

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser duly authorised under the Financial Services and Markets Act 2000 (“FSMA”). The whole of the text of this document should be read.

If you have sold or transferred all of your Ordinary Shares in the Company, please pass this document and 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 transmission to the purchaser or transferee. If you have sold or transferred only part of your holding of Ordinary Shares you should retain these documents.

Application will be made for the Placing Shares to be admitted to trading on the AIM Market of London Stock Exchange plc (“AIM”). It is expected that admission to AIM will become effective and that dealings in the Placing Shares will commence on 13 August 2009. AIM is a market designed primarily for emerging and smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consulting with an independent financial adviser. London Stock Exchange Plc has not itself examined or approved the contents of this document.

The Company and the Directors, whose names are set out on page 6, accept responsibility for the information set out 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.

Surface Transforms plc

(incorporated in England and Wales under the Companies Act 1985 with registered number 3769702)

Placing of 4,516,580 New Ordinary Shares at 10 pence per share

and

Notice of Extraordinary General Meeting

A notice convening an Extraordinary General Meeting of the Company to be held at Seymour Pierce, 20 Old Bailey, London EC4M 7EN on 12 August 2009 at 12.00 p.m. is set out on pages 9 and 10 of this document. A Form of Proxy is contained within this document. **To be valid, the Form of Proxy for use at the meetings must be completed and returned so as to be received at the offices of the Company’s registrars, Capita Registrars, at the Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 12.00 p.m. on 10 August 2009.**

This document does not constitute an offer of securities and accordingly is not a prospectus, neither does it constitute an admission document drawn up in accordance with the AIM Rules.

Seymour Pierce Limited (“Seymour Pierce”), which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for the Company and no-one else in connection with the proposed Placing and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Seymour Pierce, or for providing advice in relation to the Placing. Seymour Pierce will not regard any other person as their customer nor be responsible to any other person for providing the protections afforded to customers of Seymour Pierce nor for providing advice in relation to the transactions detailed in this document or in relation to such proposals generally. Seymour Pierce is not making any representation or warranty, express or implied, as to the content of this document. No liability is accepted by Seymour Pierce for the accuracy of any information or opinions contained in, or for the omission of any material information from, this document for which the Directors and the Company are responsible. Seymour Pierce has not authorised the contents or any part of this document.

The completion and depositing of the Form of Proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting should you wish to do so.

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Definitions

“1985 Act”	the Companies Act 1985 (as amended), to the extent in force and applicable;
“2006 Act”	the Companies Act 2006, to the extent in force and applicable;
“Admission”	the effective admission of the Placing Shares to trading on AIM, in accordance with the AIM Rules;
“AIM”	a market operated by London Stock Exchange Plc;
“AIM Rules”	the AIM Rules for Companies as published by London Stock Exchange Plc from time to time;
“Capita Registrars”	a trading division of Capita Registrars Limited;
“Company” or “Surface Transforms”	Surface Transforms plc;
“CREST”	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by Euroclear UK & Ireland Limited;
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended);
“Directors” or “Board”	the directors of the Company at the date of this document whose names are set out on page 6 of this document;
“EGM” or “Extraordinary” General Meeting”	the extraordinary general meeting of the Company convened for 12.00 p.m. on 12 August 2009 and any adjournment thereof, notice of which is set out at the end of this document;
“Enlarged Share Capital”	the number of Ordinary Shares in issue following completion of the Placing;
“Existing Ordinary Shares”	the Ordinary Shares in issue at the date of this document;
“Form of Proxy”	the form of proxy enclosed with this document for use by Shareholders in connection with the EGM;
“FSA”	the Financial Services Authority;
“FSMA”	the Financial Services and Markets Act 2000, as amended;
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company;

Definitions (continued)

“Placees”	the subscribers for Placing Shares pursuant to the Placing;
“Placing”	the proposed conditional placing by Seymour Pierce of the Placing Shares at the Placing Price;
“Placing Price”	10p per Placing Share;
“Placing Shares”	the 4,516,580 new Ordinary Shares which have been conditionally placed by Seymour Pierce pursuant to the Placing;
“Proposals”	the proposals set out in this document;
“Resolutions”	the resolutions to be proposed at the EGM, details of which are set out in the notice of Extraordinary General Meeting set out at then end of this document;
“Seymour Pierce”	Seymour Pierce Limited; and
“Shareholders”	holders of Ordinary Shares.

