



ReEnergy Group plc

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Registered Number 5281827
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Directors:

Michael Roger Hewitt (Executive Chairman)

Andrew Biffen
Grant Jones
Robert Smyth
AWC "Tony" Morgan (Non Executive Director)
Steven Mueller (Non Executive Director)
Wayne Keast (Non Executive Director)
Howard Flight (Independent Non Executive Director)

To: All Shareholders

18 June 2007

Dear Shareholder,

Annual General Meeting

I enclose herewith a number of documents for your attention.

- 1) The notice of our Annual General Meeting that will be held at the offices of Squire, Sanders & Dempsey at Tower 42, Level 25, 25 Old Broad Street, London, EC2N 1HQ at 11.00am on Thursday 19 July 2007.
- 2) Form of Proxy. If you are unable to attend the meeting I would urge you to complete the Form of Proxy and return it to us as soon as possible.
- 3) The statement released to the Stock Exchange on Monday 18 June. This is our 'prelims statement' and has the extracts from our audited accounts for the year ending 31 December 2006.
- 4) A note on the Enterprise Management Share Option Scheme and a specimen Agreement (Resolution 12 refers)

The Annual Report is being printed and will be posted to shareholders on 25 June, in good time for the AGM.

I would like to explain certain of the resolutions that your Board will propose at the AGM.

Resolution 1

To receive the Report and Accounts for the year ended 31 December 2006.

This document contains not only the Accounts but also my Chairman's Report, which is a trading update, the Directors' Report on Corporate Governance, a report on Directors' Remuneration, a report from our external auditors, and statements on our accounting policies and policies with regard to other matters. You will have the opportunity at the AGM to raise matters on which you require further explanation.

Resolution 9

This resolution gives the Directors the power to allot shares.

Resolution 11

This resolution is to approve the acquisition of the entire shareholding in Estech Europe Limited ('Estech'). We purchased 51% of the shares in Estech in December 2005 as part of our Initial Public Offering. Now that our waste management business is firmly focused on the autoclave technology

that is owned by Estech—we have taken the opportunity to acquire all of the outstanding shares. The total consideration that we are paying to complete the purchase of 100% of the shares is:

- The issue of a further 14 million ordinary shares in ReEnergy Group plc (the 'Company') (in addition to the 6,253,333 shares to which the minority shareholders of Estech are entitled under the existing sale and purchase agreement);
- Capital payments on projects that reach financial close before the end of 2012; and
- An earn-out equivalent to 1% of the gate fees received from the operation of these projects over the first five years of operation.

We have made an offer to the minority shareholders and have received irrevocable undertakings to accept this offer in respect of approximately 96% of the minority shareholding. Under the terms of the offer the minority shareholders will receive a combination of shares in the Company and promissory notes pursuant to which payments will be made on the closure of projects by Estech. This transaction is before you for approval, and as usual with transactions of this nature we have received undertakings to vote in favour of the transaction from shareholders representing approximately 53% of the shareholding in the Company. At a meeting on 15 June 2007 the Board considered and approved this transaction and agreed to recommend it to the shareholders for the approval of the AGM. With a shareholding of approximately 20% of the Company's issued share capital we have agreed to their request that they should be represented by a Non-Executive Director on our Board of Directors.

Resolution 12

As part of its Remuneration Policy, the Company wishes to establish a scheme for granting share options to incentivise directors and employees. These rules require the approval of the Shareholders. These grants of options are an effective way of rewarding loyalty and aligning those rewards to the benefit to shareholders. This scheme has been approved by the Remuneration Committee and the Board. The scheme will cover a total of 2 million ordinary shares in the Company. It will be at the discretion of the Remuneration Committee to recommend the grant of options to individual directors and employees. The strike price for the exercise of an option will be 30p or the market price on the day of grant, whichever is the higher, and the option cannot be exercised before 18 months have expired and will endure for 5 years. The exact details will be determined by the Remuneration Committee within this period of time.

Resolution 13

This resolution gives the Directors power to issue equity securities of the Company for cash without application of the pre-emption rights pursuant to section 89 of the Companies Act 1985.

