

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document or about what action you should take you should immediately seek your own personal advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

If you have sold or otherwise transferred all of your shares in Northern Bear PLC, please forward this document together with the accompanying documents as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through or to whom the sale or transfer was effected for transmission to the purchaser or transferee of your shares.

Northern Bear PLC

(Registered in England and Wales under No. 5780581)

Notice of Annual General Meeting

Notice of the Annual General Meeting of Northern Bear PLC to be held at 12.00pm on 30 June 2008 at 5th Floor, Quayside House, 110 Quayside, Newcastle upon Tyne, NE1 3DX is set out on pages 6 to 8 of this document.

Shareholders will find enclosed a form of proxy for use in connection with the Annual General Meeting. Shareholders are requested to complete the proxy form in accordance with the instructions printed on it and return it to the Company's registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible and, in any event, so as to arrive no later than 12.00pm on 28 June 2008, being 48 hours before the time appointed for the holding of the annual general meeting. Completion and return of a form of proxy will not preclude Shareholders from attending and voting at the annual general meeting in person should they subsequently decide to do so.

LETTER FROM THE CHAIRMAN OF NORTHERN BEAR PLC

Directors:
J P Pither
G S L Forrest
D Jay
S Gray
G Jennings
K Soulsby
H B Gold
S M Roberts
M Yeoman

Registered and Head Office:
Station House
Station Road
Chester-le-Street
County Durham
DH3 3DU

6 June 2008

To the holders of ordinary shares of 1p in the company (each an "Ordinary Share") and, for information only, to the holders of share options

Notice of Annual General Meeting

Dear Shareholder

I am pleased to be writing to you with details of our 2008 annual general meeting ("**AGM**") which we are holding at 5th Floor, Quayside House, 110 Quayside, Newcastle upon Tyne, NE1 3DX on 30 June 2008 at 12.00pm. The formal notice of the AGM is set out on pages 6 to 8 of this document.

If you would like to vote on the resolutions but cannot come to the AGM, please fill in the proxy form sent to you with this letter and return it to Capita registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible. They must receive it by 12.00pm on 28 June 2008.

Shareholders are being asked to vote on 13 resolutions. The ordinary resolutions 1 to 8 relate to the routine business of the AGM. Resolutions 9 to 13 relate to special business. The resolutions are summarised and explained below.

Report and Accounts and declaration of dividend: resolutions 1 and 2

Resolution 1 is to receive and consider the Directors' and Auditors' Reports and Financial Statements for the year ended 31 March 2008. Resolution 2 is to declare a final dividend of 2p per share, as recommended by the Directors. The dividend, if approved, will be payable on 4 July 2008 to shareholders on the register at 6 June 2008.

Re-election of Directors: resolutions 3 to 6

Graham Forrest, Steven Gray and Steven Roberts each retire in accordance with the Company's existing Articles of Association and are standing for re-election. Graham Jennings, who was appointed on 8 April 2008, retires and is seeking election (having been appointed to the Board since the last annual general meeting).

Re-appointment of Auditors and remuneration: resolutions 7 and 8

Resolution 7 is for the re-appointment of KPMG Audit Plc as auditors of the Company. Resolution 8 is to authorise the Directors to determine the remuneration of KPMG Audit Plc as auditors of the Company.

Authority to allot shares and disapply pre-emption rights: resolutions 9 and 10

Resolution 9, which will be proposed as an ordinary resolution, renews the Directors' authority to allot up to a further 9,000,000 Ordinary Shares. The Directors have no present intention of using the authority given to allot further shares, save in pursuance of the Company's business acquisition strategy.

Resolution 10, which will be proposed as a special resolution, renews the Directors' power to allot up to 2,000,000 Ordinary Shares for cash, without first offering such shares to existing shareholders. This special resolution also enables the Company, in the event of a rights issue or open offer, to overcome certain practical difficulties which may arise in connection with fractional entitlements.

These authorities shall expire at the conclusion of the annual general meeting held in 2009 or (if earlier) the date falling 15 months from the passing of these resolutions.

Authority for the Company to purchase its own shares: resolution 11

The Directors consider it would be beneficial for the Company to continue to have the power to purchase its own shares in certain circumstances. If the authority were to be granted, the Company would be able to purchase its own shares and either cancel them (so reducing the total number of Ordinary Shares in issue) or hold them as treasury shares (if the shares were purchased out of distributable profits), subject to certain limitations.

