



12 June 2008

**Freeplay Energy plc**  
("Freeplay", "the Group" or "the Company")

**Posting of Circular to Shareholders and Notice of General Meeting**

It was announced on 27 May 2008 that, subject inter alia to Shareholders' approval, Freeplay has entered into conditional agreements to dispose of the Freeplay Division to Devinder Raj Narang for a total consideration of \$14.5 million, subject to adjustment, which includes the assumption of approximately \$5 million of bank debt.

In addition, the Board is seeking Shareholders' approval to apply to the High Court for permission to reduce the share premium account of the Company in order to enable the Company to partially eliminate the deficit on its profit and loss account.

The sale of the Freeplay Division is deemed to be a disposal resulting in a fundamental change of business for the purpose of AIM Rule 15 and therefore is subject to Shareholder approval. The Company is also proposing to change its name to Fieldbury plc due to the sale of the Freeplay Division which includes all rights to the Freeplay name.

In the year to 31 December 2007, the turnover of the Freeplay Division was \$7.9 million (2006: \$7.3 million) and the loss for the Freeplay Division before Group common costs was \$4.5 million (2006: \$3.8 million loss) as derived from the preliminary statement released on 13 May 2008. The net liabilities of the Freeplay Division at 31 December 2007 were \$2.03 million (2006: net liabilities \$1.63 million).

Following the disposal of the Freeplay Division, the remaining company in the Group, apart from Freeplay Energy plc, will be Dixie Sales, the US based sales, marketing, distribution and customer service provider.

Dixie Sales' operating loss for the year ended 31 December 2007 excluding intercompany overhead allocation and income taxes amounted to \$2.51 million compared with an operating income of \$1.53 million in 2006. Included in the 2007 operating loss are one-time exit and disposal expenses in the amount of \$484,000.

During 2007, Dixie Sales completed its strategic review as part of the overall Group restructuring and made significant progress in reducing its costs structure, exiting certain low margin businesses, reducing operating costs by approximately \$3 million and refocusing the division away from low performing, low margin categories.

The Board believes that Dixie Sales now has a compelling and competitive business proposition, which is to concentrate on expanding its key distribution channels, including independent dealers, mass merchant and retail direct. In addition, Dixie continues to expand its geographic reach through its growth strategy in Canada by leveraging its key US based manufacturing and mass merchant relationships. This approach is proving to be successful in attracting new customers, evidenced by notable key new business wins including Canadian Tire Corporation, American Lawnmower Products and ATK, a hunting accessories manufacturer.

In line with the current strategy of the Dixie Sales division moving into higher margin businesses, renewing focus on the "fee for service" model and securing dual payment from

both retailers and customers, the Board is confident of the future prospects of the Dixie Sales business.

The Freeplay Division's current bank debt of approximately \$5 million will be assumed by Mr Narang. Dixie Sales has its own bank facility for its working capital. It has a revolving credit facility with PNC Bank for up to \$9.75 million. As at 30 April 2008 the sum of \$9.21 million was drawn down on this facility.

Given this difficult fiscal environment in which to raise additional funds required by the Group, your Board came to the conclusion that acceptance of Mr Narang's offer was in the best interests of the Company. Accordingly, the Board believes that the proposals are in the best interests of the Company and the Shareholders as a whole.

Mr Narang has requested Mr Stear to chair the Freeplay Division after completion of the sale. Mr Stear is currently considering the offer but has not reached agreement with Mr Narang. He will however continue as a director of Freeplay and chairman of the Board following the sale of the Freeplay Division and as such is under Rule 13 of the AIM Rules a related party transaction.

Due to the accumulated deficit on its profit and loss account (which means that Freeplay does not currently have distributable reserves), Freeplay is currently prohibited under the Companies Acts 1985 and 2006 ("Act") from making distributions to its Shareholders, including the payment of dividends and purchases of its Ordinary Shares. In order to facilitate any future return of capital to Shareholders, the Board is therefore proposing that the Company partially eliminate the deficit on its profit and loss account as at 31 December 2007 and create distributable reserves by means of a Capital Reduction.

