

GEMFIELDS PLC

(INCORPORATED IN ENGLAND AND WALES WITH REGISTERED NUMBER 05129023)

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your shares in Gemfields plc, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2013 Annual General Meeting (the 'Meeting') of Gemfields plc (the 'Company') will be held at the offices of Reed Smith LLP at The Broadgate Tower, 20 Primrose Street, London EC2A 2RS on Monday, 25 November 2013 at 11:00 am (UK time) for the following purposes:

AS ORDINARY BUSINESS

To consider and, if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

- 1 To receive and adopt the Company's annual report and accounts for the financial year ended 30 June 2013 together with the reports of the directors and the auditors on those accounts.
- 2 To re-appoint Devidas Shetty, who retires by rotation, as a director in accordance with article 104 of the Articles of Association of the Company.
- 3 To re-appoint Finn Behnken, who retires by rotation, as a director in accordance with article 104 of the Articles of Association of the Company.
- 4 To re-appoint BDO LLP as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company in accordance with article 166 of the Articles of Association of the Company.
- 5 To authorise the directors to fix the remuneration of BDO LLP as the auditors of the Company.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions, of which resolutions 6 and 7 will be proposed as ordinary resolutions and resolutions 8 and 9 will be proposed as special resolutions:

- 6 **THAT**,
 - (a) the directors be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") (in addition to any existing authority to allot relevant securities conferred on the directors) to exercise all powers of the Company to allot relevant securities (as defined in section 560 of the Act) provided that this authority shall be limited to the allotment of up to a maximum nominal amount of £1,800,010.69, and unless previously renewed, revoked, varied or extended, this authority shall expire on the earlier of (i) the conclusion of the next annual general meeting of the Company or (ii) the expiry of 15 months from the passing of this resolution; and
 - (b) the Company may, before the expiry of this authority, make any 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 any such offer or agreement notwithstanding that the authority conferred by this resolution has expired.
- 7 **THAT** the Gemfields plc Long Term Incentive Plan (the "LTIP"), the principal terms of which are summarised in the Appendix to the explanatory notes to this notice and as contained in the rules of the LTIP produced to this meeting and initialled by the Chairman of the meeting for the purposes of identification, be and is hereby approved and adopted and the directors be and are hereby generally and unconditionally authorised to do or procure to be done all such acts and things as they, in their absolute discretion, may consider necessary or desirable to implement the LTIP in accordance with its terms and to establish further schemes based on the LTIP but modified to take account of any applicable securities, exchange control, or taxation laws or regulations outside the United Kingdom (provided that any shares made available under such further schemes are treated as counting against any limits on individual or overall participation in the LTIP).
- 8 **THAT**, the directors be and are, by this resolution, hereby generally and unconditionally authorised, pursuant to section 570 of the Act, to allot any equity securities (within the meaning of section 560 of the Act) of the Company for cash under the authority conferred on them by resolution 6 above as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to allotments:
 - (a) in connection with or pursuant to any offer of equity securities (whether by way of rights issue or otherwise) to holders of ordinary shares in the capital of the Company in the proportion (as nearly as may be practicable) to their respective holdings of such shares on such record date as may be prescribed by the directors, in all cases subject to such exclusions or other arrangements as the directors may deem necessary, appropriate or expedient in relation to fractional entitlements, record dates, or legal, regulatory or practical problems in or under the laws of any jurisdiction or the requirements of any regulatory body or stock exchange or any other matter; and
 - (b) otherwise than pursuant to the provisions of sub-paragraph (a) above, up to an aggregate nominal amount of £540,003.21.

and this power (unless renewed, varied or revoked by the Company in general meeting) shall expire on whichever is the earlier of: (i) the conclusion of the next annual general meeting of the Company to be held after the date of the passing of this resolution; and (ii) the date falling 15 months after the date of the passing of this resolution, save that the Company may before the expiry of the power conferred by 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 any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

This resolution is in addition to all unexercised powers previously granted to the directors of the Company to allot equity securities as if section 561(1) of the Act did not apply and without prejudice to any allotment of equity securities or grant of rights already made, offered or agreed to be made pursuant to such authorities.