Expected timetable of principal events

Publication date of this document	20 July 2009
Latest time for receipt of the Form of Proxy	12.00 p.m. on 10 August 2009
EGM	12.00 p.m. on 12 August 2009
Admission effective and trading expected to commence	13 August 2009
Share certificates in respect of Placing Shares expected to be despatched by no later than	26 August 2009

Placing statistics

Existing Ordinary Shares	19,030,748
Placing Price	10 pence
Number of Placing Shares	4,516,580
Number of Ordinary Shares in issue immediately following the Placing	23,547,328
Percentage of Enlarged Issued Share Capital being placed	19.18 per cent.
Amount, after expenses, being raised under the Placing	£410,000
Market capitalisation of the Company at the Placing Price upon Admission	£2,354,732.80

LETTER FROM THE CHAIRMAN

Surface Transforms plc

(registered in England and Wales with registered number 3769702)

Directors

Kevin D'Silva (*Non-executive Chairman*)
Dr Kevin Johnson (*Managing Director*)
Dr Geoffrey Gould (*Sales and Marketing Director*)
Professor David Thomas Clark (*Non-executive Director*)
Kenneth Michael Baker (*Non-executive Director*)

Registered Office

Unit 4 Olympic Park
Poole Hall Road
Ellesmere Port
South Wirral
Merseyside CH66 1ST

20 July 2009

To Shareholders and, for information purposes only, to the holders of options over Ordinary Shares,

Introduction

On 20 July 2009, Surface Transforms announced that it had conditionally raised net proceeds of £410,000 by means of a placing by Seymour Pierce, as agent for the Company, of 4,516,580 new Ordinary Shares, at 10 pence per share which is conditional on, amongst other things, the passing of the Resolutions at the EGM and Admission.

The purpose of this letter is to provide you with further information on the Placing. A notice convening an Extraordinary General Meeting to consider the Resolutions required to give effect to the Placing is set out at the end of this document. The EGM will be held at 12.00 p.m. on 12 August 2009.

Reasons for Placing

The Company has made significant operational progress in development of its product for the aerospace marketplace and now wishes to accelerate the adoption of the carbon ceramic technology in an active niche aircraft programme opportunity.

The Company's cash resources as at 31 May 2009 were £404,275, which provides sufficient working capital for at least the next 12 months. However, to build on the progress made by the Company over the last year and reduce the direct cost of manufacturing the Company's carbon ceramic discs, the Company is proposing to effect the Placing at the mid-market price as at the date of this document.

The proceeds of the Placing, which amount to approximately £410,000 after expenses, will allow the Company to make the necessary capital investments to continue to accelerate its product development, provide additional working capital and strengthen its balance sheet.

Current trading

The Company is performing broadly to market expectations despite the background of a severe global recession and a sustained reduction of output within the automotive industry.

Turnover in the year to 31 May 2009 was considerably higher than budget from the aerospace and defence market sectors and this provides the Company with a platform for growth despite the continued low levels of business expected from the automotive sector during the remainder of 2009 and most of 2010.

As announced on 10 June 2009, in the 12 months to 31 May 2009, revenue was £679,284 (2008: £508,111). This represents an increase of 34 per cent. over the prior year.

The Placing

The Company has conditionally raised £451,658 (£410,000 net of expenses) by means of a placing of 4,516,580 new Ordinary Shares at the Placing Price for the benefit of the Company.

The Placing is conditional, *inter alia*, upon:

- the passing of the Resolutions at the EGM; and
- Admission of the Placing Shares to trading on AIM.

The Placing Shares, when issued and fully paid, will rank equally in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after Admission.

It is expected that Admission will become effective and dealings in the Placing Shares will commence on 13 August 2009.

Directors' participation in the Placing

Kevin D'Silva and Ken Baker are participating in the Placing and are each subscribing for 25,000 Ordinary Shares at the Placing Price.

Resolutions

The Placing is conditional upon, *inter alia*, the passing of the Resolutions. A notice convening the EGM to be held at Seymour Pierce, 20 Old Bailey, London EC4M 7EN at 12.00 p.m. on 12 August 2009 is set out at the end of this document. At the EGM, the following Resolutions will be proposed:

- (a) an ordinary resolution to increase the authorised share capital of the Company from £200,000 to £300,000 by the creation of 10,000,000 additional Ordinary Shares;
- (b) an ordinary resolution to authorise the Directors to allot relevant securities (as defined in section 80 of the 1985 Act), *inter alia*, for the purposes of the Placing and otherwise up to an aggregate nominal amount of £77,706; and
- (c) a special resolution to allow the Directors, subject to the limits set out in that resolution, to issue Ordinary Shares for cash otherwise than on a pre-emptive basis, including a specific authority to allot the Placing Shares and otherwise up to a nominal amount of £23,547.