Treasury shares themselves may be cancelled, sold for cash or transferred for the purposes of employee share schemes. All rights attaching to Ordinary Shares, including voting rights and the right to receive dividends, are suspended while they are held in treasury.

Resolution 11, which will be proposed as a special resolution, authorises the Directors to purchase up to a maximum of 1,000,000 Ordinary Shares.

The maximum price per Ordinary Share payable on the exercise of the authority shall not be more than 5 per cent above the average middle market closing price for Ordinary Shares for the five business days prior to making any purchase. The minimum price payable shall be an Ordinary Share's nominal value, being 1p.

The authority will expire at the conclusion of the annual general meeting to be held in 2009 or (if earlier) the date falling 15 months from the passing of the resolution. The Directors will only implement purchases of Ordinary Shares if, after careful consideration, they are satisfied that such purchases are in the best interests of the Company and its shareholders generally and would result in an increase in expected earnings per share. Furthermore, account will be taken of the overall financial implications for the Company.

Adoption of new Articles of Association and subsequent amendment: resolutions 12 and 13

The Directors consider it would be beneficial for the Company to take advantage of changes introduced recently by the Companies Act 2006 and to update the existing Articles of Association of the Company generally. Accordingly, the Directors are proposing (in resolution 12) the adoption of new Articles of Association ("**New Articles**") at the AGM.

The Directors are proposing (in resolution 13) further revisions to the New Articles, with effect from 1 October 2008, to cater for the new regime on directors' conflicts of interest (set out in the Companies Act 2006 coming into force on 1 October 2008) ("**October Amendments**").

Explanatory notes on the principal changes to the Company's existing Articles of Association ("**Current Articles**") are set out in the Appendix to this letter. Other changes, which are of a minor, technical or clarificatory nature and also some more minor changes which reflect changes made by the Companies Act 2006 have not been noted in the Appendix.

A copy of the proposed New Articles and the proposed October Amendments are enclosed with this letter and will be available at the AGM from 15 minutes prior to the meeting until its conclusion or at the Company's registered office.

Due to the phased nature of implementation of the Companies Act 2006, it is likely that further changes to the Articles of Association will be proposed at a future annual general meeting.

RECOMMENDATIONS

The Directors consider that the above proposals are in the best interests of the Company and shareholders as a whole. The Directors recommend shareholders vote in favour of the resolutions set out in the notice of AGM, as they intend to do in respect of their own beneficial holdings, which as at 5 June 2008 amounted to 7,675,363 Ordinary Shares (41 per cent of the issued Ordinary Share capital).

Yours sincerely

Jon Pither
Chairman

APPENDIX

Explanatory notes on principal changes to the Company's Articles of Association

1. Articles which duplicate statutory provisions

Provisions in the Current Articles which already replicate provisions contained in the Companies Act 2006 are, in the main, to be amended to bring them into line with the language of the Companies Act 2006. Certain examples of such provisions include provisions as to the variation of class rights and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

2. Form of resolutions

The concept of extraordinary resolutions has not been retained under the Companies Act 2006 and this is reflected in the New Articles.

3. Variation of class rights

The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the Companies Act 2006. The relevant provisions have, therefore, been amended in the New Articles.

4. Convening general meetings and conduct

The provisions in the Current Articles dealing with the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular a general meeting (other than an annual general meeting) to consider a special resolution can be convened on 14 days' clear notice (whereas previously 21 days' notice was required).

The New Articles include provisions to cater for:

- simultaneous attendance, security and orderly conduct of general meetings;
- amendments to resolutions; and
- more detailed provisions in relation to calls on shares, lien and forfeiture.

5. Votes of shareholders

The New Articles reflect new provisions under the Companies Act 2006:

- to enable proxies to vote on a show of hands as well as on poll (whereas under the Current Articles proxies are only entitled to vote on a poll);
- to enable multiple proxies to be appointed, provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder;
- to enable multiple corporate representatives to be appointed (but if they purport to exercise their rights in different ways, then the rights are treated as not being validly exercised); and
- that on a show of hands each shareholder (whether present in person or represented by one or more proxies or, in the case of corporate shareholders, represented by one or more authorised representatives) has, in total, one vote.

The New Articles include new provisions to facilitate electronic proxy appointment and proxy appointment via Crest (or other relevant system) for shares held in an uncertificated form.