I sincerely hope that you will give your support to the resolutions as set out in the Notice of AGM which your Board recommends to you and urge you to complete the Form of Proxy (also enclosed) if you are unable to attend in person.

Yours faithfully



Michael Roger Hewitt
Chairman

Notice of Annual General Meeting

ReEnergy Group plc

Company Number: 5281827

NOTICE is hereby given that the Annual General Meeting of the Company will be held at the offices of Squire, Sanders & Dempsey at **Tower 42, Level 25, 25 Old Broad Street, London, EC2N 1HQ on Thursday 19 July 2007 at 11.00am** for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 12 will be proposed as ordinary resolutions and resolution 13 will be proposed as a special resolution:

ORDINARY RESOLUTIONS

1. That the accounts for the year ended 31 December 2006, together with the Reports of the Directors and the Auditors thereon be received and adopted. (The report and accounts will be posted out on 25 June 2007.)
2. That Michael Roger Hewitt be re-elected as a Director of the Company.
3. That Robert Franklin Smyth be elected as a Director of the Company.
4. That AWC "Tony" Morgan be elected as a Director of the Company.
5. That Wayne Bruce Keast be elected as a Director of the Company.
6. That Grant Harvey Jones be elected as a Director of the Company.
7. That Andrew Paul Biffen be elected as a Director of the Company.
8. That Baker Tilly UK Audit LLP be re-appointed as auditors of the Company from the conclusion of the meeting until the conclusion of the next general meeting of the Company at which the accounts are laid before shareholders in accordance with the provisions of the Companies Act 1985 and that the Directors be authorised to fix their remuneration.
9. That the Directors be generally and unconditionally authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80) up to an aggregate nominal amount of £6,922,327 in respect of ordinary shares. This authority shall expire on the date of the Company's next Annual General Meeting in 2008 or, if earlier, on the date falling 15 months after the date on which this resolution is passed and is in substitution for all previous authorities pursuant to the said Section 80, which shall cease to have effect from the date of the resolution, without affecting the validity of any allotment of securities already made under them. Further, during this period, the Directors can make offers and enter into agreements 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 or agreement as if the authority given by this resolution had not expired.
10. That the Company's memorandum of association be amended to reflect the provision of resolutions 9 above.

11. That the proposed acquisition by the Company of the entire issued share capital of Estech Europe Limited ('Estech') not already owned by the Company, the principal terms of which are summarised in the notice accompanying this Notice (the 'Offer'), be and is hereby approved, and each and any director of the Company (or a duly authorised committee of them) be authorised on behalf of the Company to negotiate, approve, sign, execute and deliver all agreements, certificates, announcements, notifications, circulars, advertisements, deeds and other documents and to do such acts or things necessary or desirable for the pursuance of, and in connection with, the Offer (including, but not limited to, making or agreeing to the making of any amendments, alterations, deletions, revisions and additions to documents which the Directors may consider necessary or desirable and to issue shares in the Company in connection with and in satisfaction of the Offer).
12. That the Enterprise Management Incentive Share Option Scheme be approved, the principal features of which are summarised in the notes accompanying this notice and a copy of which will be produced to the meeting, initialled by the Chairman for the purpose of identification.

SPECIAL RESOLUTION

13. That the Directors be empowered to allot equity securities (as defined in Section 94 of the Companies Act 1985) entirely paid for in cash of an unlimited amount in connection with a rights issue and in addition, of an aggregate nominal amount up to £2,065,287 free of restrictions in Section 89(1) of the Act. This power shall expire on the date of the Company's next Annual General Meeting in 2008 or, if earlier, on the date following 15 months after the date on which this resolution is passed and is in substitution for all previous such powers, which shall cease to have effect from the date of this Resolution, without affecting the validity of any allotment of securities already made under them. Further, during this period the Directors can make offers and enter into agreements which would, or might, require equity securities to be allotted after the expiry of such period.

