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If you have sold or otherwise transferred all of your Ordinary Shares, please immediately forward this document and the accompanying Form of Proxy 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, such documents should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such restrictions. Therefore, persons into whose possession this document comes should inform themselves about, and observe, any such jurisdictions. Any failure to comply with these restrictions may constitute the violation of the security laws of such jurisdictions. If you have sold or transferred only part of your holding of Ordinary Shares you should retain these documents.

Northern Bear Plc

*(Incorporated and registered in England and Wales under the Companies Act 1985
with registration number 5780581)*

PROPOSED PLACING OF 2,415,250 NEW ORDINARY SHARES

DISAPPLICATION OF PRE EMPTION RIGHTS

NOTICE OF EXTRAORDINARY GENERAL MEETING

The Company, whose name and registered office appear on page 3 of this document, and Directors, whose names appear on page 3 of this document, accept responsibility individually and collectively for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

A letter from the Chairman of the Company is set out on pages 5 to 7 of this document which contains a unanimous recommendation from the Directors that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

Notice of an Extraordinary General Meeting of Northern Bear to be held at the 5th Floor, Quayside House, 110 Quayside, Newcastle-upon-Tyne, NE1 3DX at noon on 30 August 2007 to approve the proposals referred to herein is set out at the end of this document. All Shareholders are urged to complete and return the enclosed Form of Proxy, whether or not they intend to be present at the meeting, in accordance with the instructions printed thereon so as to arrive as soon as possible and in any event so as to be received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than noon on 28 August 2007.

You should read the whole of this document and it should be read in conjunction with the Form of Proxy.

DEFINITIONS

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

“Admission”	admission of the New Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules;
“AIM”	the market operated by the London Stock Exchange known as AIM;
“AIM Rules”	the rules of AIM published by the London Stock Exchange, governing admission to and the operation of AIM;
“Board” or “Directors”	the board of directors of the Company whose names are set out on page 3 of this document;
“Companies Act” or “Act”	the Companies Act 1985 (as amended);
“Dawnay, Day”	Dawnay, Day Corporate Broking (a division of Dawnay, Day Brokers Limited), broker to Northern Bear;
“Enlarged Share Capital”	the Ordinary Shares in issue immediately following Admission (excluding any Ordinary Shares that may be issued pursuant to the exercise of any options and/or warrants granted prior to Admission);
“Existing Ordinary Shares”	the 13,458,569 Ordinary Shares in issue as at the date of this document;
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company convened for noon on 30 August 2007, notice of which is set out at the end of this document, and any adjournment of such meeting;
“Form of Proxy”	the form of proxy accompanying this document for use by Shareholders at the Extraordinary General Meeting;
“London Stock Exchange”	London Stock Exchange plc;
“Northern Bear” or “the Company”	Northern Bear Plc, registration number 5780581;
“New Shares”	together the Placing Shares and the Strand Shares;
“Notice of EGM”	the notice of Extraordinary General Meeting set out at the end of this document;
“Ordinary Shares”	ordinary shares of 1 pence each in the capital of the Company;
“Placees”	all or any of the subscribers for the Placing Shares pursuant to the Placing;
“Placing”	the placing of the Placing Shares with institutional and other investors at a price of 145 pence per share;
“Placing Agreement”	the agreement dated 1 August 2007 between (1) the Company, (2) Dawnay, Day and (3) Strand relating to the Placing;
“Placing Shares”	2,415,250 new Ordinary Shares;
“Resolutions”	resolutions 1 and 2, as set out in the Notice of EGM;
“Shareholders”	the holders of Ordinary Shares;
“Strand”	Strand Partners Limited, nominated adviser to Northern Bear; and
“Strand Shares”	the 13,793 Ordinary Shares to be subscribed for by Strand pursuant to the Placing Agreement.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Jon Peter Pither (<i>Executive Chairman</i>) Graham Stuart Lindsay Forrest (<i>Chief Executive Officer</i>) David Jay (<i>Finance Director</i>) Keith Soulsby (<i>Operations Director</i>) Steven Gray (<i>Operations Director</i>) Marcus Yeoman (<i>Non-executive Director</i>) Steven Mark Roberts (<i>Non-executive Director</i>) Howard Barry Gold (<i>Non-executive Director</i>) All of whose business address is at the Company's registered office
Registered and Head Office	Unit 1 Station House Station Road Chester-le-Street County Durham DH3 3DU Tel: 0191 371 2934
Company Secretary	David Jay
Nominated Adviser	Strand Partners Limited 26 Mount Row London W1K 3SQ
Broker	Dawnay, Day Corporate Broking (a division of Dawnay, Day Brokers Limited) 17 Grosvenor Gardens London SW1W 0BD
Solicitors to the Company	Mincoffs Solicitors LLP 5 Osborne Terrace Newcastle upon Tyne NE2 1SQ
Auditors, Reporting Accountants and Tax Advisers	KPMG LLP Quayside House 110 Quayside Newcastle upon Tyne NE1 3DX
Solicitors to the Nominated Adviser and Broker	Olswang 90 High Holborn London WC1V 6XX
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PLACING STATISTICS