- 9 **THAT**, the Company be and is generally and unconditionally authorised for the purposes of section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) of ordinary shares in the capital of the Company provided that:
- (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is limited to the nominal value of £540,003.21;
 - (b) the minimum price which may be paid for an ordinary share is 1 pence;
 - (c) the maximum price, exclusive of any expense, which may be paid for an ordinary share is an amount equal to the higher of (a) 105 per cent of the average of the middle market quotations for an ordinary share on the AIM Market of the London Stock Exchange plc for the five business days immediately preceding the date on which such share is contracted to be purchased and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003; and
 - (d) the authority conferred by this resolution shall expire on the earlier of the conclusion of the Company's annual general meeting next following or the close of business on 25 November 2014, except that the Company may, before such expiry, enter into a contract or contracts for the purchase of ordinary shares which may be completed by or executed wholly or partly after the expiration of this authority.

By order of the Board



Devidas Shetty

Director

25 October 2013

Registered Office:
54 Jermyn Street
London SW1Y 6LX

NOTES

Entitlement to attend and vote

- 1 In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001 and the Company's Articles of Association, the Company specifies that only those shareholders registered on the Company's register of members at 6.00pm on 22 November 2013 (or in the event that the meeting is adjourned, on the register of members at 6.00pm on the second business day prior to the date on which any adjourned meeting is to be held) shall be entitled to attend and vote at the Meeting and that the number of votes which any such shareholder may cast, upon a poll, will be determined by reference to the number of shares registered in such shareholder's name at such time.

Appointment of proxies

- 2 If you are a member of the Company at the time set out in Note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting. You should have received a proxy form with this Notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
- 3 A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, it will be necessary to notify the registrar in accordance with Note 7 below. Please refer to the notes to the form of proxy for further information on appointing a proxy, including how to appoint multiple proxies (as the case may be).
- 4 A proxy need not 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.
- 5 A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.
- 6 The completion of a form of proxy does not preclude a member from attending the Meeting and voting in person.

Appointment of proxy using hard copy proxy form

- 7 A form of proxy is enclosed. The notes to the proxy form explain how to direct your proxy to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be:
 - (i) completed and signed;
 - (ii) sent or delivered to the office of the Registrars of the Company at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
 - (iii) received by Capita Asset Services no later than 48 hours before the time appointed for the Meeting (excluding any part of a non-working day).

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power of authority) must be included in the proxy form.

Changing proxy instructions

- 8 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Asset Services. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

- 9 In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Capita Asset Services no later than 48 hours before the time appointed for the Meeting (excluding any part of a non-working day). If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid. Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Appointment of proxies through CREST

- 10 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from <https://www.euroclear.com/site/public/EUI>). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- 11 In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The CREST Proxy Instruction, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Capita Asset Services (ID RA10) no later than 48 hours before the time appointed for the Meeting (excluding and part of a non-working day). No such CREST Proxy Instruction received through the CREST network after this time will be accepted. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the CREST Proxy Instruction by the CREST Applications Host) from which our registrars are able to retrieve the CREST Proxy Instruction by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- 12 CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- 13 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Appointment of proxy by joint members

- 14 In the case of joint members, the signature of only one of the joint members is required on the form of proxy but the vote of the first named on the register of members will be accepted to the exclusion of the other joint members.

Issued shares and total voting rights

- 15 As at 5.00pm on 24 October 2013, the Company's issued share capital consists of 540,003,208 Ordinary Shares of 1p each. Each Ordinary Share carries the right to one vote at a general meeting of the Company and therefore, the total voting rights in the Company as at 5.00pm on 24 October 2013 (being the last business day prior to the publication of this Notice) are 540,003,208.

Questions at the Meeting

16 Under section 319A of the Act, the Company must answer any question you ask relating to the business being dealt with at the Meeting unless:

- (i) answering the question would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information;
- (ii) the answer has already been given on a website in the form of an answer to a question; or
- (iii) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.