Under the Act, the Company can, with the approval of Shareholders given by way of a special resolution and with the confirmation of the Court, reduce its share premium account. Such a reduction creates a reserve which can, subject to the protection of creditors, be credited to the Company's profit and loss account.

Accordingly, the Company is proposing to effect a reduction of its share premium account, subject to approval by Shareholders and sanction by the High Court, to partially eliminate the deficit on the profit and loss account. As at 31 December 2007, there was standing to the credit of the share premium account the sum of \$28,760,917. The deficit on the Company's profit and loss account at 31 December 2007 stood at \$33,763,041. Subject to Shareholders' and High Court approval, the share premium account will be reduced by the amount credited to that account, thereby partially eliminating the deficit. Subject to any further losses incurred since 31 December 2007, the balance of the deficit, after application of the share premium account, will be eliminated by the profit made on the disposal of the Freeplay Division.

Before the Capital Reduction can take effect it will be necessary to obtain an order of the High Court confirming the proposed reduction of the Company's share premium account. Accordingly, as soon as practicable after the passing of the Resolutions, the Company will apply to the High Court for an order confirming the Capital Reduction, which will become effective once the Court Order confirming the Capital Reduction is registered with the Registrar of Companies.

The disposal of the Freeplay Division, the Capital Reduction and the name change are conditional, inter alia, upon the Company obtaining approval from Shareholders of the Resolutions. Accordingly a General Meeting has been convened for 11.00 am on 27 June 2008. Notice of the General Meeting is set out in a Circular to Shareholders which was posted to shareholders on 12 June 2008.

The Circular provides further information about the proposed disposal of the Freeplay Division, the reduction of the Company's Share Premium Account, the Change of Name and the business to be conducted at the General Meeting. A summary of the Resolutions to be proposed at the General Meeting is set out below:

Resolution 1	seeks the authority of Shareholders for the disposal of the Freeplay Division;
Resolution 2	seeks the authority of Shareholders to implement the Capital Reduction;
Resolution 3	seeks the authority of Shareholders that, conditional upon the passing of resolutions 1 and 2 above, the name of the Company be changed to Fieldbury plc;
Resolution 4	seeks the authority of Shareholders that the Company be permitted to buy-back up to 36,000,000 Ordinary Shares in the capital of the Company.

The Independent Directors (comprising Harold Reiter, Gordon Roddick, Andy Polansky, William Barrett and Edward Barrett) believe that, having consulted with the Company's Nominated Advisor, Charles Stanley, the terms for the proposed disposal of the Freeplay Division are fair and reasonable insofar as Shareholders are concerned, and in the best interests of the Company. Accordingly, the Independent Directors recommend that Shareholders vote in favour of Resolution 1 to be proposed at the General Meeting as they intend to do so in respect of their own aggregate holdings of 10,421,013 Ordinary Shares, representing approximately 10.76 per cent. of the existing issued ordinary share capital of the Company.

- ends -

For further information, please contact:

**Freeplay Energy plc**

Rory Stear, Executive Chairman

**020 7935 5226**

**Weber Shandwick Financial**

Louise Robson or James White

**020 7067 0700**

**Charles Stanley Securities (Nominated Adviser)**

Mark Taylor or Freddy Crossley

**020 7149 6000**

**Notes to Editors**

Freeplay Energy plc is the original and leading global brand of clean, dependable energy products. Freeplay Energy's clean, patented technology harnesses human, solar and rechargeable energy and converts it into electricity to power unique portable, consumer products replacing conventional disposable battery-powered systems that are environmentally toxic and expensive. The current product range includes radios, torches, lanterns, mobile phone chargers and standalone foot powered generators. Freeplay Energy's "Lifeline" radio is distributed throughout the developing world by The Freeplay Foundation ([www.freeplayfoundation.org](http://www.freeplayfoundation.org)) and other AID and Humanitarian organisations such as Unicef and other United Nations' agencies. Further information about Freeplay Energy plc and its products can be found at [www.freeplayenergy.com](http://www.freeplayenergy.com).



*Freeplay Energy – Best in the World, Best for the World*

