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If you have sold or otherwise transferred all of your Shares in Agua Terra Limited, please forward this document, together with the accompanying documents, at once, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into the United States, Canada, Australia, the Republic of South Africa or Japan or any other jurisdiction if to do so would constitute a violation of the relevant laws of such jurisdiction. The distribution of this document in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdictions.

AGUA TERRA LIMITED

(incorporated and registered in the British Virgin Islands with registration number 1490983)

Proposal for the cancellation of Founder Warrants, waiver of pre-emption rights, and the issue new Shares

The Consent Form at the end of this document should be completed and returned in accordance with the instructions printed thereon, as soon as possible and in any event so as to be received by 29 December 2009.

CONTENTS

	<i>Page</i>
DEFINITIONS	2
PART I Letter to Shareholders	3
PART II Additional Information	6
Consent form	

DEFINITIONS

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

“Administrator”	Totalserve Trust Company Limited
“Agua Terra” or “Company”	Agua Terra Limited
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules for Companies”	the rules of the London Stock Exchange governing the admission of securities to trading on and the regulation and operation of AIM
“Board” or “Directors”	the directors of the Company as at the date of this document
“Consent Form”	the form printed at the end of this document to be completed and returned by Founder Warrant holders who consent to the conversion of their Founder Warrants
“Fairfax”	Fairfax I.S. PLC, Nominated Adviser to the Company
“Founder Warrants”	Warrants to subscribe for Shares pursuant to the founder warrant instrument executed by the Company on 26 September 2008
“Founder Warrant Holders”	Holders of Founder Warrants
“London Stock Exchange”	London Stock Exchange PLC
“Proposals”	the proposed cancellation of Founder Warrants and issue of new Shares
“Shares”	common shares of no par value in the capital of the Company, with ISIN: VGG0136P1045 or depositary interests representing such shares as the case may be
“Shareholders”	holders of Shares
“Subsidiary” or “Subsidiaries”	a subsidiary undertaking (as defined by section 1159 of the Companies Act 2006)
“United States”	the United States of America, its territories and possessions and any other areas subject to its jurisdiction, any state of the United States and the District of Columbia

PART I

LETTER TO AGUA TERRA SHAREHOLDERS

Agua Terra Limited

(incorporated and registered in the British Virgin Islands with registration number 1490983)

Directors:

Rt Hon Earl of Balfour, *Chairman*
Andrew Hargreaves, *Vice Chairman*
Markos Kashiouris, *Chief Executive*
Peter Economides, *Non-executive Director*
Stephen Hammond MP, *Non-executive Director*
Mehmet Önkal, *Non-executive Director*
Anthony Travis, *Non-executive Director*

Registered Office:

c/o Totalserve Trust Company Limited
197 Main Street
Road Town
Tortola
British Virgin Islands

15 December 2009

To holders of Founder Warrants and, for information only, to holders of Agua Terra Shares

Dear Shareholder,

**Proposal for the cancellation of Founder Warrants, waiver of pre-emption rights
and the issue of new Shares**

1. Background

4,531,250 Founder Warrants are held by Shareholders who held or were allotted Shares on 26 September 2008 on the basis of one Founder Warrant for each Ordinary Share.

Your Company intends to issue further shares in the future and has been advised that the existence of the Founder Warrants has the effect of making new Shares less attractive to new investors, compared to a more straightforward capital structure. Accordingly your Board is making proposals for the Founder Warrants to be cancelled in consideration for which holders of Founder Warrants would be allotted one new Ordinary Share for every 2.335117895 Founder Warrants held.

The issue of Shares both to holders of Founder Warrants and to new investors for cash on a non-pre-emptive basis has been approved by the passing of a written resolution by holders of 54.3 per cent. of Agua Terra's issued share capital.

Details of the terms of the Founder Warrants are set out in paragraph 3 of Part II of this document.

2. Current trading

Agua Terra acquired its initial portfolio of three sites in Mykonos ("Mykonos Azure") following its admission to AIM on 3 October 2008 and promptly achieved planning permits on one of those sites (Agrari). Planning permits, which are irrevocable, have also been issued in respect of sites at Pyrgi (near Super Paradise Beach) and Platys Gialos (near Psarou Beach). In recent weeks, two agreements to sell villas at Platys Gialos for €1.5 million each

(total sales proceeds €3.0 million) have been finalised and non-refundable deposits received. Final payments for the first sales at Platys Gialos are due on 20 April 2010.

