excess Shares pursuant to the Excess Application Facility (see paragraph 4.1(c) of this Part II (*Terms and conditions of the Open Offer*)). Qualifying Non-CREST Shareholders may apply for less than their Basic Entitlement should they wish to do so. Qualifying Shareholders wishing to apply for Open Offer Shares representing less than their Basic Entitlement may do so by completing Boxes 6, 8 and 9 of the Application Form. Subject to availability, and assuming that Qualifying Shareholders have accepted their Basic Entitlement in full, Qualifying Non-CREST Shareholders may also apply for any whole number of Excess Shares in excess of their Basic Entitlement up to an amount equal to the total number of Open Offer Shares available under the Open Offer less an amount equal to a Qualifying Shareholder's Basic Entitlement by completing Boxes 6, 7, 8 and 9 of the Application Form (see paragraph 4.1(c) of this Part II (*Terms and conditions of the Open Offer*)). Qualifying Non-CREST Shareholders may hold such an Application Form by virtue of a *bona fide* market claim (see paragraph 4.1(b) of this Part II (*Terms and conditions of the Open Offer*)).

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of the Open Offer Entitlements, such applications will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility.

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

(b) *Bona fide market claims*

Applications to acquire Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked "ex" the entitlement to participate in the Open Offer. Application Forms may not be assigned, transferred or split, except to satisfy *bona fide* market claims up to 3.00 p.m. on 1 July 2011. The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of his holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked "ex" the entitlement to participate in the Open Offer, should consult his broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the purchaser. Qualifying Non-CREST Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 10 on the Application Form and immediately send it to either the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or to the Registrar in accordance with the instructions set out in the accompanying Application Form. The Application Form should not, however, be forwarded to or transmitted in or into a Restricted Jurisdiction. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in paragraph 4.2(b) of this Part II (*Terms and conditions of the Open Offer*).

(c) *Excess Application Facility*

Subject to availability, and assuming that Qualifying Shareholders have accepted their Basic Entitlement in full, Qualifying Shareholders may apply to acquire Excess Shares using the Excess Application Facility, should they wish. Qualifying Non-CREST Shareholders wishing to apply for Excess Shares, up to an amount equal to the total number of Open Offer Shares

available under the Open Offer less an amount equal to a Qualifying Shareholder's Basic Entitlement, may do so by completing Boxes 6, 7, 8 and 9 of the Application Form. The total number of Open Offer Shares is fixed and will not be increased in response to any Excess Applications. Excess Applications will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlements in full or where fractional entitlements have been aggregated and made available under the Excess Application Facility. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that the applications by Qualifying Shareholders will be met in full or in part or at all. If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of the Open Offer Entitlements, such applications will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

(d) *Application procedures*

Qualifying Non-CREST Shareholders wishing to apply to acquire all or any of the Open Offer Shares to which they are entitled should complete the Application Form in accordance with the instructions printed on it. Completed Application Forms should be posted in the accompanying reply-paid envelope or returned by post or by hand (during normal office hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (who will act as Receiving Agent in relation to the Open Offer), so as to be received by no later than 11.00 a.m. on 5 July 2011, after which time Application Forms will not be valid. Qualifying Non-CREST Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged. If an Application Form is being sent by first-class post in the UK, Qualifying Shareholders are recommended to allow at least four working days for delivery. Application Forms delivered by hand will not be checked upon delivery and no receipt will be provided.

Completed Application Forms should be returned with a cheque or banker's draft drawn in sterling on a bank or building society in the British Isles which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through facilities provided by any of those companies or committees. Such cheques or banker's drafts must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on the application.

Cheques should be drawn on a personal account in respect of which the Qualifying Shareholder has sole or joint title to the funds and should be made payable to "Capita Registrars Limited Re: The TEG Group PLC Open Offer A/C" and crossed "A/C Payee Only". Third party cheques (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds by completing the account name on the back of the cheque or draft and adding the branch stamp) will not be accepted). Payments via CHAPS, BACS or electronic transfer will not be accepted.

Cheques and banker's drafts will be presented for payment on receipt and it is a term of the Open Offer that cheques and banker's drafts will be honoured on first presentation. The Company may elect to treat as valid or invalid any applications made by Qualifying Non-CREST Shareholders in respect of which cheques are not so honoured. If cheques or banker's drafts are presented for payment before the conditions of the Open Offer are fulfilled, the application monies will be kept in a separate interest bearing bank account with any interest being retained for the Company until all conditions are met. If the Open Offer does not become unconditional, no Open Offer Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable following the lapse of the Open Offer.

The Company may in its sole discretion, but shall not be obliged to, treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept either:

- (i) Application Forms received after 11.00 a.m. on 5 July 2011; or
- (ii) applications in respect of which remittances are received before 11.00 a.m. on 5 July 2011 from authorised persons (as defined in FSMA) specifying the Open Offer Shares applied for and undertaking to lodge the Application Form in due course but, in any event, within two Business Days and before the closing of the Open Offer.

Multiple applications will not be accepted. All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk.

If Open Offer Shares have already been allotted to a Qualifying Non-CREST Shareholder and such Qualifying Non-CREST Shareholder's cheque or banker's draft is not honoured upon first presentation or such Qualifying Non-CREST Shareholder's application is subsequently otherwise deemed to be invalid, the Receiving Agent shall be authorised (in its absolute discretion as to manner, timing and terms) to make arrangements, on behalf of the Company, for the sale of such Qualifying Non-CREST Shareholder's Open Offer Shares and for the proceeds of sale (which for these purposes shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company. None of the Receiving Agent, Ambrian or the Company, nor any other person, shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-CREST Shareholder as a result.

(e) *Effect of application*

By completing and delivering an Application Form, the applicant:

- (i) represents and warrants to the Company, the Receiving Agent and Ambrian that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees that all applications under the Open Offer and any contracts or non-contractual obligations resulting therefrom shall be governed by and construed in accordance with the laws of England;
- (iii) confirms that in making the application he is not relying on any information or representation in relation to the Company other than those contained in this document and any documents incorporated by reference, and the applicant accordingly agrees that no person responsible solely or jointly for this document including any documents incorporated by reference or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained herein and further agrees that, having had the opportunity to read this document including any documents incorporated by reference, he will be deemed to have had notice of all information in relation to the contained in this document (including information incorporated by reference);
- (iv) confirms that in making the application he is not relying and has not relied on Ambrian or any other person affiliated with Ambrian in connection with any investigation of the accuracy of any information contained in this document or his investment decision;

- (v) confirms that no person has been authorised to give any information or to make any representation concerning the Company or the Open Offer Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or Ambrian;
- (vi) represents and warrants to the Company, the Receiving Agent and Ambrian that he is the Qualifying Shareholder originally entitled to the Basic Entitlements or that he received such Basic Entitlements by virtue of a *bona fide* market claim;
- (vii) represents and warrants to the Company, the Receiving Agent and Ambrian that if he has received some or all of his Basic Entitlements from a person other than the Company, he is entitled to apply under the Open Offer in relation to such Basic Entitlements by virtue of a *bona fide* market claim;
- (viii) requests that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document and the Application Form, subject to the Articles of Association of the Company;
- (ix) represents and warrants to the Company, the Receiving Agent and Ambrian that he is not, nor is he applying on behalf of any person who is, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor such person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer; and
- (x) represents and warrants to the Company, the Receiving Agent and Ambrian that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986.