Members' rights to require circulation of resolution to be proposed at the Meeting

17 Under section 338 of the Act, a member or members meeting the qualification set out at Note 20 below, may, subject to conditions, require the Company to give members notice of a resolution which may properly be moved and it is intended to be moved at that meeting.

The conditions are that:

- (i) the resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); and
- (ii) the resolution must not be defamatory of any person, frivolous or vexatious.

The request:

- (i) may be in hard copy form;
- (ii) must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identify the resolution which is being supported;
- (iii) must be authenticated by the person or persons making it; and
- (iv) must be received by the Company no later than 6 weeks before the Meeting to which the requests relate.

In the case of a request made in hard copy form, such request must be:

- (i) authenticated by providing full name and address and copy of passport and/or driver's licence;
- (ii) sent to the Company's Registrars at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
- (iii) received by the Company's Registrars no later than 48 hours before the time appointed for the Meeting.

Members' right to have a matter of business dealt with at the Meeting

18 Under section 338A of the Act, a member or members meeting the qualification criteria set out at Note 20 below, may, subject to conditions, require the Company to include in the business to be dealt with at the Meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business).

The conditions are that:

- (i) the matter of business must not be defamatory of any person, frivolous or vexatious.

The request:

- (i) may be in hard copy form;
- (ii) must identify the matter of business by either setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported;
- (iii) must be accompanied by a statement setting out the grounds for the request;
- (iv) must be authenticated by the person or persons making it; and
- (v) must be received by the Company no later than 6 weeks before the Meeting to which the requests relate.

Website publication of audit concerns

19 Pursuant to Chapter 5 of Part 16 of the Act (sections 527 to 531), where requested by a member or members meeting the qualification criteria set out at Note 20 below, the Company must publish on its website, a statement setting out any matter that such members propose to raise at the Meeting relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting.

Where the Company is required to publish such a statement on its website:

- (i) it may not require the members making the request to pay any expenses incurred by the Company in complying with the request;
- (ii) it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website; and
- (iii) the statement may be dealt with as part of the business of the Meeting.

The request:

- (i) may be in hard copy or in electronic form;
- (ii) either set out the statement in full or, if supporting a statement sent by another member, clearly identify the statement which is being supported;
- (iii) must be authenticated by the person or persons making it; and
- (iv) must be received by the Company at least one week before the Meeting.

Members' qualification criteria

20 In order to be able to exercise the members' right to require:

- (i) circulation of a resolution to be proposed at the Meeting;
- (ii) a matter of business to be dealt with at the Meeting; or
- (iii) the Company to publish audit concerns,

the relevant request must be made by:

- (i) a member or members having the right to vote at the Meeting and holding at least 5 per cent of the total voting rights of the Company; or
- (ii) at least 100 members having a right to vote at the Meeting and holding, on average at least £100 of paid up share capital.

Communication

21 Except as provided above, members who have general queries about the Meeting should call the Capita shareholder helpline on 0871 664 0300 (or from outside the UK: +44 (0) 20 8639 3399). No other methods of communication will be accepted.

22 You may not use any electronic address provided either in this Notice of general meeting or any related documents (including the 2013 Annual Report and proxy form) to communicate with the Company for any purposes other than those expressly stated.

Website giving information regarding the Meeting

23 Information regarding the Meeting, including the information required by section 311A of the Act, is available from www.gemfields.co.uk.

You may not use any electronic address provided either:

- (i) in this Notice of Meeting; or
- (ii) any related documents (including the proxy form),

to communicate with the Company for any purposes other than those expressly stated.

Explanatory notes to the Resolutions**Resolution 1 – Audited Accounts and Reports for the year ended 30 June 2013**

The directors are required to present to the Meeting the Company's audited annual accounts and related Directors' and Auditors' Reports for the financial year ended 30 June 2013. These are contained in the 2013 Annual Report.