6. Directors

• Notice of Board Meetings

Under the Current Articles, it is not necessary to give notice of a meeting to any director absent from the United Kingdom. This provision has been removed (as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad) and replaced with a more general provision that notice of a meeting will be given to any director absent from the United Kingdom if he supplies the Company with his contact details.

• Directors Fees and Expenses

The aggregate maximum amount of annual fees payable by the Company to the directors who do not hold executive office (without the sanction of an ordinary resolution of the Company) has been increased under the New Articles from £150,000 to £200,000.

• Proceedings of Directors

The New Articles contain specific provision for directors to be able to participate in board meetings remotely (by telephone or other communications equipment).

- **Disqualification of Directors**

The New Articles include an additional provision for a director to vacate office if he is required to do so in writing by all his fellow directors.

7. Electronic and web communications

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with shareholders in electronic form and/or by website communications. The New Articles allow communications to shareholders in electronic form and, in addition, the New Articles also permit the Company to take advantage of the new provisions relating to website communications.

Before the Company can communicate with a shareholder by means of website communication, the relevant shareholder must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent.

The Company must notify the shareholders (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a shareholder can always request a paper copy of the document or information.

8. Employees

The Companies Act 2006 provides that the powers to make provision for a person employed or formerly employed by the Company in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company may be exercised by the directors or by the Company in general meeting. However, if the power is to be exercised by the directors, the articles of association must include a provision to this effect. The New Articles provide that the directors may exercise this power.

9. Directors' indemnities and loans to fund expenditure

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. The New Articles reflect the wider scope and permit indemnification of directors who are trustees of occupational pension schemes.

10. Conflicts of Interest

The Companies Act 2006 sets out general duties of directors which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008, a director must avoid a situation where he has (or can have) a direct or indirect interest that conflicts, or may possibly conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation.

The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts (where appropriate) where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The October Amendments, to be adopted with effect from 1 October 2008, give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. Only directors who have no interest in the matter being considered will be able to take the relevant decision. In taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose terms, limits or conditions as they think appropriate.

The proposed October Amendments also contain provisions allowing the board to impose terms, limits or conditions in respect of a director's conflict or potential conflict of interest, relating to confidential information, attendance and right to be counted in a quorum and vote at board meetings and availability of information and documents to protect a director from being in breach of duty, if a conflict of interest or potential conflict of interest arises.

11. General

The opportunity has been taken to bring clearer language into the New Articles and additional procedural and administrative provisions.

Copies of both the proposed New Articles and the proposed October Amendments are available for inspection, as indicated in note 9 to the Notice of Meeting. In the event of any discrepancy between this part of the Appendix and the proposed New Articles or proposed October Amendments, the proposed New Articles or proposed October Amendments (as applicable) shall prevail.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the second Annual General Meeting of Northern Bear PLC ('the Company') will be held at 5th Floor, Quayside House, 110 Quayside, Newcastle upon Tyne, NE1 3DX on 30 June 2008 commencing at 12.00pm for the purpose of considering and, if thought fit, passing thereat (or at any adjournment thereof), resolutions:

As to the ordinary business of the Company, as follows:

1. To receive and adopt the Company's accounts for the year ended 31 March 2008 and the reports of the Directors and Auditors thereon.
2. To declare a final dividend for 2008 of 2p per share.
3. To re-elect Mr G S L Forrest, who retires by rotation in accordance with the provisions of the Articles of Association of the Company, as a Director of the Company.
4. To re-elect Mr S Gray, who retires by rotation in accordance with the provisions of the Articles of Association of the Company, as a Director of the Company.
5. To re-elect Mr S M Roberts, who retires by rotation in accordance with the provisions of the Articles of Association of the Company, as a Director of the Company.
6. To re-elect Mr G R Jennings, who was appointed by the Board following the company's last Annual General Meeting, as a Director of the Company.
7. To re-appoint KPMG Audit Plc as Auditors.
8. To authorise the Directors to agree the remuneration of the Auditors.