All enquiries in connection with the procedure for application and completion of the Application Form should be made to the Registrar on the shareholder helpline on 0871 664 1321 or if you are calling from outside the UK on +44 20 8639 3399. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note the Registrar cannot provide financial, legal or tax advice on the merits of the Open Offer or as to whether applicants should take up their Basic Entitlements. Calls may be recorded and monitored for security and training purposes.

Qualifying Shareholders who do not want to take up or apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form. Qualifying Shareholders are, however, encouraged to vote at the GM by attending in person or by completing and returning the blue Form of Proxy enclosed with this document.

4.2 ***If you have Basic Entitlements and Excess CREST Open Offer Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer***

(a) *General*

Subject as provided in paragraph 6 of this Part II (*Terms and conditions of the Open Offer*) in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST in respect of his Basic Entitlement and also in respect of his Excess CREST Open Offer Entitlement (an amount equal to the total number of Open Offer Shares available under the Open Offer less an amount equal to a Qualifying Shareholder's Basic Entitlement) (see paragraph 4.2(c) of this Part II (*Terms and conditions of the Open Offer*) for further details). Any fractional entitlements to Open Offer Shares will be disregarded in calculating Qualifying Shareholders' Basic Entitlement and will be aggregated and made available under the Excess Application Facility. Any Qualifying CREST Shareholders with fewer than 10 Existing Ordinary Shares will not receive a Basic Entitlement. Any Qualifying Non-CREST Shareholder with fewer than 10 Existing Ordinary Shares will not be able to apply for Excess Shares pursuant to the Excess Application Facility (see paragraph 4.2(c) of this Part II (*Terms and conditions of the Open Offer*)).

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

If for any reason the Basic Entitlements and/or Excess CREST Open Offer Entitlements cannot be admitted to CREST, or the stock accounts of Qualifying CREST Shareholders cannot be credited, by close of business on 21 June 2011, or such later time and/or date as the Company may decide, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Basic Entitlements and Excess CREST Open Offer Entitlements which should have been credited to his stock account in CREST. In these circumstances, the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive such Application Forms.

CREST members who wish to apply to acquire some or all of their entitlements to Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact the Registrar on the shareholder helpline on 0871 664 0321 or if you are calling from outside the UK on +44 20 8639 3399. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note the Registrar cannot provide financial, legal or tax advice on the merits of the Open Offer or as to whether applicants should take up their Basic Entitlements. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Open Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

(b) *Market claims*

Each of the Basic Entitlements and the Excess CREST Open Offer Entitlements will constitute a separate security for the purposes of CREST and will have a separate ISIN. Although Basic Entitlements and the Excess CREST Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Basic Entitlements and the Excess CREST Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as

“cum” the Basic Entitlement and the Excess CREST Open Offer Entitlement will generate an appropriate market claim transaction and the relevant Basic Entitlement(s) and Excess CREST Open Offer Entitlement(s) will thereafter be transferred accordingly.

(c) *Excess Application Facility*

Subject to availability, and assuming that Qualifying Shareholders have accepted their Basic Entitlement in full, Qualifying Shareholders may apply to acquire Excess Shares using the Excess Application Facility, should they wish. The Excess Application Facility enables Qualifying CREST Shareholders to apply for Excess Shares in excess of their Basic Entitlement up to an amount equal to the total number of Open Offer Shares available under the Open Offer less an amount equal to a Qualifying CREST Shareholder’s Basic Entitlement.

An Excess CREST Open Offer Entitlement may not be sold or otherwise transferred. Subject as provided in paragraph 6 of this Part II (*Terms and conditions of the Open Offer*) in relation to Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with an Excess CREST Open Offer Entitlement in order for any applications for Excess Shares to be settled through CREST.

Qualifying CREST Shareholders should note that, although the Basic Entitlements and the Excess CREST Open Offer Entitlements will be admitted to CREST, they will have limited settlement capabilities (for the purposes of market claims only). Neither the Basic Entitlements nor the Excess CREST Open Offer Entitlements will be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim.

To apply for Excess Shares pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions in paragraph 4.2(f) below and must not return a paper form and cheque.

Should a transaction be identified by the CREST Claims Processing Unit as “cum” the Basic Entitlement and the relevant Basic Entitlement be transferred, the Excess CREST Open Offer Entitlements will not transfer with the Basic Entitlement claim, but will be transferred as a separate claim. Should a Qualifying CREST Shareholder cease to hold all of his Existing Ordinary Shares as a result of one or more *bona fide* market claims, the Excess CREST Open Offer Entitlement credited to CREST and allocated to the relevant Qualifying Shareholder will be transferred to the purchaser. Please note that a separate USE instruction must be sent to Euroclear in respect of any application under the Excess CREST Open Offer Entitlement.

Fractions of Excess Shares will not be issued under the Excess Application Facility and fractions of Excess Shares will be rounded down to the nearest whole number. Any fractional Excess Shares will be aggregated and sold for the benefit of the Company.

The total number of Open Offer Shares is fixed and will not be increased in response to any applications under the Excess Application Facility. Applications under the Excess Application Facility will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlements in full or where fractional entitlements have been aggregated and made available under the Excess Application Facility. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that the applications by Qualifying Shareholders will be met in full or in part or at all. If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of the Open Offer Entitlements, such applications will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant’s risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

All enquiries in connection with the procedure for application of Excess CREST Open Offer Entitlements should be made to the Registrar on the shareholder helpline on 0871 664 1321 or if you are calling from outside the UK on +44 20 8639 3399. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note the Registrar cannot provide financial, legal or tax advice on the merits of the Open Offer or as to whether applicants should take up their entitlement or apply for Excess Shares.

(d) *USE instructions*

Qualifying CREST Shareholders who are CREST members and who want to apply for Open Offer Shares in respect of all or some of their Basic Entitlement and Excess CREST Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a USE instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Registrar under the participant ID and member account ID specified below, with a number of Basic Entitlements and/or Excess CREST Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of the Registrar in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph 4.2(d)(i) above.

(e) *Content of USE instruction in respect of Basic Entitlements*

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

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Basic Entitlement(s) being delivered to the Registrar);
- (ii) the ISIN of the Basic Entitlement. This is GB00B61YK686;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Basic Entitlements are to be debited;
- (v) the participant ID of Capita Registrars in its capacity as Receiving Agent. This is 7RA33;
- (vi) the member account ID. This is 27427TEG;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph 4.2 (e)(i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 5 July 2011; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 5 July 2011.

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

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

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 5 July 2011 in order to be valid is 11.00 a.m. on that day.

(f) *Content of USE instruction in respect of Excess CREST Open Offer Entitlements*

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

- (i) the number of Open Offer Shares for which the application is being made (and hence the number of the Excess CREST Open Offer Entitlement(s) being delivered to the Registrar);
- (ii) the ISIN of the Excess CREST Open Offer Entitlement. This is GB00B4RMSQ80;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Excess CREST Open Offer Entitlements are to be debited;
- (v) the participant ID of Capita Registrars in its capacity as Receiving Agent. This is RA10;
- (vi) the member account ID. This is 27427TEG;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph 4.2(f)(i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 5 July 2011; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for the application in respect of an Excess CREST Open Offer Entitlement under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 5 July 2011.

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

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

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 5 July 2011 in order to be valid is 11.00 a.m. on that day. Please note that automated CREST generated claims and buyer protection will not be offered on the Excess CREST Open Offer Entitlement security.

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 8 July 2011 or such later time and date as the Directors determine (being no later than 21 July 2011), the Open Offer will lapse, the Basic Entitlements and Excess CREST Open Offer Entitlements admitted to CREST will be disabled and the Registrar will refund the amount paid by a

Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter. The interest earned on such monies will be retained for the benefit of the Company.