Number of Ordinary Shares in issue prior to the Placing	13,458,569
Placing Price	145p
Percentage of the Enlarged Share Capital held by the Placees (excluding the Directors) on Admission	15.20 per cent.
Percentage of the Enlarged Share Capital held by the Directors (including connected persons) on Admission	48.84 per cent.
Total gross proceeds of the Placing	£3.50 million
Total estimated net proceeds of the Placing to be received by the Company	£3.15 million
Market capitalisation of the Company on Admission at the Placing Price	£23.04 million
New Shares expressed as a percentage of the Enlarged Share Capital	15.29 per cent.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	2 August 2007
Latest time and date for the receipt of Form of Proxy	noon, 28 August 2007
Extraordinary General Meeting	30 August 2007
Admission of Placing Shares to trading on AIM	31 August 2007

LETTER FROM THE CHAIRMAN OF NORTHERN BEAR PLC

Northern Bear Plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registration number 5780581)

Directors:

Jon Peter Pither (*Executive Chairman*)
Graham Stuart Lindsay Forrest (*Chief Executive Officer*)
David Jay (*Finance Director*)
Keith Soulsby (*Operations Director*)
Steven Gray (*Operations Director*)
Marcus Yeoman (*Non-executive Director*)
Howard Barry Gold (*Non-executive Director*)
Steven Mark Roberts (*Non-executive Director*)

Registered Office:

Unit 1
Station House
Station Road
Chester-le-Street
County Durham DH3 3DU

2 August 2007

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

Dear Shareholder

Proposed placing of 2,415,250 new Ordinary Shares at a price of 145p per share

Introduction

The Board announced today that, subject to Shareholder approval, the Company proposes to raise £3.5 million (before expenses) by the issue of 2,415,250 new Ordinary Shares at a price of 145p per share by way of the Placing. A copy of the announcement which contains further details regarding the reasons for the Placing is included as an appendix to this document and should be read in conjunction with this letter.

Due to the size of the Placing relative to the Company's existing authority to allot shares, the Placing is conditional (amongst other things) upon the passing of the Resolutions by the Shareholders at an Extraordinary General Meeting. A summary of these Resolutions is set out on page 7 of this document. The Directors have convened the EGM at which Shareholders will be asked to consider and, if thought fit, pass the Resolutions.

The purpose of this letter is to provide you with further information on the proposed Placing (which is being carried out on a non-pre-emptive basis), the Resolutions seeking authority to allot shares and to disapply pre-emption rights and to explain why the Board considers the proposal to be in the best interests of the Company and Shareholders as a whole.

Reasons for the Placing

Since its admission to AIM on 19 December 2006, Northern Bear has completed the acquisitions of MGM Limited, Chirmarn Holdings Limited and Hastie Limited and the Board remains encouraged by the increasing number of opportunities for potential acquisitions being presented to it. Accordingly, the net proceeds of the Placing, which are expected to amount to approximately £3.15 million, will be applied to progressing the Company's acquisition policy, being the acquisition of mature, North East based owner-managed businesses in the buildings services and materials sector which demonstrate consistent profitability and positive operating cash flow.

In line with its stated strategy, the Company has negotiated non-binding heads of agreement in connection with three separate potential acquisitions. Completion of each is subject to, *inter alia*, a satisfactory due diligence review (which has yet to be undertaken) and to an appropriate sale and purchase agreement being negotiated and being acceptable to all relevant parties. Therefore, there can be no certainty that any or all of these potential acquisitions will proceed to completion.

Disapplication of pre-emption rights

The Directors have given consideration to the most appropriate method of conducting the fundraising. The Board has sought to balance the desire to offer Shareholders the opportunity to participate in any issue of shares against the time and cost of so doing.