Resolutions 2 and 3 – Re-appointment of directors

The Articles of Association of the Company require that at every annual general meeting one-third of the directors or, if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from office. At this Meeting, Devidas Shetty and Finn Behnken will retire and stand for re-election as directors (Resolutions 2 and 3).

Resolutions 4 and 5 – Re-appointment of auditors and fixing of auditors' remuneration

The Company is required by article 166 of the Articles of Association to appoint auditors at each annual general meeting at which the annual report and accounts are laid before the Company to hold office until the next such meeting (Resolution 4). By Resolution 5 your directors are seeking authority to agree the remuneration of BDO LLP.

Resolution 6 – Renewal of authority to allot new shares

The Articles of Association empower directors to allot unissued shares. In accordance with section 551 of the Act such allotments must be authorised by the shareholders in a general meeting. Resolution 6 seeks renewal of the power to allot shares given at the previous annual general meeting, up to an aggregate nominal amount of £1,800,010.69 which represents 180,001,069 ordinary shares of 1p each, representing one-third of the Company's issued ordinary share capital at the date of this notice.

The Company will consider the allotment of unissued shares to finance business opportunities and the directors will act in the best interests of the Company and shareholders generally, in taking advantage of business opportunities as they arise and to manage the Company's capital base more effectively.

Resolution 7 – New Long Term Incentive Plan

The Remuneration Committee has, with the assistance of independent advisers of the Company, been reviewing the structure of remuneration for executive directors and senior management (together, "Management"). As a result of that review the Company wishes to implement a new long term incentive plan (the "LTIP"), to replace the Company's existing share option scheme for the executive directors. By Resolution 7 your directors are seeking your approval to adopt the new LTIP.

The Remuneration Committee believes the new LTIP will provide an appropriate motivational framework and will also more closely align the interests of Management with the performance of the business and the interests of Shareholders.

A summary of the principal features of the proposed LTIP is set out in the Appendix to these explanatory notes.

If the LTIP is approved by Shareholders pursuant to Resolution 7, it is intended that the first awards under the LTIP will be made shortly after such approval and will cover the performance period from 1 July 2013 to 30 June 2016. The performance measures for the initial awards will focus on earnings before interest, tax, depreciation, amortisation and impairment ("EBITDA") targets. The initial awards will be granted as market value share options and it is intended that, initially, the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer will be invited to participate.

The Directors, of whom only the executive directors are eligible to participate in the new arrangements, consider that the implementation of the new LTIP is in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolution to be proposed at the Annual General Meeting.

Resolution 8 – Renewal of authority for disapplication of pre-emption rights

Resolution 8, which will be proposed as a special resolution, seeks renewal of the directors' authority to allot equity securities (as defined by section 560 of the Act) of the Company for cash as if the pre-emption provisions of section 561(1) of the Act do not apply. Under Section 561(1), when new shares are allotted, they must first be offered to existing shareholders pro-rata to their holdings. This provision is designed to prevent the holdings of existing shareholders being diluted against their wishes by the allotment of new shares. Shareholders may waive this right of pre-emption. Other than in connection with a right, scrip dividend, or other similar issue, the authority contained in this resolution will be limited to the allotment of shares having an aggregate nominal value of £540,003.21 representing 54,000,321 ordinary shares (equivalent to approximately 10 per cent of the Company's issued ordinary share capital at the date of this notice).

Similar resolutions have been approved by shareholders at each annual general meeting. The authorities granted under Resolutions 6 and 8 will expire (unless previously renewed or revoked by the Company in general meeting) on the earlier of 25 November 2014 or at the conclusion of the next AGM of the Company.