(g) *Deposit of Basic Entitlements into, and withdrawal from, CREST*

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

A holder of an Application Form who is proposing to deposit the entitlement set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Basic Entitlements and the entitlement to apply under the Excess Application Facility following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 5 July 2011. After depositing their Basic Entitlement into their CREST account, CREST holders will, shortly after that, receive a credit for their Excess CREST Open Offer Entitlement.

In particular, having regard to normal processing times in CREST and on the part of the Registrar, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Basic Entitlements or Excess CREST Open Offer Entitlements in CREST, is 3.00 p.m. on 29 June 2011 and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Basic Entitlements or Excess CREST Open Offer Entitlements from CREST is 4.30 p.m. on 28 June 2011, in either case so as to enable the person acquiring or (as appropriate) holding the Basic Entitlements and the Excess CREST Open Offer Entitlements following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Basic Entitlements or in respect of the Excess CREST Open Offer Entitlements, as the case may be, prior to 11.00 a.m. on 5 July 2011. CREST holders inputting the withdrawal of their Basic Entitlement from their CREST account must ensure that they withdraw both their Basic Entitlement and the Excess CREST Open Offer Entitlement.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and the Registrar by the relevant CREST member(s) that it is/they are not in breach of the provisions of the notes under the paragraph headed "Instructions for depositing entitlements under the Open Offer into CREST" on page 3 of the Application Form, and a declaration to the Company and the Registrar from the relevant CREST member(s) that it is/they are not citizen(s) or resident(s) of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

(h) *Validity of application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 5 July 2011 will constitute a valid application under the Open Offer.

(i) *CREST procedures and timings*

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 5 July 2011. In this connection CREST members and (where applicable) their CREST sponsors are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(j) *Incorrect or incomplete applications*

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

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

(k) *Effect of valid application*

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

- (i) represents and warrants to the Company, the Receiving Agent and Ambrian that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Registrar's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (iii) agrees that all applications under the Open Offer and any contracts or non-contractual obligations resulting therefrom shall be governed by, and construed in accordance with, the laws of England;
- (iv) confirms that in making the application he is not relying on any information or representation in relation to the Company other than those contained in this document or any documents incorporated by reference, and the applicant accordingly agrees that no person responsible solely or jointly for this document including any document incorporated by reference or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained herein and further agrees that, having had the opportunity to read this document

including any documents incorporated by reference, he will be deemed to have had notice of all the information in relation to the Company contained in this document (including information incorporated by reference);

- (v) confirms that in making the application he is not relying and has not relied on Ambrian or any other person affiliated with Ambrian in connection with any investigation of the accuracy of any information contained in this document or his investment decision;
 - (vi) confirms that no person has been authorised to give any information or to make any representation concerning the Company or the Open Offer Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or Ambrian;
 - (vii) represents and warrants to the Company, the Receiving Agent and Ambrian that he is the Qualifying Shareholder originally entitled to the Basic Entitlements and Excess CREST Open Offer Entitlements or that he has received such Basic Entitlements and Excess CREST Open Offer Entitlements by virtue of a *bona fide* market claim;
 - (viii) represents and warrants to the Company, the Receiving Agent and Ambrian that if he has received some or all of his Basic Entitlements and Excess CREST Open Offer Entitlements from a person other than the Company, he is entitled to apply under the Basic Entitlements and Excess CREST Open Offer in relation to such Basic Entitlements by virtue of a *bona fide* market claim;
 - (ix) requests that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the Articles of Association of the Company;
 - (x) represents and warrants to the Company, the Receiving Agent and Ambrian that he is not, nor is he applying on behalf of any person who is, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor such person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer; and
 - (xi) represents and warrants to the Company, the Receiving Agent and Ambrian that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986.
- (l) *Company's discretion as to the rejection and validity of applications*
The Company may in its sole discretion:
- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part II (*Terms and conditions of the Open Offer*);

- (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the “first instruction”) as not constituting a valid application if, at the time at which the Registrar receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Registrar has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

5. Money Laundering Regulations

5.1 *Holders of Application Forms*

To ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf the Application Form is lodged with payment (which requirements are referred to below as the “**verification of identity requirements**”). If the Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent’s stamp should be inserted on the Application Form.

The person lodging the Application Form with payment and in accordance with the other terms as described above (the “**acceptor**”), including any person who appears to the Receiving Agent to be acting on behalf of some other person, accepts the Open Offer in respect of such number of Open Offer Shares as is referred to therein (for the purposes of this paragraph 5, the “**relevant Open Offer Shares**”) and shall thereby be deemed to agree to provide the Receiving Agent with such information and other evidence as the Receiving Agent may require to satisfy the verification of identity requirements.

If the Receiving Agent determines that the verification of identity requirements apply to any acceptor or application, the relevant Open Offer Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither the Receiving Agent nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

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

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

Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Receiving Agent, the Company and Ambrian from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

The verification of identity requirements will not usually apply:

- (i) if the applicant is an organisation required to comply with the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing); or
- (ii) if the acceptor is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- (iii) if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the applicant's name; or
- (iv) if the aggregate subscription price for the Open Offer Shares is less than €15,000 (approximately £13,000).

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (a) if payment is made by cheque or banker's draft in sterling drawn on a branch in the British Isles of a bank or building society which bears a UK bank sort code number in the top right hand corner, the following applies. Cheques, should be made payable to "Capita Registrars Limited Re: The TEG Group PLC Open Offer A/C" in respect of an application by a Qualifying Shareholder and crossed "A/C Payee Only" in each case. Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/bankers' draft to such effect. The account name should be the same as that shown on the Application Form; or
- (b) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in paragraph 5.1(i) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, China, Gibraltar, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, Russian Federation, Singapore, The Republic of South Africa, Switzerland, Turkey, UK Crown Dependencies and the US and, by virtue of their membership of the Gulf Cooperation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide with the Application Form, written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Registrar. If the agent is not such an organisation, it should contact the Registrar at Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

To confirm the acceptability of any written assurance referred to in paragraph 5.1(b) above, or in any other case, the acceptor should contact the Receiving Agent on 0871 664 0321 or if you are calling from outside the UK on +44 20 8639 3399. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile

telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.

If the Application Form(s) is/are in respect of Open Offer Shares with an aggregate subscription price of €15,000 (approximately £13,000) or more and is/are lodged by hand by the acceptor in person, or if the Application Form(s) in respect of Open Offer Shares is/are lodged by hand by the acceptor and the accompanying payment is not the acceptor's own cheque, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and separate evidence of his address.

If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 11.00 a.m. on 5 July 2011, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Receiving Agent may, at its discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the applicant (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

5.2 *Basic Entitlements and Excess CREST Open Offer Entitlements in CREST*

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

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

6. **Overseas Shareholders**

The making of the Open Offer to persons resident in, or who are citizens of, or who have a registered address in, countries other than the UK may be affected by the law or regulatory requirements of the relevant jurisdiction. The comments set out in this paragraph 6 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

6.1 *General*

The distribution of this document and the Application Form and the making of the Open Offer to persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the UK or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the UK may be affected by the laws or regulatory requirements of the relevant jurisdictions. Those persons should consult their professional advisers as to whether they

require any governmental or other consents or need to observe any applicable legal requirement or other formalities to enable them to apply for Open Offer Shares under the Open Offer.

No action has been or will be taken by the Company or Ambrian or any other person to permit a public offering or distribution of this document (or any other offering or publicity materials or application form(s) relating to the Open Offer Shares) in any jurisdiction where action for that purpose may be required, other than in the UK.