As to special business (of which resolution 9 shall be proposed as an ordinary resolution and resolutions 10, 11, 12 and 13 as special resolutions), as follows:-

9. That, in substitution for all subsisting authorities the directors, be and they are hereby generally and unconditionally authorised for the purpose of section 80 of the Companies Act 1985 ("the Act") to allot relevant securities (as defined in section 80(2) of the Act) up to a maximum aggregate nominal amount of £90,000.00 PROVIDED THAT:
 - a) this authority shall expire at the conclusion of the annual general meeting next held after the passing of this resolution or the date falling 15 months from the date of the passing of this resolution, whichever is the earlier; and
 - b) the Company may before the expiry of such period make an offer, agreement or other arrangement which would or might require relevant securities to be allotted after the expiry of such period and the Directors may allot relevant securities in pursuance of any such offer, agreement or other arrangements as if the authority conferred hereby had not expired.
10. That, subject to the passing of resolution 9 above, the directors be and they are hereby empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the said Act) for cash pursuant to the authority conferred upon them by resolution 9 above (as varied from time to time by the Company in general meeting) as if section 89(1) of the Act did not apply to any such allotment PROVIDED THAT this power shall be limited:
 - a) to the allotment of equity securities in connection with a rights issue or any other pre-emptive offer in favour of holders of equity securities where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be) to the respective amounts of equity securities held by them, subject only to such exclusions or other arrangements as the directors may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws of or the requirements of any recognised regulatory body in any territory or otherwise or as regards shares held by an approved depository or in issue in uncertified form or otherwise howsoever; and

- b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £20,000.00;

and shall expire on whichever is the earlier of the conclusion of the next annual general meeting of the Company or the date falling 15 months from the passing of this resolution (unless renewed or extended prior to or at such meeting), except 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.

11. That the Company be and is hereby generally authorised for the purposes of section 166 of the Act to make market purchases (within the meaning of Section 163(3) of the Act) of its ordinary shares of 1p each upon and subject to the following conditions:

- a) the maximum aggregate number of ordinary shares which may be purchased is 1,000,000; and
- b) ordinary shares may not be purchased at a price, which is more than 5 per cent, above the average of the middle market closing price for the ordinary shares for the five business days preceding the date of purchase or at a price which is less than 1p per ordinary share (being the nominal value);

and the authority to purchase conferred by this resolution shall expire at the earlier of 15 months from the date of this resolution and the conclusion of the annual general meeting next held, save that the Company may before such expiry enter into a contract of purchase under which such purchase may be completed or executed wholly or partly after the expiration of this authority.

12. That the draft Articles of Association produced to the meeting (and initialled and marked 'A' by the Chairman for the purposes of identification) be adopted as the Articles of Association of the Company in substitution for and to the exclusion of its existing Articles of Association, with effect from the conclusion of the meeting.
13. That, subject to the passing of resolution 12 above and with effect from 1 October 2008, Articles 88 and 99 of the Articles of Association of the Company be deleted in their entirety and Articles 88 and 99 as set out in the document produced to the meeting (and marked 'B' by the Chairman for the purposes of identification) be substituted therefor.

By order of the Board

D Jay
Company Secretary

6 June 2008

Registered Office:
Station House
Station Road
Chester le Street
County Durham
DH3 3DU

Notes:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 12.00pm on 28 June 2008 shall be entitled to attend and vote at the Meeting.
2. A member entitled to attend and vote at the Meeting convened by this notice is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the meeting. A form of proxy is enclosed with this document. A member can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy, using the proxy form, are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy, provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. Details of how to appoint more than one proxy are set out in the notes to the enclosed proxy form.
5. To be valid, the proxy form must be duly completed and signed or sealed (as appropriate) and must be received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to arrive not later than 48 hours before the time appointed for the holding of the Meeting.
6. In the case of a corporation, the proxy form must be executed under its common seal or signed on its behalf by an officer or attorney duly authorised. In the case of an individual, the proxy form must be signed by the individual or his or her attorney duly authorised. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).
8. In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that (i) if a corporate member has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all the other corporate representatives for that member at the Meeting, then, on a poll, those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate member attends the Meeting but the corporate member has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives - www.icsa.org.uk - for further details of this procedure. The guidance includes a sample form of representation letter to appoint the Chairman as a corporate representative as described in (i) above.
9. A copy of both the new Articles of Association proposed in resolution 12 and the amendments proposed with effect from 1 October 2008 in resolution 13 are available for inspection on the Company's website www.northernbear.co.uk. The documents are also available for inspection at the Company's registered office during normal business hours on any weekday (weekends and English public holidays excepted) until the close of the Annual General Meeting.