In principle, the Board would have preferred to offer Shareholders the opportunity to participate in the fundraising by conducting it, for example, as a rights issue. However, it was decided that seeking Shareholders' approval to disapply pre-emption rights and conducting the fundraising by way of a limited marketing exercise and Placing was a more suitable course of action. The principal reasons for this are as follows:

1. The extra time and cost involved in conducting a rights issue would be considerable, requiring the preparation of a prospectus. Additionally, this would tie up significant management time that could be better allocated to achieving the Company's operational goals.
2. The current stock market environment is attractive for a fundraising with potential institutional investors. It is uncertain whether this environment would have prevailed over the longer time period should the Company have been required to produce a prospectus.

For the Placing to proceed, Shareholder approval is required to:

- (i) give the Directors the authority to allot Ordinary Shares pursuant to Section 80 of the Act up to a maximum nominal value of £24,290.43; and,
- (ii) disapply pre-emption rights up to a nominal value of £24,290.43 of share capital pursuant to Section 95 of the Act.

The EGM is to be held at noon on 30 August 2007 at 5th Floor, Quayside House, 110 Quayside, Newcastle-upon-Tyne, NE1 3DX, at which the Resolutions to enable the Placing to take place will be proposed.

The authorities sought pursuant to the Resolutions are in addition to (and not in substitution for) the general authorities sought from Shareholders in resolutions 12 and 13 of the notice of the Annual General Meeting of the Company (which will be held on 13 August 2007). The Company is continuing to pursue its acquisition strategy and is often encountering opportunities for potential acquisitions. To be in a position to take advantage of such opportunities, the Company requires the ability to issue new Ordinary Shares, either to satisfy part or all of the consideration required in connection with an acquisition or to issue to investors in a cash placing. The authorities sought at the Annual General Meeting will (subject to the passing of the relevant resolutions) provide that ability, although the Board will continue to consider any proposal to issue shares carefully and with Shareholders' best interests in mind.

Placing Arrangements

The Company is proposing to raise, subject to Shareholder approval, approximately £3.5 million (before expenses) through the Placing, arranged by Dawnay, Day and Strand, of 2,415,250 new Ordinary Shares at a price of 145p per share.

The Company has entered into the Placing Agreement, under which Dawnay, Day and Strand have agreed to conditionally place the Placing Shares. The obligations of Dawnay, Day and Strand under the Placing Agreement, and therefore the Placing, are conditional upon, *inter alia*, the passing of the Resolutions at the EGM and Admission taking place by 8.00 a.m. on 31 August 2007 (or such later date, as the Company and Strand shall agree). The Placing Agreement contains provisions entitling Strand and Dawnay, Day to terminate the Placing Agreement at any time prior to Admission in certain limited circumstances. It also contains warranties, representations and indemnities given by the Company in favour of Dawnay, Day and Strand as to the accuracy of the information contained in the documents connected with the Placing and other matters relating to the Company and its business.

The Placing Agreement also includes an obligation on the part of Strand to subscribe (utilising certain of the monies payable to it by way of fees pursuant to the Placing Agreement) for 13,793 new Ordinary Shares at the Placing Price. The authorities sought pursuant to the Resolutions include authority to allot the Strand Shares.

The New Shares will represent approximately 15.29 per cent. of the Enlarged Share Capital. On Admission, the Company will have a market capitalisation of approximately £23.04 million at the Placing Price.

The holders of Existing Ordinary Shares will be diluted by the issue of the New Shares and the effective dilution rate (assuming none of those holders participate in the Placing and that all of the New Shares are issued) will be 15.29 per cent.

Application will be made to the London Stock Exchange for the New Shares to be admitted to trading on AIM. It is expected that, conditional upon the passing at the EGM of the Resolutions, dealings in the New Shares will commence on 31 August 2007.

The New Shares will rank *pari passu* with the Existing Ordinary Shares.

Extraordinary General Meeting

Notice of an Extraordinary General Meeting to be held for the above purposes at noon on 30 August 2007 at 5th Floor, Quayside House, 110 Quayside, Newcastle-upon-Tyne, NE1 3DX is set out at the end of this document.

The resolutions to be proposed at the EGM are for the following purposes:

Resolution 1: An ordinary resolution to authorise the Directors to allot new Ordinary Shares up to an aggregate nominal amount of £24,290.43 pursuant to section 80 of the Act.

Resolution 2: A special resolution (pursuant to Section 95 of the Act) to permit the Company to issue the Placing Shares and the Strand Shares for cash as if the statutory pre-emption rights set out in section 89(1) of the Act did not apply.

The Resolutions, if passed, in effect allow the Placing to be completed.