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

Due to restrictions under the securities laws of the Restricted Jurisdictions and certain commercial considerations, Application Forms will not be sent to, and neither Basic Entitlements nor Excess CREST Open Offer Entitlements will be credited to stock accounts in CREST of, Excluded Overseas Shareholders or their agents or intermediaries, except where the Company is satisfied, at its sole and absolute discretion, that such action would not result in the contravention of any registration or other legal requirement in the relevant jurisdiction.

No person receiving a copy of this document and/or an Application Form and/or a credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use any such Application Form and/or credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him and such Application Form and/or credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the UK wishing to apply for Open Offer Shares under the Open Offer to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory.

None of the Company or Ambrian nor any of their respective representatives is making any representation to any offeree or purchaser of Open Offer Shares regarding the legality of an investment in the Open Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or an Application Form and/or a credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Basic Entitlements or Excess CREST Open Offer Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or an Application Form and/or a credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST is received by any person in any such territory, or by his custodian, agent, nominee or trustee, he must not seek to apply for Open Offer Shares unless the Company and Ambrian determine that such action would not violate applicable legal or regulatory

requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this document and/or an Application Form and/or transfers Basic Entitlements or Excess CREST Open Offer Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part II (*Terms and conditions of the Open Offer*) and specifically the contents of this paragraph 6.

Subject to paragraphs 6.2 to 6.8 below, any person (including, without limitation, custodians, agents, nominees and trustees) outside the UK wishing to apply for Open Offer Shares must satisfy himself as to the full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and pay any issue, transfer or other taxes due in such territories.

The Company reserves the right to treat as invalid any application or purported application for Open Offer Shares that appears to the Company or its agents to have been executed, effected or dispatched by an Excluded Overseas Shareholder or on behalf of such a person by their agent or intermediary or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates of Open Offer Shares or, in the case of a credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST, to a CREST member whose registered address would be, in a Restricted Jurisdiction or any other jurisdiction outside the UK in which it would be unlawful to deliver such share certificates or make such a credit.

The attention of Overseas Shareholders is drawn to paragraphs 6.2 to 6.8 below.

Notwithstanding any other provision of this document or the Application Form, the Company reserves the right to permit any Qualifying Shareholder who is an Excluded Overseas Shareholder to apply for Open Offer Shares if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who wish, and are permitted, to apply for Open Offer Shares should note that payment must be made in sterling denominated cheques or bankers' drafts or where such an Overseas Shareholder is a Qualifying CREST Shareholder, through CREST.

Due to restrictions under the securities laws of the Restricted Jurisdictions and subject to certain exceptions, Excluded Overseas Shareholders will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Basic Entitlements or Excess CREST Open Offer Entitlements.

The Open Offer Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption.

No public offer of Open Offer Shares is being made by virtue of this document or the Application Forms into any Restricted Jurisdiction. Receipt of this document and/or an Application Form and/or a credit of a Basic Entitlement or an Excess CREST Open Offer Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

6.2 *United States*

Subject to certain exceptions, this document is intended for use only in connection with offers of Open Offer Shares outside the United States and neither this document nor any Application Form is to be sent or given to any person within the United States. The Open Offer Shares offered hereby are not being registered under the US Securities Act, for the purposes of sales outside of the United States.

This document may not be transmitted in or into the United States and may not be used to make offers or sales to US holders of Existing Ordinary Shares.

Subject to certain exceptions, the Open Offer Shares will be distributed, offered or sold, as the case may be, outside the United States in offshore transactions within the meaning of, and in accordance with, Regulation S under the US Securities Act.

Each person to which the Open Offer Shares are distributed, offered or sold outside the United States will be deemed by its subscription for the Open Offer Shares to have represented and agreed, on its behalf and on behalf of any investor accounts for which it is subscribing the Open Offer Shares, as the case may be, that:

- (i) it is acquiring the Open Offer Shares from the Company in an “**offshore transaction**” as defined in Regulation S under the US Securities Act; and
- (ii) the Open Offer Shares have not been offered to it by the Company or Ambrian by means of any “**directed selling efforts**” as defined in Regulation S under the US Securities Act.

Each subscriber acknowledges that the Company and Ambrian will rely upon the truth and accuracy of the foregoing representations and agreements, and agrees that if any of the representations and agreements deemed to have been made by such subscriber or purchaser by its subscription for the Open Offer Shares, as the case may be, are no longer accurate, it shall promptly notify the Company and Ambrian. If such subscriber is subscribing for the Open Offer Shares as a fiduciary or agent for one or more investor accounts, each subscriber or purchaser represents that it has sole investment discretion with respect to each such account and full power to make the foregoing representations and agreements on behalf of each such account.

Each subscriber acknowledges that it will not resell the Open Offer Shares without registration or an available exemption or safe harbour from registration under the US Securities Act.

6.3 *Canada*

This document is not, and is not to be construed as, a prospectus, an advertisement or a public offering of these securities in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this document or the merits of the Open Offer Shares, and any representation to the contrary is an offence.

In addition, the relevant exemptions are not being obtained from the appropriate provincial authorities in Canada. Accordingly, the Open Offer Shares are not being offered for subscription by persons resident in Canada or any territory or possessions thereof. Applications from any Canadian Person who appears to be or whom the Company has reason to believe to be so resident or the agent of any person so resident will be deemed to be invalid. Neither this document nor an Application Form will be sent to and no Basic Entitlements or Excess CREST Open Offer Entitlements will be credited to a stock account in CREST of any Shareholder in the Company whose registered address is in Canada. If any Application Form is received by any Shareholder in the Company whose registered address is elsewhere but who is, in fact, a Canadian Person or the agent of a Canadian Person so resident, he should not apply under the Open Offer.

For the purposes of this paragraph 6.3, “**Canadian Person**” means a citizen or resident of Canada, including the estate of any such person or any corporation, partnership or other entity created or organised under the laws of Canada or any political sub-division thereof.

6.4 *Australia*

Neither this document nor the Application Form has been lodged with, or registered by, the Australian Securities and Investments Commission. A person may not: (i) directly or indirectly offer for subscription or purchase or issue an invitation to subscribe for or buy or sell, the Open Offer Shares; or (ii) distribute any draft or definitive document in relation to any such offer, invitation or sale, in Australia or to any resident of Australia (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of such a corporation or entity located outside Australia). Accordingly, neither this document nor any Application Form will be issued to, and no Basic Entitlements or Excess CREST Open Offer Entitlements will be credited to a CREST stock account of, Shareholders in the Company with registered addresses in, or to residents of, Australia.

The offer of any Open Offer Shares in Australia may only be made to persons who are “sophisticated investors” (within the meaning of section 708(8) of the Australian Corporations Act 2001 (the “**2001 Act**”)) or to “professional investors” (within the meaning of section 708(11) of the 2001 Act) or otherwise pursuant to one or more exemptions contained in section 708 of the 2001 Act, so that it is lawful to offer, or invite applications for, any Open Offer Shares without disclosure to persons under Chapter 6D of the 2001 Act. Furthermore, this Circular may only be made available in Australia to persons as set forth in this paragraph 6.4.

6.5 *Other Restricted Jurisdictions*

The Open Offer Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption.

No offer of Open Offer Shares is being made by virtue of this document or the Application Forms into any Restricted Jurisdiction.