By Order of the Board



.....
Max Herbert
Secretary

Registered Office:
211 Piccadilly
London, W1J 9HF

Dated: 18 June 2007

Notes:

- (i) *Members who hold ordinary shares in the Company in uncertificated form must have been entered on the Company's register of members by 5pm on 17 July 2007 in order to be entitled to attend and vote at the meeting. Such members may only vote at the meeting in respect of ordinary shares registered in their names at that time.*
- (ii) *Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on the member's behalf. A proxy need not be a member of the Company.*
- (iii) *A form of proxy is enclosed with this notice and instructions for its use are shown on the form. To be valid, completed forms should be sent (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) to the Company Secretary, ReEnergy Group plc at 211 Piccadilly, London, W1J 9HF so as to be received not later than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting or, in the case of a poll taken subsequently to the date of the meeting or adjourned meeting, so as to be received not later than 24 hours before the time appointed for the taking of the poll. Completion and return of a form of proxy does not preclude members from attending and voting at the meeting in person if they so wish.*
- (iv) *The register of Directors' interests will be available for inspection at the Annual General Meeting in accordance with the requirements of the Companies Act 1985.*
- (v) *Copies of all the Directors' service contracts will be available for inspection at the registered office address, 211 Piccadilly, London, W1J 9HF during usual business hours on any weekday (Saturdays and public holidays excluded) from the date of this notice until the date of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.*
- (vi) *The principal terms of the offer by the Company for the remaining issued share capital of Estech Europe Limited ('Estech') are set out below:*

There are two aspects to the offer: (1) an amount of ordinary shares of 5 pence each in the capital of the Company ('ReEnergy Shares') now; and (2) a right to participate in the future success of Estech pursuant to a promissory note.

Under the agreement with the holders of shares in the capital of Estech ('Independent Estech Shareholders') for the sale of Estech to ReEnergy in November 2005 (as amended by a deed of variation in December 2005 to reflect the fact that an Independent Estech Shareholder declined to participate in the offer) ('Acquisition Agreement'), ReEnergy Shares were to be issued in settlement of certain Independent Estech Shareholder loan obligations in June 2007 and June 2008. This would have seen 6.253 million ReEnergy Shares being issued over the two repayment dates. This is to be accelerated and enhanced such that the Company will issue both 20.2 million ReEnergy Shares and promissory notes (substantially in the terms set out below) in exchange for the Estech shares and the loan notes issued by Estech.

The promissory note will be issued in units with an aggregate of 6 million units and will not be transferable other than between those to whom the promissory notes were originally issued or to their successors in title on death or mental incapacity. The aggregate entitlement under the promissory note will result in a payout to accepting Independent Estech Shareholders upon the following events and in the following amounts:

- *£1.5 million – this will become due when not less than £1.5 million of capital employed in gaining the Hereford and Worcester project is returned to Estech once physical commencement of the clearing/build phase of the project is commenced either by the client or the finance provider (an event which is expected to be within a short period of*

time following receipt of funds by Estech in respect of the Hartlebury aspect of this project);

- *£500,000 for each 40 tonne project built by Estech (other than at the Hartlebury site contemplated above) – this will become due (where Estech is contracted to provide a plant by an independent third party and Estech is (in whole or in part) the owner and operator of the relevant project) when not less than £500,000 of capital employed in gaining the relevant project is returned to Estech either by the client or the finance provider provided that such is made available prior to midnight on 31 December 2012;*
- *£500,000 for each 40 tonne project built by Estech – this will become due (where Estech is the sole owner and operator of the relevant project) in two separate amounts: (a) £250,000 when contractors start on site following financial close; and (b) £250,000 when the plant is accepted by Estech provided financial close occurred prior to midnight on 31 December 2012;*
- *£250,000 for each 40 tonne autoclave system sold by Estech prior to midnight on 31 December 2012 – this will become due (where Estech is a supplier to and not the owner of the relevant project) when Estech is in receipt of all amounts due and payable under relevant supply agreements whether or not such sums are due after 31 December 2012; and*
- *1% of gate fees for 5 years – this will be in respect of all plants which: (a) have been built or have reached financial close by not later than midnight on 31 December 2012; and (b) are to be built, owned and operated in whole or in part by Estech.*