Action to be taken by Shareholders

A Form of Proxy is enclosed with this document for use by Shareholders in connection with the Extraordinary General Meeting. Whether or not Shareholders intend to be present at the Extraordinary General Meeting, they are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions printed thereon so as to arrive as soon as possible and in any event so as to be received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than noon on 28 August 2007. The completion and return of the Form of Proxy will not preclude a Shareholder from attending the Extraordinary General Meeting and voting in person should they wish to do so.

Recommendation

The Directors consider that the Placing and the Resolutions are 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 set out in the Notice of EGM, as they intend so to do in respect of their own beneficial holdings (which amount in aggregate to 7,760,163 Ordinary Shares, representing approximately 57.66 per cent. of the Existing Ordinary Shares).

Yours faithfully

Jon Pither

Chairman

APPENDIX

2 August 2007

Northern Bear Plc

(“Northern Bear” or the “Company”)

Proposed Placing of 2,415,250 new ordinary shares of 1p each at 145 pence per share to raise approximately £3.5 million gross (the “Placing”)

Introduction

The board of the Company (“Board”) is pleased to announce that Northern Bear, the integrated North of England based building materials and services supplier, proposes to raise approximately £3.5 million (before expenses) by way of a placing of 2,415,250 new ordinary shares of 1p each in the Company (“Placing Shares”) at a price of 145p per share (the “Placing Price”).

Reasons for the Placing

Since its admission to AIM on 19 December 2006, Northern Bear has completed the acquisitions of MGM Limited, Chirmarn Holdings Limited and Hastie Limited and the Board remains encouraged by the increasing number of opportunities for potential acquisitions being presented to it. Accordingly, the net proceeds of the Placing, which are expected to amount to approximately £3.15 million, will be applied to progressing the Company’s acquisition policy, being the acquisition of mature, North East based owner-managed businesses in the buildings services and materials sector which demonstrate consistent profitability and positive operating cash flow.

In line with its stated strategy, the Company has negotiated non-binding heads of agreement in connection with three separate potential acquisitions. Completion of each is subject to, inter alia, a satisfactory due diligence review (which is yet to be undertaken) and to an appropriate sale and purchase agreement being negotiated and being acceptable to all relevant parties. Therefore, there can be no certainty that any or all of these potential acquisitions will proceed to completion.

Current trading and dividend policy

As indicated at the time of the Company’s preliminary announcement of results on 14 June 2007, the current financial year has got off to a very satisfactory start and the Board looks forward to the future with confidence.

The Board remains committed to implementing a progressive dividend policy and, subject to no unforeseen circumstances arising, intends to pay an initial dividend no later than in respect of the 6 month period ending 30 September 2008.

The Placing

Dawnay, Day Corporate Broking (a division of Dawnay, Day Brokers Limited) and Strand Partners Limited (“Strand”), as Placing Agents, on behalf of the Company, have conditionally placed 2,415,250 Placing Shares with institutional and other investors at the Placing Price to raise net proceeds of approximately £3.15 million after total costs of approximately £0.35 million. The Placing Shares will, on admission to trading on AIM, be credited as fully paid and rank *pari passu* in all respects with the existing issued ordinary shares of 1p each in the Company (“Ordinary Shares”), including the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares after that date.

Furthermore, Strand will subscribe (utilising certain of the monies payable to it by way of fees, in connection with the Placing) for 13,793 new Ordinary Shares at the Placing Price (“Strand Shares”) which will be credited as fully paid and rank *pari passu* in all respects with the Existing issued Ordinary Shares.

Due to the size of the Placing relative to the Company's existing authority to allot shares, the Placing is conditional (amongst other things) upon the passing of certain resolutions by the Company's shareholders at an Extraordinary General Meeting ("EGM") of the Company to be held on 30 August 2007. A circular containing a notice of the EGM is being posted to the Company's shareholders today.

Application will be made to the London Stock Exchange for the Placing Shares and the Strand Shares to be admitted to trading on AIM. It is expected that, conditional upon the passing at the EGM of the resolutions necessary to effect the Placing, dealings in the Placing Shares will commence on 31 August 2007.

The Placing Shares represent approximately 17.95 per cent. of the current issued share capital of the Company. Following the Placing and the allotment of the Strand Shares there will be 15,887,612 Ordinary Shares in issue. The Placing Shares and the Strand Shares together represent approximately 15.29 per cent. of the enlarged issued share capital.

The Company also announces that Graham Forrest (Chief Executive) has agreed, in principle, to sell up to 84,500 Ordinary Shares at the Placing Price ("Sale Shares"), such sale being subject to, *inter alia*, completion of the Placing.