6.6 *Other overseas territories*

Application Forms will be sent to Qualifying Non-CREST Shareholders and Basic Entitlements or Excess CREST Open Offer Entitlements will be credited to the stock account in CREST of Qualifying CREST Shareholders. Qualifying Shareholders in jurisdictions other than the Restricted Jurisdictions may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares under the Open Offer in accordance with the instructions set out in this document and the Application Form. Such Qualifying Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, countries other than the UK should, however, consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for any Open Offer Shares.

6.7 *Representations and warranties relating to Overseas Shareholders*

(a) *Qualifying Non-CREST Shareholders*

Any person completing and returning an Application Form or requesting registration of the Open Offer Shares comprised therein represents and warrants to the Company, Ambrian and the Registrar that, except where proof has been provided to the Company’s satisfaction that such person’s use of the Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction: (i) such person is not requesting registration of the relevant Open Offer Shares from within any Restricted Jurisdiction; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares or to use the Application Form in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person located within any Restricted Jurisdiction or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) such person is not acquiring Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into any of the above territories. The Company and/or the Registrar

may treat as invalid any acceptance or purported acceptance of the allotment of Open Offer Shares comprised in an Application Form if it: (i) appears to the Company or its agents to have been executed, effected or dispatched from a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or (ii) provides an address in a Restricted Jurisdiction for delivery of the share certificates of Open Offer Shares (or any other jurisdiction outside the UK in which it would be unlawful to deliver such share certificates); or (iii) purports to exclude the representation and warranty required by this sub-paragraph 6.7 (a).

(b) *Qualifying CREST Shareholders*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part II (*Terms and conditions of the Open Offer*) represents and warrants to the Company and Ambrian that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) neither it nor its client is within any Restricted Jurisdiction; (ii) neither it nor its client is in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares; (iii) it is not accepting on a non-discretionary basis for a person located within any Restricted Jurisdiction or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) neither it nor its client is acquiring any Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into any of the above territories.

6.8 *Waiver*

The provisions of this paragraph 6 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company, in its absolute discretion. Subject to this, the provisions of this paragraph 6 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 6 to Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph 6 shall apply to them jointly and to each of them.

7. Admission, settlement, dealings and publication

The result of the Open Offer is expected to be announced on 6 July 2011. Application will be made to AIM for Admission to trading of the New Ordinary Shares. It is expected that Admission will become effective and that dealings in the New Ordinary Shares, fully paid, will commence at 8.00 a.m. on 8 July 2011.

The Existing Ordinary Shares are already admitted to CREST and application will be made for the New Ordinary Shares to be admitted to CREST. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

Basic Entitlements and Excess CREST Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 5 July 2011 (being the latest practicable date for applications under the Open Offer). If the conditions to the Open Offer described above are satisfied, the Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for the Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company. On 8 July 2011, the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to Open Offer Shares with effect from Admission (expected to be on 8 July 2011). The stock accounts to be credited will be accounts under the same CREST participant IDs and CREST member account IDs in respect of which the USE instruction was given.

Notwithstanding any other provision of this document, the Company reserves the right to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with Basic Entitlements and Excess CREST Open Offer Entitlements, and to allot and/or issue any Open Offer

Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

For Qualifying Non-CREST Shareholders who have applied by using an Application Form, share certificates in respect of the Open Offer Shares validly applied for are expected to be despatched by post by 22 July 2011. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the register of members of the Company. All documents or remittances sent by or to applicants, or as they may direct, will be sent through the post at their own risk. For more information as to the procedure for application. Qualifying Non-CREST Shareholders are referred to paragraph 4.1 of this Part II (*Terms and conditions of the Open Offer*), and the Application Form.

The result of the Open Offer will be announced and made public through an announcement on a Regulatory Information Service as soon as reasonably practicable after the results are known.

8. Times and dates

The Company shall, in its discretion, and after consultation with its financial and legal advisers, be entitled to amend the dates on which Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall make an announcement on a Regulatory Information Service.

If a supplementary circular is published by the Company two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Open Offer specified in this document, the latest date for acceptance under the Open Offer shall be extended to the date that is at least three Business Days after the date of publication of the supplementary circular (and the dates and times of principal events due to take place following such date shall be extended accordingly).

9. Taxation

The following information is given in summary form only and is based on tax legislation as it is expected to be on Admission. The information relates to the tax position of holders of New Ordinary Shares in the capital of the Company who are resident or ordinarily resident in the United Kingdom for tax purposes.

The statements below do not constitute advice to any Shareholder or potential investor on his or her personal tax position, and may not apply to certain classes of investor (such as persons carrying on a trade in the United Kingdom or United Kingdom insurance companies). Any Shareholder or potential investor should obtain advice from his or her own investment or taxation adviser before subscribing for New Ordinary Shares.

Inheritance Tax Relief

The Company's shares are treated as unquoted shares for UK inheritance tax (IHT) purposes. Individuals and trustees subject to IHT may be entitled to business property relief of up to 100 per cent. after a holding period of two years, providing all the relevant conditions for the relief are satisfied at the appropriate time.

Income Tax

Under current United Kingdom taxation legislation, no withholding tax will be deducted from dividends paid by the Company. Dividends paid by the Company will carry an associated tax credit of one-ninth of the cash dividend or ten percent of the aggregate of the cash dividend and associated tax credit. Individual shareholders resident in the UK receiving such dividends will be liable to income tax on the aggregate of the dividend and associated tax credit at the dividend basic rate (10 per cent.) or the dividend higher rate (32.5 per cent.).

The effect will be that the taxpayers who are otherwise liable to pay at only the basic rate of income tax should have no further liability or income tax in respect of such a dividend. Higher rate payers will have an additional liability (after taking into account the tax credit) of 22.5 per cent., of the aggregate of the cash dividend and the associated tax credit, or an effective rate of 25 per cent., of the dividend actually received. Individual shareholders whose income tax liability is less than the tax credit will not be entitled to claim a repayment of all or part of the tax credit associated with such individuals.

For any individual with taxable income in excess of £150,000, the dividend will be subject to tax at 42.5 per cent., less any deemed tax credit (an effective tax rate of 36.1 per cent., of the dividend received).

With certain exceptions for traders in securities, a holder of New Ordinary Shares that is a company resident (for taxation purposes) in the United Kingdom and receives a dividend paid by the Company, should not be subject to tax in respect of the dividend.

Taxation of capital gains made by shareholders

- (a) A UK resident individual shareholder who disposes of, or who is deemed to dispose of, their shares in the Company may be liable to capital gains tax in relation thereto at a flat rate of 18 per cent., of any gain thereby realised. Any individual with taxable income in excess of £150,000 will be taxed at an increased rate of 25 per cent. on any chargeable gain. In computing the gain, the shareholder should be entitled to deduct from proceeds the cost to him of the shares (together with incidental costs of acquisition and disposal).
- (b) A UK resident corporate shareholder disposing of its shares in the Company may be liable to corporation tax on chargeable gains in relation thereto at the usual rates of corporation tax applicable to it (currently 20-26 per cent., depending on the taxable profits of the Shareholder). In computing the chargeable gain liable to corporation tax, the shareholder is entitled to deduct from the disposal proceeds, the cost to it of the shares, together with incidental costs of acquisition, as increased by indexation allowance, and disposal costs. In some circumstances, a Shareholder may be exempt from corporation tax in relation to its disposal of shares under the substantial shareholding exemption or be able to reduce the quantum of the gain by capital and/or income losses arising to the corporate shareholder.

Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty should be payable on the issue by the Company of New Ordinary Shares. Transfers of New Ordinary Shares for value will give rise to a liability to pay United Kingdom ad valorem stamp duty, or stamp duty reserve tax, at the rate of 0.5 per cent. of the amount or value of the consideration (rounded up in the case of stamp duty to the nearest £5 (subject to an exemption for transfer values less than £1,000 in certain circumstances). Transfers under the CREST system for paperless transfers of shares will generally be liable to stamp duty reserve tax.