With construction due to commence at Platys Gialos in 2010 and planning approvals having been obtained for its other sites, Agua Terra's management is seeking to secure additional sites for development and has sought to negotiate options to acquire sites from the vendors at pre-agreed prices. On 9 November 2009 Agua Terra signed an option agreement in respect of a portfolio of sites beneficially owned by Mr Yiannis Panayi who is a joint founder shareholder of Agua Terra. No initial payment is due on the grant of the option, which relates to five sites in Mykonos, collectively known as "Mykonos Bleu".

The option, which may be exercised by Agua Terra in respect of some or all the sites at any time prior to 31 March 2010 is exclusive in respect of four sites, but the fifth (a site near Pyrgi) is subject to the seller not having sold that site to a third party prior to the exercise of the option by Agua Terra. The consideration payable on exercise of the option will depend on which properties Agua Terra wishes to acquire and ranges from €1.7 million to €5.6 million. The total maximum consideration amounts to €18 million of which up to €2 million must be in cash on completion and the balance will be deferred up to the date when planning permits have been received for all plots in Mykonos Bleu.

The Mykonos Bleu portfolio has been valued for the vendor by CB Richard Ellis at €26 million based on the eventual development value. No contract to purchase any of the Mykonos Bleu sites has been agreed and no decision has been made as to which (if any) of the plots which are subject to the option the Company wishes to acquire.

Mykonos Bleu is one of several development pipeline opportunities being considered along with their funding implications which could result in an issue of new Shares and it is emphasised that no specific transaction is currently in contemplation.

3. Cancellation of Founder Warrants and issue of new Shares

The attention of holders of Founder Warrants is drawn to the Consent Form set out at the end of this document. By signing the Consent Form, holders of Founder Warrants agree to the cancellation of their Founder Warrants and to receive one new Share for every 2.335117895 Founder Warrants held. Fractions of Shares will be disregarded.

Following the completion and return of Consent Forms, the relevant Founder Warrants will be cancelled. The new Shares will be allotted as and when either the relevant Founder Warrants are returned or an indemnity is given in respect of any such warrants which may have been lost. The Founder Warrant Certificates have no value following the completion and return of the form consenting to their cancellation.

The Administrator holds the Founder Warrant Certificates issued to most of the Founder Warrant Holders. Those holders whose Founder Warrant Certificates are not held by the Administrator will find at the end of this document a Consent Form which incorporates an undertaking to return your Founder Warrant Certificates and an indemnity in relation to any claims against Agua Terra or its agents arising from the failure of the Administrator to receive your certificates.

Application will be made for the new Shares to be admitted to trading on AIM.

4. Action to be taken

You will find a Consent Form at the end of this document. If you agree to the cancellation of your Founder warrants in exchange for the issue of new Shares, you should complete the Consent Form in accordance with the instructions printed thereon.

Consent Forms should be completed and returned in accordance with the instructions printed thereon, as soon as possible and in any event so as to be received by 29 December 2009.

If you would like your new Shares to be held in electronic form and you are not a CREST member, you should contact your portfolio manager, stockbroker or other financial adviser who is able to act as your CREST sponsor and will be able to supply the name and address of the nominee in whose name the Shares should be registered, the CREST member account ID and Participant ID.

If you hold Founder Warrant Certificates they should be sent as soon as practicable to Totalserve Management Ltd, Totalserve House, 17 Gr. Xenopoulou Street, PO Box 54425, 3724 Limassol, Cyprus, Attn: Petros Rialas.

5. Further information

Your attention is drawn to the further information set out in Part II of this document.

6. Recommendation

The Board, which has been so advised by Fairfax, considers that the terms of the proposed cancellation of Founder Warrants and issue of new Shares are fair and reasonable so far as Shareholders and Founder Warrant Holders are concerned. Accordingly, they recommend all Founder Warrants to consent to the conversion of their Founder Warrants.

The Directors intend to consent to the conversion of our own beneficial holdings of 1,580,000 Shares representing approximately 35 per cent. of the Founder Warrants in issue.

Yours faithfully,

The Earl of Balfour
Chairman

PART II Additional Information

1. Responsibility

The issue of this document has been approved by the Agua Terra Board. The Directors, whose names are set out on page 3, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Board (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information. Each of the Directors accepts responsibility accordingly.