Payments due under the promissory note will be made in the following manner:

- *within 28 days of the £1.5 million payment in the first bullet above being received by Estech as contemplated therein. In the event that the £1.5m is not released to Estech as contemplated above Estech shall nevertheless pay the sum of £1.5m in the first 3 years of operation of the contemplated plant at Hartlebury;*
- *at the end of the month following that during which the obligation arises in respect of capital items which may also be adjusted pro-rata (on a straight-line basis) from 40 tonnes to 5 tonnes (inclusive) to ensure that, to the extent practicable, the Independent Estech Shareholders can participate in Estech's future successes. For the avoidance of doubt, upward adjustments shall also be made pro-rata (on a straight-line basis) on capital items exceeding 40 tonnes; and*
- *within 30 days of the Company's annual accounts being approved by shareholders in a general meeting in respect of amounts due as a consequence of royalty payments.*

The payments referred to above shall also apply where the relevant project or sale of an autoclave system is made by:

- (a) *any member of the Company's group of companies ("ReEnergy Group"); and*
- (b) *where Estech or any member of the ReEnergy Group licences a third party to manufacture, sell or operate a product of Estech.*

The above figures are a reflection of the 100% availability of the relevant funding received by Estech or any member of the ReEnergy Group in connection with the relevant projects. To the extent that this is reduced, then the payments to the Independent Estech Shareholders pursuant to the promissory notes will be reduced pro-rata accordingly.

Accepting Independent Shareholders who together hold in excess of 75% of the units of promissory notes in issue shall have the aggregate right to appoint one non-executive director of the Company whilst all such Independent Shareholders hold not less than 14% of the total issued share capital of the Company ('Relevant Percentage'). This right shall apply only during the existence of the promissory notes. In the event that such Independent Shareholders no longer hold the Relevant Percentage, such nominated director may be removed and the right shall be extinguished.

The offer is subject to the following conditions:

- *that all signatories to the Acquisition Agreement accept the offer;*
- *that those who accept the offer agree to waive all claims against Estech and the Company for any matter existing at the time of the completion of the offer or arising from any fact or circumstance then in existence excluding the usual excluded matters relating to fraud and fraudulent misrepresentation as to this transaction only and Estech and the Company likewise agree to waive all claims against those who accept the offer for any matter existing at the time of the completion of the offer or arising from any fact or circumstance then in existence excluding the usual excluded matters relating to fraud and fraudulent misrepresentation;*
- *that accepting Independent Estech Shareholders warrant title in respect of the Estech shares to which their acceptance relates;*
- *that the shareholders in the Company approve the transaction at the Company's AGM (as recommended by the Company's board of directors and in respect of which indications of support have been received from the Company's key shareholders); and*
- *that the parties to the Acquisition Agreement will be released from their restrictive covenants contained in the Acquisition Agreement and elsewhere in consideration for new appropriate non-competition arrangements.*

ReEnergy Group plc

The Annual General Meeting – 19 July 2007

Resolution 12 - Enterprise Management Incentive Share Option Scheme

Further Information

- 1) At last year's Annual General Meeting shareholder approval was given to the broad terms of the Enterprise Management Incentive Scheme. As it happens, during the year, the Remuneration Committee did not recommend the grant of any share options scheme. The Board have considered further the parameters for any award of share options to any director or employee.

- 2) The General terms approved last year will apply to any grant but further details of the scheme have been considered by the Remuneration Committee and the Board of Directors. Shareholder approval is sought for the following terms.
 - The scheme shall cover a pool of two million ordinary shares in ReEnergy Group plc.
 - The strike price for any options granted shall be 30p per share or the current market price on the day of grant whichever is the higher.
 - Options granted can be exercised within 18 months of grant and shall expire within seven years of grant if not exercised during that period.

The terms of a grant (if any) will be at the discretion by the Remuneration Committee of the Board and recommended to the Board for approval.

- 3) Resolution 12 on the Notice of AGM seeks shareholder approval for these terms.