Shareholders and/or potential investors who are in any doubt as to their tax position in relation to taking up their entitlements under the Open Offer, or who are subject to tax in any jurisdiction other than the UK, should immediately consult a suitable professional adviser.

Any person who is in any doubt as to his or her tax position or who may be subject to tax in any jurisdiction other than the United Kingdom should consult his or her own professional adviser.

10. Governing law and jurisdiction

The terms and conditions of the Open Offer as set out in this document, the Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, the laws of England. The courts of England are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document or the Application Form including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with the Open Offer, this document or the Application Form. By taking up Open Offer Shares under the Open Offer in accordance with the instructions set out in this document and, where applicable, the Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

11. Further information

Your attention is drawn to the further information set out in this document and also to the terms, conditions and other information printed on any Application Form.

PART III

RISK FACTORS

Potential investors and Shareholders should carefully consider the risks described below before making a decision to invest in the Company. This Part III contains what the Directors believe to be the principal risk factors associated with an investment in the Company. It should be noted that this list is not exhaustive and that other risk factors will apply to an investment in the Company. If any of the following risks actually occur, the Company's business, financial condition and/or results or future operations could be materially adversely affected. In such circumstances, the trading price of the New Ordinary Shares could decline and an investor may lose all or part of his investment. There can be no certainty that the Company will be able to implement successfully the strategy set out in this document. Additional risks and uncertainties not currently known to the Directors or which the Directors currently deem immaterial, may also have an adverse effect on the Company.

This document contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Company which are described below and elsewhere in this document. Prospective investors should carefully consider the other information in this document. The risks listed below do not necessarily comprise all the risks associated with an investment in the Company.

An investment in the Company may not be suitable for all recipients of this document. Investors are accordingly advised to consult an independent financial adviser duly authorised under FSMA and who specialises in advising upon the acquisition of shares and other securities before making a decision to invest.

1. Risks relating to the Group

1.1 *The performance of the organic waste processing businesses is linked to the availability of suitable waste for the TEG IVC process*

As with many organic waste companies, a proportion of the Group's organic waste customer arrangements are either based on annual price agreements without any customer commitments as to volumes or short term price agreements. While the Company has contracted waste where possible, the Group relies on market knowledge and data to project future tonnages and revenues from such commercial arrangements where it remains uncommitted in the contract. The volume of organic waste received closely mirrors the organic output in the geographical areas in which the Group's facilities are located, some of which could be affected by economic conditions.

While the Group seeks to mitigate the risk of reduced organic waste volumes by contracting waste forward and by accepting third party waste at certain sites where possible, in a significant downturn, the reduced volumes of waste may have a material adverse impact on TEG's results of operations, financial position, cash flows and the trading price of its Shares.

1.2 *TEG's business could be adversely affected if it is unable to maintain relationships with its largest third party sales customers*

While TEG seeks to ensure the cost of its project overhead is recovered by appropriate charging to the capital cost of its owned and operated facilities, TEG has a limited number of key third party sales contracts which generate substantial revenue and profit for the Group. If TEG fails to win new contracts at the end of their current contracts, whether by competitive tender or otherwise, the Group's revenues will decline.

1.3 ***The Group's future revenue and profitability may be materially adversely affected by exposure under long-term contracts***

The Group has several long-term commercial contracts, particularly its third party sales business. While the Company attempts to include annual escalators or price reviews within long term contracts, these long-term contracts may expose the Group to the risks of:

- (a) increases in costs, including wage inflation, attributable to such contracts beyond those anticipated and provided for within such contracts at the time they are entered into; or
- (b) being bound to perform an onerous contract as a result of inaccurate pricing by the Group; or
- (c) increases in cost that are not met through corresponding attributable increases in revenues from such contracts; or
- (d) revenues not being received or payments being delayed through failure to meet performance or hand over targets,

unless and to the extent that such increases are taken into account in periodic benchmarking and/or market testing where included in such contracts. Any such losses may materially adversely affect the Group's future revenues and profitability.

1.4 ***The Group's future revenue and profitability may be materially adversely affected by overspends or overruns on capital projects***

The Group designs and constructs facilities for third parties which are usually contracted at a fixed price under a fixed programme. These contracts may expose the Group to the risks of:

- (a) increases in the cost of execution of the contract by inflation or by omissions in design and procurement;
- (b) penalties and counterclaims by third parties due to failure to construct the facility to programme or to meet warranty obligations; or
- (c) revenues not being received or payments being delayed through failure to meet performance or hand over targets,

unless and to the extent that the Company matches its obligations with suppliers. TEG insures risks to the extent reasonably possible.

1.5 ***Contracts currently in discussion and negotiation may not proceed to binding agreements***

Contracts currently in discussion and negotiation may not proceed to binding agreements. Contracts which have been or may in the future be concluded which contain conditions, may never become unconditional or it may take longer than anticipated for the conditions to be satisfied. The Company may never earn sufficient revenues to become profitable.

1.6 ***The Group may fail to win anticipated market share in respect of third party sales contracts***

One of the Group's key strategic objectives is to develop its infrastructure to support sustainable organic waste management. TEG has a strong position in the market as a result of its innovative IVC technology and the AD technology it licences from UTS and also has an experienced bid team in place to ensure the submission of quality bids. However, despite these factors, there is a risk that the Group may be unable to win sufficient market share in the future to generate long-term forecast growth.

In addition as the Group seeks to develop BOO projects, should it not be able to secure the waste contracts and associated volumes required, it may not be possible to complete the financing of those BOO projects.

1.7 *TEG is exposed to risks and liabilities that may not be adequately covered by insurance and increases in insurance costs could reduce the Group's profitability and cash flow*

The Board ensures that the Group carries insurance for such risks and in such amounts as the Board judges to be reasonably prudent, however the Group's insurance and its contractual limitations on liability may not adequately protect it against liability for events involving, amongst other things, environmental liability or business interruption losses in excess of insurance cover. In addition, indemnities which the Group receives from sub-contractors may not be easily enforced if the relevant sub-contractors do not have adequate insurance. Any claims made under its insurance policies may cause the Group's premiums to increase. Any future damage caused by the Group's services that are not covered by insurance, are in excess of policy limits, are subject to substantial deductibles or are not limited by contractual limitations of liability could materially adversely affect the financial performance and condition of TEG and the trading price of the Ordinary Shares.

1.8 *The Group's strategy requires a significant commitment to capital expenditure*

The Group's strategy requires a significant commitment to capital expenditure in respect of its BOO projects. Whilst the Group has put in place targets for expenditure which it believes are realistic and sustainable there can be no guarantee that such targets will prove to be accurate forecasts of expenditure required or that the resulting plant and equipment will generate the profits that the Group is seeking to achieve. If the capital expenditure budgets prove to be inaccurate or if the resulting plant and equipment do not generate the anticipated returns, the Group's results of operations, financial position and the trading price of its Shares may be materially adversely affected.

1.9 *Intellectual Property*

The Group will rely on intellectual property laws and third party non-disclosure agreements to protect its intellectual property rights. Despite precautions which may be taken by the Group to protect its products, unauthorized parties may attempt to copy, or obtain and use its products. To the extent that intellectual property rights protect the Group, litigation may be necessary to protect such rights and could result in substantial costs to, and diversification of effort by, the Group with no guarantee of success. The failure or inability of the Company to protect its proprietary information, and the expense of doing so, could have a material adverse effect on its operating results and financial condition.