In the event that the sale by him of the Sale Shares proceeds to completion, Graham Forrest will have the following interest in the enlarged issued share capital:

<i>Director</i>	<i>Number of Ordinary Shares to be sold</i>	<i>Total number of Ordinary Shares held following sale</i>	<i>Percentage of Enlarged Share Capital</i>
Graham Forrest	84,500	2,553,014	16.07

Jon Pither, Chairman of Northern Bear, commented: "We are delighted that this placing has been completed successfully and it is gratifying to witness such high levels of demand from a variety of quality investors. This clearly illustrates their confidence in our business model and we believe that the placing makes both strategic and commercial sense as we take Northern Bear to the next stage of its development."

Enquiries please contact:

Northern Bear Plc
Graham Forrest, Chief Executive
0191 371 2934

Strand Partners Limited
James Harris / Braden Saunders
020 7409 3494

Dawnay, Day Corporate Broking (a Division of Dawnay, Day Brokers Limited)
Ian McLean
0131 225 3825

NOTICE OF EXTRAORDINARY GENERAL MEETING

Northern Bear Plc (“the Company”)

(Incorporated and registered in England and Wales under the Companies Act 1985 with registration number 5780581)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at 5th Floor, Quayside House, 110 Quayside, Newcastle-upon-Tyne, NE1 3DX at noon on 30 August 2007, for the purpose of considering and, if thought fit, passing the following resolutions (of which resolution number 1 shall be proposed as an ordinary resolution and resolution number 2 shall be proposed as a special resolution of the Company):

Ordinary Resolution

1. THAT, in addition to and not by way of substitution for any existing authority granted for the purposes of section 80 of the Companies Act 1985 (the “Act”), the Directors be and are hereby generally and unconditionally authorised for the purposes of section 80 of the Act, to exercise the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £24,290.43, such authority, unless previously revoked or varied by the Company in a general meeting, to expire at the conclusion of the Annual General Meeting of the Company next following the date on which this resolution is passed (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 may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired).

Special Resolution

2. THAT, subject to and conditional upon the passing of resolution number 1 in this Notice and in addition to and not by way of substitution for any existing authority granted pursuant to section 95 of the Act, the Directors be and are hereby authorised under section 95(1) of the Act to allot equity securities (as defined in section 94(2) of the Act), wholly for cash, under the authority conferred by resolution number 1 in this Notice as if section 89(1) of the Act did not apply, provided that this power shall be limited to the allotment of equity securities:
 - (i) in respect of the proposed placing of up to 2,415,250 new Ordinary Shares of 1p each at a price of £1.45 per share on the terms of a placing agreement entered into between the Company and Dawnay, Day Corporate Broking Limited and Strand Partners Limited (the “Placing Agreement”); and
 - (ii) the allotment to Strand Partners of 13,793 new Ordinary Shares of 1p each at a price of £1.45 per share on the terms of the Placing Agreement;

such power to expire on the date of the next Annual General Meeting of the Company (but so that the Company is able before such expiry to 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 that offer or agreement notwithstanding that the power conferred by this resolution has expired).

Dated: 2 August 2007

Registered Office:

Unit 1
Station House
Station Road
Chester-le-Street
County Durham DH3 3DU

By order of the Board:
David Jay
Company Secretary

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the Notice set out above is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company. A form of proxy is enclosed with this notice for use at the meeting.
2. To be valid, a form of proxy (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority) must be completed in accordance with the instructions set out on the form and deposited at, or posted to, the offices of the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received no later than noon on 28 August 2007 or not less than 48 hours before the time appointed for any adjourned meeting or in the case of a poll taken otherwise than at or on the same day as the meeting, not later than 24 hours before the time appointed for the taking of the poll at which it is to be used. Completion and return of a form of proxy will not preclude shareholders from attending or voting at the meeting or adjourned meeting in person.
3. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the Company's Register of Members as at noon on 28 August 2007 or, if the meeting is adjourned, shareholders entered on the Company's Register of Members not later than 48 hours before the time fixed for the adjourned meeting will be entitled to attend and vote at the meeting in respect of the number of shares registered in their respective names at that time. Changes to entries on the Register of Members after noon on 28 August 2007, or if the meeting is adjourned, on the Register of Members 48 hours before the time fixed for the adjourned meeting, will be disregarded in determining the rights of any person to attend and vote at the meeting.
4. Unless the context otherwise requires, words and expressions in this Notice and in the accompanying Form of Proxy bear the meanings ascribed thereto in the circular to shareholders of the Company dated 2 August 2007 of which this Notice forms part.