Action to be taken by Shareholders

Shareholders will find contained within this document a Form of Proxy for use at the Extraordinary General Meeting. The Form of Proxy should be completed and returned in accordance with the instructions printed on it so as to arrive at the Company's registrars, Capita Registrars, at the Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and in any event not later than 12.00 p.m. on 10 August 2009. Completion and return of the Form of Proxy will not prevent Shareholders from attending the Extraordinary General Meeting and voting in person should they so wish.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Placing Shares will commence on 13 August 2009.

The articles of association of the Company permit the Company to issue shares in uncertificated form. CREST is a computerised paperless share transfer and settlement system which allows shares and other securities, including depository interests, to be held in electronic rather than paper form. Application has been made for the Placing Shares to be admitted to CREST.

CREST is a voluntary system and Shareholders who wish to retain certificates will be able to do so.

Certificates in respect of the Placing Shares are expected to be dispatched by the Company's Registrars no later than 26 August 2009. The Placing Shares due to uncertificated holders will be delivered in CREST on 13 August 2009.

Recommendation

Your Directors unanimously believe that the Placing is in the best interests of the Company and its Shareholders as a whole and recommend Shareholders to vote in favour of the Resolutions, as they intend to do in respect of their own beneficial holdings of 1,410,747 Ordinary Shares, equivalent to approximately 7.41 per cent of the current issued share capital of the Company.

The Company has also received irrevocable undertakings to vote in favour of the Resolutions from certain Shareholders who together hold 24.7 per cent. of the Company's issued share capital.

Yours faithfully,

Kevin D'Silva
Chairman

Surface Transforms plc

(registered in England and Wales with registered number 3769702)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the Company will be held at Seymour Pierce, 20 Old Bailey, London EC4M 7EN on 12 August 2009 at 12.00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 and 2 will be proposed as ordinary resolutions and resolution 3 will be proposed as a special resolution:

ORDINARY RESOLUTIONS

1. That the authorised share capital of the Company be and is hereby increased from £200,000 to £300,000 by the creation of an additional 10,000,000 ordinary shares of 1p each the capital of the Company such shares to rank *pari passu* with the existing ordinary shares in the capital of the Company and having the rights and being subject to the restrictions set out in the Company's articles of association.
2. That, subject to and conditional upon the passing of resolution 1 above and in substitution for all existing and unexercised authorities and powers, the directors of the Company be and they are hereby generally and unconditionally authorised to exercise all of the powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985 (the "Act")) up to an aggregate nominal amount of £77,706 to such persons at such times and generally on such terms and conditions as the directors may determine (subject always to the Company's articles of association), and this authority, unless it is (prior to its expiry) duly revoked or varied or is renewed, shall expire at the conclusion of the next Annual General Meeting of the Company or 6 months after the next accounting reference date of the Company (if earlier) 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 offer or agreement as if the authority conferred hereby had not expired.

SPECIAL RESOLUTION

3. That, subject to and conditional upon the passing of resolutions 1 and 2 and in substitution for all existing and unexercised authorities, the directors of the Company be and they are hereby given power in accordance with Section 95 of the Act, to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority given to them by the previous resolution, as if Section 89(1) of the Act did not apply to the allotment, provided that this power is limited to:
 - (a) the allotment of 4,516,580 ordinary shares of 1p each in the capital of the Company in connection with the Placing (as such term is defined in the circular of the Company dated 20 July 2009 to which this notice is attached);
 - (b) the allotment of equity securities (otherwise than pursuant to paragraph 3(a) above) up to an aggregate nominal amount of £23,547 (representing approximately 10 per cent. of the issued share capital of the Company immediately following the Placing); and
 - (c) the allotment of equity securities in connection with a rights issue or other pro rata offer in favour of holders of ordinary shares in the capital of the Company where the equity securities respectively attributable to the interests of all the ordinary shareholders are proportionate (as nearly as may be) to the respective members of equity securities held by them subject in each case to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body, and this authority, unless it is (prior to its expiry) duly revoked or varied or is renewed, shall expire at the conclusion of the next Annual General Meeting of the Company or 6 months after the next accounting reference date of the Company (if earlier) 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 equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

By order of the Board
Geoff Hall
Company Secretary

Registered office:
Unit 4 Olympic Park
Poole Hall Road
Ellesmere Port
South Wirral
Merseyside CH66 1ST