1.10 *Patents and patent litigation*

There can be no guarantee that the Company will not infringe patents held by third parties in the course of carrying on its business, and any such patents may inhibit the Company's ability to exploit its own technology, unless the Company can obtain either a licence under the third party patents or replacement technology as well as giving rise to a potential claim for damages.

1.11 *Litigation*

While the Group currently has no material outstanding litigation, there can be no guarantee that the current or future actions of the Group will not result in litigation, both with and without merit. The Group may therefore in future be party to litigation in the course of its business. Any litigation, by the Group or against it, may be costly and lengthy and there can be no assurance that the Group will prevail. Litigation could also involve a significant diversion of resources and management attention and be disruptive to normal business operations. An unfavourable resolution of a particular law suit or the costs or adverse publicity associated with substantial litigation could have a material adverse effect on the Group's business, operating results or financial condition.

1.12 *Competition*

TEG may face significant competition, including from domestic and overseas competitors who have greater capital and other resources and may be able to provide better products or adopt more aggressive pricing policies.

1.13 *AD Plant*

TEG is constructing its first AD plant at Glenfarg in Perth. Development of any new technology can carry risk associated with, amongst others, performance of the technology, environmental compliance, project overspend, project overrun, performance of partners, waste supply, product placement and value. The Group seeks to mitigate such risks by the careful selection of the technology and partners, and by the application of its skills and knowledge, but cannot guarantee that the risks will not result in an adverse financial impact.

1.14 *New BOO developments*

The development of any BOO project, including the project at Dagenham, is subject to securing a suitable site, obtaining planning permission and permits, securing waste feed contracts and securing finance. None of these items can be guaranteed until financial close is achieved on a project and failure to achieve financial close may firstly have an adverse impact on growth forecasts and secondly result in project development cost that may not be recovered.

1.15 *Sales of third party facilities*

The economic downturn has resulted in less capital available to Local Authorities to procure plants and less finance available to waste management operators. This may result in a continued reduction in demand for third party plant sales which may restrict growth forecasts.

1.16 *PAS 100 accreditation*

Should TEG's IVC facilities fail to operate to the PAS 100 standard for compost, the output fertiliser will not qualify for recycling under the regulatory guidance on landfill diversion. The Company may be liable to pay a penalty under its contracts and will only be able to sell the product at a significantly reduced price.

1.17 *Acquisitions and Integration*

The Group has completed a number of acquisitions in the last 24 months. In addition to the purchase price paid, acquisitions may entail integration costs including management's time understanding and aligning the new businesses within the Group. The Group believes that it has a good record of successful integration of acquisitions, however, failure to continue to manage integrations in a cost-effective and timely manner could divert management resource from other projects, which in turn could compound any impact on TEG's results of operations, financial position and cash flows, all of which may have a material adverse effect on the trading price of the Shares.

1.18 *Market Expectations*

Should the performance of the BOO projects fall behind forecast or the ITP contract for the fourth site not be awarded before 30 June 2011 or further projects be delayed, TEG will not be able to meet current market expectations.

Revenue and profits for the first half of 2011 will be affected should the ITP contract for the fourth site not be awarded before 30 June 2011.

2. **Risks relating to the Industry in which the Group operates**

2.1 *The waste management industry is subject to extensive and changing government regulation (domestic and european) and any such regulations or new regulations could restrict TEG's operations or increase the costs of operations or impose additional capital expenditures*

EU and UK laws and regulations have a substantial impact on TEG's business. A large number of complex laws, governmental policy, rules, orders, court decisions and interpretations govern landfill taxes, green energy subsidies, carbon reduction, environmental protection, health, safety, land use, transportation and related matters. Among other things, increasing legislation may restrict TEG's operations and adversely affect its financial condition, results of operations and cash flows by imposing conditions such as:

- (a) limitations on locating and constructing new waste recycling, recovery of energy, treatment or disposal facilities or expanding existing facilities;

- (b) regulation of or limitations on the operation of such facilities and processes for the transport and acceptance of waste consignments;
- (c) tightening of regulation or raising of standards relating to waste recovery, treatment or disposal and the facilities at which such operations are carried out;
- (d) limitations, regulations or levies on collection, recovery, treatment and disposal prices, rates and volumes; or
- (e) removing or reducing incentives for the purchase of renewable sources of electricity produced from waste, including; ROC's, FIT's and the RHI.

2.2 *TEG is obliged to comply with environmental regulations and licence conditions at its treatment and disposal sites, which may be costly*

All of TEG's operations need to hold local licences, permits and other permissions to operate and compliance with the conditions in such licences, permits and permissions is monitored by regulatory agencies. In the event of non-compliance, TEG may receive notices from local authorities or other regulatory agencies. Commonly, these notices specify actions to be taken and the associated timescales to remediate the non-compliance. If TEG fails to carry out the actions specified in such notices, the relevant agencies have the power to prosecute the Company or to revoke such licences, permits and permissions. Waste management companies with poor compliance records or those which have attracted public or political concern will find it more difficult to obtain and renew local permissions than businesses which have a more positive image. Fines resulting from convictions as a result of such prosecutions are increasing.

2.3 *There can be no assurance that additional environmental costs and liabilities will not be incurred in the future*

There can be no assurance that additional environmental costs and liabilities will not be incurred in the future. In addition, environmental regulators may seek to impose injunctions or other sanctions on the Group's operations that may have a material adverse effect on the Group's results of operations of financial condition.

2.4 *TEG's operations expose it to the risk of material health and safety liabilities*

Whilst the Group is subject to the same health and safety and employment law as other companies, the potential impacts for those involved in waste management are higher than for most other industry sectors. Waste management is acknowledged to be one of the highest risk industries, with fatal and serious accident rates at least as high as those for construction, agriculture and other sectors with known elevated risk profiles.

There is no obligation on companies to publicly declare accidents and incidents suffered by its employees, but the Group firmly believes that it must make clear and unambiguous statements to all stakeholders, internal and external, of the standards it expects and the extent to which they are attained and therefore it sets out its accident record in its annual report and accounts. Health and safety prosecutions may lead to fines and penalties being imposed on the Group as well as causing damage to its reputation with local communities, customers, joint venture partners, employees and regulators. Such events could materially adversely impact the financial condition and results of operations of the Group, and the trading price of the Ordinary Shares. In the event of a serious health and safety incident or fatality for example, directors and senior managers can also be prosecuted and potentially imprisoned. Whilst the risk is remote, such an eventuality could materially impact TEG's operations.

2.5 *The Group is obliged to comply with permit conditions at waste management sites*

The Group is required to hold permits for its IVC, Simpro and AD sites. If any of the Group's sites do not comply with the requirements of local legislation, they may be fined. Compliance with permit conditions at operational sites is costly and where such costs are unforeseen they could materially adversely affect the financial condition and results of operations of the Group.

Failure to pay any demanded fines may permit the regulatory authorities to call on bank or surety guarantees put in place by the Group for such purpose, and the costs of the utilisation of such guarantee may have a material adverse impact on the Group's results of operations.

2.6 *TEG may become involved in protracted legal or regulatory proceedings, including potential class actions and other lawsuits*

Due to the nature of its operations, TEG may become involved in a wide variety of legal and regulatory proceedings particularly relating to environmental, health, public liability, safety and land use issues and related matters. These include: planning permission applications and appeals against refusal of permission in relation to the location of proposed or existing installations, complaints and statutory nuisance actions, challenges by third parties to decisions relating to TEG's operations that have been made by regulatory agencies and proceedings brought against TEG by regulatory agencies relating to any failure by TEG to comply with its permits. Any such proceedings, to the extent that liability therefore is not covered or not adequately covered by insurance, could materially prejudice TEG's reputation, and any penalties, fines or revocation of permits could materially adversely affect the financial performance and condition of TEG and the trading price of the Shares.