Resolution 9 – Purchase of Own Shares

The articles of association of the Company empower the Company to purchase its own shares. The directors consider it desirable and in the Company's interests for shareholders to grant to the Company authority to exercise this power, within certain limits. The maximum number of shares, which may be purchased under the proposed authority, will be limited to the nominal value of £540,003.21 ordinary shares representing approximately 10 per cent of the Company's issued ordinary share capital at the date of this notice. The price paid for the ordinary shares will not be less than the nominal value of 1 pence per share and will not be more than the higher of 105 per cent of the average of the middle market quotations for an ordinary share on the AIM Market of the London Stock Exchange plc for the five business days immediately preceding the date on which such share is contracted to be purchased and that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003. The directors would exercise this authority only after considering the effects on earnings per share and the benefits for shareholders generally. Any buy back would be by market purchases through the London Stock Exchange. This authority will expire (unless previously renewed or revoked by the Company in general meeting) on the earlier of 25 November 2014 or at the conclusion of the next AGM of the Company.

APPENDIX

Summary of the principal terms of the proposed Long Term Incentive Plan (the "LTIP")

The LTIP provides for eligible employees to be granted an award over ordinary shares in the Company (an "Award") if certain conditions are met. At the end of a performance period, an Award will normally vest and/or be exercised (in the case of options) and shares will be released to the participant if certain conditions, including the performance conditions, are met. Shares will not be issued or transferred until after the Award has vested or exercised as the case may be.

1. Eligibility and grant procedure

Executive directors and other employees of the Company and its subsidiaries (the "Group") may be chosen to participate in the LTIP at the discretion of the Remuneration Committee (the "Committee").

Awards can be made in the 42 day period commencing on the date that the LTIP is adopted by the Company.

Awards can generally be made by either the Committee or the trustee of an employee trust in the 42 day period commencing when the Company announces its results for any period. If Awards cannot be granted during the normal grant period because of a dealing restriction or if there are exceptional circumstances that the Committee considers justifies making Awards outside the normal grant period, the grant can be made within 42 days of the lifting of that dealing restriction or the occurrence of the exceptional circumstances.

No Awards can be made more than ten years following the date on which the LTIP is approved by shareholders.

Awards can only be made to individuals who are employed with the Group on the date the Award is made.

No payment is required for the grant of Awards.

2. Form of Awards

Awards will be capable of being granted in the form of:

- an option to acquire ordinary shares in the Company ("Share Options");
- a restricted stock unit over ordinary shares in the Company ("RSUs"); or
- a conditional right to receive ordinary share in the Company ("Conditional Awards").

No Award shall give a participant a right to acquire ordinary shares in the Company until after the Award has vested in the case of RSUs or Conditional Awards or until after the Award has been exercised in the case of Share Options.

The first Awards shall be granted as market value Share Options.

3. Value of Awards

Award levels will be determined each year by the Committee.

4. Performance conditions

An Award may be subject to performance conditions, which the Committee anticipates will be measured over a performance period which shall not normally be less than three years in aggregate. To the extent that the performance conditions are not satisfied, the Award will lapse. There will be no retesting of performance although the Committee may vary a performance condition if events happen which cause the Committee to consider that the performance condition has ceased to be a fair measure of performance. A varied performance condition must, in the opinion of the Committee, be no more or less difficult to satisfy. The Committee may set different performance conditions for different participants as it considers appropriate.

For the first Awards, the performance conditions shall measure the Group's earnings before interest, tax, depreciation, amortisation and impairment ("EBITDA") performance over the three year performance period. The Awards shall vest at the end of the three year period to the extent the EBITDA performance conditions set by the Committee are achieved.

The Committee may set different performance conditions for future Awards having regard to the Company's strategic priorities, shareholder expectations and market conditions prevailing at that time.

5. Cessation of employment

Awards made to employees who leave the Group at any time prior to vesting and/or exercise in the case of Share Options (other than as a result of death) will lapse unless the Committee determines, at its absolute discretion, that an Award shall not lapse.

If the Committee determines that an Award shall not lapse, the extent and timing of the vesting and or exercisability of the Award will be determined by the Committee based on the extent to which the performance conditions are met and the proportion of the performance period falling prior to the cessation of employment.

If an employee dies, his/her Award will vest and/or be capable of being exercised early and the Committee will determine the extent to which this is the case, based on the extent to which the performance conditions are met at that date and the proportion of the performance period falling prior to that date.