2. Disclosure of interests

The interests of the Directors in Shares and Founder Warrants prior to and after the cancellation of the Founder Warrants and their percentage interests in the issued share capital before and after such cancellation is shown in the table below.

<i>Name</i>	<i>Prior to cancellation</i>			<i>After cancellation</i>	
	<i>Founder Warrants</i>	<i>Ordinary Shares</i>	<i>%</i>	<i>Ordinary Shares</i>	<i>%</i>
Earl of Balfour	5,000	5,000	0.11	7,141	0.11
Andrew Hargreaves	5,000	5,000	0.11	7,141	0.11
Markos Kashiouris	800,000	800,000	17.66	1,142,595	17.66
Peter Economides	760,000	760,000	16.77	1,085,465	16.77
Stephen Hammond	<i>nil</i>	<i>nil</i>	0.00	<i>nil</i>	0.00
Mehmet Önkal	5,000	5,000	0.11	7,141	0.11
Anthony Travis	5,000	5,000	0.11	7,141	0.11

3. Summary of the Founder Warrant Instrument

On 26 September 2008 the Company executed the Founder Warrant Instrument pursuant to which the Company may issue 4,531,250 warrants to subscribe for Shares of the Company at an exercise price of €2 per Founder Warrant (subject to adjustment in the event of, inter alia, any consolidation or subdivision of shares or a further issue out of reserves). The Founder Warrants are exercisable at any time from issue until 26 September 2018 and are non-transferable, except with the prior consent of the Board. As at the date of this document, 4,531,250 Founder Warrants have been issued to the Founder Shareholders on a 1:1 basis with their Shares.

4. Miscellaneous

- 4.1 Fairfax, which is regulated by the Financial Services Authority, is acting for Agua Terra and no one else and, save in relation to its responsibilities to London Stock Exchange under the AIM Rules for Nominated Advisers, will not be responsible to anyone other than Agua Terra for providing advice in relation to the proposals described in this document. Fairfax will not be offering advice and will not be responsible for providing the protections afforded to customers of Fairfax to recipients of this document in respect of the proposals set out herein.
- 4.2 Fairfax has given and has not withdrawn its written consent to the issue of this document containing references to its name in the Consent Form and context in which they appear.

AGUA TERRA LIMITED

(incorporated and registered in the British Virgin Islands with registration No.1490983)

Consent Form for use by holders of Founder Warrant Certificates

By signing and returning this form, Founder Warrants Holders agree to the cancellation of the Founder Warrants held by them and to the allotment of new Shares. Words and expressions used in this form have the same meanings as in the circular to Founder Warrant Holders dated 15 December 2009 of which this Consent Form forms part.

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

I/We,¹ of
.....¹ hereby:

- (i) consent to the cancellation of the Founder Warrants registered in my/our name(s);
- (ii) undertake to return my/our Founder Warrant certificate to the Administrator at the address set out in Note 2 below as soon as practicable;
- (iii) indemnify Agua Terra, its registrar and agents in respect of any and all claims arising from the loss of or failure to return the certificate for my/our Founder Warrants resulting in it not being received by the Administrator; and
- (iv) apply for new Shares to be allotted in consideration of the cancellation of Founder Warrants to be registered in my/our name(s) unless other registration details are supplied below.

.....
Signature³

.....
Date

Alternative registration details:

If you do not want your new Shares to be registered in the same name as your Founder Warrants, please enter the appropriate registration details below:

Name:.....

Address:.....

For holders in uncertificated form:

CREST Member account ID:

CREST Participant ID:

NOTES:

1. Full name(s) and address(es) to be inserted in BLOCK CAPITALS. The name of all joint holders should be stated.
2. **This Consent Form should be completed and returned by post to Totalserve Management Ltd, Totalserve House, 17 Gr. Xenopoulou Street, PO Box 54425, 3724 Limassol, Cyprus Attn: Petros Rialas; by fax: +357 2586 6001; or by e-mail to petros.rials@totalserve.eu as soon as possible and in any event so as to be received by 29 December 2009.**

This Form of Consent must be signed by the Founder Warrant holder or his attorney duly authorised in writing, or if the appointer is a corporation the form of proxy must be executed under its common seal or under the hand of an officer of the corporation duly authorised on their behalf.