2.7 *Catastrophe or other physical or severe weather conditions at one or more of TEG's facilities could adversely affect TEG's business*

A catastrophic incident involving any of TEG's principal locations, such as an explosion, fire or flooding, could result in interruption and closure of that location and, as a result, TEG's business could, to the extent not covered by insurance, be materially adversely affected. In addition, certain of TEG's operations may be adversely affected by long periods of severe weather hampering collection, treatment and recycling site operations.

2.8 *A catastrophic event in respect of TEG's information technology system could adversely affect the Group's revenues*

TEG is dependent upon its IT systems for the efficient functioning of its business, including invoicing, logistics and administration. Should a catastrophic event affect TEG's IT system, TEG's revenues and cash flow could be adversely affected by increased billing times, less efficient logistics and additional costs, even if the event is covered by insurance.

2.9 *Changes in certain fiscal regimes could adversely impact the financial condition of the Group*

Significant changes in the basis or rate of corporation tax, withdrawal of allowances or credits, or imposition of new taxes, may have a material impact upon the Group's tax charges.

2.10 *Dependence on key personnel*

There are a small number of Directors and key employees whose departure from the Company, could, in the short term, materially adversely affect the Company. Whilst the Company has entered into service agreements with each of these Directors, key man insurance is in place at this time for the Chief Executive and they are either shareholders or option holders in the Company, the retention of their services cannot be guaranteed.

3. *Risks relating to the Ordinary Shares*

3.1 *The market of the Ordinary Shares may fluctuate significantly*

The market price of the Ordinary Shares may, in addition to being affected by the Company's actual or forecast operating results, fluctuate significantly as a result of factors beyond the Company's control, including among others:

- (a) changes in securities analysts' recommendations or the failure to meet the expectations of securities analysts;
- (b) changes in the performance of the waste management industry as a whole and of the Company's competitors;

- (c) fluctuations in stock market prices and volumes, and general market volatility; and
- (d) the introduction of new legislation affecting the waste management industry.

Any or all of these events could result in a material decline in the market price of the Ordinary Shares, regardless of the actual performance of the Group. Shareholders should be aware that the value of the Ordinary Shares may go down as well as up and may not reflect the underlying asset values or prospects of the Company.

3.2 *Future fundraisings by the Group could result in dilution*

Future fundraisings by the Group could result in dilution. Depending on future development or acquisition plans, the Group may require additional financing and the Company may choose to raise such additional finance by way of an equity offering of additional Ordinary Shares. Any such offering may be carried out at a price different to the Placing Price and may be dilutive to the existing shareholders' interests in the Company.

3.3 *Investment in publicly quoted securities*

Investment in securities traded on AIM is perceived to involve a higher degree of risk and be less liquid than investment in companies whose securities are listed on the "Official List" in the UK and traded on the London Stock Exchange's main market for listed securities. An investment in Ordinary Shares traded on AIM may be difficult to realise. Prospective investors should be aware that the value of the Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of TEG. Investors may therefore realise less than, or lose all of, their investment.

3.4 *Potentially volatile share price and liquidity*

The share price of companies quoted on AIM can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares are quoted and the price at which investors may realise their investment in TEG may be influenced by a significant number of factors, some specific to TEG and its operations and some which affect quoted companies generally. These factors could include the performance of TEG, large purchases or sales of Ordinary Shares, legislative changes and general, economic, political or regulatory conditions.

THE TEG GROUP PLC

(Incorporated in England and Wales with Registration Number 03109613)

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of the Company will be held at Westmarch House, 42 Eaton Avenue, Buckshaw Village, Chorley, PR7 7NA at 12.00 p.m. on 6 July 2011. You will be asked to consider and vote on the resolutions below, resolution 1 will be proposed as an ordinary resolution and resolution 2 will be proposed as a special resolution.

ORDINARY RESOLUTION

1. **THAT** in addition to all subsisting authorities to the extent unused and other than in respect of any allotments made pursuant to offers or agreements made prior to the passing of this resolution, the directors of the Company be and they are generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares or grant rights to subscribe for or to convert any security into shares in the Company ("Relevant Securities") up to an aggregate nominal amount of £1,919,474.30, representing 38,389,485 new ordinary shares to be issued pursuant to the placing and open offer described in the circular to shareholders dated 20 June 2011 provided that this authority shall expire at the conclusion of the Company's annual general meeting held in 2012, save 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 of the Company may allot Relevant Securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired; and

SPECIAL RESOLUTION

2. **THAT** in addition to all subsisting authorities to the extent unused and other than in respect of any allotments made pursuant to offers or agreements made prior to the passing of this resolution, the directors of the Company be and they are empowered pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by (1) above as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities pursuant to the placing and open offer described in the circular to shareholders dated 20 June 2011 up to an aggregate nominal amount of £1,919,474.30 representing 38,389,485 new ordinary shares and the power hereby conferred shall expire at the conclusion of the Company's annual general meeting held in 2012 save that the Company may before the expiry of any power contained in this resolution 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.

By order of the Board

Nigel Moore

Non-Executive Chairman

Registered office:
Westmarch House
42 Eaton Avenue
Buckshaw Village
Chorley
Lancashire
PR7 7NA

Notes:

- (1) Any member entitled to attend and vote at the General Meeting may appoint a proxy to attend, speak and vote on his/her behalf. A member may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares of the member. A proxy need not be a member. To appoint more than one proxy you may photocopy the proxy form and indicate on each form the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed with this notice.
- (2) Proxy Forms should be lodged with the Registrars of the Company at Capita Registrars at PXS, 34 Beckenham Road, Beckenham, BR3 4TU and submitted not later than 12.00 p.m. on 4 July 2011. Completion of the appropriate Proxy Form does not prevent a member from attending and voting in person if he/she is entitled to do so and so wishes.
- (3) In the case of joint holders, the vote of the senior who tenders the vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which names stand in the Company's relevant register of members for certificated or uncertificated shares of the Company (as the case may be) (the "Register") in respect of the joint holding.
- (4) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company gives notice that only those ordinary shareholders entered on the Register at 12.00 p.m. on 4 July 2011 (the "Specified Time") will be entitled to attend or vote at the General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register after the Specified Time will be disregarded in determining the rights of any person to attend or vote at the General Meeting. Should the General Meeting be adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned General Meeting. Should the General Meeting be adjourned for a longer period, then to be so entitled, members must be entered on the Register at the time which is 48 hours before the time fixed for the adjourned General Meeting or, if the Company gives notice of the adjourned General Meeting, at the time specified in the notice.
- (5) CREST members holding their shares in uncertificated form who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the general meeting to be held on 6 July 2011 and any adjournment(s) thereof by using the procedures described in the CREST Manual. To be valid the message must be received by Capita Registrars (RA10) by 12.00 p.m. on 4 July 2011. CREST personal members or other CREST sponsored members, and those CREST members who have appointed voting service provider(s), should refer to their CREST sponsors or voting service providers, who will be able to take the appropriate action on their behalf.
- (6) As at 17 June 2011 (being the last business day prior to the publication of this document), the Company's issued share capital consists of 76,226,345 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 17 June 2011 are 76,226,345.