6. Change of control or other early vesting events

In the event of a change of control of the Company, the Committee may determine, with the acquiring company's and participant's agreement, that a participant should be offered the opportunity to replace the Award with an equivalent award over shares in another company (generally the acquiring company). Any such replacement Awards would (unless the acquiring company decides otherwise) be subject to performance conditions which the acquiring company considers equivalent to those applicable to the original Awards.

If no replacement award is made, the Committee will determine the extent to which an Award vests/may be exercised having regard to the extent that the performance conditions are met at the date of the change of control and the proportion of the performance period falling prior to the change of control.

On a change of control resulting from an internal reconstruction, the Committee can prevent accelerated vesting and require that Awards are replaced by awards over shares in the new holding company.

Awards will vest/be capable of being exercised early on a voluntary winding-up of the Company. The Committee will determine the extent of vesting/exercise having regard to the extent that the performance conditions are met by that date and the proportion of the performance period that has elapsed.

7. Rights attaching to shares

Awards will not attract any dividends or dividend equivalents.

A participant will not have any voting rights in respect of shares comprised in an Award prior to the shares being issued or transferred to the participant. All shares allotted under the LTIP will carry the same rights as any other issued ordinary shares in the Company and application will be made for the shares to be listed and traded on AIM.

Benefits received under the LTIP are not pensionable and may not be assigned or transferred except on a participant's death. If a participant ceases employment he will not be entitled to compensation for the loss of his Award.

8. Adjustment of Awards

If there is a variation in the share capital of the Company (including without limitation a capitalisation, rights issue, open offer, consolidation, sub-division or reduction of capital, a capital distribution, demerger or other event having a material impact on the value of the shares), the shares under Award and, in the case of any Award granted in the form of an option, the exercise price, may be adjusted as the Committee reasonably considers appropriate to reflect that variation.

9. Alterations to the LTIP

In addition to the Committee's powers to vary the performance conditions described above, it will have authority to amend the rules of the LTIP, provided that no amendment to the advantage of participants or eligible employees may be made to provisions relating to the key features of the LTIP without the prior approval of shareholders in general meeting unless the amendment is minor and made to benefit the administration of the LTIP, to take account of a change or proposed change in legislation or to obtain or maintain favourable (or avoid unfavourable) tax, exchange control or regulatory treatment. Key features are: who can be a participant, the limit on the value of Awards to a participant the rights attaching to an Award, the provisions relating to adjustments in the event of a variation in the Company's share capital and the amendment provisions themselves.

Additional schedules to the rules or sub-plans can be established to operate the LTIP outside the UK. These schedules or sub-plans can vary the rules of the LTIP to take account of any securities, exchange control or taxation laws or regulations.

10. Limits on the issue of shares

The LTIP will be subject to the limit that, in any ten-year period, not more than 10 per cent of the issued ordinary share capital of the Company from time to time may be issued or issuable under all the Company's share plans.

In addition, in any ten-year period, not more than 5 per cent of the issued ordinary share capital of the Company from time to time may be issued or issuable under the Company's executive discretionary share plans. For the purposes of applying the 5 per cent limit, all-employee share plans are excluded.

The Committee will adopt appropriate policies to ensure that sufficient shares are available for the LTIP throughout the ten-year period, and may purchase shares in the market. The Committee may use treasury shares for the purposes of the LTIP and transfers of such shares will count towards the limits referred to above for so long as it is a recommendation of the Association of British Insurers that they should do so.

Where Awards are granted over existing shares, these may be held in a discretionary employee benefit trust. The trust will also have the facility to subscribe for new shares within the limits referred to above.

Note:

This Appendix summarises the main features of the LTIP but does not form part of the LTIP and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the rules. Copies of the draft rules will be available for inspection at the offices of Reed Smith LLP at The Broadgate Tower, 20 Primrose Street, London EC2A 2RS on Monday, 25 November 2013 for at least fifteen minutes prior to and until the conclusion of the Annual General Meeting. The directors reserve the right up to the time of the meeting to make such amendments and additions as they consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the summaries set out in this Appendix.