Dated: 20 July 2009

Notes

- (1) A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and vote, on a poll, instead of him. If a member appoints more than one proxy, each proxy must be entitled to exercise the rights attached to different shares. A proxy need not be a member of the Company. The appointment of a proxy will not preclude a member from attending and voting at the meeting in person should he subsequently decide to do so.
- (2) A proxy may only be appointed using the procedures set out in these notes and the enclosed proxy form. To be valid, the proxy form must reach the Company's Registrars, Capita Registrars, at the Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time of holding of the meeting. 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 enclosed with the proxy form.
- (3) Pursuant to Regulation 41 of The Uncertificated Securities Regulations 2001, the Company specifies that only those Shareholders of the Company on the register at 11.30 a.m. on 10 August 2009 shall be entitled to attend or vote at the Extraordinary General Meeting in respect of the number of shares registered in their name at the time. Changes to the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.
- (4) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting 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.
- (5) The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
- (6) 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 shareholder 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 of the other corporate representatives for that shareholder 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 shareholder attends the meeting but the corporate shareholder 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 shareholders 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 if the Chairman is being appointed as described in (i) above. A letter in this form would be acceptable to the Company and its Registrars.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's agent, Capita Registrars (whose CREST ID is RA10) by the specified latest time(s) for receipt of proxy appointments. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed.

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.

SURFACE TRANSFORMS PLC

PROXY FOR USE AT EXTRAORDINARY GENERAL MEETING

Please insert I / We
 full name (please use block letters)

and address of

being Member(s) of **SURFACE TRANSFORMS PLC** (the “**Company**”) hereby appoint the chairman of the general meeting or (see notes 1 and 2)

(please use block letters)

as my/our proxy to attend and vote for me/us and on my/our behalf at the general meeting of the Company to be held at Seymour Pierce, 20 Old Bailey, London EC4M 7EN on 12 August 2009 at 12.00 p.m. and at any adjournment thereof.

I/We request such proxy to vote on the following resolutions in the manner specified below (see note 3)

	Resolutions	For	Against	Withheld
1	To increase the authorised share capital of the Company from £200,000 to £300,000.			
2	To authorise the directors of the Company to allot shares pursuant to section 80 of the Companies Act 1985 up to a maximum nominal amount of £77,706.			
3	To authorise the directors of the Company to allot equity securities otherwise than on a pre-emptive basis pursuant to section 95 of the Companies Act 1985.			

Signature (see note 4)

Joint holders (if any) (see note 9)

Name: Name:
 Name: Name:

Notes:

- 1 If you wish to appoint someone other than the chairman as your proxy, please insert his/her name and address, and strike out and initial the words “the chairman of the general meeting”. A proxy need not be a member of the Company. Appointing a proxy will not preclude you from personally attending and voting at the meeting (in substitution for your proxy vote) if you subsequently decide to do so. If no name is entered on this form, the return of this form, duly signed, will authorise the chairman of the meeting to act as your proxy.
- 2 You may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please return a separate form in relation to each proxy, clearly indicating next to the name of each proxy the number and class of shares in respect of which he is appointed. If you submit more than one valid proxy appointment in respect of the same shares, the appointment received last before the latest time for the receipt of proxies will take precedence.
- 3 To direct your proxy how to vote on the resolutions, please mark the appropriate box next to each resolution with an “X”. If no voting instruction is given, your proxy will vote or abstain from voting as he sees fit in his absolute discretion in relation to each resolution and any other matter which is put before the Meeting.
- 4 In the case of:
 - 4.1 an individual, this proxy form must be signed by the relevant Member appointing the proxy or a duly appointed attorney on behalf of such Member; and
 - 4.2 a corporation, this proxy form must be executed under its common seal or signed on its behalf by an officer of the company or a duly appointed attorney for the company.
- 5 To appoint a proxy using this form, the form must be:
 - 5.1 completed and signed;
 - 5.2 sent or delivered to the Registrars of the Company, Capita Registrars at the Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
 - 5.3 received by the Registrars no later than 48 hours (excluding non-working days) before the time appointed for the Meeting, or adjourned meeting, at which it is to be used.
- 6 Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
- 7 Any alteration to this proxy form must be initialled by the person in whose hand it is signed or executed.
- 8 If, after returning a duly completed proxy form, you wish to revoke your proxy appointment you must sign and date a notice clearly stating your intention to revoke that proxy appointment and deposit it at the registered office of the Company before the time appointed for the Meeting.
- 9 In the case of joint holders:
 - 9.1 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; and
 - 9.2 the vote of the most senior holder who tenders a vote (whether in person or by proxy) shall be accepted to the exclusion of the votes of all other joint holders. 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).
- 10 As permitted by regulation 41 of the Uncertificated Securities Regulations 2001, only those persons whose names are entered on the register of members of the Company at 12.00 p.m. on 10 August 2009 shall be entitled to attend and vote in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and/or vote at the meeting.
- 11 Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual.

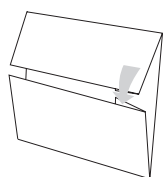


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**Business Reply Service
Licence No. MB 122**



**Capita Registrars (Proxies)
PO Box 25
Beckenham
Kent BR3 4BR**



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